

STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2010



**PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES**

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL
ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2010

**STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2010**

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
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LETTER OF TRANSMITTAL

To The Fiscal Committee Of The General Court:

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2010. This audit has been performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The report that follows provides the results of the work conducted to satisfy the requirements of Title 31, Chapter 75, United States Code, otherwise known as the Single Audit Act and the related Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the U.S. Office of Management and Budget.

This report is presented in seven major sections:

- Introduction and Summary Table of Federal Program Expenditures by State Agency (section B)
- Basic Financial Statements with the Independent Auditors' Report (section C)
- Auditor's Reports on Compliance and on Internal Control (section D)
- Schedule of Expenditures of Federal Awards (section E)
- Schedule of Current Year Findings and Questioned Costs (section F)
- Status of Prior Years' Findings and Questioned Costs (section G)
- Appendices (section H)

While only the basic financial statements are reproduced in this report, the complete *New Hampshire Comprehensive Annual Financial Report* and the related *Management Letter* for the year ended June 30, 2010, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 28, 2011

This report can be accessed online at <http://admin.state.nh.us/accounting>

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**STATE OF NEW HAMPSHIRE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2010**

INTRODUCTION

The Single Audit Act requires annual audits of the State's federal financial assistance programs. The specific audit and reporting requirements are set forth in U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (A-133)*.

This report is divided into sections: the State's fiscal year 2010 financial statements with related footnotes (section C), the auditors' reports on compliance and internal control (section D), the schedule of expenditures of federal awards (section E), the schedule of current year findings and questioned costs (section F), the status of prior years' findings (section G), and various appendices (section H).

The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number, and is used for identifying Type A and Type B programs. Type A federal programs for the State of New Hampshire are those programs with annual federal expenditures that equal or exceed \$7,651,821. All other programs are classified as Type B programs.

The identification of Type A and B programs is used to determine which federal programs will be tested in detail for compliance with federal laws and regulations. Under A-133, the auditor uses a risk-based approach to testing. Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. High-risk programs are considered major programs and are tested in detail for compliance with federal regulations. In addition, all Type A programs must be tested at least once every three years. For fiscal year 2010, 27 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2010, the State administered 337 federal programs, with total federal expenditures of approximately \$2.6 billion. Of those programs, Type A programs/clusters accounted for over 91% of total federal expenditures, with the Medicaid program cluster accounting for 33% of total expenditures. The remainder of this section groups Type A federal programs by the State agency responsible for program administration.

STATE OF NEW HAMPSHIRE
SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2010

<i>STATE AGENCY</i>	<i>CFDA NUMBER</i>	<i>PROGRAM TITLE</i>	<i>TYPE A PROGRAMS</i>	<i>TOTAL EXPENDITURES</i>
Adjutant General	12.401	National Guard Operations and Maintenance	<u>\$ 13,687,544</u>	\$ 13,687,544
		Other Programs		<u>2,155,286</u>
		<i>Total Adjutant General</i>		\$ 15,842,830
Administrative Services	Various	Child Nutrition Cluster	<u>3,213</u>	3,213
		Other Programs		<u>5,260,300</u>
		<i>Total Administrative Services</i>		\$ 5,263,513
Agriculture		Other Programs		\$ 548,868
Commission On Disability		Other Programs		\$ 111,745
Community Technical Colleges	Various Various	Student Financial Aid Cluster	59,328,969	
		Child Care and Development Cluster	<u>11,981</u>	59,340,950
		Other Programs		<u>1,935,459</u>
		<i>Total Community Technical Colleges</i>		\$ 61,276,409
Corrections		Other Programs		\$ 1,107,833
Cultural Resources		Other Programs		\$ 3,071,812
Development Disabilities Council		Other Programs		\$ 436,351
Education	Various Various Various Various 84.367	Child Nutrition Cluster	25,981,167	
		Title I, Part A Cluster	45,346,684	
		Special Education Cluster	59,574,610	
		Vocational Rehabilitation Cluster	9,401,447	
		Improving Teacher Quality	<u>14,224,941</u>	154,528,849
		Other Programs		<u>44,113,039</u>
<i>Total Education</i>			\$ 198,641,888	
Employment Security	17.225 Various 93.563	Unemployment Insurance	461,261,811	
		WIA Cluster	225,635	
		Child Support Enforcement	<u>3,893</u>	461,491,339
		Other Programs		<u>8,356,228</u>
		<i>Total Employment Security</i>		\$ 469,847,567

STATE OF NEW HAMPSHIRE

**SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2010**

<i>STATE AGENCY</i>	<i>CFDA NUMBER</i>	<i>PROGRAM TITLE</i>	<i>TYPE A PROGRAMS</i>	<i>TOTAL EXPENDITURES</i>
Energy & Planning	81.042	Weatherization Assistance for		
		Low-Income Persons	7,887,854	
	93.568	Low-Income Energy Assistance	<u>44,281,627</u>	52,169,481
		Other Programs		<u>3,406,839</u>
		<i>Total Energy & Planning</i>		\$ 55,576,320
Environmental Services	66.458	Clean Water Revolving Fund	19,155,147	
	66.468	Drinking Water Revolving Funds	<u>20,685,352</u>	39,840,499
		Other Programs		<u>19,909,209</u>
		<i>Total Environmental Services</i>		\$ 59,749,708
Fish & Game Department		Other Programs		\$ 7,465,672
Health & Human Services	Various	SNAP Cluster	153,090,281	
	10.557	Supplemental Food Program	12,627,778	
	93.069	Public Health Emergency Preparedness	13,612,432	
	Various	Immunization Cluster	11,233,426	
	Various	TANF Cluster	45,233,146	
	93.563	Child Support Enforcement	9,462,120	
	Various	Child Care and Development Cluster	20,729,178	
	93.658	Foster Care	15,467,565	
	93.667	Social Services Block Grant	10,937,709	
	93.767	Children's Insurance Program	12,137,193	
	Various	Medicaid Cluster	<u>843,613,350</u>	1,148,144,178
		Other Programs		<u>70,974,703</u>
		<i>Total Health & Human Services</i>		\$ 1,219,118,881
Highway Safety		Other Programs		\$ 2,351,552
Human Rights Commission		Other Programs		\$ 163,797
Judicial Branch		Other Programs		\$ 496,102
Justice	Various	Medicaid Cluster	<u>569,205</u>	569,205
		Other Programs		<u>8,153,539</u>
		<i>Total Justice</i>		\$ 8,722,744
Labor	Various	WIA Cluster	<u>2,458,779</u>	2,458,779
		Other Programs		<u>202,202</u>
		<i>Total Labor</i>		\$ 2,660,981

STATE OF NEW HAMPSHIRE

**SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2010**

<i>STATE AGENCY</i>	<i>CFDA NUMBER</i>	<i>PROGRAM TITLE</i>	<i>TYPE A PROGRAMS</i>	<i>TOTAL EXPENDITURES</i>
McAuliffe-Shepard Discovery Center		Other Programs		\$ 33,317
Office of Economic Stimulus	84.397	State Fiscal Stabilization Fund	<u>164,628,607</u>	\$ 164,628,607
Postsecondary Education Commission		Other Programs		\$ 645,862
Public Utilities Commission		Other Programs		\$ 693,786
Resources & Economic Development	Various Various	WIA Cluster	7,496,255	
		Highway Planning And Construction Cluster	<u>972,030</u>	8,468,285
		Other Programs		<u>1,895,751</u>
		<i>Total Resources & Economic Development</i>		\$ 10,364,036
Safety		Other Programs		\$ 21,798,560
Secretary Of State		Other Programs		\$ 706,367
Transportation	Various	Highway Planning And Construction Cluster	<u>217,200,387</u>	217,200,387
		Other Programs		<u>18,823,977</u>
		<i>Total Transportation</i>		\$ 236,024,364
Veterans Home		Other Programs		<u>\$ 3,257,632</u>
		TOTAL EXPENDITURES	<u>\$ 2,322,531,316</u>	<u>\$ 2,550,607,104</u>



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INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2010, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Investment Trust Fund and Judicial Retirement Plan, which represent 5.5% and 24.1% of the assets and revenues, respectively, of the aggregate remaining fund information, or the University System of New Hampshire, the Business Finance Authority, the Pease Development Authority, and the Community Development Finance Authority, which represent 97.2% and 87.6% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of New Hampshire's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the Investment Trust Fund were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



To the Fiscal Committee of the General Court
State of New Hampshire

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, on our consideration of the State of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 16 through 22, the budget to actual - budgetary basis - schedules on pages 76 through 81, and the schedules of funding progress and schedule of employer contributions on page 82 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Hampshire's basic financial statements. The introductory section, the other supplementary information and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The following is a discussion and analysis of the financial activities of the State of New Hampshire (the state) for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal, which can be found at the front of this report and with the state's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS -PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets: The total assets of the state exceeded total liabilities at fiscal year ending June 30, 2010 by \$2.5 billion. This amount is presented as "Total Net Assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, \$165.4 million was reported as unrestricted net assets, \$451.6 million was restricted net assets, and \$1.9 billion was invested in capital assets. Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

Changes in Net Assets: The state's total net assets decreased by \$9.9 million, or 0.4%, in fiscal year 2010. Net assets of governmental activities increased by \$133.6 million (6.7%), and net assets of the business-type activities showed a decrease of \$143.5 million (26.9%).

Non-Current Liabilities: The state's total non-current liabilities increased by \$439.9 million (33.5%) during the current fiscal year. Long-term bonded debt increased \$232.7 million or 22.0% as new issuances exceeded payments of outstanding debt. In addition, an additional \$155.4 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

Fund Highlights:

Governmental Funds - Fund Balances: As of the close of fiscal year 2010, the state's governmental funds reported a combined ending fund balance of \$452.3 million, an increase of \$177.9 million from the prior year. This change is inclusive of a \$1.3 million inventory reserve increase. Included in the combined governmental fund balance is the activity of the state's General Fund. The General Fund ended the year with an unreserved, undesignated surplus of \$65.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components:

1. Government-Wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the state's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the state's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The **Statement of Net Assets**, beginning on page 24 presents all of the state's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net assets" instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The **Statement of Activities**, beginning on page 26, presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the Government-Wide Financial Statements have separate sections for three different types of state activities. These three types of activities are:

Governmental Activities: The activities in this section represent most of the state's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the state include general government, administration of justice and public protection, resource protection and development, transportation, health and social services, and education.

Business-Type Activities: These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the:

- Liquor Commission,
- Lottery Commission,
- Turnpike System, and
- New Hampshire Unemployment Compensation Trust Fund.

Discretely Presented Component Units: Component Units are entities that are legally separate from the state, but for which the state is financially accountable. The state's discretely presented component units are presented in the aggregate in these Government-Wide Statements and include the:

- University System of New Hampshire (USNH),
- Business Finance Authority,
- Community Development Finance Authority,
- Pease Development Authority, and
- Community College System of New Hampshire.

Except for the Community College System of New Hampshire, complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related funds that is used to maintain control over resources that have been segregated for specific activities or objectives. The state, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements, focus on the individual parts of the state government, and report the state's operations in more detail than the government-wide statements. The state's funds are divided into three categories - governmental, proprietary and fiduciary. For governmental and proprietary funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the other supplementary information section to support the Non-Major Funds column. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency) with combining schedules in the Supplementary Section.

Governmental Funds: Most of the basic services provided by the state are financed through governmental funds. Unlike the Government-Wide Financial Statements, the Governmental Fund Financial Statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. The basic Governmental Fund Financial Statements can be found on pages 30 and 32.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Statements and the Government-Wide Statements, which can be found on pages 31 and 33.

The state's major governmental funds include the General Fund, Highway Fund, and Education Fund.

Individual fund data for each of the state's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 88 and 89.

Proprietary Funds: The state's proprietary funds charge a user fee for the goods and services they provide to both the general public and other agencies within the state. These activities are reported in four enterprise funds and one internal service fund. The enterprise funds, which are all considered major funds, report activities that provide goods and services to the general public and include the operations of the Liquor Commission, Lottery Commission, Turnpike System and the New Hampshire Unemployment Trust Fund. The Internal Service Fund reports health related fringe benefit services for the state's programs and activities.

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 36-38.

Fiduciary Funds and Similar Component Units: These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of these funds are not available to support the state's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

The state's fiduciary funds on pages 41-42 include the:

- **Pension Trust Fund** which accounts for the activity of the state's New Hampshire Retirement System and the Judicial Retirement Plan - component units of the state,
- **Investment Trust Fund** which accounts for the activity of the external investment pool known as PDIP,
- **Private-Purpose Trust Funds** which account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments, and
- **Agency Funds** which account for the resources held in a pure custodial capacity.

Individual fund detail can be found in the combining financial statements in the Other Supplementary Information Section.

Major Component Unit

The state has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 44 and 45.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 47.

Required Supplementary Information

In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the state's major governmental funds, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, schedules on the funded status and employer contributions are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

Other Supplementary Information

Other supplementary information includes combining financial statements and schedules for governmental, internal service and fiduciary funds and non-major component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled \$2.5 billion at the end of 2010, compared to \$2.5 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the state's net assets (75%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The state's investment in capital assets decreased \$140.5 million from prior year. This decrease was the result of a net increase in capital assets of \$74.7 million during the year combined with an increase in capital related debt of \$215.2 million. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

Restricted Net Assets: Another portion of the state's net assets (18%) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. Restricted net assets increased \$9.7 million from prior year due largely to increases in debt repayment and environmental loan reserves offset by a reduction in unemployment benefit reserves.

Unrestricted Net Assets: The state's unrestricted net assets, totaling \$165.4 million, increased \$120.9 million from the previous year. These assets may be used to meet the state's ongoing obligations to citizens and creditors. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

Comparative Net Assets as of June 30, 2010 and 2009						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 1,209,680	\$ 889,803	\$ 222,279	\$ 280,391	\$ 1,431,959	\$1,170,194
Capital assets	2,487,350	2,468,371	639,964	584,236	3,127,314	3,052,607
Other assets	344,285	283,467	7,188	6,849	351,473	290,316
Total assets	4,041,315	\$3,641,641	869,431	871,476	4,910,746	\$4,513,117
Noncurrent liabilities	1,382,785	1,132,088	369,670	240,427	1,752,455	1,312,560
Current liabilities	534,581	519,250	110,099	97,880	644,680	677,085
Total liabilities	1,917,366	1,651,338	479,769	338,307	2,397,135	1,989,645
Net assets:						
Invested in capital assets, net of related debt	1,669,203	1,695,688	227,358	341,422	1,896,561	2,037,110
Restricted	348,708	291,513	102,937	150,387	451,645	441,900
Unrestricted	106,038	3,102	59,367	41,360	165,405	44,462
Total net assets	\$ 2,123,949	\$ 1,990,303	\$ 389,662	\$ 533,169	\$ 2,513,611	\$ 2,523,472

Changes in Net Assets

The state's total net assets decreased by \$9.9 million, or 0.4%, during the current fiscal year. Total revenues increased by \$1,047.5 million (19.0%) as compared to increases in expenses of \$710.2 million (12.1%).

More than half of the state's revenue (68.0%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. The largest revenue increases relate primarily to increases in overall Federal Operating Grants, largely related to ARRA.

The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 32.9% and 22.3% of total expenses, respectively. As compared to the prior year, the increase in total expenses of 12.1% is realized in similar percentage increases among most categories, with Health and Social Services having the largest dollar increase of \$182.4 million.

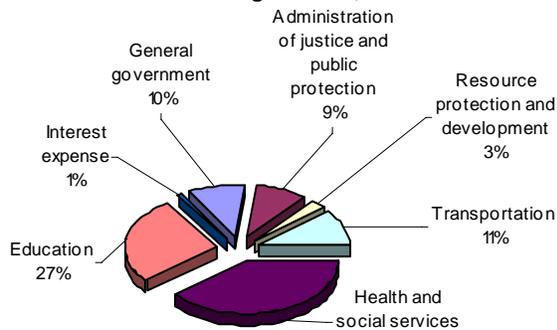
In addition, program costs enabled by funding from the American Recovery and Reinvestment Act of 2009 and expenses related to retiree health and postemployment benefits contributed to General Government, Justice and Public Protection and Transportation growing by 14.6%, 8.2% and 13.3%, respectively.

Comparative Changes in Net Assets
For Fiscal Years Ending June 30, 2010 and 2009

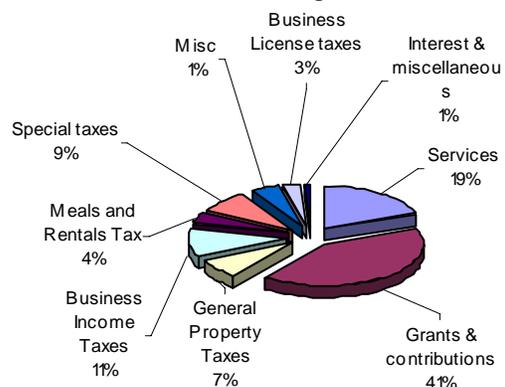
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,007,357	\$ 717,926	\$ 1,288,784	\$ 1,024,858	\$ 2,296,141	\$ 1,742,784
Operating grants & contributions	1,948,200	1,599,262			1,948,200	1,599,262
Capital grants & contributions	223,103	208,309		3,952	223,103	212,261
General revenues:						
General Property Taxes	393,296	395,151			393,296	395,151
Business Income Taxes	565,825	482,597			565,825	482,597
Meals and Rentals Tax	231,663	211,414			231,663	211,414
Special taxes	464,519	473,215			464,519	473,215
Personal taxes	243,499	188,038			243,499	188,038
Business License taxes	146,684	145,973			146,684	145,973
Interest	7,037	15,291			7,037	15,291
Miscellaneous	49,648	56,174			49,648	56,174
Total revenues	5,280,831	4,493,350	1,288,784	1,028,810	6,569,615	5,522,160
Expenses						
General government	568,119	495,720			568,119	495,720
Administration of justice and public protection	474,095	438,273			474,095	438,273
Resource protection and development	178,406	139,574			178,406	139,574
Transportation	587,542	518,415			587,542	518,415
Health and social services	2,162,636	1,980,286			2,162,636	1,980,286
Education	1,469,926	1,346,221			1,469,926	1,346,221
Interest Expense	32,074	31,546			32,074	31,546
Turnpike System			82,237	80,433	82,237	80,433
Liquor Commission			397,490	385,794	397,490	385,794
Lottery Commission			168,853	172,630	168,853	172,630
Unemployment Compensation			458,098	280,385	458,098	280,385
Total expenses	5,472,798	4,950,035	1,106,678	919,242	6,579,476	5,869,277
Increase (decrease) in net assets before transfers	(191,967)	(456,685)	182,106	109,568	(9,861)	(347,117)
Transfers & Other Items	325,613	192,745	(325,613)	(192,745)		
Increase (Decrease) in net assets	133,646	(263,940)	(143,507)	(83,177)	(9,861)	(347,117)
Net assets, beginning of year	1,990,303	2,254,243	533,169	616,346	2,523,472	2,870,589
Net assets, end of year	\$ 2,123,949	\$ 1,990,303	\$ 389,662	\$ 533,169	\$ 2,513,611	\$ 2,523,472

Governmental Activities - Expenses
Fiscal Year Ending June 30, 2010



Revenues - Governmental Activities
Fiscal Year Ending June 30, 2010

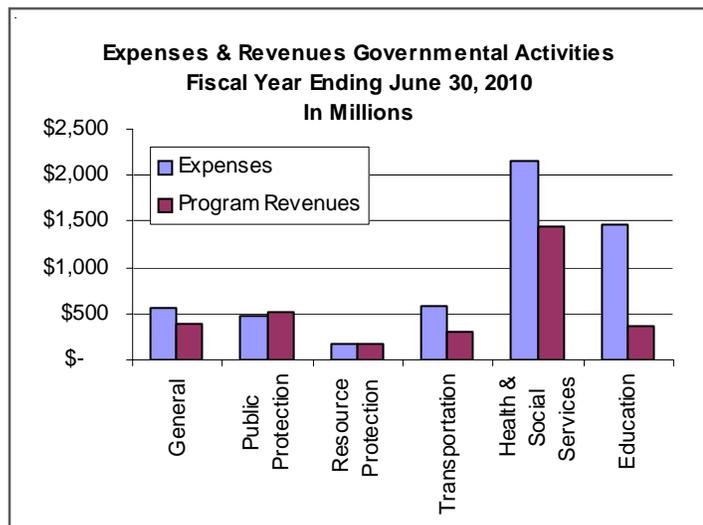


Analysis of Changes in Revenues and Expenses For Fiscal Year Ending June 30, 2010 Compared to 2009 (\$ In Millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	\$Change	% Change	\$Change	% Change	\$Change	% Change
Revenues						
Program revenues:						
Charges for services	289.4	40.3%	263.9	25.8%	553.4	31.8%
Operating grants & contributions	348.9	21.8%			348.9	21.8%
Capital grants & contributions	14.8	7.1%	(4.0)	-100.0%	10.8	5.1%
General revenues:						
General Property Taxes	(1.9)	-0.5%			(1.9)	-0.5%
Business Income taxes	83.2	17.2%			83.2	17.2%
Meals and Rental Taxes	20.2	9.6%			20.2	9.6%
Special taxes	(8.7)	-1.8%			(8.7)	-1.8%
Personal taxes	55.5	29.5%			55.5	29.5%
Business License taxes	0.7	0.5%			0.7	0.5%
Interest	(8.3)	-54.0%			(8.3)	-54.0%
Miscellaneous	(6.5)	-11.6%			(6.5)	-11.6%
Total revenues	787.5	17.5%	260.0	25.3%	1,047.5	19.0%
Expenses						
General government	72.4	14.6%			72.4	14.6%
Administration of justice and public protection	35.8	8.2%			35.8	8.2%
Resource protection and development	38.8	27.8%			38.8	27.8%
Transportation	69.1	13.3%			69.1	13.3%
Health and social services	182.4	9.2%			182.4	9.2%
Education	123.7	9.2%			123.7	9.2%
Interest Expense	0.5	1.7%			0.5	1.7%
Turnpike System			1.8	2.2%	1.8	2.2%
Liquor Commission			11.7	3.0%	11.7	3.0%
Lottery Commission			(3.8)	-2.2%	(3.8)	-2.2%
Unemployment Compensation			177.7	63.4%	177.7	63.4%
Total expenses	522.8	10.6%	187.4	20.4%	710.2	12.1%

Governmental Activities

Governmental activities decreased the state's net assets by \$192.0 million, before transfers and other items, an improvement over prior year of \$264.7 million. Revenues increased by \$787.5 million or 17.5% from prior year to total \$5.3 billion. The growth was not sufficient to offset expenses which grew \$522.8 million or 10.6%.

A comparison of the cost of services by function for the state's governmental activities with the related program revenues is shown in the chart below. The largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues, which primarily consist of taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax. The amount of general revenue supplement to these activities in FY 2010 increased by \$26.0 million for DHHS and decreased by \$79.0 million for Education.



Business-Type Activities

Charges for goods and services for the state's combined business type activities were more than adequate to cover the operating expenses and resulted in net assets increasing by \$182.1 million prior to transfers, \$72.5 million more than the prior year. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund, and Turnpike Fund.

Operations of the Liquor Commission generated net income before capital asset transfers of \$133.5 million, a 9.7% increase from prior year, all of which was transferred to the General Fund to fund the general operations of the state. A decline in lottery ticket sales during the year contributed to a \$68.7 million net income (a decrease from prior year of 3.5%) from the Lottery Commission which was transferred to the Education Fund.

Turnpike System net assets decreased by \$84.5 million as a result of inter-agency transfers. The operations of the Unemployment Compensation fund yielded a loss of \$58.4 million reducing its net assets as a result of the weak economy leading to higher unemployment benefit payments this fiscal year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund of the state. The total fund equity at June 30, 2010 is \$370.9 million. The general fund ended the year with an unreserved, undesignated balance of \$65.7 million after closing the prior year with no surplus. The increase is due largely to unexpected higher accrued tax revenues at the end of FY 2010. No adjustment is made to the Rainy Day account until the end of the current biennium.

Education Fund

The education fund, before year end transfers, had a surplus of \$31.5 million, attributable to higher tax revenues than anticipated. This surplus was transferred to the general fund bringing the education undesignated fund balance to zero at June 30.

Highway Fund

The highway fund ended the year with an unreserved, undesignated surplus of \$8.9 million, which represents a \$63.8 million improvement from the prior year. This can be attributed to higher business license taxes, federal grants, and an intra-entity sale of an asset to the Turnpike System. See "Footnote 14 Highway" in the Notes to the Basic Financial Statements.

Proprietary Funds

The state’s proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements.

BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 76.

General Fund:

The increase from the original budget of \$4,703 million to the final budget of \$4,816 million is \$113 million and represents additional appropriations issued after July 1, 2009 and are composed of the following (*in millions*):

• Office of Energy and Planning	\$50
ARRA - State Energy Funds	
ARRA - Energy Efficiency Grants	
ARRA - Weatherization	
• Dept. of Education	38
ARRA Local Education Agencies	
• Office of Health & Human Services	32
ARRA - Medical Assistance Programs	
Homeless Prevention	
• Dept. of Safety	22
Emergency Assistance Funds	
Disaster Assistance Funds	
Flood Mitigation Assistance	
• Dept. of Resources and Economic Dev	17
Workforce Opportunity Council	
• Various Other	14
• Transfers and Appropriation Reduction	(60)
Total	<u>\$ 113</u>

The largest negative variances from the final budget to actual amounts were for grant revenues. Grants from Federal, Private and Local Sources had a combined unfavorable variance of \$566 million. The unfavorable variances in grant revenues are due to timing differences that extend beyond the state's fiscal year and therefore revenue is not drawn down until expenditures are incurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The state’s investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to \$5.8 billion, with accumulated depreciation amounts of \$2.7 billion, leaving a net book value of \$3.1 billion, an increase of \$74.7 million from prior year. The investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure

assets are items that are normally immovable, of value only to the state and include only roads and bridges. The net book value of the state’s infrastructure for its roads and bridges approximates \$1.7 billion, which decreased \$27.1 million from the previous year as current year additions of \$53.0 million were less than the total deletions and depreciation of \$80.1 million.

Additional information on the state’s capital assets can be found in Footnote 4 of the Notes to the Basic Financial Statements.

Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,238.2 million. Of this amount, \$860.0 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state’s bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On August 17, 2009 the State issued a \$1.9 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 5% coupon and matures on August 15, 2029.

On August 24, 2009 the State issued \$50.0 million in bond anticipation notes through its Commercial Paper Program. These short term notes sold with interest rates from .30% to .40% were used to fund ongoing capital improvement projects in advance of the December 15, 2009 long-term bond issue. These notes matured and were paid off on January 20, 2010.

On November 18, 2009, the Turnpike System issued \$67.2 million in tax-exempt refunding bonds that refunded bonds issued in 1999. This refunding resulted in net present value savings of \$8.2 million or 11.74%. Debt service on the prior refunded bonds totaled \$111.1 million and debt service on the new refunding bonds totals \$87.5 million. In addition, on November 18, 2009, the Turnpike System issued \$150 million in federally taxable Build America Bonds (“BABS”) with federal subsidy payments of 35% of the interest due paid to the Turnpike System through the State in the form of a direct payment to be received as interest payments are made by the State.

On December 15, 2009, the State issued \$50 million of tax exempt general obligation capital improvement bonds. Interest rates on the bonds range from 3% to 5% with maturities ranging from 2011 to 2017. In addition, on December 15, 2009, the State issued \$75 million in federally taxable Build America Bonds ("BABs") with federal subsidy payments of 35% of the interest due paid to the State in the form of a direct payment to be received as interest payments are made by the State. Interest rates on the bonds range from 4.125% to 5.5% with maturities ranging from 2017 to 2029.

On January 19, 2010, the State issued a \$2.4 million general obligation capital improvement bond. Similar to the small issue in August, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2030.

On April 8, 2010, the State issued \$153.3 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2011 to 2024 with coupon rates from 2% to 5%. The refunding resulted in \$6.5 million in savings on a cash basis, representing a 2% savings over the life of the issue as measured by a net present value basis. Debt service on the prior refunded bonds totaled \$232.4 million; new debt service on the refunding bonds totals \$225.9 million.

The state does not have any debt limitations, except for contingent debt guarantees, which are detailed in the notes to the financial statements. Additional information on the state's long-term debt obligations can be found in Footnote 5 of the Notes to the Financial Statements.

Fitch Ratings has assigned the state's bond rating of AA+, Moody's Investors Service of Aa1, and Standards & Poor's of AA.

ECONOMIC CONDITIONS AND OUTLOOK

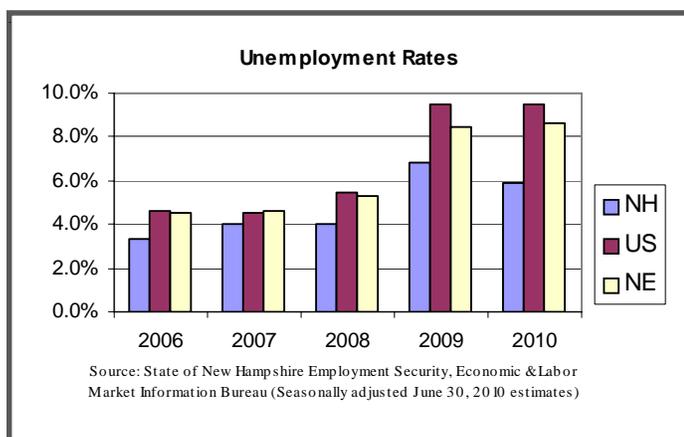
Along with the nation and the region, the state's economy is emerging from recession with some challenges ahead. Due to a favorable tax climate for both business and the individual coupled with high quality of life and standard of living has made New Hampshire a competitive state. As a result, New Hampshire did not weaken as much as the region or the nation. The state's unemployment rate of 5.9% continues to be below the New England and national averages of 8.6% and 9.5%, respectively.

Current forecasts indicate that New Hampshire's recession is over, but any recovery will be slow through much, if not all of 2011. General and Education Fund revenues for the first five months of fiscal year 2011 were \$682.8 million, which were \$8.5 million (1.2%) below plan but \$7.2 million (1.1%) above prior year. Consistent with lingering recessionary pressures, revenue sources from investment and consumer sectors are driving the underperformance in revenue from plan. The Interest and Dividends Tax was \$1.3 million (7.3%) below plan. Real Estate Transfer Tax collections were \$5.6 million (13.3%) below plan. Transfers from Liquor and Lottery Commission were \$1.3 million (2.3%) and \$6.1 million (22.4%) below plan, respectively.

Going forward, the state will be monitoring revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives where needed.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the state's finances for all of New Hampshire citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the state's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of New Hampshire, Department of Administrative Services, Division of Accounting Services, 25 Capitol Street, State House Annex Room 310, Concord, NH 03301.



Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents.....	\$ 432,642	\$ 98,883	\$ 531,525	\$ 290,305
Cash and Cash Equivalents-Restricted.....		109,001	109,001	1,193
Receivables (Net of Allowances for Uncollectibles)....	671,991	65,022	737,013	50,493
Other Receivables-Restricted.....				1,984
Internal Balances Receivable (Payable).....	(5,937)	5,937		
Internal Notes Receivable (Payable).....	91,127	(91,127)		
Due from Primary Government.....				2,278
Due from Component Units.....	2,820		2,820	
Inventories.....	17,037	34,271	51,308	
Other Current Assets.....		292	292	7,003
Total Current Assets.....	1,209,680	222,279	1,431,959	353,256
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)....	315,558		315,558	35,699
Due from Component Units.....	6,044		6,044	
Investments.....	22,683		22,683	316,574
Bond Issue Costs.....		3,250	3,250	
Other Assets.....		3,938	3,938	31,461
Capital Assets:				
Land & Land Improvements.....	600,729	111,826	712,555	16,943
Buildings & Building Improvements.....	765,436	25,346	790,782	1,474,596
Equipment & Computer Software.....	289,492	43,027	332,519	134,565
Construction in Progress.....	207,202	76,758	283,960	57,966
Infrastructure.....	3,036,173	671,146	3,707,319	
Less: Allowance for Depreciation.....	(2,411,682)	(288,139)	(2,699,821)	(642,354)
Net Capital Assets.....	2,487,350	639,964	3,127,314	1,041,716
Total Noncurrent Assets.....	2,831,635	647,152	3,478,787	1,425,450
Total Assets.....	4,041,315	869,431	4,910,746	1,778,706
LIABILITIES				
Current Liabilities:				
Accounts Payable.....	275,064	48,874	323,938	53,955
Accrued Payroll.....	42,322	2,771	45,093	4,748
Due to Primary Government.....				2,820
Due to Component Units.....	2,278		2,278	
Unearned Revenue.....	62,694	10,133	72,827	45,076
Unclaimed Property & Prizes.....	15,168	917	16,085	
General Obligation Bonds Payable.....	87,976	584	88,560	
Claims & Compensated Absences Payable.....	44,288	1,587	45,875	10,913
Postemployment Benefits Payable.....			-	4,706
Other Liabilities.....	4,791	21,165	25,956	9,228
Other Liabilities-Restricted.....		6,918	6,918	2,562
Revenue Bonds Payable-Restricted.....		17,150	17,150	
Revenue Bonds Payable.....				72,074
Total Current Liabilities.....	534,581	110,099	644,680	206,082

The notes to the financial statements are an integral part of this statement.

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STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES - CONTINUED				
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	771,424		771,424	
Revenue Bonds Payable, Net		361,090	361,090	377,730
Bond Anticipation Notes	50,000		50,000	
Claims & Compensated Absences Payable	79,792	5,896	85,688	33,430
Postemployment Benefits Payable.....	450,602		450,602	42,608
Due to Primary Government.....				6,044
Other Noncurrent Liabilities.....	30,967	2,684	33,651	108,830
Total Noncurrent Liabilities.....	1,382,785	369,670	1,752,455	568,642
Total Liabilities.....	\$ 1,917,366	\$ 479,769	\$ 2,397,135	\$ 774,724
NET ASSETS				
Invested in Capital Assets, net of related debt.....	\$ 1,669,203	\$ 227,358	\$ 1,896,561	\$ 563,127
Restricted for Debt Repayments.....		51,418	51,418	
Restricted for Unemployment Benefits.....		47,581	47,581	
Restricted for Permanent Funds-Non-Expendable.....	14,217		14,217	
Restricted for Prize Awards - MUSL & Tri-State.....		3,938	3,938	
Restricted for Environmental Loans.....	325,179		325,179	
Restricted for Revenue Stabilization.....	9,312		9,312	
Restricted Component Unit Net Assets.....				271,825
Unrestricted Net Assets.....	106,038	59,367	165,405	169,030
Total Net Assets.....	\$ 2,123,949	\$ 389,662	\$ 2,513,611	\$ 1,003,982

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government.....	\$ 568,119	\$ 317,542	\$ 71,450	
Administration of Justice & Public Protection.....	474,095	411,353	98,358	\$ 30
Resource Protection and Development.....	178,406	76,960	95,339	
Transportation.....	587,542	69,046	8,193	218,051
Health and Social Services.....	2,162,636	123,906	1,315,215	
Education.....	1,469,926	8,550	359,645	5,022
Interest Expense.....	32,074			
Total Governmental Activities.....	5,472,798	1,007,357	1,948,200	223,103
Business-type Activities:				
Turnpike System.....	82,237	120,511		
Liquor Commission.....	397,490	530,936		
Lottery Commission.....	168,853	237,591		
Unemployment Compensation.....	458,098	399,746		
Total Business-type Activities.....	1,106,678	1,288,784		
Total Primary Government.....	\$ 6,579,476	\$ 2,296,141	\$ 1,948,200	\$ 223,103
COMPONENT UNITS				
University System of New Hampshire.....	\$ 730,034	\$ 514,863	\$ 142,683	\$ 8,330
Non-Major Component Units.....	156,476	79,525	42,631	
Total Component Units.....	\$ 886,510	\$ 594,388	\$ 185,314	\$ 8,330

General Revenues:

General Property Taxes.....
Business Income Taxes.....
Meals and Rental Taxes.....
Special Taxes.....
Personal Taxes.....
Business License Taxes.....
Interest & Investment Income.....
Miscellaneous.....
Payments from State of New Hampshire.....
Transfer of Capital Assets.....
Transfers - Internal Activities.....
Total General Revenues and Transfers.....
Changes in Net Assets.....
Net Assets - Beginning.....
Net Assets - Ending.....

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (179,127)		\$ (179,127)	
35,646		35,646	
(6,107)		(6,107)	
(292,252)		(292,252)	
(723,515)		(723,515)	
(1,096,709)		(1,096,709)	
(32,074)		(32,074)	
(2,294,138)		(2,294,138)	
	\$ 38,274	38,274	
	133,446	133,446	
	68,738	68,738	
	(58,352)	(58,352)	
	182,106	182,106	
\$ (2,294,138)	\$ 182,106	\$ (2,112,032)	
			\$ (64,158)
			(34,320)
			\$ (98,478)
393,296		393,296	
565,825		565,825	
231,663		231,663	
464,519		464,519	
243,499		243,499	
146,684		146,684	
7,037		7,037	19,115
49,648		49,648	
			158,631
116,565	(116,565)		
209,048	(209,048)		
2,427,784	(325,613)	2,102,171	177,746
133,646	(143,507)	(9,861)	79,268
1,990,303	533,169	2,523,472	924,714
\$ 2,123,949	\$ 389,662	\$ 2,513,611	\$ 1,003,982

The notes to the financial statements are an integral part of this statement



Fund Financial Statements

Governmental Funds

General Fund: *The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.*

Highway Fund: *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid and American Recovery and Reinvestment Act funds received by the state for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

Education Trust Fund: *The Education Trust Fund was established to distribute adequate education grants to school districts. Funding for the grants comes from a variety of sources, including the statewide property and utility taxes, incremental portions of existing business and tobacco taxes, sweepstakes funds, and tobacco settlement funds.*

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 366,189	\$ 7,219	\$ 7,870	\$ 15,036	\$ 396,314
Investments	12,938			9,745	22,683
Receivables (Net of Allowances for Uncollectibles)....	494,682	48,571	106,229	2,342	651,824
Inter-Fund Note Receivable.....		91,127			91,127
Due from Other Funds	33,825	30,005	213	1,740	65,783
Due from Component Units.....	8,864				8,864
Inventories.....	5,674	10,470		893	17,037
Loans and Notes Receivables	333,464				333,464
Total Assets	<u>\$ 1,255,636</u>	<u>\$ 187,392</u>	<u>\$ 114,312</u>	<u>\$ 29,756</u>	<u>\$ 1,587,096</u>
LIABILITIES					
Accounts Payable.....	\$ 234,258	\$ 26,779	\$ 2,794	\$ 11,197	\$ 275,028
Accrued Payroll.....	36,314	5,229		779	42,322
Due to Other Funds	37,901		33,819		71,720
Due to Component Unit.....	2,278				2,278
Deferred Revenue	558,652	93,741	75,600	91	728,084
Unclaimed Property.....	15,168				15,168
Other Liabilities.....	141	18		20	179
Total Liabilities.....	<u>884,712</u>	<u>125,767</u>	<u>112,213</u>	<u>12,087</u>	<u>1,134,779</u>
FUND BALANCES					
Reserved for Encumbrances.....	251,743	30,591		58,657	340,991
Reserved for Inventories.....	5,674	10,470		893	17,037
Reserved for Unexpended Appropriations.....	38,514	11,668	2,099	3,840	56,121
Reserved for Revenue Stabilization.....	9,312				9,312
Reserved for Permanent Trust				14,217	14,217
Unreserved, Undesignated (Note 14).....	65,681	8,896			74,577
Unreserved, Fish & Game Fund.....				3,581	3,581
Unreserved (Deficit), Capital Project Fund.....				(63,519)	(63,519)
Total Fund Balances.....	<u>370,924</u>	<u>61,625</u>	<u>2,099</u>	<u>17,669</u>	<u>452,317</u>
Total Liabilities and Fund Balances.....	<u>\$ 1,255,636</u>	<u>\$ 187,392</u>	<u>\$ 114,312</u>	<u>\$ 29,756</u>	<u>\$ 1,587,096</u>

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

Total fund balances for governmental funds \$ 452,317

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 2,487,350

Certain tax revenues and loans are earned but not available and therefore are deferred in the funds:

Business Taxes, I&D, Meals & Rooms, and Utility Property	230,429	
Medicaid Hospital Reimbursements	6,652	
Highway Fund Federal and Municipal Billings	153	
Highway Fund Note Receivable from Turnpike System	91,127	
Indigent Representation Advances	2,986	
SRF Loans	325,179	
Component Unit Loans	8,864	665,390

Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.

20,447

Certain long term liabilities are not payable by current available resources and therefore are not reported in the funds:

Compensated Absences, Workers Compensation and Health Claims	(105,974)	
Other Postemployment Benefits	(450,602)	
Pollution Remediation Obligation	(29,504)	
Capital Lease Obligations	(3,377)	
Bond Anticipation Notes	(50,000)	
Bond Payables	(859,400)	
Litigation Payable	(950)	
Interest Payable	(1,748)	(1,501,555)

Net Assets of Governmental Activities \$ 2,123,949

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes.....	\$ 203		\$ 393,093		\$ 393,296
Special Taxes.....	995,366		212,814		1,208,180
Personal Taxes.....	130,495		113,004		243,499
Business License Taxes.....	18,824	\$ 146,684			165,508
Non-Business License Taxes.....	88,586	119,790		\$ 8,502	216,878
Fees.....	170,797	22,197		1,337	194,331
Fines, Penalties and Interest.....	11,161	645	2	145	11,953
Grants from Federal Government.....	1,684,782	206,726	160,156	22,003	2,073,667
Grants from Private and Local Sources.....	106,886	3,679		1,512	112,077
Rents and Leases.....	10,201	149			10,350
Interest, Premiums and Discounts.....	11,950			339	12,289
Sale of Commodities.....	11,453	137		239	11,829
Sale of Service.....	60,077	33,587		3	93,667
Assessments.....	81,008	1			81,009
Grants from Other Agencies.....	111,427	2,528		4,251	118,206
Miscellaneous.....	137,369	40,314	40,000	1,748	219,431
Total Revenues.....	3,630,585	576,437	919,069	40,079	5,166,170
EXPENDITURES					
General Government.....	419,267			1,093	420,360
Administration of Justice and Public Protection.....	414,520	1,553			416,073
Resource Protection and Development.....	214,540			24,635	239,175
Transportation.....	24,447	512,105			536,552
Health and Social Services.....	2,133,003			626	2,133,629
Education.....	408,964		953,064		1,362,028
Debt Service.....	97,536	13,143		445	111,124
Capital Outlay.....	22,129	22,384		152,829	197,342
Total Expenditures.....	3,734,406	549,185	953,064	179,628	5,416,283
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	(103,821)	27,252	(33,995)	(139,549)	(250,113)
OTHER FINANCING SOURCES (USES)					
Transfers In	41,651			1,593	43,244
Transfers in from Enterprise Funds.....	141,464		67,584		209,048
Transfers Out.....		(9,262)	(31,490)	(2,492)	(43,244)
Capital Lease Acquisition.....	157				157
Issuance of BANS.....				50,000	50,000
Payments to Refunding Bond Escrow Agent.....				(168,608)	(168,608)
Installments on Sale of Assets.....		30,000			30,000
G.O. Bond Premiums.....				23,509	23,509
G.O. Bond Issuance.....				282,599	282,599
Total Other Financing Sources (Uses).....	183,272	20,738	36,094	186,601	426,705
Net Change in Fund Balances.....	79,451	47,990	2,099	47,052	176,592
Fund Balance (Deficit) - July 1	291,901	12,094		(29,559)	274,436
Change in Reserve for Inventory.....	(428)	1,541		176	1,289
Fund Balance - June 30.....	\$ 370,924	\$ 61,625	\$ 2,099	\$ 17,669	\$ 452,317

The notes to the financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)**

Net change in fund balances - total governmental funds, including change in reserve for inventory \$ 177,881

Revenue recognized on the Statement of Activities that do not provide current financial resources on the fund statements resulted in a net decrease from prior year 105,892

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Land & Land Improvements	10,570	
Buildings & Building Improvements	51,818	
Equipment & Computer Software	20,495	
Construction in Progress	19,620	
Infrastructure	(12,555)	
Accumulated Depreciation, net of Disposals	<u>(70,969)</u>	18,979

Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 8,066

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Bond Proceeds & Premiums Received	(290,804)	
Repayment of Bond Principal & Interest	243,697	
Bond Anticipation Note Proceeds	(50,000)	
Accretion of Bonds Payable	(2,942)	
Accrued Interest & Amortization	<u>2,708</u>	(97,341)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Elimination of the following expenses resulted in a net increase from prior year:

Changes in Compensated Absences, Workers Compensation and Health Claims	385	
Other Postemployment Benefits	(155,361)	
Pollution Remediation Obligation	(321)	
Legal Contingency	(950)	
Change in Capital Lease Obligation	661	
SRF loan program	<u>75,755</u>	(79,831)

Change in net assets of governmental activities \$ 133,646



Proprietary Fund Financial Statements

Enterprise Funds:

Turnpike System: *The state constructs, maintains, and operates transportation toll facilities. The Turnpike System, presently consists of 90 .6 miles of limited access highway, 36 miles of which are part of the U.S. Interstate Highway System. The Turnpike System comprises a total of approximately 617 total lane miles. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program.*

Liquor Commission: *Receipts from operations are deposited in to the Liquor Commission Fund from which all expenses of the Commission are paid. Any excess funds of the Commission is transferred to the General Fund on a daily basis. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

Lottery Commission: *The state sells lottery games through some 1,250 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Education Fund and then transferred to the local school districts.*

New Hampshire Unemployment Compensation Trust Fund: *Receives contributions from employers and provides benefits to eligible unemployed workers.*

Internal Service Fund:

The employee benefit risk management fund reports the health related fringe benefit services for the state. The fund was created to account for the state's self-insurance program and to pool all resources to pay for the cost associated with providing these benefits to active employees and retirees.

**STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike	Liquor	Lottery	Unemployment	Total	Activities
	System	Commission	Commission	Compensation		Internal Service Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents.....	\$ 77,466	\$ 2,120	\$ 1,475	\$ 17,822	\$ 98,883	\$ 36,328
Cash and Cash Equivalents-Restricted.....	109,001				109,001	
Receivables (Net of Allowances for Uncollectibles)...	5,310	7,861	1,119	50,732	65,022	2,261
Due from Other Funds.....	10	6,201	199		6,410	
Inventories.....	927	32,591	753		34,271	
Other Current Assets.....	114		178		292	
Total Current Assets.....	192,828	48,773	3,724	68,554	313,879	38,589
Noncurrent Assets:						
Bond Issue Costs.....	3,250				3,250	
Capital Assets:						
Land & Land Improvements.....	108,751	3,075			111,826	
Buildings & Building Improvements.....	4,831	20,515			25,346	
Equipment & Computer Software.....	37,167	5,342	518		43,027	
Construction in Progress.....	76,758				76,758	
Infrastructure.....	671,146				671,146	
Less: Allowance for Depreciation & Amortization.....	(270,808)	(16,910)	(421)		(288,139)	
Net Capital Assets.....	627,845	12,022	97		639,964	
Other Assets.....			3,938		3,938	
Total Noncurrent Assets.....	631,095	12,022	4,035		647,152	
Total Assets.....	823,923	60,795	7,759	68,554	961,031	38,589
LIABILITIES						
Current Liabilities:						
Accounts Payable.....	6,547	41,162	1,165		48,874	36
Accrued Payroll.....	962	1,529	280		2,771	
Due to Other Funds.....	55	199	219		473	
Deferred Revenue.....	7,475	1,916	742		10,133	
Unclaimed Prizes.....			917		917	
General Obligation Bonds Payable.....	584				584	
Revenue Bonds Payable-Current.....	17,150				17,150	
Note Payable to Highway Fund.....	15,350				15,350	
Accrued Interest Payable.....	6,918				6,918	
Claims & Compensated Absences Payable.....	457	1,001	129		1,587	18,106
Other Liabilities.....	60	132		20,973	21,165	
Total Current Liabilities.....	55,558	45,939	3,452	20,973	125,922	18,142
Noncurrent Liabilities:						
Revenue Bonds Payable.....	361,090				361,090	
Note Payable to Highway Fund.....	75,777				75,777	
Claims & Compensated Absences Payable.....	2,546	2,967	383		5,896	
Other Noncurrent Liabilities.....	2,579	105			2,684	
Total Noncurrent Liabilities.....	441,992	3,072	383		445,447	
Total Liabilities.....	497,550	49,011	3,835	20,973	571,369	18,142
NET ASSETS						
Invested in Capital Assets, net of related debt.....	215,477	11,784	97		227,358	
Restricted for Debt Repayments.....	51,418				51,418	
Restricted for Prize Awards - MUSL & Tri-State.....			3,938		3,938	
Restricted for Unemployment Benefits.....				47,581	47,581	
Unrestricted Net Assets (Deficit).....	59,478		(111)		59,367	20,447
Total Net Assets.....	\$ 326,373	\$ 11,784	\$ 3,924	\$ 47,581	\$ 389,662	\$ 20,447

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds				Total	Governmental
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		Activities Internal Service Fund
OPERATING REVENUES						
Charges for Sales and Services.....		\$ 511,383	\$ 237,557	\$ 398,144	\$ 1,147,084	\$ 265,312
Toll Revenue Pledged for						
Repaying Revenue Bonds.....	\$118,403				118,403	
Total Operating Revenue.....	118,403	511,383	237,557	398,144	1,265,487	265,312
OPERATING EXPENSES						
Cost of Sales and Services.....		357,657	21,077		378,734	
Lottery Prize Awards.....			138,907		138,907	
Unemployment Insurance Benefits.....				458,098	458,098	
Insurance Claims.....						246,400
Administration.....	47,907	38,951	8,802		95,660	10,846
Depreciation.....	15,970	882	67		16,919	
Total Operating Expenses.....	63,877	397,490	168,853	458,098	1,088,318	257,246
Operating Income (Loss).....	54,526	113,893	68,704	(59,954)	177,169	8,066
NONOPERATING REVENUES (EXPENSES)						
Licenses.....		3,705			3,705	
Beer Taxes.....		12,865			12,865	
Investment Income.....	2,108		34	1,602	3,744	
Miscellaneous.....	(213)	2,983			2,770	
Transfer of Capital Assets between						
State Agencies.....	(122,787)	6,222			(116,565)	
Loss on the Sale of Other Fixed Assets....	(952)				(952)	
Interest on Bonds.....	(16,223)				(16,223)	
Amortization of Bond Issuance Costs.....	(972)				(972)	
Total Nonoperating Revenues (Expenses)..	(139,039)	25,775	34	1,602	(111,628)	
Income (Loss) Before Transfers.....	(84,513)	139,668	68,738	(58,352)	65,541	8,066
Transfers Out to Governmental Funds.....		(140,283)	(68,765)		(209,048)	
Change in Net Assets.....	(84,513)	(615)	(27)	(58,352)	(143,507)	8,066
Net Assets - July 1.....	410,886	12,399	3,951	105,933	533,169	12,381
Net Assets - June 30.....	\$326,373	\$ 11,784	\$ 3,924	\$ 47,581	\$ 389,662	\$ 20,447

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies.....				\$ 228,475	\$ 228,475	
Receipts from customers.....	\$ 118,078	\$ 510,366	\$ 125,700	142,378	896,522	\$ 26,260
Receipts from interfund charges.....						236,860
Payments to employees.....	(16,795)	(23,048)	(2,841)		(42,684)	
Payments to suppliers.....	(17,220)	(374,045)	(9,521)		(400,786)	(11,492)
Payments to prize winners.....			(44,558)		(44,558)	
Payments for Insurance Claims.....				(448,761)	(448,761)	(251,044)
Payments for Interfund Services.....		(4,085)			(4,085)	
Net Cash Provided by (Used In) Operating Activities.....	84,063	109,188	68,780	(77,908)	184,123	584
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds.....		(133,848)	(68,483)		(202,331)	
Proceeds from Loan Receipts.....				65,443	65,443	
Principal Paid on Loan.....				(65,443)	(65,443)	
Proceeds from Collection of Licenses and Beer Tax.....		16,569			16,569	
Net Cash Used for Noncapital and Related Financing Activities.....		(117,279)	(68,483)		(185,762)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal, Sale and Construction of Capital Assets.....	(88,743)	5,937			(82,806)	
Grant Reimbursement.....	(406)				(406)	
Interest Paid on Bonds.....	(16,236)				(16,236)	
Principal Paid on Bonds.....	(16,539)				(16,539)	
Principal Paid on Notes.....	(28,873)				(28,873)	
Proceeds from Issue/Refunding Bonds.....	221,781				221,781	
Payments to Bond Refunding Agent.....	(71,774)				(71,774)	
Contributions from Other Funds.....		563			563	
Net Cash Provided by (Used) for Capital and Related Financing Activities.....	(790)	6,500	-		5,710	
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of Investments.....	142,060				142,060	
Purchase of Investments.....	(137,060)				(137,060)	
Interest and Other Income.....	2,302	2,800	34	1,602	6,738	
Net Cash Provided by Investing Activities.....	7,302	2,800	34	1,602	11,738	
Net Increase (Decrease) in Cash & Cash Equivalents.....	90,575	1,209	331	(76,306)	15,809	584
Cash and Cash Equivalents - July 1.....	95,892	911	1,144	94,128	192,075	35,744
Cash and Cash Equivalents - June 30.....	\$ 186,467	\$ 2,120	\$ 1,475	\$ 17,822	\$ 207,884	\$ 36,328

The notes to the financial statements are an integral part of this statement

**STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)**

	Business-Type Activities - Enterprise Funds					Governmental
	Turnpike	Liquor	Lottery	Unemployment	Total	Activities
	System	Commission	Commission	Compensation		Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:						
Operating Income (Loss).....	\$ 54,526	\$ 113,893	\$ 68,704	\$ (59,954)	\$ 177,169	\$ 8,066
Adjustments to Reconcile Operating Income (Loss) to						
Net Cash Provided (Used) by Operating Activities:						
Depreciation.....	15,970	882	67		16,919	
Change in Operating Assets and Liabilities:						
Change in Receivables.....	(895)	(945)	(108)	(24,087)	(26,035)	(2,192)
Change in Inventories.....	138	(2,673)	316		(2,219)	
Change in Other Current Assets.....			66		66	
Change in Restricted Deposits-MUSL.....			27		27	
Change in Accounts Payable and other Accruals.....	13,750	(1,897)	(359)	6,133	17,627	(646)
Change in Claims Payable.....			516		516	(4,644)
Change in Deferred Revenue.....	574	(72)	(449)		53	
Net Cash Provided by (Used In) Operating Activities.....	<u>\$ 84,063</u>	<u>\$ 109,188</u>	<u>\$ 68,780</u>	<u>\$ (77,908)</u>	<u>\$ 184,123</u>	<u>\$ 584</u>

Turnpike Non -Cash Capital and Related Financing Activities:**195 Bridge Purchase**

Issuance of Notes Payable - To Highway Fund	\$ 120,000
Transfer of Capital Asset - From Highway Fund recorded at Net Carrying Cost	\$ (3,434)
Loss on Capital Asset Transferred from Highway Fund	\$ (116,566)

The notes to the financial statements are an integral part of this statement

Fiduciary Funds Financial Statements

Pension Trust Funds:

New Hampshire Retirement System - The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing multiple employer contributory pension plan and trust established on July 1, 1967, and is intended to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts. The NHRS is a component unit of the state.

New Hampshire Judicial Retirement Plan The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 and is a contributory pension plan and trust intended to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a component unit of the state.

Private-Purpose Trust Funds: Private-Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Investment Trust Fund: The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 5 Country View Drive, Raymond, NH 03077.

Agency Funds: Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The Unified Court System Litigation accounts which are held pending judicial judgements and Child Support Funds are two of the larger agency funds of the state.

STATE OF NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents.....	\$ 8,964	\$ 5,731		\$ 14,038
Cash Collateral on Security Lending.....	471,066			
Total Cash.....	480,030	5,731		14,038
Receivables:				
Due from Employers.....	27,586			
Due from State.....	7,760			
Due from Plan Members.....	16,526			
Due from Brokers for Securities Sold.....	88,046			
Interest and Dividends.....	13,921			
Other.....	2,922		\$ 81	
Total Receivables.....	156,761		81	
Investments.....	4,875,579	14,937	287,162	1,207
Other Assets.....	658			
Total Assets.....	5,513,028	20,668	287,243	15,245
LIABILITIES				
Securities Lending Collateral.....	471,066			
Management Fees and Other Payables.....	6,177		16	
Due to Brokers for Securities Purchased.....	100,768			
Custodial Funds Payable.....				15,245
Other Liabilities.....			1,078	
Total Liabilities.....	578,011		1,094	15,245
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 4,935,017	\$ 20,668	\$ 286,149	\$ -
RECONCILIATION OF NET ASSETS HELD IN TRUST:				
Employees' Pension Benefits.....	\$ 4,884,530			
Employees' Postemployment Healthcare Benefits.....	50,487			
Net Assets for Pool Participants in				
External Investment Pool.....			\$ 286,149	
Other Purposes.....		\$ 20,668		
Net Assets Held in Trust for Benefits & Other Purposes.....	\$ 4,935,017	\$ 20,668	\$ 286,149	

The notes to the financial statements are an integral part of this statement

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 252,469		
State Contributions on Behalf of Local Employers.....	51,522		
Total Employer Contributions.....	303,991		
Plan Members.....	150,148		
From Participants.....		\$ 20,015	\$ 459,056
Total Contributions.....	454,139	20,015	459,056
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments.....	479,914	12,733	
Interest Income.....	54,769	402	
Dividends.....	32,654		
Alternative Investment Income.....	4,579		
Commercial Real Estate Operating Income.....	17,727		
Net Increase in Joint Value from Investment Income.....			681
Total Income from Investing Activities.....	589,643	13,135	681
Less: Investment Activity Expenses:			
Investment Management Fees.....	17,646		
Custodial Fees.....	479		
Investment Advisor Fees.....	828		
Total Investment Activity Expenses.....	18,953		
Total Net Income from Investing Activities.....	570,690	13,135	681
From Securities Lending Activities:			
Security Lending Income.....	1,292		
Less: Security Lending Borrower Rebates.....	(457)		
Less: Security Lending Management Fees.....	324		
Net Income from Securities Lending Activities.....	1,425		
Total Net Investment Income	572,115	13,135	681
Other.....	105,644		
Total Additions.....	1,131,898	33,150	459,737
DEDUCTIONS			
Benefits/Distributions to Participants.....	554,176	15,485	681
Refunds of Contributions.....	21,851		
Administrative Expense.....	6,836		
Professional Fees.....	1,253		
Other.....	108,834	14,494	409,323
Total Deductions.....	692,950	29,979	410,004
Change in Net Assets.....	438,948	3,171	49,733
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year.....	4,496,069	17,497	236,416
End of the Year.....	\$ 4,935,017	\$ 20,668	\$ 286,149

The notes to the financial statements are an integral part of this statement

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

ASSETS	University System of New Hampshire	Non-Major Component Units	Total
Current Assets:			
Cash, Cash Equivalents, and Operating Investments.....	\$ 256,293	\$ 34,012	\$ 290,305
Cash and Cash Equivalents-Restricted.....		1,193	1,193
Accounts Receivable.....	32,579	7,638	40,217
Other Receivables-Restricted.....		1,984	1,984
Due From Primary Government - Current Portion.....		2,278	2,278
Notes Receivable - Current Portion.....	3,961	6,315	10,276
Prepaid Expenses & Other.....	6,315	688	7,003
Total Current Assets.....	299,148	54,108	353,256
Noncurrent Assets:			
Investments.....	299,243	17,331	316,574
Notes & Other Receivables.....	21,007	14,692	35,699
Other Assets.....	30,334	1,127	31,461
Capital Assets:			
Land & Land Improvements.....	12,212	4,731	16,943
Building & Building Improvements.....	1,324,096	150,500	1,474,596
Equipment.....	123,769	10,796	134,565
Construction in Progress.....	56,077	1,889	57,966
Less: Accumulated Depreciation.....	(580,661)	(61,693)	(642,354)
Net Capital Assets.....	935,493	106,223	1,041,716
Total Noncurrent Assets.....	350,584	33,150	383,734
Total Assets.....	1,585,225	193,481	1,778,706
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	52,853	1,102	53,955
Accrued Salaries and Wages.....		4,748	4,748
Accrued Employee Benefits - Current.....	6,012	4,901	10,913
Postemployment Medical Benefits - Current.....	4,706		4,706
Other Payables & Accrued Expenses.....		9,228	9,228
Other Liabilities-Restricted.....		2,562	2,562
Deposits and Deferred Revenues.....	37,489	7,587	45,076
Due to Primary Government - Current Portion.....		2,820	2,820
Long Term Debt - Current Portion.....	70,046	2,028	72,074
Total Current Liabilities.....	171,106	34,976	206,082
Noncurrent Liabilities:			
Revenue Bonds Payable.....	377,730		377,730
Accrued Employee Benefits	33,430		33,430
Postemployment Medical Benefits	42,608		42,608
Due to Primary Government.....		6,044	6,044
Other Long Term Debt.....	63,425	45,405	108,830
Total Noncurrent Liabilities.....	517,193	51,449	568,642
Total Liabilities.....	688,299	86,425	774,724
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	487,512	75,615	563,127
Restricted for Endowments.....	260,248		260,248
Restricted for Specific Purposes.....		9,593	9,593
Restricted for Long Term Receivable.....		1,984	1,984
Total Restricted Net Assets.....	747,760	87,192	834,952
Unrestricted Net Assets.....	149,166	19,864	169,030
Total Net Assets.....	\$ 896,926	\$ 107,056	\$ 1,003,982

The notes to the financial statements are an integral part of this statement C31

**STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)**

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	\$ 730,034	\$ 156,476	\$ 886,510
Program Revenues:			
Charges for Services:			
Tuition & Fees.....	368,656	51,757	420,413
Student Financial Aid.....	(109,272)		(109,272)
Sales, Services, & Other Revenue.....	255,479	27,768	283,247
Operating Grants & Contributions.....	142,683	42,631	185,314
Capital Grants & Contributions.....	8,330		8,330
Total Program Revenues.....	665,876	122,156	788,032
Net Expenses.....	(64,158)	(34,320)	(98,478)
Interest & Investment Income.....	14,707	4,408	19,115
Payments from State of New Hampshire.....	122,135	36,496	158,631
Change in Net Assets.....	72,684	6,584	79,268
Net Assets - Beginning	824,242	100,472	924,714
Net Assets - Ending	<u>\$ 896,926</u>	<u>\$ 107,056</u>	<u>\$ 1,003,982</u>

The notes to the financial statements are an integral part of this statement

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

For financial reporting purposes, the state's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and all component units for which the state is financially accountable. There are no other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Component units are either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities, which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. Complete audited financial statements of the individual component units can be obtained from the respective entities.

The component unit columns of the government-wide financial statements include the financial data of the following entities:

Major Component Unit

University System of New Hampshire - The University System of New Hampshire (USNH) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and Executive Council

and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges of the system, the alumni, and the student body. The USNH funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. USNH financials can be obtained by contacting USNH at 18 Garrison Avenue, Durham, NH 03824.

Non-major Component Units

Business Finance Authority of the State of New Hampshire - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the State Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2010, which creates the potential for the BFA to impose a financial burden on the state. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

Community Development Finance Authority - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:10, the total credits allowed shall not exceed \$5.0 million in any state fiscal year. CDFA's financials can be obtained by contacting the CDFA at 14 Dixon Avenue, Suite 102, Concord, NH 03301.

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2010, which creates the potential for the PDA to impose a financial burden on the state. In addition, the state has made several loans to the PDA. PDA's financials can be obtained by contacting PDA at 360 Corporate Drive, Portsmouth, NH 03801.

The Community College System of New Hampshire (CCSNH)

The CCSNH was established under Chapter 361, Laws of 2007 (effective date July 17, 2007), as a body politic and corporate, whose main purpose is to provide a well-coordinated system of public community college education. The CCSNH includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Stratham/Portsmouth. It is governed by a single board of trustees with 19 voting members appointed by the Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations. The CCSNH prepares a biennial operating budget for presentation to the Governor and the General Court. The CCSNH continues to use the financial and administrative services of the State Treasurer and State Department of Administrative Services. The CCSNH pays the Primary Government \$1.0 million per fiscal year for these services.

With the establishment of the CCSNH, certain net assets of the primary government attributable to the CCSNH, were transferred. Included in the transfer were only those capital assets and related bonds payable which were deemed self-funded by the CCSNH.

Fiduciary Component Units:

The state's fiduciary component units consist of the Pension Trust Fund, which represents the assets and liabilities of the following:

New Hampshire Retirement System - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a 14 member board of Trustees on which the state does not represent a voting majority. The Board has all the powers of a corporation and is fiduciarily responsible for the system's assets and directs the investment of those assets through an independent investment committee, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over some administrative costs of the System.

New Hampshire Judicial Retirement Plan - The New Hampshire Judicial Retirement Plan (the Plan) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 414(d) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court and probate court judges employed within the state.

The Plan is administered by a seven member Board of Trustees that is appointed by the state. The Board is fiduciarily responsible for the Plan's assets and oversees the investment of those assets, approving the actuarial valuation of the Plan including assumptions, interpreting statutory provisions and generally supervises the operations of the Plan.

The Plan is deemed to be fiscally dependent on the state because of the state's contributions toward the Plan's unfunded accrued liabilities and employee member contribution rates are set through state statute.

These component units are presented along with other fiduciary funds of the state, and have been omitted from the state's government-wide financial statements.

Related Organizations:

The state is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the state's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from the state's financial statements.

Those organizations are:

- Maine - New Hampshire Interstate Bridge Authority
- New Hampshire Health and Education Facilities Authority
- New Hampshire Housing Finance Authority
- New Hampshire Municipal Bond Bank

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are normally supported through taxes and intergovernmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. Certain indirect costs are included in program expenses reported for individual functions.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, except for federal grants, the state generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Taxes, grants, licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences and claims and judgments are recorded only when payment is due.

Proprietary Fund, Fiduciary Funds and Similar Component Units, and Discrete Component Unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

In reporting proprietary activities, including component units, the state only applies applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, for its business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Financial Statement Presentation

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The state reports the following major governmental funds:

General Fund: The General Fund is the state's primary operating fund and accounts for all financial transactions not accounted for in any other fund.

Highway Fund: The Highway Fund is used to account for

the revenues and expenditures used in the construction and maintenance of the state's public highways and the supervision of traffic thereon.

Education Fund: In fiscal year 2000, the Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The fund is non-lapsing and is used to distribute adequate education grants to school districts.

The state reports the following major enterprise funds:

The *Liquor Commission* accounts for the operations of state-owned liquor stores and the sales of all beer and liquor sold in the state.

The *Lottery Commission* accounts for the operations of the state's lottery games.

The *Turnpike System* accounts for the revenues and expenditures used in the construction, maintenance and operations of transportation toll facilities.

The *New Hampshire Unemployment Trust Fund* receives contributions from employers and provides benefits to eligible unemployed workers.

Additionally, the state reports the following non-major funds:

Governmental Fund Types

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

Permanent Funds - report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry.

Proprietary Fund Types

Internal Service Fund - provides services primarily to other agencies or funds of the state, rather than to the general public. These services include health related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types

Pension (and Other Employee Benefits) Trust Funds - report resources that are required to be held in trusts for the members and beneficiaries of the state's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Retirement System and The New Hampshire Judicial Retirement plan are component units of the State.

Investment Trust Fund - accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2010, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2009.

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund, which are reported at net amortized cost.

F. RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the state at June 30, recorded as revenue, which will be collected sometime in the future and consist primarily of accrued taxes and federal grants receivable. In the governmental fund financial statements, taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers, which are received by the state within 60 days after year-end, except for federal grants, which reimburse the state for expenditures incurred pursuant to federally funded programs. Tax revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor Commissions use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a fund balance reserve that indicates they do not constitute "available expendable resources".

H. RESTRICTED ASSETS

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

I. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is capitalized when the cost of individual items exceed \$10,000, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government and the component units are depreciated using the straight-line method over the

following useful lives:

Equipment	5 years
Buildings	40 years
Building improvements	20 years
Infrastructure	50 years
Computer software	5 years

J. DEFERRED REVENUE

In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have are not yet due or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security, Medicare and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness. The liability for compensated absences is recorded on the accrual basis in the government-wide and proprietary fund financial statements.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are "due and payable" and recorded in the fund only for employee resignations and retirements that occur before year-end and paid out after year-end.

L. 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. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND BALANCES

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets, which, by their nature, are not available for appropriations (Reserved for Inventories); 2) funds legally segregated for a specific future use (Reserved for Encumbrances); 3) segregated

by legal restrictions (Reserved for Permanent Funds). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. Any General Fund undesignated fund balance, remaining after Education Trust Fund transfer, is distributed to the Revenue Stabilization account. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

The balance at June 30, 2010 remained at \$9.3 million, the same as at June 30, 2009.

N. CAPITAL OUTLAYS

Capital outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state capital highway construction program.

O. BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

P. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, education, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by state law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the state's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for real property or infrastructure (e.g. highways).

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources (Uses) - these additions to and reductions from governmental resources in fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. Legally required transfers are reported when incurred as "Transfers In" by the receiving fund and as "Transfers Out" by the disbursing fund.

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance and telecommunications. These transactions, when material, have been eliminated in the government-wide and governmental fund financial statements.

Q. INTERFUND ACTIVITY AND BALANCES

Interfund Activity - As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities (e.g. transfers of profits from the Liquor Commission to General Fund and the Sweepstakes Commission to the Education Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

Interfund Balances - Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the amounts due between governmental and business-type activities.

R. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities and as other financing sources in the funds that receive the proceeds.

S. BUDGET CONTROL AND REPORTING

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

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

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

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

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

Budget to Actual Comparisons and additional budgetary information are included as Required Supplementary Information.

T. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

U. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In 2010, the State adopted GASB Statement 51 (GASB 51), *Accounting and Financial Reporting of Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. There was no material impact to the financial statements resulting from the State's adoption of GASB 51.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the combined balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

DEPOSITS:

The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits:

RSA 6:7 establishes the policy the state Treasurer must adhere to when depositing public monies. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

Custodial Credit Risk: The custodial risk for deposits is the risk that in the event of a bank failure, the state's deposits may not be recovered.

Custodial credit risk is managed in a variety of ways. Although state law does not require deposits to be collateralized, the Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the state has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk.

All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

Whereas all payments made to the state are to be in U.S dollars, foreign currency risk is essentially nonexistent on state deposits.

As of June 30, 2010, the state's carrying value for deposits was \$625.6 million. The table below details the state's bank balances at June 30, 2010 exposed to custodial credit risk (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	\$ 750	\$ 240,128	\$ -	\$ -	\$ 10,048	\$ 443
Money Market	-	194,884	178,429	-	-	7,907
Savings Accounts	250	-	16	-	4,632	16
CDs	-	16,000	-	-	-	72
Total	\$ 1,000	\$ 451,012	\$ 178,445	\$ -	\$ 14,680	\$ 8,438

INVESTMENTS:

The Treasury Department has adopted policies to ensure reasonable rates of return on investments while minimizing risk factors. Approved investments are defined in statute (RSA 6:8, 387:6, 387:6-a, and 387:14). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars. As of June 30, 2010, the state had the following types of investments:

(Fair values in thousands)		
Investment Type	Governmental & Business Type	Fiduciary
Stocks	\$ 13,506	
Corporate Bonds	1,014	
US Treasury	7,755	
US Government Agencies	669	
Municipal Bonds	79	
Equity Open Ended Mutual Funds	3,929	\$ 9,893
Fixed Income Open Ended Mutual Funds	2,473	6,124
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	21,707	
NH Public Deposit Investment Pool (internal investment held by Treasury)	501	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		127
External Portion of NH Public Deposit Investment Pool		287,162
Totals	\$ 51,633	\$ 303,306

The table below reconciles the cash and investments in the financial statements to the footnote (expressed in thousands):

Reconciliation Between Financial Statements and Footnote						
		Unrestricted		Restricted		Total
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	
Per Statement of Net Assets	Primary Government	\$ 531,525	\$ 22,683	\$ 109,001	\$ -	\$ 663,209
Per Statement of Fiduciary Net Assets	Private Purpose	5,731	14,937			20,668
	Investment Trust		287,162			287,162
	Agency Funds	14,038	1,207			15,245
	Total per Financial Statements	\$ 551,294	\$ 325,989	\$ 109,001	\$ -	\$ 986,284
				Per Footnote		
				Cash On Hand	\$ 5,700	
				Carrying Amount of Deposits	625,645	
				Investments	354,939	
				Total Per Footnote	\$ 986,284	

Repurchase Agreements:

Repurchase agreements must be executed through a New Hampshire or Massachusetts bank with assets in excess of \$500 million and has either the strongest rating as measured by Veribanc, Inc. or has a long term debt rating of AA- or better as rated by Standard and Poor's and Fitch or Aa3 or better as rated by Moody's. Repurchase agreements may also be executed through any of the primary government security dealers as designated by the Federal Reserve.

Custodial Credit Risk: The state's repurchase agreements are all with banking institutions and therefore subject to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the state's deposits may not be recovered.

Interest Rate Risk: The Term Repurchase Agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the state's investments. The state measures its interest rate risk using the weighted average maturity method (WAM). The state's WAM is dollar weighted in terms of years.

As of June 30, 2010, the state did not have any repurchase agreements outstanding.

Stocks:

The state does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

Concentration Risk: The risk of loss attributed to the magnitude of the state's investment in a single issuer. The top 10 issuers as of June 30, 2010 are noted below (expressed in thousands):

Name / Issuer	Governmental Activities			
	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc Com	\$ 2,781		\$ 2,781	20.6%
Prudential Finl Inc	1,190		1,190	8.8%
Manulife Finl Corp	666		666	4.9%
Thermo Fisher Scientific Inc	586	\$ 11	597	4.4%
A T & T Inc	366	33	399	3.0%
Exxon Mobil Corp	305	46	351	2.6%
Vodafone Grp Plc Sp Adr	286		286	2.1%
Verizon Communications Inc	264	6	270	2.0%
Bank of America Corp	195	16	211	1.6%
Cisco Sys Inc	134	59	193	1.4%

Custodial Risk: The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investments that are in the possession of an outside party. All the state's stocks are uninsured, registered in the state's name and held by the custodian. Custodial credit quality with respect to investments is mitigated primarily through selection criteria aimed at investing only with high quality institutions where default is extremely unlikely.

New Hampshire Public Deposit Investment Pool (NHPDIP):

The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. NHPDIP's audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-800-395-5505.

Credit Risk: The risk that the issuer or other counterparty will not fulfill its obligations. Neither the equity mutual fund or PDIP are rated.

Debt Securities: The state invests in several types of debt securities including corporate and municipal bonds, securities issued by the US Treasury and Government Agencies, mutual funds and investment pools.

Credit Risk: The risk that the issuer will not fulfill its obligations. The state invests in grade securities which are defined as those with a grade B or higher. Obligations of the US Government or obligations backed by the US Government are not considered to have credit risk.

Interest Rate Risk: The risk that changes in interest rates will adversely affect the fair value of the state's investments. Interest rate risk is primarily measured and monitored by defining or limiting the maturity of any investment or weighted average maturity of a group of investments. Fixed income mutual funds which consist of shares of funds which hold diversified portfolios of fixed income securities for operating purposes are limited to those with average maturity not to exceed 5 years. Trust and custodial funds manage and monitor interest rate risk primarily through a weighted average maturity approach (WAM). The state's WAM is dollar-weighted in terms of years. The specific target or limits of such maturity and percentage allocations are tailored to meet the investment objective(s) and defined in the investment guidelines associated with those funds.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments that are in the possession of an outside party. Open ended mutual funds and external pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The state's selection criteria is aimed at investing only with high quality institutions where default is extremely unlikely.

Debt Securities (continued):

The state's exposed risks at June 30, 2010 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Grade	Unrated	WAM in years	Grade	Unrated	WAM in years
Corporate Bonds	\$ 1,014	-	3.6	-	-	-
US Treasury	7,755	-	0.3	-	-	-
US Government Agencies	669	-	4.8	-	-	-
Fixed Income Open Ended Mutual Funds	-	\$ 2,473	5.5	-	\$ 6,124	5.5
Municipal Bonds	79	-	8.7	-	-	-
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	21,707	1.00	-	-	-

Concentration Risk:

The risk of loss attributed to the magnitude of the state's investment in a single issuer. This risk is applicable to the state's investments in corporate bonds. The state does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices.

The state's top ten issuers at June 30, 2010 are listed below (expressed in thousands):

Issuer	Governmental & Business Type	
	Fair Value	% of Total
SBC Communications	\$ 120	11.9%
AT&T Inc	115	11.4%
Conocophillips	109	10.8%
AT&T Inc	109	10.7%
Boeing Cap Corp	103	10.2%
BB&T Corp	103	10.2%
Morgan Stanley	100	9.9%
Illinois Tool Works	56	5.5%
E I Du Pont De Nemours	55	5.4%
Pepsico Inc	54	5.3%

MAJOR COMPONENT UNIT (University System of New Hampshire - USNH)

Cash and Cash Equivalents (expressed in thousands):

Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following:

Cash & Repurchase agreements.....	\$ 13,741
Money Market Funds.....	92,260
Other Mutual Funds.....	110,495
Total Cash & Cash Equivalents.....	<u>\$ 216,496</u>

Included in the cash and repurchase agreements balances at June 30, 2010 were \$6,026 in repurchase agreements, \$12,997 in cash and a net cash overdraft of \$5,282. Repurchase agreements were limited to overnight investments only.

Investments (expressed in thousands):

Investments include debt proceeds held by others for construction purposes, long-term operating investments, and endowment and similar investments of the campuses and affiliated entities. Investments are monitored by management and the respective governing boards of USNH and its affiliated entities. The carrying amount of these financial instruments approximates fair value.

Operating Investments

Unlike the long-term operating investments discussed below, operating investments included in current assets, are amounts invested to meet regular operations of USNH and include obligations of the U.S. Government, commercial paper, and money market and other mutual funds. Operating investments have an original maturity of more than 90 days, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30, 2010 are summarized below (expressed in thousands):

	<u>Balance</u>	<u>Weighted Average Maturity</u>
Obligations of the U.S. Government.....	\$ 11,761	6 years
Corporate Bonds & Notes.....	7,255	4 Years
Cash and cash Equivalents.....	20,054	Not Applicable
Money Market and other Mutual Funds.....	527	Not Applicable
Other Accounts.....	200	Not Applicable
Total:.....	<u>\$ 39,797</u>	

Operating investments in mutual funds are uninsured and uncollateralized against custodial credit risk.

MAJOR COMPONENT UNIT (University System of New Hampshire) - Continued

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2010 total debt proceeds held by others included \$2,735 of construction proceeds held by the bond trustee.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2010 (expressed in thousands):

	Balance	Weighted Average Maturity
Money market funds.....	\$ 2,735	Not Applicable
Total Debt proceeds held by others.....	<u>2,735</u>	
Long-term portion.....	<u>2,735</u>	

Long-term operating investments represent unrestricted amounts invested alongside the campuses' endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2010 was \$5,539. These amounts consisted of ownership shares of the campuses' endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and Similar Investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30, 2010 (expressed in thousands):

Money Market Funds.....	\$ 4,407
Mutual Funds-Bonds.....	29,911
Mutual Funds-Stocks.....	81,906
US Government obligations.....	5,906
Corporate Bonds and Notes.....	372
Common/Preferred Stocks.....	24,585
Alternative Investments.....	133,096
Investments Held by Others.....	16,325
Total endowment and similar investments.....	<u>\$ 296,508</u>

Alternative investments as shown above include private equity, venture capital, absolute return, hedge, natural resource and real estate funds. The estimated fair value of investments is based on quoted market prices except for certain alternative investments, for which quoted market prices are not available. The estimated fair value of certain alternative investments is based on valuations provided by external investment managers and reviewed by management. Because these alternative investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The USNH investment policy and guidelines, and the University of New Hampshire Foundation, Inc. investment policy, mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target asset allocations, and ongoing investment advisor and investment committee review.

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2010 (expressed in thousands):

	Governmental	Business- Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms.....	\$ 27,186		\$ 27,186	
Business Taxes.....	314,654		314,654	
Tobacco.....	14,772		14,772	
Real Estate Transfer.....	9,602		9,602	
Interest & Dividends.....	37,990		37,990	
Communications.....	8,588		8,588	
Utility Property Tax.....	14,000		14,000	
Gasoline Road Toll.....	10,345		10,345	
Beer.....		\$ 1,350	1,350	
Subtotal.....	437,137	1,350	438,487	
Other Receivables:				
Turnpike System.....		5,310	5,310	
Liquor Commission.....		6,511	6,511	
Lottery Commission.....		1,119	1,119	
Unemployment Trust Fund.....		57,967	57,967	
Internal Service Fund.....	2,261		2,261	
Board and Care.....	1,996		1,996	
Federal Grants.....	253,942		253,942	\$ 20,534
Local Grants.....	13,324		13,324	
Miscellaneous.....	44,814		44,814	15,913
Short Term Portion Of State Revolving Loan Fund.....	17,906		17,906	
Short Term Portion Of Note/Pledge Receivable.....				3,961
Subtotal.....	334,243	70,907	405,150	40,408
Total Current Receivables (Gross).....	771,380	72,257	843,637	40,408
Long Term Receivables				
State Revolving Loan Fund.....	307,272		307,272	
Miscellaneous.....	8,286		8,286	
Note/Pledge Receivable.....				21,007
Total Long Term Receivables (Gross).....	315,558		315,558	21,007
Allowance for Doubtful Accounts				
	(99,389)	(7,235)	(106,624)	(3,868)
Total Receivables (Net).....	\$ 987,549	\$ 65,022	\$ 1,052,571	\$ 57,547

State Revolving Loan Fund:

Primary Government: As of June 30, 2010, total water pollution control loans outstanding of \$325.2 million were recorded in the state's general fund. This amount was offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

Major Component Unit: The component unit balance includes University System of New Hampshire Perkins Loans, pledges and other college and university loans of \$25.0 million.

Deferred Revenue:

Primary Government: Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2010, the various components of deferred revenue (\$728.1 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable.....	\$ 233,415		\$ 233,415
Loans receivable.....	425,170		425,170
Federal/Local receivables.....	6,805		6,805
Receipts in advance of eligibility requirements.....		\$ 62,694	62,694
Total.....	\$ 665,390	\$ 62,694	\$ 728,084

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2010, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 491,933	\$ 13,055	\$ (3,231)	\$ 501,757
Construction in Progress	187,582	83,419	(63,799)	207,202
Work in Progress Computer Software.....	48,550	1,631	(18,454)	31,727
Total Capital Assets not being depreciated.....	728,065	98,105	(85,484)	740,686
Other Capital Assets:				
Equipment & Computer Software.....	220,447	44,816	(7,498)	257,765
Buildings & Building Improvements	713,618	53,580	(1,762)	765,436
Land Improvements.....	98,226	787	(41)	98,972
Infrastructure.....	3,048,728	12,119	(24,674)	3,036,173
Total Other Assets	4,081,019	111,302	(33,975)	4,158,346
Less accumulated depreciation for:				
Equipment & Computer Software.....	(182,586)	(26,398)	8,676	(200,308)
Buildings & Building Improvements	(320,303)	(21,563)	664	(341,202)
Land Improvements.....	(84,550)	(2,033)		(86,583)
Infrastructure.....	(1,753,274)	(43,363)	13,048	(1,783,589)
Total Accumulated Depreciation.....	(2,340,713)	(93,357)	22,388	(2,411,682)
Other Capital Assets, Net.....	1,740,306	17,945	(11,587)	1,746,664
Governmental Activities Capital Assets, Net.....	\$ 2,468,371	\$ 116,050	\$ (97,071)	\$ 2,487,350
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 107,357	\$ 2,715	\$ (1,321)	\$ 108,751
Construction in Progress.....	35,070	66,235	(24,547)	76,758
Capital Assets not being depreciated	142,427	68,950	(25,868)	185,509
Other Capital Assets:				
Equipment.....	36,583	932	(348)	37,167
Buildings & Building Improvements.....	4,828	3		4,831
Infrastructure.....	630,309	40,837		671,146
Total Capital Assets	814,147	110,722	(26,216)	898,653
Less accumulated depreciation for:				
Equipment.....	(23,744)	(3,149)	348	(26,545)
Buildings & Building Improvements.....	(2,892)	(72)		(2,964)
Infrastructure.....	(216,203)	(25,096)		(241,299)
Total Accumulated Depreciation.....	(242,839)	(28,317)	348	(270,808)
Turnpike Capital Assets, Net.....	\$ 571,308	\$ 82,405	\$ (25,868)	\$ 627,845
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements.....	\$ 2,355		\$ (278)	\$ 2,077
Other Capital Assets:				
Equipment.....	5,454	\$ 235	(347)	5,342
Buildings & Building Improvements.....	20,328	187		20,515
Land Improvements.....	1,048		(50)	998
Total Capital Assets	29,185	422	(675)	28,932
Less accumulated depreciation for:				
Equipment.....	(4,851)	(258)	343	(4,766)
Buildings & Building Improvements.....	(10,850)	(603)	-	(11,453)
Land Improvements.....	(720)	(21)	50	(691)
Total Accumulated Depreciation.....	(16,421)	(882)	393	(16,910)
Liquor Capital Assets, Net.....	\$ 12,764	\$ (460)	\$ (282)	\$ 12,022
Lottery Commission:				
Equipment.....	\$ 518			\$ 518
Less Accumulated Depreciation for Equipment.....	(354)	(67)		(421)
Lottery's Capital Assets, Net.....	\$ 164	\$ (67)	\$ -	\$ 97

Current period depreciation expense was charged to functions of the primary government as follows (Expressed in Thousands):

Governmental Activities:	
General Government	\$ 11,041
Administration of Justice and Public Protection	17,371
Resource Protection and Development	4,837
Transportation	51,719
Health and Social Services	3,981
Education	4,408
Total Governmental Activities Depreciation Expense	\$ 93,357

The state possesses certain capital assets that have not been capitalized and depreciated, these assets include works of art and historical treasures such as statues, monuments, paintings and miscellaneous capitol-related artifacts and furnishings. These collections meet all of the following criteria.

- A. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- B. Protected, kept unencumbered, cared for, and preserved.
- C. Subject to an organizational policy that required the proceeds from the sales of collection items to be used to acquire other items for the collection.

Major Component Unit: The following is a rollforward of Capital Assets for the University of New Hampshire, (Expressed in Thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements.....	\$ 11,936	\$ 276		\$ 12,212
Building and Building Improvements.....	1,210,979	118,772	\$ (5,655)	1,324,096
Equipment.....	126,573	8,644	(11,448)	123,769
Construction in Progress.....	113,129	(57,052)		56,077
Subtotal.....	<u>\$ 1,462,617</u>	<u>\$ 70,640</u>	<u>\$ (17,103)</u>	<u>\$ 1,516,154</u>
Less: Accumulated Depreciation.....	(548,093)	(47,744)	15,176	(580,661)
Total.....	<u>\$ 914,524</u>	<u>\$ 22,896</u>	<u>\$ (1,927)</u>	<u>\$ 935,493</u>

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$724.3 million at June 30, 2010. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund.....	\$ 263.3
Highway Fund.....	240.0
Turnpike System.....	221.0
Total.....	\$ 724.3

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to \$766 million of bonds to support this project. The state has issued \$545 million of revenue bonds for these projects.

Bond Issues:

On August 17, 2009 the State issued a \$1.9 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 5% coupon and matures on August 15, 2029.

On August 24, 2009 the State issued \$50.0 million in bond anticipation notes through its Commercial Paper Program. These short term notes sold with interest rates from .30% to .40% were used to fund ongoing capital improvement projects in advance of the December 15, 2009 long-term bond issue. These notes matured and were paid off on January 20, 2010.

On November 18, 2009, the Turnpike System issued \$67.2 million in tax-exempt refunding bonds that refunded bonds issued in 1999. This refunding resulted in net present value savings of \$8.2 million or 11.74%. Debt service on the prior refunded bonds totaled \$111.1 million and debt service on the new refunding bonds totals \$87.5 million. In addition, on November 18, 2009, the Turnpike System issued \$150 million in federally taxable Build America Bonds ("BABS") with federal subsidy payments of 35% of the interest due paid to the Turnpike System through the State in the form of a direct payment to be received as interest payments are made by the State.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2010
Governmental Fund Types (General Obligation Bonds):	
December, 2006.....	\$ 82,760
April 8, 2010.....	152,215
Subtotal.....	<u>\$ 234,975</u>

Bond Issues Continued:

On December 15, 2009, the State issued \$50 million of tax exempt general obligation capital improvement bonds. Interest rates on the bonds range from 3% to 5% with maturities ranging from 2011 to 2017. In addition, on December 15, 2009, the State issued \$75 million in federally taxable Build America Bonds ("BABs") with federal subsidy payments of 35% of the interest due paid to the State in the form of a direct payment to be received as interest payments are made by the State. Interest rates on the bonds range from 4.125% to 5.5% with maturities ranging from 2017 to 2029.

On January 19, 2010, the State issued a \$2.4 million general obligation capital improvement bond. Similar to the small issue in August, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2030.

On April 8, 2010, the State issued \$153.3 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2011 to 2024 with coupon rates from 2% to 5%. The refunding resulted in \$6.5 million in savings on a cash basis, representing a 2% savings over the life of the issue as measured by a net present value basis. Debt service on the prior refunded bonds totaled \$232.4 million; new debt service on the refunding bonds totals \$225.9 million.

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable.....	\$ 810,233	\$ 2,942	\$ 290,804	\$ 244,579	\$ 859,400	\$ 87,976	\$ 771,424
Bond Anticipation Notes.....	-		100,000	50,000	\$ 50,000		50,000
Compensated Absences.....	78,955		65,646	62,927	81,674	21,068	60,606
Claims Payable.....	50,154		244,068	251,816	42,406	23,220	19,186
Other Postemployment Benefits.....	295,241		218,140	62,779	450,602		450,602
Pollution Remediation Obligation.....	29,183		10,521	10,200	29,504	1,202	28,302
Capital Lease.....	4,038		159	820	3,377	712	2,665
Total Governmental.....	\$ 1,267,804	\$ 2,942	\$ 929,338	\$ 683,121	\$ 1,516,963	\$ 134,178	\$ 1,382,785
Business-Type Activities							
Turnpike System							
General Obligation Bonds.....	\$ 1,301			\$ 717	\$ 584	\$ 584	
Revenue Bonds.....	244,032		\$ 223,536	89,328	378,240	17,150	\$ 361,090
Note Payable.....	-		\$ 120,000	28,873	91,127	15,350	75,777
Pollution Remediation Obligation.....	3,000			421	2,579		2,579
Claims & Compensated Absences Payable.....	3,029		\$ 898	924	3,003	457	2,546
Total.....	\$ 251,362		\$ 344,434	\$ 120,263	\$ 475,533	\$ 33,541	\$ 441,992
Liquor Commission							
Capital Lease.....	\$ 364			\$ 127	\$ 237	\$ 132	\$ 105
Claims & Compensated Absences Payable.....	4,005		1,990	2,027	3,968	1,001	2,967
Total.....	\$ 4,369		\$ 1,990	\$ 2,154	\$ 4,205	\$ 1,133	\$ 3,072
Lottery Commission							
Claims & Compensated Absences Payable.....	\$ 499		\$ 381	\$ 368	\$ 512	\$ 129	\$ 383
Total.....	\$ 499		\$ 381	\$ 368	\$ 512	\$ 129	\$ 383
Total Business-Type.....	\$ 256,230		\$ 346,805	\$ 122,785	\$ 480,250	\$ 34,803	\$ 445,447

Bond Anticipation Notes: The state issues bond anticipation notes in advance of issuing general obligation bonds. The proceeds are deposited into the capital fund to fund various capital outlay projects. On March 1 2010, the State issued \$50.0 million in BAN. At June 30, 2010, these notes were outstanding. On September 9, 2010, the \$50.0 million of bond anticipation notes were paid from the proceeds of the September 1, 2010 bond issue.

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. At June 30, 2010, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$151.0 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of \$29.5 million and \$2.6 million were reported for governmental activities and business-type activities, respectively, at June 30, 2010. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

Debt Maturity: All bonds issued by the state, except for Turnpike revenue bonds, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 2.0% to 7.2%. Debt service payments on “self-liquidating” debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS							DEBT SERVICE			
	Governmental Activities				Business-Type Activities			TOTAL ALL FUNDS			
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System			Principal	Interest	Less: BAB Interest Subsidy	Net Total
					General Obligation	Revenue	Note Payable				
2011.....	\$ 69,866	\$ 8,898	\$ 9,212	\$ 87,976	\$ 584	\$ 17,150	\$ 15,350	\$ 121,060	\$ 88,104	\$ 4,421	\$ 204,743
2012.....	61,298	7,424	9,046	77,768		17,020	2,882	\$ 97,670	50,526	4,421	143,775
2013.....	53,893	7,155	8,843	69,891		19,460	2,999	\$ 92,350	46,888	4,421	134,817
2014.....	50,071	6,853	5,726	62,650		16,460	3,121	\$ 82,231	43,236	4,421	121,046
2015.....	50,974	6,876	5,485	63,335		21,690	3,248	\$ 88,273	39,944	4,421	123,796
2016-2020.....	205,325	31,022	23,606	259,953		102,890	18,327	\$ 381,170	148,978	21,643	508,505
2021-2025.....	131,054	21,666	15,734	168,454		63,455	22,362	\$ 254,271	78,366	18,072	314,565
2026-2030.....	35,966	9,554	7,689	53,209		50,725	22,838	\$ 126,772	35,074	11,102	150,744
2031-2035.....						30,070		\$ 30,070	16,606	5,812	40,864
2036-2040.....						38,925		\$ 38,925	6,023	2,108	42,840
Subtotal.....	\$ 658,447	\$ 99,448	\$ 85,341	\$ 843,236	\$ 584	\$ 377,845	\$ 91,127	\$ 1,312,792	\$ 553,745	\$ 80,842	\$ 1,785,695
Unamortized (Discount) / Premium	32,922	(345)	(518)	32,059		10,637		42,696			42,696
Unamortized Loss on Refunding	(15,895)			(15,895)		(10,242)		(26,137)			(26,137)
Total.....	\$ 675,474	\$ 99,103	\$ 84,823	\$ 859,400	\$ 584	\$ 378,240	\$ 91,127	\$ 1,329,351	\$ 553,745	\$ 80,842	\$ 1,802,254

Revenue Bond Resolutions: The Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions, except for the requirement to adequately transfer funds into the "Turnpike System Revenue Bond Debt Service Account".

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of \$446.5 million; capital lease obligations of \$17.8 million; accrued employee benefits and compensated absences of \$39.4 million; other postemployment benefits of \$47.3 million; and other liabilities of \$18.9 million.

The following is a summary of the changes in the long-term liabilities as reported by the University of New Hampshire during the fiscal year : (Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH.....	\$ 579,628	\$ 46,999	\$ 28,670	\$ 597,957	\$ 80,764	\$ 517,193

Payable June 30,	UNIVERSITY SYSTEM OF N.H.		
	Principal	Interest	Total
2011.....	\$ 70,046	\$ 20,656	\$ 90,702
2012.....	9,938	20,386	30,324
2013.....	10,503	19,657	30,160
2014.....	10,115	19,326	29,439
2015.....	32,182	18,626	50,808
2016-2020.....	131,818	73,996	205,814
2021-2025.....	117,024	39,725	156,749
2026-2030.....	37,170	20,283	57,453
2031-2035.....	38,850	8,980	47,830
2036-2040.....	6,900	667	7,567
Subtotal.....	464,544	242,302	706,846
Unamortized Dis count...	(241)		(241)
Total.....	\$ 464,303	\$ 242,302	\$ 706,605

Debt Maturity: The table on the left is a summary of the annual principal payments and total debt service relating to the debt of the University of New Hampshire and includes revenue bonds and capital leases (expressed in thousands):

6. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where risk assessment has indicated that commercial insurance is economical and beneficial for the general public. There are approximately 20 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years.

During fiscal year 2004, the state established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Under this program, the Fund provides coverage for up to a maximum of \$0.5 million for each employee per year. The state has purchased commercial insurance for claims in excess of coverage provided, as well as aggregate stop loss liability coverage set at 125% of the state's total expected claims per contract year.

Reserves are maintained for claim liabilities not covered by commercial insurance when a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include estimations for claims that have been incurred but not reported. The balance of claim liabilities is determined by an analysis of past, current, and future estimated loss experience. The process used in computing claim liabilities may not result in an exact payout amount due to variables such as inflation, changes in legal doctrine (or statutory and case law) and damage awards. Claim liabilities are evaluated periodically to take into consideration recently settled claims, claim frequency and severity as well as current economic and social factors.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2009 and 2010 (In Thousands):

Governmental Activities	6/30/2008			6/30/2009			6/30/2010		
	Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	Current	Long-Term
Workers Compensation Claims Payable.	\$ 28,929	\$ 4,640	\$ 6,165	\$ 27,404	\$ 2,312	\$ 5,416	\$ 24,300	\$ 5,114	\$ 19,186
Health Claims Payable*	20,992	246,802	245,044	22,750	241,756	246,400	18,106	18,106	
Total.....	\$ 49,921	\$ 251,442	\$ 251,209	\$ 50,154	\$ 244,068	\$ 251,816	\$ 42,406	\$ 23,220	\$ 19,186
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable.	\$ 2,318		\$ 273	\$ 2,045	\$ 36	\$ 181	\$ 1,900	\$ 172	\$ 1,728
Total.....	\$ 2,318		\$ 273	\$ 2,045	\$ 36	\$ 181	\$ 1,900	\$ 172	\$ 1,728
Liquor Commission									
Workers Compensation Claims Payable.	\$ 1,651	\$ 767	\$ 530	\$ 1,888	\$ 201	\$ 428	\$ 1,661	\$ 406	\$ 1,255
Total.....	\$ 1,651	\$ 767	\$ 530	\$ 1,888	\$ 201	\$ 428	\$ 1,661	\$ 406	\$ 1,255
Lottery Commission									
Workers Compensation Claims Payable.	\$ 13			\$ 13	\$ 2	\$ 1	\$ 14	\$ 1	\$ 13
Total.....	\$ 13	\$ -	\$ -	\$ 13	\$ 2	\$ 1	\$ 14	\$ 1	\$ 13
Total Business-Type.....	\$ 3,982	\$ 767	\$ 803	\$ 3,946	\$ 239	\$ 610	\$ 3,575	\$ 579	\$ 2,996

* Health Claims Payable is recorded in the Internal Service Fund

7. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements represent amounts related to year end transfers of surplus or profits between intragovernmental entities or funds and consist of the following as of June 30, 2010 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund.....	\$ 29,950	General Fund.....	\$ 29,950
Non Major Fund.....	1,740	General Fund.....	1,740
General Fund.....	33,819	Education Fund.....	33,819
Highway Fund.....	55	Turnpike Fund.....	55
General Fund.....	6	Lottery Commission.....	6
Education Fund.....	213	Lottery Commission.....	213
Turnpike Fund.....	10	General Fund.....	10
Lottery Commission.....	199	Liquor Commission.....	199
Liquor Commission.....	6,201	General Fund.....	6,201
Total.....	<u>\$ 72,193</u>	Total.....	<u>\$ 72,193</u>

The net due from or to other funds for the primary government has been reported as "internal balances" in the government-wide financial statements. The governmental payable of \$5.9 million to business-type activities represents the "internal balances" amount on the statement of net assets. The \$65.6 million between governmental funds has been eliminated on the government-wide financial statements.

Due from Component Units: As of June 30, 2010, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$8.9 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements.

8. INTERFUND TRANSFERS

Interfund transfers during the current fiscal year were as follows (expressed in thousands):

Transferred From	Transferred To			
	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds				
Education Fund.....	\$ 31,490			\$ 31,490
Highway Fund.....	7,669		\$ 1,593	9,262
Non-Major Funds.....	2,492			2,492
Total Governmental Funds.....	* 41,651	-	* 1,593	* 43,244
Proprietary - Enterprise Funds				
Liquor Commission.....	140,283			140,283
Lottery Commission.....	1,181	\$ 67,584		68,765
Total Proprietary - Enterprise Funds.....	\$ 141,464	\$ 67,584		\$ 209,048

*These Amounts have been eliminated within governmental activities on the government-wide financial statements.

The following transfers represent sources of funding identified through the state's operating budget:

- Transfer of Lottery Commission profits of \$67.6 million to fund education
- Transfer of Liquor Commission profits of \$140.3 million to general fund for government operations
- \$31.5 million transfer to the general fund to eliminate education fund surplus

Pursuant to RSA 260:61, \$0.8 million transfer from highway fund to fish and game fund for the Bureau Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, \$1.7 million of unrefunded gas tax in the highway fund was transferred on a 50/50 basis to the general and fish & game funds.

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2010, unreserved, undesignated deficit of the Capital Projects Fund was \$63.5 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2010, bonds authorized and unissued for the Capital Projects Fund amounted to \$263.3 million.

Contractual Commitments: The state has estimated its share of contractual obligations for construction contracts to be \$112.7 million at June 30, 2010. This represents total obligations of \$286 million less \$173.3 million in estimated federal and local aid.

10. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation 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 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

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

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

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

In 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10 1/2 percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

The New Hampshire Retirement System issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2010, by statute, Group 1 members contributed 5.0% of gross earnings, except for state employees hired after July 1, 2009 who contributed 7.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The state's share represents 100% of the employer cost for all state employees and 30% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The state's required and actual contributions to the plan for the years ending June 30, 2010, 2009, and 2008 were \$126.0 million, \$111.5 million, and \$106.8 million, respectively. The state's contributions for the fiscal year ended June 30, 2010 increased over the amounts contributed for the fiscal year ended June 30, 2009, primarily due to a statutory increase in the employer contribution rates.

As of June 30, 2010, the date of the most recent actuarial valuation, the net assets available to pay pension benefits, at actuarial value, were reported by the New Hampshire Retirement System to be \$5,234 million. The total pension liability at June 30, 2010 using the entry age normal actuarial cost method was \$8,954 million, resulting in a funded ratio of 58.5% and projected pension liability in excess of assets of \$3,720 million.

OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer plan, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately \$15.0 million for the fiscal year ended June 30, 2010.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported in the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010 (dollar amounts in thousands):

Annual Required Contribution/OPEB Cost	\$ 204,948
Interest on net OPEB obligation	13,192
Adjustment to annual required contribution	(9,989)
Annual OPEB cost	208,151
Contributions made (pay-as-you-go)	(52,790)
Increase in Net OPEB Obligation	155,361
Net OPEB Obligation - Beginning of Year	295,241
Net OPEB Obligation - End of Year	\$ 450,602

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/10	\$ 208,151	\$ 52,790	25.36%	\$ 450,602

As of June 30, 2008, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,470.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,470.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$602.6 million during fiscal year 2010, and the ratio of the UAAL to the covered payroll was 410 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return per annum. The projected annual healthcare cost trend is 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after six years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2008, was thirty years.

Since the most recent actuarial valuation of the Net OPEB Obligation, there have been changes to certain retiree benefits effective October 1, 2010 and a new Pharmacy Benefit Manager arrangement has been made. These changes are not expected to have a material effect on the amounts of Net OPEB obligation or Annual OPEB Cost for the fiscal year ended 2010.

JUDICIAL RETIREMENT PLAN

Plan Description: The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the state.

The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has one employee. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of Trustees of the Plan. Any member of the Plan who has at least 15 years of creditable service and who is at least 60 years old is entitled to retirement benefits equal to 70% of the member's final year's salary.

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary. A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that a member has over 7 years. A member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years.

However, under no circumstances shall any retirement benefit exceed 75% of the member's final year's salary. For purposes of determining the above benefit, the member's final salary is equal to compensation earned in the prior 12-month period in which the employee was a member of the plan.

Funding Policy: The Plan is financed by contributions from the members and the state. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the state issued \$42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final year's salary. For the bienniums beginning July 1, 2009 and July 1, 2007 the state was required to and contributed 27.42% and 19.68%, respectively, of the members' salary.

As of January 1, 2008, the date of the most recent actuarial valuation, the net assets available to pay retirement benefits, at actuarial value, were reported by the Plan to be \$50.6 million. The total retirement benefit liability using the entry age normal actuarial cost method was \$54.9 million, resulting in a funded ratio of 92% and projected liability in excess of assets of \$4.3 million. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 8.0% and salary growth of 3.0%.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System, Pease Development Authority, and Community College System of New Hampshire participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

11. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Contingent Liabilities: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the state's \$129.4 million of contingent liabilities and the statutory limits as of June 30, 2010 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2010		
				PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds.....	485-A:7	\$ 50,000	\$ 42,122	\$ 6,980	\$ 898	\$ 7,878
Business Finance Authority (BFA) - General Obligation.....	162-A:17	25,000	**	20,000	7,298	27,298
Business Finance Authority (BFA) - Additional State Guarantee.....	162-I:9-b	50,000	**	32,582	308	32,890
Business Finance Authority (BFA) - Unified Contingent Credit Limit....	162-A:22	95,000	* 42,418	52,582	7,606	60,188
School Construction Bonds.....	195-C:2	95,000	33,863	40,707	20,430	61,137
Solid Waste Bonds.....	149-M:31	10,000	9,804	175	21	196
Super Fund Site Cleanup Bonds.....	33:3-f	20,000	* 20,000			
Housing Finance Authority Child Care Loans.....	204-C:79	300	300			
TOTALS.....		\$ 270,300	\$ 148,507	\$100,444	\$ 28,955	\$ 129,399

*Plus Interest

**Plus interest (guarantee limit under this section is included in and also limited by RSA 162-A:22)

Limited Liabilities with the Pease Development Authority (PDA):

The state has statutory authority to guarantee bonds issued by the PDA, within certain limits, and advance money to the PDA, through both interest and non-interest bearing loans. In addition, RSA 12-G:17 authorizes the issuance of up to \$250.0 million in bonds backed solely by the credit of the PDA. The table below highlights the legal limits of state guarantees and loans relative to the PDA as of June 30, 2010 (expressed in thousands):

Legal Limit	(1)	(2)	(3)	(4)
	RSA 12-G:31	RSA 12-G:33	RSA 12-G:34	RSA 12-G:35
	\$ 70,000	\$ 35,000	\$ 5,000	\$ 10,000
Debt Guaranteed Now Assumed by State				
Business Express Airlines.....	10,000			
Atlantic Coast Airlines.....	1,000			
Amount Bonded By State and Loaned to PDA				
Operating Budget FY92 (V161).....	2,800			
Operating Budget FY93 (V161).....	3,800			
Operating Budget FY93 (V165).....	1,000			
Matching Grants Econ. Dev. (V165).....			5,000	
Lonza (Celltech).....	29,990			
Amount Borrowed By PDA and Guaranteed By State				
Bond Anticipation Notes.....	5,000			
Line of Credit.....	2,500			
Remaining Capacity	\$ 13,910	\$ 35,000	\$ -	\$ 10,000

(1) RSA 12-G:31 - \$70 million in bonds may be guaranteed by the state for airport projects or the state can make loans by issuing bonds.

(2) RSA 12-G:33 - \$35 million in bonds may be guaranteed by the state to develop a research district.

(3) RSA 12-G:34 - \$5 million in bonds may be issued and loaned to provide matching grants for FAA and EDA grants.

(4) RSA 12-G:35 - \$10 million in bonds may be issued and loaned to provide matching to private grants for development of research district.

PDA: Semiannually, PDA makes payments to the state for the Lonza (Celltech) loans and the state pays the debt service payments. The amount outstanding as of June 30, 2010 relative to the Lonza (Celltech) loans is \$9.6 million (representing principal \$8.6 million and interest \$1.0 million).

Federal Grants: The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to

these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

12. LEASE COMMITMENTS**OPERATING LEASES**

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2010 for governmental activities and business-type activities were approximately \$10.9 million and \$3.7 million, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2010 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2011.....	\$ 7,092	\$ 2,806
2012.....	4,870	2,452
2013.....	3,462	2,168
2014.....	2,451	1,454
2015.....	1,147	1,117
2016-2020.....	2,541	1,784
Total.....	\$ 21,563	\$ 11,780

CAPITAL LEASES

The state has entered into lease agreements as lessee for financing the acquisition of buildings and equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The future minimum lease payments and the net present value of those payments at June 30, 2010, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2011.....	\$ 858	\$ 141
2012.....	683	109
2013.....	525	
2014.....	345	
2015.....	332	
2016-2020.....	1,044	
2021-2025.....	272	
Total.....	4,059	250
Amount Representing Interest.....	(682)	(13)
Present Value of Minimum Lease Payments.....	\$ 3,377	\$ 237

The assets acquired through capital leases and included in capital assets at June 30, 2010 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment.....	\$ 5,863	\$ 563
Buildings & Building Improvements..	9,996	1,129
Total.....	15,859	1,692
Less: Accumulated Depreciation....	(13,505)	(1,043)
Net.....	\$ 2,354	\$ 649

13. LITIGATION**Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments**

By letter dated July 9, 2007, the New Hampshire Department of Health and Human Services ("DHHS") received a final report from the Office of Inspector General ("OIG") of the U.S. Department of Health and Human Services regarding an audit of DHHS's disproportionate share hospital ("DSH") payments during federal fiscal year 2004. These payments are administered by Centers for Medicare and Medicaid Services ("CMS"). The report found that \$44 million (later reduced to \$35 million as a result of the State's initial response) of federal share for federal fiscal year 2004 was unallowable on grounds that the State's cost to charge ratio was inflated and recommended that this amount be refunded to CMS. DHHS responded to CMS regarding the report on August 8, 2007.

In October 2009, the DHHS received a Notice of Disallowance from CMS indicating that it concurred with the OIG report findings. The Notice indicated that CMS was disallowing \$35 million in federal funds for federal fiscal year 2004.

The Notice also confirmed that the State may appeal the disallowance to the Federal Departmental Appeals Board (DAB) and elect to retain the funds pending appeal. DHHS filed a formal Notice of Appeal on December 18, 2009 and elected to retain the funds pending outcome of the appeal with the DAB. Both sides have filed briefs with the DAB. DHHS has filed a reply brief on December 16, 2010. The DAB is considering the matter. The OIG report also recommended that the State work with the CMS to review DHS payments claimed after the audit period and refund any overpayments. No action has been taken by either party on this recommendation. It is not possible to predict the outcome of this matter at this time.

Litigation related to Financial Resources Mortgage, Inc.

A lawsuit, *Marino v. Commissioner of Banking*, was filed in Merrimack County Superior Court, and is the first of many possible cases related to the failure of an investment company known as Financial Resources Mortgage, Inc., ("FRM"). FRM was operating a ponzi scheme related to real estate and construction loans. After an evaluation conducted by the Attorney General, it was determined that three State agencies, the Banking Department, the Securities Bureau, and the Attorney General's Office, failed to appropriately handle complaints received over a 10 year period. The plaintiffs in this case are claiming \$265,000 in damages. No trial has been scheduled and it is not possible at this time to predict the outcome of this matter. The State has also received an additional 35 notices of claim alerting the State of individuals who may file lawsuits claiming that the State failed to appropriately regulate FRM. Some reports calculate the total losses to all investors in FRM at approximately \$80 million. The State filed a motion to dismiss on August 5, 2010. No order has yet been issued following a hearing on December 16, 2010. It is not possible to predict the outcome of this matter at this time.

City of Concord, Belknap County and Mascenic Regional School District v. State and State Retirement System

This lawsuit challenges the constitutionality of the legislation that reduced the State's share of funding for local employers' cost for municipal, school, and county employees in fiscal years 2010 and 2011. The total reduction of the State's share over the biennium is estimated to be \$27 million. Petitioners allege that this reduction in the State's share results in an unconstitutional unfunded mandate imposed on them. The Petitioners have filed for summary judgment. The State's response is due December 20, 2010. On December 20, 2010, the State filed a cross motion for summary judgment. No ruling has been made at this time. Trial is scheduled for April 2011. It is not possible to predict the outcome of this matter.

State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company

This case was originally filed as a Petition for a Declaratory Order in Superior Court. The defendants are signatories to the Tobacco Master Settlement Agreement ("MSA") under which the defendants are required to make annual payments to all of the states, including the State. The annual payments received since 2006 have been approximately \$5 million below the required payment amount. The defendants have been withholding portions of their payment or making payment into a disputed payments account claiming that the State failed to diligently enforce the non-participating tobacco manufacturers' obligation to make an escrow payment of an amount meant to mitigate a market advantage to non-participation. The Supreme Court affirmed the ruling of the trial court on June 22, 2007 that all issues would proceed to arbitration. The arbitration panel has been selected and a hearing on preliminary motions is scheduled for October 5, 2010. The discovery phase is ongoing. The individual state arbitrations are expected to begin in the fall of 2011, and are expected to last approximately six months. The tobacco companies are seeking recovery of up to an entire annual payment of approximately \$50 million made to the State under the MSA. The State is unable to predict the outcome at this time.

Chase Home et al V. Division of Children, Youth and Families ("DCYF")

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against DCYF, *Chase Home et al v. DCYF*. The claims included: 1) breach of contract, 2) breach of implied covenant of good faith and fair dealing, 3) unconstitutional taking, and 4) deprivation of rights under 42 U.S.C. §1983. The Petitioners sought retroactive payment of more than \$3 million as well as costs and attorneys' fees. The State filed a motion for summary judgment on the grounds that DCYF does not have a contractual relationship with the providers, and that it did not engage in any unconstitutional taking of property. On December 5, 2008 the petitioners filed a motion to amend their complaint to state a separate claim based on DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of state law.

Following the petitioners motion to amend its complaint, DCYF withdrew its motion for summary judgment. DCYF re-filed its motion for summary judgment on March 2, 2009. The petitioners sought to amend their complaint again to include allegations that the Medicaid provider services agreements are express contracts. The court allowed them to amend and DCYF re-filed its motion for summary judgment on July 20, 2009.

The court denied the motion for summary judgment and granted in part the petitioner's motion giving collateral estoppel effect to the 2006 hearing officer finding that there was sufficient money in the budget to pay the three petitioners that had appealed in that year. After trial, in May 2010, the trial court ruled in favor of the Petitioners and found that the state had breached its contracts and that there was sufficient money appropriated in the years in question to pay the Petitioners. The court awarded damages of \$3.5 million, but denied Petitioners' request for attorneys fees. The State's motion to reconsider was denied, and an appeal has been filed. No briefing schedule has been issued by the Supreme Court and the State is unable to predict the outcome at this time.

OTHER LITIGATION

The state, its agencies and employees are defendants in numerous other lawsuits. Although the Attorney General is unable to predict the ultimate outcomes of these suits, in the opinions of the Attorney General, State Comptroller and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the State, which would materially affect its financial position, is remote. Accordingly, no detailed disclosures of these other lawsuits are provided herein and no provision for such ultimate liability, if any, has been made in the financial statements.

14. HIGHWAY

The highway fund is comprised of two accounts, an operating account and capital account. The capital account is primarily comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment). The operating account represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax. The unaudited, unreserved deficit for the capital and operating accounts and the total highway fund, at June 30, 2010 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Unreserved Surplus/(Deficit)	\$ (18.1)	\$ 27.0	\$ 8.9

The unaudited deficit in the capital account at June 30, 2010 exists primarily because funds are appropriated from the current year fund balance for multi-year highway construction projects. Although the state will receive reimbursements from federal and local sources in future years, after the actual cash disbursements have occurred, the total project cost is a charge against the fund balance at the time the project is approved.

The unaudited surplus in the operating account at June 30, 2010 was \$27.0 million. Future projects, where no contract has been approved and appropriated, are not yet a charge against fund balance. The surplus balance therefore, remains in the operating account ready to be used when anticipated project plans are converted to specific contracts, which will be approved and appropriated in future fiscal years.

15. JOINT VENTURES-LOTTERY COMMISSION

The New Hampshire Lottery Commission is an active participant in two separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State) and the Multi-State Lottery Association (MUSL).

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of agents. In addition, each state contributes services towards the management and advisory functions. Each states share of revenues, expenses and interest income is based on their respective share of sales except for direct charges such as advertising, vendor fees and per-diem payments. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30, 2010, the Lottery recognized \$10.6 million of net income from Tri-State.

In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was \$1.6 million at June 30, 2010. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, P.O. Box 420 South Barre, Vermont 05670.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 31 member state lotteries and administers the Multi-State Lottery Powerball and Hot Lotto games. Each state lottery sells tickets, collects revenues and remits prize funds to MUSL net of lower tier prize awards. Each member also pays for a share of MUSL's operating expenses based upon the members proportionate share of game sales. Jackpot prizes that are payable in installments are satisfied through investments purchased by MUSL. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL. For the year ended June 30, 2010, the Lottery recognized \$19.6 million of net income from MUSL. In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was \$2.3 million at June 30, 2010. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

16. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

In fiscal year 2010, expenses were incurred due to work performed by other state agencies for the Turnpike system. Enforcement expenses of \$5 million from the Department of Safety, and bridge maintenance, sign crew, pavement marking and mechanical services from the Department of Transportation Highway Bureau of \$2 million included in Indirect Costs, accounted for the majority of interfund activity.

Since these activities are not shown in combined form in the accompanying financial statements, these transactions are not eliminated.

Transfer of capital assets

Section of Interstate 95 to Turnpike System

Effective July 1, 2009, Chapter 144, Laws of 2009, authorized the Department of Transportation to convey from the Highway fund to the Turnpike System, a portion of Interstate 95 in Portsmouth for the sum of \$120 million in Notes bearing fixed interest set at 4%, based on an appropriate benchmark for tax-exempt debt. The law also specifies that the Turnpike System will make payments on the Notes from its general reserve account over a period not to exceed twenty years, with \$30 million including interest being paid in fiscal year 2010 and \$20 million including interest being paid in fiscal year 2011.

16. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES - CONTINUED

The conveyance occurred on August 25, 2009. Since the parties are related, the transaction is accounted for as a transfer of assets at carrying cost. The Turnpike System assumed liability for the Notes in the amount of \$120 million, therefore, it recognized a loss on the acquisition for the difference between the amount of the Notes and the governmental activities carrying cost of the asset, of \$117 million.

Governmental Activities recognized a transfer in on the sale of the asset, with Note interest, at such time as payments are received. In fiscal year 2010, \$30 million is included in Miscellaneous Revenue.

Land associated with the Hooksett Rest Area of Interstate 93

The State Liquor Commission ("SLC") conveyed approximately 18.5 acres of land to the Turnpike System for \$6.5 million, an amount determined by appraisal. The land is to be used by the System for the commercial development of expanded rest area facilities to potentially included traveler conveniences such as restaurants and fuel facilities. The SLC transferred the cash received, \$6.5 million to the General Fund as provided by legislation passed for the transaction.

Since the transaction was between related Activities of Government, the Turnpike System recorded the land at the SLC carrying cost of \$.3 million, and the rest of the proceeds paid were recognized as an intra-entity transfer out on the acquisition of assets.

University System of New Hampshire contribution to General Fund

USNH, a component unit of the State's financial statements, made a voluntary \$25 million payment to be deposited to the General Fund during fiscal year 2010. The payment was in recognition, in part, of the debt service paid by the General Fund for Debt issued to benefit the University System. The General Fund accepted this payment, by Fiscal Committee action, and the amount has been recognized as Miscellaneous Revenue.

17. SUBSEQUENT EVENTS

On July 14, 2010 the state issued \$45.0 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2013 through 2020. These bonds were used to refund \$48.4 million of outstanding bonds. The refunding restructured selected principal payments due on outstanding debt during FY 11. The refunding cost the State \$0.7 million on a net present value basis.

On September 1, 2010, the State issued \$90.0 million in tax exempt general obligation bonds with maturity dates ranging from 2012 to 2020 with 5% coupon rates. The sale resulted in a \$17.0 million premium that will be used to fund capital projects. The \$90.0 million will be used to fund school building aid payments for FY 10 and FY 11. Also on September 1, 2010, the State issued \$60.0 million in taxable Build America Bonds with maturity dates ranging from 2021 to 2030 and coupon rates from 3.5% to 4.5%. The federal government will provide subsidy payments of 35% of the interest on these bonds.

On November 4, 2010, the State issued \$80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund two segments of the I-93 Project. Of the amount, \$20.0 million was issued as Build America Bonds with maturity dates ranging from 2020 to 2022 and coupon rates from 3.9% to 4.3%. The federal government will provide subsidy payments of 35% of the interest on these bonds. In addition, \$60.0 million was issued as Recovery Zone Economic Development Bonds with maturity dates ranging from 2022 to 2025 and coupon rates from 4.3% to 4.9%. The federal government will provide subsidy payments of 45% of the interest on these bonds.

The State is in the process of implementing retiree medical and prescriptions plan changes. It is estimated that if these plan changes had been reflected in the State's most recent Other Post Employment Benefit (OPEB) actuarial valuation, that the cumulative effect would reduce the unfunded actuarial accrued liability (UAAL) by approximately 9.2%, from \$2,470.5 million to \$2,242.0 million.



**Required Supplementary Information
(Unaudited)**

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (expressed in thousands)

	General Fund			
	Budgeted Amount		ACTUAL (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	ORIGINAL	FINAL		
REVENUES				
General Property Taxes.....	\$ 379	\$ 379	\$ 203	\$ (176)
Special Taxes.....	1,038,751	1,038,751	996,949	(41,802)
Personal Taxes.....	121,567	121,567	130,495	8,928
Business License Taxes.....	36,185	36,185	18,824	(17,361)
Non-Business License Taxes.....	85,876	85,876	88,586	2,710
Fees.....	187,464	190,433	170,382	(20,051)
Fines, Penalties and Interest.....	14,243	14,263	11,161	(3,102)
Grants from Federal Government.....	1,966,466	2,180,877	1,619,361	(561,516)
Grants from Private and Local Sources.....	151,879	124,809	115,931	(8,878)
Rents and Leases.....	12,469	12,469	10,201	(2,268)
Interest Premiums and Discounts.....	6,580	6,580	11,955	5,375
Sale of Commodities.....	9,134	9,226	11,855	2,629
Sale of Services.....	124,012	124,015	108,332	(15,683)
Assessments.....	117,187	117,187	87,074	(30,113)
Grants from Other Agencies.....	167,588	170,932	191,348	20,416
Miscellaneous.....	314,604	315,723	167,258	(148,465)
Total Revenue.....	4,354,384	4,549,272	3,739,915	(809,357)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch.....	21,925	21,925	15,973	5,952
Executive.....	118,635	137,027	68,325	68,702
Information Technology.....	64,641	62,842	53,984	8,858
Executive Council.....	229	229	222	7
Off. Of Economic Stimulus.....	1,140	1,072	290	782
Administrative Services.....	138,796	138,343	123,392	14,951
Sec of State.....	28,682	28,682	7,598	21,084
Cultural Affairs.....	7,548	7,820	7,078	742
Revenue Administration.....	17,475	16,963	15,975	988
State Treasury.....	86,979	87,295	75,599	11,696
NH Retirement System.....	63,301	63,301	57,132	6,169
Boards and Commissions.....	2,846	2,924	2,635	289
Total.....	552,197	568,423	428,203	140,220
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch.....	76,759	77,849	74,475	3,374
Adjutant General.....	38,103	38,060	21,768	16,292
Agriculture.....	5,730	6,259	4,351	1,908
Justice Department.....	46,725	48,567	26,641	21,926

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Bank Commission.....	5,669	5,669	4,753	916
Pari-Mutuel Commission.....	970	1,050	1,050	0
Highway Safety.....	6,120	6,077	2,707	3,370
Insurance.....	9,657	9,657	8,151	1,506
Labor.....	36,508	37,071	23,674	13,397
Public Utilities Commission.....	60,271	60,695	25,005	35,690
Safety.....	228,964	256,113	145,460	110,653
Corrections Department.....	107,393	107,402	103,196	4,206
Employment Security.....	52,393	52,610	34,245	18,365
Judicial Council.....	26,730	28,203	27,721	482
Human Rights Commission.....	674	690	679	11
Boards and Commissions.....	556	581	559	22
Total.....	703,222	736,553	504,435	232,118
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development.....	68,962	70,401	51,615	18,786
Pease Development Authority.....	11,165	11,165	(2,600)	13,765
Environmental Services.....	383,718	391,746	216,793	174,953
Development Finance Authority.....	180	180	180	-
Boards and Commissions.....	548	564	541	23
Total.....	464,573	474,056	266,529	207,527
TRANSPORTATION				
Transportation.....	77,173	77,747	12,414	65,333
Total.....	77,173	77,747	12,414	65,333
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner.....	805,802	810,845	780,094	30,751
Office of Health Management.....	97,199	105,060	76,155	28,905
Children and Youth.....	135,571	137,253	126,038	11,215
Transitional Assistance.....	105,944	113,953	106,864	7,089
Behavioral Health.....	111,101	119,874	115,438	4,436
Developmental Services.....	265,202	272,527	240,879	31,648
Developmental Disabilities Council.....	602	602	462	140
N H Hospital.....	72,669	71,937	67,172	4,765
Home for Elderly.....	13,162	13,019	12,476	543
N H Veterans Home.....	28,774	28,774	26,220	2,554
Veterans Council.....	444	444	428	16
Youth Development Services.....	29,140	29,374	26,436	2,938
Elderly and Adult Services.....	442,283	452,340	428,908	23,432

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (expressed in thousands)

	General Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amount		ACTUAL (Budgetary Basis)	
	ORIGINAL	FINAL		
Admin and Support.....	928	927	798	129
Boards and Commissions.....	3,485	4,506	2,997	1,509
Total.....	2,112,306	2,161,435	2,011,365	150,070
EDUCATION				
Post Secondary Education Commission.....	5,391	5,527	4,834	693
Department of Education.....	430,088	433,587	263,940	169,647
NH Comm. Tech. College System.....	123,511	123,475	115,048	8,427
Planetarium.....	1,659	1,665	1,600	65
Police Standards and Training Council.....	4,548	4,548	3,176	1,372
University of New Hampshire.....	99,715	100,000	100,000	-
Total.....	664,912	668,802	488,598	180,204
Debt Service.....	104,028	104,028	104,028	0
Capital Outlays.....	24,995	24,995	24,995	-
Total	4,703,406	4,816,039	3,840,567	975,472
Deficiency of Revenues				
Under Expenditures.....	(349,022)	(266,767)	(100,652)	166,115
<u>Other Financing Sources (Uses)</u>				
Transfers In.....	-	123,775	143,621	19,846
Transfers Out	-	(17,623)	(53,416)	(35,793)
Miscellaneous.....	-	529	6,800	6,271
Total Other Financing Sources Uses.....	-	106,681	97,005	(9,676)
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses.....	(349,022)	(160,086)	(3,647)	156,439
Fund Balance - July 1.....	416,446	416,446	416,446	-
Fund Balance - June 30.....	\$ 67,424	\$ 256,360	\$ 412,799	\$ 156,439

See accompanying Independent Auditors' Report. The Notes to Required Supplementary Information are an integral part of this schedule.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Business License Taxes.....	\$ 150,973	\$ 150,973	\$ 146,684	\$ (4,289)
Non-Business License Taxes.....	118,940	118,940	119,790	850
Fees.....	21,991	23,229	22,197	(1,032)
Fines, Penalties and Interest.....	568	638	645	7
Grants from Federal Government.....	375,796	376,504	186,323	(190,181)
Grants from Private and Local Sources.....	21,646	21,646	3,679	(17,967)
Rents and Leases.....	222	223	149	(74)
Interest Premiums and Discounts.....	750	750		(750)
Sale of Commodities.....	1,160	1,160	137	(1,023)
Sale of Services.....	33,301	33,301	33,532	231
Assessments.....	-	-	1	1
Grants from Other Agencies.....	2,416	2,464	2,528	64
Miscellaneous.....	(16,531)	(16,307)	60,629	76,936
Total Revenues.....	<u>711,232</u>	<u>713,521</u>	<u>576,294</u>	<u>(137,227)</u>
EXPENDITURES				
Justice and Public Protection.....	34	1,279	1,565	(286)
Transportation.....	558,897	562,795	450,728	112,067
Debt Service.....	13,143	11,075	13,143	(2,068)
Capital Outlays.....	22,384	44,487	22,384	22,103
Total Expenditures.....	<u>594,458</u>	<u>619,636</u>	<u>487,820</u>	<u>131,816</u>
Deficiency of Revenues Under Expenditures.....	116,774	93,885	88,474	(5,411)
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	2,550		(2,550)
Transfers Out.....	-	(4,020)	(9,262)	(5,242)
Miscellaneous.....	-	2,678	1,541	(1,137)
Total Other Financing Sources (Uses).....		<u>1,208</u>	<u>(7,721)</u>	<u>(8,929)</u>
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses.....	116,774	95,093	80,753	(14,340)
Fund Balance - July 1.....	23,122	23,122	23,122	-
Fund Balance - June 30.....	\$ 139,896	\$ 118,215	\$ 103,875	\$ (14,340)

STATE OF NEW HAMPSHIRE
 BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
 EDUCATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (expressed in thousands)

	Education Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
General Property Taxes.....	\$ 391,000	\$ 391,000	\$ 393,093	\$ 2,093
Special Taxes.....	293,800	293,800	280,399	(13,401)
Personal Taxes.....	95,600	95,600	113,004	17,404
Fines, Penalties and Interest.....	-	-	2	2
Grants from Federal Government.....	160,078	160,078	160,078	
Miscellaneous.....	40,000	40,000	40,000	-
Total Revenues.....	980,478	980,478	986,576	6,098
EXPENDITURES				
General Government.....	-	-		
Education.....	957,021	957,021	952,855	4,166
Total Expenditures.....	957,021	957,021	952,855	4,166
Excess (Deficiency) of Revenues Over (Under) Expenditures.....	23,457	23,457	33,721	10,264
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	52,938	52,938	-
Total Other Financing Sources (Uses).....		52,938	52,938	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses.....	23,457	76,395	86,659	10,264
Fund Balance - July 1.....	(50,248)	(50,248)	(50,248)	-
Fund Balance - June 30.....	\$ (26,791)	\$ 26,147	\$ 36,411	\$ 10,264

Note to the Required Supplementary Information - Budgetary Reporting (Unaudited)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

RECONCILIATION OF BUDGETARY TO GAAP

The state's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Budget and Actual – Non-GAAP budgetary statements are presented on a "budgetary basis" under such standardized accounting methods and policies structured to provide a meaningful comparison to budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures (Budgetary) are recorded when cash is paid or committed by contractual obligation (encumbrance), rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures and contractual obligations (encumbrances). Additional revenue accruals are made on a (GAAP) basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Major Special Revenue Funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the year ended June 30, 2010 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess (Deficiency) of revenues and other financing sources Over (under) expenditures and other financing uses (Budgetary Basis)	\$ (3,647)	\$ 80,753	\$ 86,659
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	76,799	3,500	(210)
To Record change in Encumbrances	87,122	(64,864)	-
To Record change in Accounts Receivable	(121,652)	30,142	(71,704)
To Record Other Financing Sources (Uses)	40,401	-	(16,844)
Excess (Deficiency) of revenues and other financing sources Over (under) expenditures and other financing uses* (GAAP Basis)	\$ 79,023	\$ 49,531	\$ (2,099)

*Includes Change in Inventory reserves for General and Highway of \$ (428), \$1,541 respectively.

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

The following schedules present the State of New Hampshire's actuarially determined funding progress and required contributions for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

Schedule of Funding Progress by Valuation Date

(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
06/30/08	\$ -	\$ 2,470,485	\$ 2,470,485	0%	* \$ 602,644	409.94%
12/31/06	\$ -	\$ 2,559,477	\$ 2,559,477	0%	\$ 558,400	458.36%

*Annual Covered Payroll data updated for FY 10

Schedule of Employer Contributions

(Expressed in thousands)

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed
2010	\$ 208,151	\$ 52,790	25.36%
2009	\$ 195,442	\$ 57,011	29.17%
2008	\$ 207,142	\$ 50,332	24.30%

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedules present the New Hampshire Judicial Retirement Plan's actuarially determined funding progress and required contributions for pension benefits (using the entry age normal actuarial cost method):

Schedule of Funding Progress by Valuation Date

(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/08	\$ 50,601	\$ 54,931	\$ 4,330	92%	\$ 7,195	60.18%
01/01/06	\$ 44,980	\$ 47,153	\$ 2,173	95%	\$ 6,833	31.80%
01/01/05	\$ 42,800	\$ 43,670	\$ 870	98%	\$ 6,363	13.67%

Schedule of Employer Contributions

(Expressed in thousands)

Fiscal Year Ended December 31,	Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2009	\$ 1,754	\$ 1,754	100.00%
2008	\$ 1,416	\$ 1,416	100.00%
2007	\$ 1,244	\$ 1,244	100.00%



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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire (the State) as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 29, 2010. Our report was modified to include a reference to the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University System of New Hampshire, the Business Finance Authority, the Community Development Finance Authority, the Pease Development Authority, the Investment Trust Fund and the Judicial Retirement Plan as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters did not include the State of New Hampshire Turnpike System and the New Hampshire Retirement System. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control over Financial Reporting

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



Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the State's internal control over financial reporting described as Findings 2010-1 through 2010-5, in the accompanying schedule of current year findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as Findings 2010-6 through 2010-10, in the accompanying schedule of current year findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the State in a separate letter dated December 29, 2010.

The State's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on them.



This report is intended solely for the information and use of the Fiscal Committee, management and others within the State and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 29, 2010



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**Report on Compliance with Requirements That Could Have a Direct and Material Effect
on Each Major Program, Internal Control Over Compliance
and on the Schedule of Expenditures of Federal Awards
in Accordance with OMB Circular A-133**

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

Compliance

We have audited the State of New Hampshire's (State) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2010, except the requirements discussed in the second paragraph of this report. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We did not audit the State's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the State for the year ended June 30, 2010 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

The State's basic financial statements include the operations of the University of New Hampshire (UNH), Pease Development Authority (PDA), the Community Development Finance Authority (CDFA) and the Business Finance Authority (BFA) that received federal awards during the year ended June 30, 2010. Our audit, described below, did not include the activities of UNH, PDA, CDFA and BFA because those component units engaged other auditors to perform audits in accordance with the OMB Circular A-133.



To the Fiscal Committee of the General Court
State of New Hampshire

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the Compliance Supplement that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in Findings 2010-18, 2010-21, 2010-27, 2010-31, 2010-36 and 2010-51 in the accompanying schedule of current year findings and questioned costs, the State did not comply with the requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2010-18	93.283	Center for Disease Control and Prevention – Investigations and Technical Assistance	Matching
2010-21	66.458/66.468	Capitalization Grants Clean Water and Drinking Water Funds – ARRA	Reporting
2010-27	84.027/84.173/84.391/84.392	Special Education – Grants to States	Level of Effort
2010-31	93.568	Low-Income Home Energy Assistance program	Subrecipient Monitoring
2010-36	81.042	Weatherization Assistance to Low Income Persons – ARRA	Davis-Bacon
2010-51	17.258/17.259/17.260	WIA Adult Programs, Youth Activities/Dislocated Workers – NonARRA and ARRA	Subrecipient Monitoring



To the Fiscal Committee of the General Court
State of New Hampshire

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to each of its other major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of current year findings and questioned costs as Findings 2010-11, 2010-12, 2010-13, 2010-14, 2010-16, 2010-17, 2010-20, 2010-22, 2010-23, 2010-24, 2010-25, 2010-26, 2010-28, 2010-29, 2010-32, 2010-33, 2010-34, 2010-35, 2010-37, 2010-38, 2010-39, 2010-41, 2010-42, 2010-43, 2010-44, 2010-45, 2010-46, 2010-48, 2010-49, 2010-50, 2010-52, 2010-53, 2010-56, 2010-57, 2010-58 and 2010-59.

Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster, Federal Perkins Loan program as described in the Compliance Supplement, are performed by ECSI. Internal control over compliance related to such functions for the year ended June 30, 2010 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and others that we consider to be significant deficiencies.



To the Fiscal Committee of the General Court
State of New Hampshire

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of current year findings and questioned costs as items 2010-11, 2010-12, 2010-18, 2010-20, 2010-21, 2010-27, 2010-31, 2010-33, 2010-36, 2010-51 and 2010-54 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2010-13, 2010-14, 2010-15, 2010-16, 2010-19, 2010-22, 2010-23, 2010-25, 2010-26, 2010-28, 2010-29, 2010-30, 2010-32, 2010-34, 2010-35, 2010-38, 2010-39, 2010-40, 2010-41, 2010-42, 2010-43, 2010-44, 2010-45, 2010-46, 2010-47, 2010-48, 2010-52, 2010-53, 2010-55, 2010-56, 2010-57, 2010-58, and 2010-59 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. Our report was modified to include a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses, and accordingly, we express no opinion on them.



To the Fiscal Committee of the General Court
State of New Hampshire

This report is intended solely for the information and use of management, the Fiscal Committee of the General Court, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 28, 2011,
except for the schedule of expenditures of federal awards
which is as of December 29, 2010

State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care			
		08-9633-0154CA	02/04/2009 - 09/29/2009	\$4,953	0 %
		08-9633-0670CA	04/01/2009 - 03/31/2010	\$715	0 %
		09-8233-0318	01/01/2009 - 12/31/2009	\$49,133	0 %
		09-8233-0647CA	04/01/2009 - 03/31/2010	\$15,000	0 %
		09-8233-0663-CA	05/18/2009 - 12/31/2008	\$64,085	0 %
		09-9633-0975CA	07/01/2009 - 03/31/2010	\$3,464	0 %
		10-8233-0318-CA	01/01/2010 - 12/31/2010	\$46,353	0 %
		10-8233-0663-CA	06/01/2010 - 05/31/2011	\$8,034	0 %
		10-9633-1009CA	04/01/2010 - 06/30/2010	\$2,679	0 %
			CFDA Total:	<u>\$194,416</u>	
7500	10.028	Wildlife Services			
		08-7100-0159CA	07/01/2008 - 06/30/2009	\$25,343	0 %
		08-9633-0174CA	08/01/2008 - 07/31/2009	\$27,221	0 %
		72142807072	05/25/2007 - 09/30/2012	\$12,646	0 %
			CFDA Total:	<u>\$65,210</u>	
1800	10.162	Inspection Grading And Standardization			
		12-25-A-4950	09/30/2008 - 09/30/2009	\$19,848	0 %
		12-25-A-5147	10/01/2009 - 09/30/2010	\$8,717	0 %
			CFDA Total:	<u>\$28,565</u>	
9500	10.479	Food Safety Cooperative Agreements			
		FSISC262005A	09/30/2008 - 09/29/2009	\$95,676	0 %
		FSISC262005A	09/30/2009 - 09/29/2010	\$90,605	0 %
			CFDA Total:	<u>\$186,281</u>	
1400	10.550	Food Donation (Note 3)			
		133 (Q1 - Q4)	07/01/2009 - 06/30/2010	\$3,879,954	100 %
			CFDA Total:	<u>\$3,879,954</u>	
9500	10.551	Supplemental Nutrition Assistance Program (Notes 3, 8)			
		4NH400403	10/01/2008 - 09/30/2009	\$33,323,490	0 %
		4NH400403	10/01/2009 - 09/30/2010	\$111,941,551	0 %
			CFDA Total:	<u>\$145,265,041</u>	
5600	10.553	School Breakfast Program (Note 8)			
		4NH300304 075-05	10/01/2009 - 09/30/2010	\$3,497,183	100 %
		4NH300304 975-05	10/01/2008 - 09/30/2009	\$813,575	100 %
			CFDA Total:	<u>\$4,310,758</u>	

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	10.555	National School Lunch Program (Note 8)			
		4NH300304 075-02	10/01/2009 - 09/30/2010	\$16,709,694	100 %
		4NH300304 975-02	10/01/2008 - 09/30/2009	\$4,072,569	100 %
		CFDA Total:		<u>\$20,782,263</u>	
5600	10.556	Special Milk Program For Children (Note 8)			
		4NH300304 075-68	10/01/2009 - 09/30/2010	\$63,931	100 %
		4NH300304 975-68	10/01/2008 - 09/30/2009	\$118,911	100 %
		CFDA Total:		<u>\$182,842</u>	
9500	10.557	Special Supplemental Nutrition Program For Women, Infants And Children			
		IW100344	10/31/2008 - 09/30/2009	\$1,960,413	0 %
		IW100344	10/01/2009 - 09/30/2010	\$2,615,471	0 %
		IW100644	10/01/2007 - 09/30/2008	\$1,475	0 %
		IW100644	10/01/2008 - 09/30/2009	\$2,852,848	0 %
		IW100644	10/01/2009 - 09/30/2010	\$4,948,497	0 %
		IW101113	10/01/2006 - 09/30/2007	\$38,167	0 %
		IW101144	10/01/2007 - 09/30/2008	\$14,572	0 %
		IW450344	10/01/2009 - 09/30/2010	\$1,170	0 %
		IW500344	10/01/2007 - 09/30/2008	\$459	0 %
		IW500344	10/01/2008 - 09/30/2010	\$40,609	0 %
		IY830344	10/01/2008 - 09/30/2009	\$49,102	0 %
		IY830444	10/01/2008 - 09/30/2009	\$6,602	0 %
		IY830444	10/01/2009 - 09/30/2010	\$6,695	0 %
		IY860444	10/01/2008 - 09/30/2009	\$10,258	0 %
		IY860444	10/01/2009 - 09/30/2010	\$11,612	0 %
		IY860744	10/01/2008 - 09/30/2009	\$69,828	0 %
CFDA Total:		<u>\$12,627,778</u>			
1400 5600	10.558	Child And Adult Care Food Program (Note 3)			
		133 (Q1-Q4)	07/01/2009 - 06/30/2010	\$96,322	100 %
		4NH300335 075-16/21/22	10/01/2009 - 09/30/2010	\$2,454,721	100 %
		4NH300335 075-18	10/01/2009 - 09/30/2010	\$46,233	0 %
		4NH300335 975-16/21/22	10/01/2008 - 09/30/2009	\$1,105,470	100 %
CFDA Total:		<u>\$3,702,746</u>			
1400 5600	10.559	Summer Food Service Program For Children (Note 8)			
		133	01/01/2010 - 12/31/2010	\$3,213	100 %
		4NH300304 075-14	10/01/2009 - 09/30/2010	\$7,434	0 %
		4NH300304 075-14/23/24	10/01/2009 - 09/30/2010	\$814	100 %
		4NH300304 975 14/23/24	10/01/2008 - 09/30/2009	\$666,519	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		4NH300304 975-14	10/01/2008 - 09/30/2009	\$30,537	0 %
			CFDA Total:	\$708,517	
1400 5600	10.560	State Administrative Expenses For Child Nutrition 300317	10/01/2008 - 09/30/2009	\$3,419	0 %
		300317	10/01/2009 - 09/30/2010	\$62,167	0 %
		4NH300312 075-01	10/01/2009 - 09/30/2011	\$260,071	0 %
		4NH300312 975-01	10/01/2008 - 09/30/2010	\$178,632	0 %
			CFDA Total:	\$504,289	
9500	10.561	State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 8)			
		4NH400403	10/01/2008 - 09/30/2009	\$1,808,675	0 %
		4NH400403	10/01/2009 - 09/30/2010	\$5,426,024	0 %
	ARRA	4NH400403	10/01/2009 - 09/30/2010	\$590,541	0 %
			CFDA Total:	\$7,825,240	
9500	10.565	Commodity Supplemental Food Program (Note 3) IY800544	10/01/2007 - 09/30/2008	\$18,881	0 %
		IY800544	10/01/2008 - 09/30/2009	\$181,609	0 %
		IY800544	10/01/2009 - 09/30/2010	\$246,984	0 %
		n/a	10/01/2009 - 09/30/2010	\$1,614,646	1 %
			CFDA Total:	\$2,062,120	
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 8) 810808	10/01/2008 - 09/30/2009	\$17,648	100 %
		810808	10/01/2009 - 09/30/2010	\$120,671	100 %
	ARRA		10/01/2008 - 09/30/2009	\$4,019	100 %
	ARRA		10/01/2009 - 09/30/2010	\$64,386	100 %
			CFDA Total:	\$206,724	
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3, 8) 133 (Q1-Q4)	01/01/2009 - 12/31/2009	\$430,503	100 %
		133 (Q1-Q4)	01/01/2010 - 12/31/2010	\$341,889	100 %
		133 SKFB	01/01/2009 - 12/31/2009	\$16,386	100 %
			CFDA Total:	\$788,778	
9500	10.572	WIC Farmers' Market Nutrition Program (FMNP) CY860444	10/01/2009 - 09/30/2010	\$1,512	0 %
			CFDA Total:	\$1,512	
9500	10.576	Senior Farmers Market Nutrition Program			

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		CY830344	10/01/2008 - 09/30/2009	\$4,208	0 %
		CY830444	10/01/2009 - 09/30/2010	\$843	0 %
			CFDA Total:	<u>\$5,051</u>	
9500	10.578	WIC Grants To States (WGS) IR500344	10/01/2009 - 09/30/2010	\$3,102	0 %
			CFDA Total:	<u>\$3,102</u>	
5600	10.579	Child Nutrition Discretionary Grants Limited Availability			
		4NH310313 067	10/01/2009 - 09/30/2010	\$26,356	100 %
	ARRA	4NH340304 R92	03/01/2009 - 09/30/2009	\$165,774	100 %
		CNCV-06-NH-01 776	05/01/2006 - 09/30/2009	\$90,926	40 %
			CFDA Total:	<u>\$283,056</u>	
9500	10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program			
		IA-FSPA-09-NH-01	09/21/2009 - 08/31/2012	\$24,774	0 %
			CFDA Total:	<u>\$24,774</u>	
5600	10.582	Fresh Fruit And Vegetable Program			
		4NH300304 087	10/01/2009 - 09/30/2010	\$606,886	97 %
		4NH300304 987	10/01/2008 - 09/30/2009	\$149,536	93 %
			CFDA Total:	<u>\$756,422</u>	
3500	10.664	Cooperative Forestry Assistance			
		06-DG-11244225-047	02/01/2006 - 09/30/2008	\$6,515	0 %
		06-DG-11244225-066	10/01/2005 - 09/30/2008	\$25,140	0 %
		07-DG-11420004-032	04/23/2007 - 09/30/2008	\$99	0 %
		07-DG-11420004-034	05/04/2007 - 09/30/2010	\$50,291	0 %
		07-DG-11420004-035	05/07/2007 - 09/30/2008	\$60,748	0 %
		07-DG-11420004-035	05/07/2007 - 09/30/2009	\$76,303	0 %
		07-DG-11420004-035	05/07/2007 - 09/30/2009	\$71,892	100 %
		08-DG-11420004-039	05/01/2008 - 09/30/2010	\$4,241	0 %
		08-DG-11420004-073	05/22/2008 - 09/30/2010	\$8,165	0 %
		08-DG-11420004-116	04/01/2008 - 09/30/2009	\$20,140	0 %
		08-DG-11420004-116	06/02/2008 - 09/30/2010	\$352,762	0 %
		08-DG-11420004-116	06/02/2008 - 09/30/2010	\$108,460	100 %
		09-DG-11420004-158	06/15/2009 - 09/30/2010	\$16,710	0 %
			CFDA Total:	<u>\$801,466</u>	
5600	10.665	Schools And Roads - Grants To States RSA227H:21-23 4060	09/04/1999 - 12/31/2009	\$624,542	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
 Schedule Of Expenditures Of Federal Awards
 For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	<u>\$624,542</u>	
1800	10.917	Agricultural Management Assistance 12-25-A-4901	05/21/2008 - 06/30/2010	\$3,127	0 %
			CFDA Total:	<u>\$3,127</u>	
DEPARTMENT OF AGRICULTURE TOTAL:				<u><u>\$205,824,574</u></u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF COMMERCE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	11.004	Census Intergovernmental Services YA132310SE0048	07/06/2009 - 08/31/2010	\$6,335	0 %
			CFDA Total:	<u>\$6,335</u>	
7500	11.407	Interjurisdictional Fisheries Act Of 1986 NA05NMF4071056	01/01/2006 - 12/31/2010	\$21,953	0 %
			CFDA Total:	<u>\$21,953</u>	
4400	11.417	Sea Grant Support NA08OAR4170918	10/01/2008 - 12/31/2010	\$24,932	0 %
			CFDA Total:	<u>\$24,932</u>	
4400	11.419	Coastal Zone Management Administration Awards NA07NOS4190081 NA08NOS4190433 NA09NOS4190112	07/01/2007 - 12/31/2009 07/01/2008 - 12/31/2009 07/01/2009 - 06/30/2011	\$121,454 \$165,065 \$723,583	0 % 0 % 0 %
			CFDA Total:	<u>\$1,010,102</u>	
7500	11.420	Coastal Zone Management Estuarine Research Reserves NA08NOS4200391 NA09NOS4200129 NA09NOS4200129	07/01/2008 - 12/31/2009 07/01/2009 - 06/30/2010 07/01/2009 - 12/31/2010	\$21,535 \$355,075 \$49,091	0 % 0 % 0 %
			CFDA Total:	<u>\$425,701</u>	
4400	11.452	Unallied Industry Projects NA09NMF4520026	04/01/2009 - 06/30/2012	\$68,131	0 %
			CFDA Total:	<u>\$68,131</u>	
4400	11.454	Unallied Management Projects NA04NMF4540382	10/01/2004 - 09/30/2010	\$60,750	0 %
			CFDA Total:	<u>\$60,750</u>	
4400 7500	11.463 ARRA	Habitat Conservation NA09NMF4630284 NA05NOS4631109 NA17FZ2603	07/01/2009 - 12/31/2010 09/01/2005 - 06/30/2009 07/01/2002 - 09/30/2009	\$35,713 \$141,823 \$931,547	0 % 0 % 0 %
			CFDA Total:	<u>\$1,109,083</u>	
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act NA05NMF4741119 NA05NMF4741209	07/01/2005 - 06/30/2010 04/01/2006 - 03/31/2011	\$41,969 \$129,692	0 % 0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF COMMERCE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	<u>\$171,661</u>	
2300	11.555	Public Safety Interoperable Communications Grant Program 2007GSH70057	10/01/2007 - 09/30/2011	\$1,077	0 %
			CFDA Total:	<u>\$1,077</u>	
7500	11.999	No Program Title JEA	08/01/2008 - 07/31/2010	\$220,103	0 %
			CFDA Total:	<u>\$220,103</u>	
DEPARTMENT OF COMMERCE TOTAL:				<u><u>\$3,119,828</u></u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF DEFENSE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	12.002	Procurement Technical Assistance For Business Firms SP4800-03-2-0349	01/01/2008 - 12/31/2008	\$219,852	0 %
			CFDA Total:	<u>\$219,852</u>	
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services NH08-1	07/01/2008 - 06/30/2010	\$197,254	0 %
			CFDA Total:	<u>\$197,254</u>	
1200	12.400	Military Construction, National Guard DAHA27-00-2-2002	12/15/1999 - 12/14/2012	\$24,993	0 %
		DAHA27-03-2-2001	10/01/2004 - 12/14/2012	\$13,508	0 %
		W912TF-09-2-2001	04/27/2009 - 12/14/2012	\$1,593,798	0 %
			CFDA Total:	<u>\$1,632,299</u>	
1200	12.401 ARRA	National Guard Military Operations And Maintenance (O&M) Projects W912TF-09-2-9008	05/29/2009 - 09/30/2011	\$250,458	0 %
		W912TF-07-2-3062	10/01/2007 - 09/30/2012	\$1,419,665	0 %
		W912TF-09-2-1001	10/01/2007 - 09/30/2012	\$4,022,759	0 %
		W912TF-09-2-1002	10/01/2007 - 09/30/2012	\$574,791	0 %
		W912TF-09-2-1003	10/01/2007 - 09/30/2012	\$780,050	0 %
		W912TF-09-2-1004	10/01/2007 - 09/30/2012	\$184,604	0 %
		W912TF-09-2-1007	10/01/2007 - 09/30/2012	\$29,459	0 %
		W912TF-09-2-1010	10/01/2009 - 09/30/2012	\$12,058	0 %
		W912TF-09-2-1014	10/01/2007 - 09/30/2012	\$58,432	0 %
		W912TF-09-2-1015	10/01/2007 - 09/30/2012	\$105,525	0 %
		W912TF-09-2-1021	10/01/2007 - 09/30/2012	\$2,521,644	0 %
		W912TF-09-2-1023	10/01/2007 - 09/30/2012	\$661,383	0 %
		W912TF-09-2-1024	10/01/2007 - 09/30/2012	\$3,066,601	0 %
		W912TF-9-2-1001	10/01/2007 - 09/30/2012	\$115	0 %
			CFDA Total:	<u>\$13,687,544</u>	
1200	12.999	NH State Veterans Cemetery	10/01/2008 - 09/30/2011	\$363,587	0 %
			CFDA Total:	<u>\$363,587</u>	
DEPARTMENT OF DEFENSE TOTAL:				<u>\$16,100,536</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	14.231	Emergency Shelter Grants Program S-09-DC-33-0001	01/01/2009 - 12/31/2009	\$494,457	1 %
			CFDA Total:	<u>\$494,457</u>	
9500	14.235	Supportive Housing Program			
		N00014B1T000801	07/01/2009 - 06/30/2010	\$236,866	0 %
		NH0002B1T000800	02/01/2010 - 01/31/2011	\$2,966	1 %
		NH0003B1T000801	07/01/2009 - 06/30/2010	\$227,164	1 %
		NH0004B1T000801	12/01/2009 - 11/30/2010	\$28,902	1 %
		NH0006B1T000801	10/01/2009 - 09/30/2010	\$57,032	1 %
		NH0007B1T000801	07/01/2009 - 06/30/2010	\$51,657	1 %
		NH0008B1T000801	07/01/2009 - 06/30/2010	\$102,292	1 %
		NH0011B1T000801	08/01/2009 - 07/31/2010	\$56,149	1 %
		NH0012B1T000801	07/01/2009 - 06/30/2010	\$335,867	1 %
		NH0013B1T000801	07/01/2009 - 06/30/2010	\$93,007	1 %
		NH0015B1T000801	04/01/2009 - 03/31/2010	\$88,497	1 %
		NH0019B1T000801	07/01/2009 - 06/30/2010	\$65,306	1 %
		NH0020B1T000801	07/01/2009 - 06/30/2010	\$14,154	1 %
		NH0021B1T000801	11/01/2009 - 10/31/2010	\$64,428	1 %
		NH0022B1T000801	07/01/2009 - 06/30/2010	\$33,691	1 %
		NH0023B1T010801	08/01/2009 - 07/31/2010	\$37,532	1 %
		NH0026B1T010801	01/02/2009 - 01/01/2010	\$42,340	1 %
		NH0035B1T020801	08/01/2009 - 07/31/2010	\$9,077	1 %
		NH0043B1T020801	07/01/2009 - 06/30/2010	\$163,510	1 %
		NH01B500001	10/01/2007 - 09/30/2009	\$36,417	1 %
		NH01B700003	07/01/2008 - 06/30/2009	\$20,261	1 %
		NH01B700005	07/01/2008 - 06/30/2009	\$29,715	1 %
		NH01B700006	07/01/2008 - 06/30/2009	\$15,448	1 %
		NH01B700007	11/01/2008 - 10/31/2009	\$58,829	1 %
		NH01B700010	07/01/2008 - 06/30/2009	\$7,163	1 %
		NH01B700015	07/01/2008 - 06/30/2009	\$13,914	1 %
		NH01B700017	07/01/2008 - 06/30/2009	\$67,221	1 %
		NH01B700018	08/01/2008 - 07/31/2009	\$28,314	1 %
		NH01B700019	12/01/2008 - 11/30/2009	\$28,031	1 %
		NH01B701008	08/01/2008 - 07/31/2009	\$18,916	1 %
		NH01B702003	07/01/2008 - 06/30/2009	\$16,170	1 %
		NH01B702011	08/01/2008 - 07/31/2009	\$4,578	1 %
			CFDA Total:	<u>\$2,055,414</u>	
9500	14.238	Shelter Plus Care NH0005C1T000801	08/26/2009 - 08/25/2010	\$176,772	1 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		NH01C300001	01/12/2005 - 08/26/2009	\$35,967	1 %
		NH01C400001	09/13/2006 - 06/30/2011	\$201,295	1 %
			CFDA Total:	<u>\$414,034</u>	
9500	14.241	Housing Opportunities For Persons With AIDS			
		NH-H06-0037	03/01/2007 - 02/28/2010	\$213,985	1 %
		NH-H08-0012	03/01/2009 - 02/29/2012	\$314,808	1 %
		NH-H09-0023	03/01/2010 - 02/28/2013	\$53,939	1 %
			CFDA Total:	<u>\$582,732</u>	
5800	14.246	Community Development Block Grants/Brownfields Economic Development Initiative			
		B-06-SP-NH-0637	06/01/2006 - 09/30/2012	\$159	0 %
		B-06-SP-NH-0640	11/01/2006 - 09/30/2012	\$2,606	0 %
			CFDA Total:	<u>\$2,765</u>	
9500	14.262 ARRA	Homelessness Prevention And Rapid Re-Housing Program S09DY330001	07/30/2009 - 07/30/2012	\$1,153,641	1 %
			CFDA Total:	<u>\$1,153,641</u>	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL:				<u>\$4,703,043</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7500	15.605	Sport Fish Restoration Program (Note 8)			
		501817-J220	08/17/2007 - 09/30/2011	\$8,295	0 %
		F100R26	10/01/2008 - 09/30/2009	\$3,750	0 %
		F100R27	10/01/2009 - 09/30/2010	\$600	0 %
		F50R25F	07/01/2008 - 06/30/2009	\$11,891	0 %
		F50R25M	07/01/2008 - 06/30/2009	\$8,801	0 %
		F50R26F	07/01/2009 - 06/30/2010	\$440,845	0 %
		F50R26M	07/01/2009 - 06/30/2010	\$50,245	0 %
		F53E22A	07/01/2008 - 06/30/2009	\$16,527	0 %
		F53E22S	07/01/2008 - 06/30/2009	\$4,661	0 %
		F53E23A	07/01/2009 - 06/30/2010	\$173,119	0 %
		F53E23S	07/01/2009 - 06/30/2010	\$48,828	0 %
		F60D17F	07/01/2009 - 06/30/2010	\$1,782,000	0 %
		F60D17M	07/01/2009 - 06/30/2010	\$74,250	0 %
		F61R14M	01/01/2009 - 12/31/2009	\$177,365	0 %
		F61R15	01/01/2010 - 12/31/2010	\$145,455	0 %
		FW17C34B	07/01/2008 - 06/30/2009	\$922	0 %
		FW17C34F	07/01/2008 - 06/30/2009	\$2,126	0 %
		FW17C34M	07/01/2008 - 06/30/2009	\$600	0 %
		FW17C35B	07/01/2009 - 06/30/2010	\$878	0 %
		FW17C35F	07/01/2009 - 06/30/2010	\$20,875	0 %
		FW17C35M	07/01/2009 - 06/30/2010	\$5,888	0 %
		FW25T15F	07/01/2008 - 06/30/2009	\$3,517	0 %
		FW25T16F	07/01/2009 - 12/31/2010	\$29,591	0 %
		FW28D14B	07/01/2008 - 06/30/2009	\$52,759	0 %
		FW28D14F	07/01/2008 - 06/30/2009	\$13,528	0 %
		FW28D14X	07/01/2008 - 06/30/2009	\$723	0 %
		FW28D15B	07/01/2009 - 06/30/2010	\$249,164	0 %
		FW28D15F	07/01/2009 - 06/30/2010	\$6,578	0 %
		FW28D15M	07/01/2009 - 06/30/2010	\$39	0 %
		FW28D15X	07/01/2009 - 06/30/2010	\$6,000	0 %
		FW30T11F	07/01/2009 - 06/30/2010	\$62,260	0 %
		FW30T11M	07/01/2009 - 06/30/2010	\$6,918	0 %
		FW32O1B	07/01/2009 - 06/30/2010	\$2,247	0 %
		FW32O1F	07/01/2009 - 06/30/2010	\$17,352	0 %
		FW32O1M	07/01/2009 - 06/30/2010	\$5,942	0 %
			CFDA Total:	\$3,434,539	
7500	15.608	Fish And Wildlife Management Assistance			
		501817-G050	09/12/2007 - 09/30/2011	\$42,000	0 %
		53310-9-G081	08/01/2009 - 12/31/2011	\$5,297	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
				CFDA Total:	<u>\$47,297</u>
3500 7500	15.611	Wildlife Restoration (Note 8)			
		FW17C34W	07/01/2008 - 06/30/2009	\$2,625	0 %
		FW17C35W	07/01/2009 - 06/30/2010	\$36,562	0 %
		FW25T15W	07/01/2008 - 06/30/2009	\$19,928	0 %
		FW25T16W	07/01/2009 - 12/31/2010	\$266,315	0 %
		FW30T11W	07/01/2009 - 06/30/2010	\$26,237	0 %
		FW32O1W	07/01/2009 - 06/30/2010	\$17,752	0 %
		MOA w/NCR	05/01/2005 - 07/30/2010	\$562	0 %
		MOA W/NRC	04/01/1999 - 08/30/2008	\$37,488	0 %
		W11D68	07/01/2008 - 06/30/2009	\$15,151	0 %
		W11D69	07/01/2009 - 12/31/2010	\$98,039	0 %
		W11D69	07/01/2009 - 12/31/2010	\$219,993	46 %
		W66S37	07/01/2008 - 06/30/2009	\$57,971	0 %
		W66S38H	07/01/2009 - 06/30/2010	\$358,000	0 %
		W66S38J	07/01/2009 - 06/30/2010	\$80,000	0 %
		W89R10	07/01/2009 - 12/31/2010	\$579,339	0 %
		W89R9	07/01/2008 - 06/30/2009	\$26,872	0 %
		W90R1	11/01/2008 - 06/30/2012	\$82,419	0 %
		W93L1	05/05/2010 - 06/30/2011	\$46,125	0 %
				CFDA Total:	<u>\$1,971,378</u>
3500 7500	15.615	Cooperative Endangered Species Conservation Fund			
		CD-97193901-0	09/23/2008 - 06/30/2011	\$76,267	0 %
		EP-1-19	07/15/2009 - 03/30/2010	\$14,000	0 %
		EW1-28	07/01/2009 - 06/30/2010	\$27,000	0 %
				CFDA Total:	<u>\$117,267</u>
4400	15.616	Clean Vessel Act			
		V-4-3	12/01/2006 - 10/01/2008	\$41,728	0 %
		V-5-D-1	12/01/2007 - 09/30/2009	\$45,005	0 %
		V-6-D-1	01/01/2010 - 12/31/2011	\$14,732	0 %
				CFDA Total:	<u>\$101,465</u>
7500	15.625	Wildlife Conservation And Restoration			
		R-3-1	09/01/2003 - 06/30/2011	\$18,552	0 %
				CFDA Total:	<u>\$18,552</u>
7500	15.633	Landowner Incentive Program			
		I-1-4	07/01/2006 - 06/30/2011	\$25,573	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		I-2-L1	04/06/2007 - 06/30/2011	\$280,000	0 %
			CFDA Total:	<u>\$305,573</u>	
7500	15.634	State Wildlife Grants			
		T-7R1	04/01/2007 - 03/31/2012	\$217,800	0 %
		T-7-R1	04/01/2007 - 03/31/2012	\$17,621	0 %
		T-8R1	09/01/2007 - 08/31/2011	\$7,330	0 %
		T-9T1	01/15/2008 - 12/31/2012	\$258,993	0 %
		U21R	05/01/2009 - 04/30/2012	\$7,260	0 %
		U23R1	05/20/2009 - 03/31/2012	\$76,792	0 %
		U24R1	05/20/2009 - 04/30/2012	\$67,136	0 %
			CFDA Total:	<u>\$652,932</u>	
4400	15.808	U.S. Geological Survey - Research And Data Collection			
		08HQGR0135	09/01/2008 - 08/31/2009	\$2,392	0 %
		G09AP00110	07/01/2009 - 06/30/2010	\$12,828	0 %
			CFDA Total:	<u>\$15,220</u>	
4400	15.810	National Cooperative Geologic Mapping Program			
		08HQAG0086	09/16/2008 - 09/15/2009	\$67,496	0 %
		G09AC00202	09/16/2009 - 09/15/2010	\$5,602	0 %
			CFDA Total:	<u>\$73,098</u>	
3400	15.904	Historic Preservation Fund Grants-In-Aid			
		33-09-21835	10/01/2008 - 09/30/2010	\$53,384	100 %
		33-10-21936	10/01/2009 - 09/30/2011	\$538,880	100 %
		33p2024	01/01/2010 - 01/01/2010	\$9,500	100 %
			CFDA Total:	<u>\$601,764</u>	
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning			
		33-00647	09/01/2004 - 09/01/2009	\$36,182	100 %
		33-00648	06/08/2009 - 12/31/2009	\$25,000	100 %
		33-00651	06/27/2005 - 12/31/2009	\$21,489	100 %
		33-00655	08/22/2005 - 12/31/2009	\$4,347	100 %
		33-00667	08/27/2007 - 12/31/2010	\$5,740	100 %
		33-00668	09/11/2009 - 12/12/2011	\$17,322	100 %
		33-00673	09/11/2008 - 12/31/2011	\$21,094	100 %
		33-00677	03/24/2010 - 12/31/2012	\$21,924	100 %
			CFDA Total:	<u>\$153,098</u>	
DEPARTMENT OF THE INTERIOR TOTAL:				<u>\$7,492,183</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2000	16.017	Sexual Assault Services Formula Program 2009KFAX0033	08/01/2009 - 07/31/2011	\$34,393	0 %
			CFDA Total:	<u>\$34,393</u>	
2700 4600	16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry) 2002-RE-CX-0025 2002-RE-CX-0025 2002-RE-CX-0025	07/01/2002 - 03/31/2010 07/01/2008 - 06/30/2009 07/01/2009 - 03/31/2010	\$694,247 \$572 \$48,089	100 % 0 % 0 %
			CFDA Total:	<u>\$742,908</u>	
9500	16.523	Juvenile Accountability Block Grants 07JBFX0024 08JBFX0059	06/01/2007 - 05/31/2010 06/01/2008 - 05/31/2011	\$235,388 \$107,414	0 % 0 %
			CFDA Total:	<u>\$342,802</u>	
2000	16.527	Supervised Visitation, Safe Havens For Children 2006CWAX0022 2006CWAX0022	10/01/2006 - 09/30/2011 10/01/2006 - 09/30/2011	\$7,698 \$195,232	0 % 90 %
			CFDA Total:	<u>\$202,930</u>	
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life 2009EWAXK003 2009EWAXK003	10/01/2009 - 09/30/2011 10/01/2009 - 09/30/2012	\$1,315 \$33,305	0 % 0 %
			CFDA Total:	<u>\$34,620</u>	
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States 06JFFX0017 07JFFX0046 08JFFX0066 09JFFX0015	10/01/2005 - 09/30/2009 10/01/2006 - 09/30/2010 10/01/2007 - 09/30/2010 10/01/2008 - 09/30/2011	\$77,135 \$332,135 \$233,264 \$18,780	0 % 0 % 0 % 0 %
			CFDA Total:	<u>\$661,314</u>	
9500	16.541	Part E - Developing, Testing And Demonstrating Promising New Programs 06JLFX0263	10/01/2006 - 11/30/2010	\$3,664	0 %
			CFDA Total:	<u>\$3,664</u>	
2000	16.542	Part D - Research, Evaluation, Technical Assistance And Training 2006AHFX0019 2007AHFX0023	06/01/2008 - 05/31/2009 06/01/2007 - 03/31/2010	\$3,682 \$115,298	95 % 95 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	\$118,980	
9500	16.548	Title V - Delinquency Prevention Program			
		06JPF0017	10/01/2005 - 09/30/2009	\$46,378	0 %
		07JPF0056	10/01/2006 - 09/30/2010	\$37,321	0 %
		08JPF0009	10/01/2007 - 09/30/2010	\$37,480	0 %
			CFDA Total:	\$121,179	
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers			
		2008BJCXK055	10/01/2008 - 09/30/2011	\$29,128	100 %
			CFDA Total:	\$29,128	
2000	16.554	National Criminal History Improvement Program (NCHIP)			
		2004RUBXK0013	10/01/2004 - 09/30/2009	\$199,080	100 %
		2008SKBJK013	10/01/2008 - 09/30/2009	\$70,113	100 %
			CFDA Total:	\$269,193	
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants			
		2006DNBX0080	10/01/2006 - 09/30/2009	\$596	50 %
		2007CDBX0020	10/01/2007 - 09/30/2011	\$4,389	0 %
		2007CDBX0020	10/01/2007 - 09/30/2011	\$38,300	90 %
		2008CDBX0034	10/01/2008 - 09/30/2011	\$56,388	90 %
		2009CDBX0026	10/01/2009 - 09/30/2010	\$7,739	50 %
			CFDA Total:	\$107,412	
2000 4600	16.575	Crime Victim Assistance			
		2006VAGX0001	10/01/2005 - 09/30/2009	\$56,219	96 %
		2007VAGX0001	10/01/2006 - 09/30/2010	\$157,265	96 %
		2008VAGX0002	10/01/2007 - 09/30/2011	\$59,043	0 %
		2008VAGX0002	10/01/2007 - 09/30/2011	\$644,034	96 %
		2008-VA-GX-0002	07/01/2009 - 06/30/2010	\$77,588	0 %
		2009VAGX0020	10/01/2009 - 09/30/2012	\$5,207	0 %
		2009VAGX0020	10/01/2009 - 09/30/2012	\$1,048,905	75 %
			CFDA Total:	\$2,048,261	
2000	16.576	Crime Victim Compensation			
		2009VCGX0027	10/01/2009 - 09/30/2012	\$155,576	100 %
			CFDA Total:	\$155,576	
2000	16.579	Edward Byrne Memorial Formula Grant Program			
		2005DJBX0216	10/01/2004 - 09/30/2010	\$3,575	75 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2006DJBX0014	10/01/2005 - 09/30/2010	\$48,938	0 %
		2006DJBX0014	10/01/2005 - 09/30/2010	\$333,067	75 %
		2007DJBX0097	10/01/2006 - 09/30/2011	\$800,963	75 %
		2007DJBX0097	10/01/2007 - 09/30/2011	\$26,856	0 %
		2009DJBX0799	10/01/2009 - 09/30/2012	\$3,804	0 %
		2009DJBX0799	10/01/2009 - 09/30/2012	\$53,166	75 %
			CFDA Total:	<u>\$1,270,369</u>	
2300	16.580	Edward Byrne Memorial State And Local Law Enforcement Assistance Discretionary Grants Program			
		2006DDBX0194	05/01/2006 - 04/30/2010	\$583,119	0 %
			CFDA Total:	<u>\$583,119</u>	
2000	16.582	Crime Victim Assistance/Discretionary Grants			
		2009VAGX0020	09/01/2009 - 08/31/2011	\$2,348	0 %
		2009VFGXK008	09/01/2009 - 08/31/2011	\$63,662	0 %
			CFDA Total:	<u>\$66,010</u>	
2000	16.588	Violence Against Women Formula Grants			
		2007WFAX0012	03/01/2007 - 02/28/2011	\$29,525	0 %
		2007WFAX0012	03/01/2007 - 02/28/2011	\$142,232	90 %
		2008WFAX0024	05/01/2008 - 04/30/2011	\$32,654	0 %
		2008WFAX0024	05/01/2008 - 04/30/2011	\$616,813	90 %
		2009WFAX0018	06/01/2009 - 05/31/2011	\$12,550	0 %
		2009WFAX0018	06/01/2009 - 05/31/2011	\$202,065	75 %
	ARRA	2009EFS60019	05/01/2009 - 04/30/2011	\$24,002	0 %
	ARRA	2009EFS60019	05/01/2009 - 04/30/2011	\$367,331	75 %
			CFDA Total:	<u>\$1,427,172</u>	
2000	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, And Stalking Assistance Program			
		2004WRAX0067	01/01/2005 - 12/31/2010	\$86,185	100 %
			CFDA Total:	<u>\$86,185</u>	
2000	16.593	Residential Substance Abuse Treatment For State Prisoners			
		2006RTBX0006	10/01/2005 - 09/30/2010	\$14,692	90 %
		2007RTBX0033	10/01/2006 - 09/30/2010	\$19,432	90 %
		2008RTBX0009	10/01/2007 - 09/30/2011	\$7,635	90 %
		2009RTBX0029	10/01/2009 - 09/30/2012	\$2,587	0 %
		2009RTBX0029	10/01/2009 - 09/30/2012	\$15,052	90 %
			CFDA Total:	<u>\$59,398</u>	

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4600	16.606	State Criminal Alien Assistance Program 2009-AP-BX-0045	07/01/2009 - 06/30/2010	\$58,421	0 %
			CFDA Total:	<u>\$58,421</u>	
2000	16.609	Project Safe Neighborhoods 2006GPCX0036	01/01/2006 - 12/31/2009	\$2,326	90 %
		2006PGBX0034	01/01/2006 - 12/31/2009	\$19,743	90 %
		2007GPCX0004	10/01/2007 - 09/30/2010	\$2,278	0 %
		2007GPCX0004	10/01/2007 - 09/30/2010	\$61,029	90 %
		2007PGBX0075	10/01/2007 - 09/30/2010	\$6,743	0 %
		2007PGBX0075	10/01/2007 - 09/30/2010	\$112,977	90 %
			CFDA Total:	<u>\$205,096</u>	
2000 2300 4600	16.710	Public Safety Partnership And Community Policing Grants 2005CKWX0203	12/08/2004 - 05/30/2009	\$591,859	0 %
		2005CKWX0425	12/08/2004 - 12/07/2010	\$1,057,925	0 %
		2008CKWX0074	12/26/2007 - 12/25/2010	\$673,675	75 %
		2008CKWX0079	12/26/2007 - 12/25/2010	\$518,567	0 %
		2009-CS-WX-0015	09/01/2009 - 08/31/2011	\$3,069	0 %
			CFDA Total:	<u>\$2,845,095</u>	
2000	16.727	Enforcing Underage Drinking Laws Program 2008AHFX0019	06/01/2008 - 05/31/2011	\$526	0 %
		2008AHFX0019	06/01/2008 - 05/31/2011	\$159,882	90 %
		2009AHFX0066	06/01/2010 - 05/31/2011	\$10,988	0 %
		2009AHFX0066	06/01/2010 - 05/31/2011	\$947	90 %
			CFDA Total:	<u>\$172,343</u>	
4600	16.735	Protecting Inmates And Safeguarding Communities Discretionary Grant Program 2006-RP-BX-0041	06/01/2006 - 12/31/2010	\$239,293	0 %
			CFDA Total:	<u>\$239,293</u>	
2300	16.741	Forensic DNA Backlog Reduction Program 2008DNB XK084	10/01/2008 - 03/31/2010	\$23,927	0 %
		2009DNB XK124	10/01/2009 - 03/31/2011	\$56,838	0 %
			CFDA Total:	<u>\$80,765</u>	
2300	16.753	Congressionally Recommended Awards 2009D1BX0249	10/01/2009 - 09/30/2011	\$120,440	0 %
			CFDA Total:	<u>\$120,440</u>	

(Continued)

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2000	16.801	Recovery Act - State Victim Assistance Formula Grant Program			
	ARRA	2009SGB90113	10/01/2009 - 09/30/2012	\$8,588	0 %
	ARRA	2009SGB90113	10/01/2009 - 09/30/2012	\$217,216	75 %
			CFDA Total:	<u>\$225,804</u>	
2000	16.802	Recovery Act - State Victim Compensation Formula Grant Program			
	ARRA	2009SFB90087	10/01/2009 - 09/30/2012	\$58,983	100 %
			CFDA Total:	<u>\$58,983</u>	
2000	16.803	Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To States And Territories			
	ARRA	2009SUB90019	03/01/2009 - 02/28/2012	\$13,235	0 %
	ARRA	2009SUB90019	03/01/2009 - 02/28/2012	\$840,226	60 %
			CFDA Total:	<u>\$853,461</u>	
2000	16.812	Second Chance Act Prisoner Reentry Initiative			
		2009CZBX0053	04/01/2009 - 03/31/2011	\$13,441	0 %
		2009CZBX0053	04/01/2009 - 03/31/2011	\$2,870	75 %
			CFDA Total:	<u>\$16,311</u>	
2300	16.999	No Program Title			
		2009-92	01/01/2009 - 12/31/2009	\$19,530	0 %
		Federal Forfeiture	07/01/2008 - 06/30/2009	\$228,563	0 %
		SI-NE-002-07	09/01/2009 - 09/30/2009	\$9,811	0 %
			CFDA Total:	<u>\$257,904</u>	
DEPARTMENT OF JUSTICE TOTAL:				<u>\$13,498,529</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2700	17.002	Labor Force Statistics			
		LM-18436-10-75-J-33	10/01/2009 - 09/30/2010	\$625,482	0 %
		W9J98033	10/01/2008 - 09/30/2009	\$222,364	0 %
		CFDA Total:		<u>\$847,846</u>	
2700	17.207 ARRA	Employment Service/Wagner - Peyser Funded Activities (Note 8)			
		ES-17576-08-55	02/17/2009 - 06/30/2011	\$976,354	0 %
		ES-17576-08-55-A-33	07/01/2008 - 06/30/2009	\$112,221	0 %
		ES-19217-09-55-A-33	07/01/2009 - 06/30/2010	\$3,077,483	0 %
		CFDA Total:		<u>\$4,166,058</u>	
2700	17.225 ARRA ARRA ARRA ARRA	Unemployment Insurance (Note 5)			
		NONE	07/01/2009 - 06/30/2010	\$114,271,359	0 %
		UI-18035-09-55	10/01/2008 - 09/30/2009	\$425,660	0 %
		UI-19597-10-55	02/17/2009 - 09/30/2011	\$1,829,296	0 %
		UI-19597-10-55-A-33	10/01/2009 - 09/30/2010	\$1,503,960	0 %
		NONE	07/01/2009 - 06/30/2010	\$324,149,430	0 %
		UI-15813-07-55	10/01/2006 - 09/30/2010	\$230,202	0 %
		UI-18035-09-55	10/01/2008 - 09/30/2009	\$2,370,708	0 %
		UI-18035-09-55	10/01/2008 - 09/30/2011	\$230	0 %
		UI180350955A33	07/01/2009 - 09/30/2009	\$80,495	0 %
		UI195971055A33	10/01/2009 - 06/30/2010	\$189,802	0 %
		UI-19597-10-55-A-33	10/01/2009 - 09/30/2010	\$16,210,669	0 %
		CFDA Total:		<u>\$461,261,811</u>	
2600 3500	17.235	Senior Community Service Employment Program			
		AD161473G	07/01/2008 - 06/30/2009	\$106,265	100 %
		AD187227R	07/01/2009 - 06/30/2010	\$31,504	100 %
		ARRA AD183800960A33	02/17/2009 - 06/30/2010	\$12,272	100 %
		ARRA AD183805T	02/17/2009 - 06/30/2010	\$99,217	0 %
		SCSEP-AD161473G	07/01/2008 - 06/30/2009	\$5,827	0 %
		SCSEP-AD187227R	07/01/2009 - 06/30/2010	\$399,284	0 %
		CFDA Total:		<u>\$654,369</u>	
2700	17.245	Trade Adjustment Assistance			
		NONE	07/01/2008 - 12/31/2010	\$1,582	0 %
		TA-17866-09-55-A-33	10/01/2008 - 09/30/2011	\$2,100,807	0 %
		TA-19721-10-55-A-33	10/01/2009 - 09/30/2012	\$301,422	0 %
		TA-19721-10-55-A-33	07/01/2010 - 06/30/2011	\$304	0 %
		CFDA Total:		<u>\$2,404,115</u>	

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT	
2600 2700 3500	17.258	WIA Adult Program (Note 8)				
		AA160432D	07/01/2007 - 04/30/2011	\$94,069	100 %	
		AA-160432DO	07/01/2007 - 04/01/2009	\$22,347	0 %	
		AA-160432DO	07/01/2009 - 06/30/2010	\$38,177	0 %	
		AA16043YE	07/01/2007 - 04/30/2009	\$2,111	100 %	
		AA-171362J	07/01/2008 - 06/30/2011	\$37,291	0 %	
		AA-171362J	07/01/2009 - 06/30/2010	\$6,817	0 %	
		AA171363 YO	07/01/2008 - 06/30/2011	\$244,258	100 %	
		AA-171363Y	07/01/2008 - 06/30/2011	\$279,572	0 %	
		AA-171363Y	07/01/2009 - 06/30/2010	\$15,436	0 %	
		AA-186566X	07/01/2008 - 06/30/2011	\$284,300	0 %	
		AA186566XO	07/01/2009 - 06/30/2011	\$55,779	100 %	
		AA-186568D	07/01/2008 - 06/30/2011	\$934,355	0 %	
		ARRA	AA171365 JO	02/17/2009 - 06/30/2011	\$292,139	100 %
		ARRA	AA-171365J	07/01/2009 - 06/30/2010	\$4,633	0 %
		ARRA	AA-171365J	02/17/2009 - 06/11/2011	\$388,683	0 %
CFDA Total:				<u>\$2,699,967</u>		
2600 2700 3500	17.259	WIA Youth Activities (Note 8)				
		AA16043XW	01/01/2010 - 01/01/2010	\$3,926	100 %	
		AA-16043XW	07/01/2007 - 04/01/2009	\$51,409	0 %	
		AA171362 FO	07/01/2008 - 06/30/2011	\$170,245	100 %	
		AA-171362F	07/01/2008 - 06/30/2011	\$226,974	0 %	
		AA-171362F	07/01/2009 - 06/30/2010	\$96,541	0 %	
		AA-186566E	07/01/2008 - 06/30/2011	\$1,771,296	0 %	
		AA186566EO	07/01/2009 - 06/30/2011	\$39,439	100 %	
		ARRA	AA171365 LO	02/17/2009 - 06/30/2011	\$615,645	100 %
		ARRA	AA-171365L	07/01/2009 - 06/30/2010	\$4,633	0 %
		ARRA	AA-171365L	02/17/2009 - 06/11/2011	\$650,813	0 %
CFDA Total:				<u>\$3,630,921</u>		
2600 2700 3500	17.260	WIA Dislocated Workers (Note 8)				
		AA-16043YG	07/01/2007 - 04/01/2009	\$43,837	0 %	
		AA-16043YG	07/01/2009 - 06/30/2010	\$4,880	0 %	
		AA-16043ZMO	07/01/2007 - 04/01/2009	\$169,728	0 %	
		AA-16043ZMO	07/01/2008 - 06/30/2009	\$225	0 %	
		AA-16043ZMO	07/01/2009 - 06/30/2010	\$27,298	0 %	
		AA-171362L	07/01/2008 - 06/30/2011	\$77,890	0 %	
		AA-171362L	07/01/2009 - 06/30/2010	\$20,562	0 %	
		AA171364 AO	07/01/2008 - 06/30/2011	\$302,821	100 %	
AA-171364A	07/01/2008 - 06/30/2011	\$209,460	0 %			

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		AA-186566Z	07/01/2008 - 06/30/2011	\$486,063	0 %
		AA186566ZO	07/01/2009 - 06/30/2011	\$92,457	100 %
		AA-186568F	07/01/2008 - 06/30/2011	\$587,153	0 %
ARRA	AA171365 PO		02/17/2009 - 06/30/2011	\$482,742	100 %
ARRA	AA-171365P		07/01/2009 - 06/30/2010	\$4,633	0 %
ARRA	EM-193066B		07/01/2009 - 06/30/2010	\$1,800	0 %
ARRA	AA-171365P		02/17/2009 - 06/30/2011	\$975,671	0 %
ARRA	EM-193066B		04/01/2009 - 03/31/2011	\$155,401	0 %
		EM169424 FO	10/01/2008 - 12/03/2009	\$41,530	100 %
		EM-169424FO	10/01/2008 - 11/03/2009	\$7,610	0 %
		EM17006 YWO	11/27/2007 - 09/11/2009	\$17,461	100 %
		MI175201 T	07/01/2008 - 06/30/2011	\$4,157	100 %
		MI-175201T	07/01/2008 - 06/30/2011	\$136,402	0 %
			CFDA Total:	\$3,849,781	
5800	17.261	WIA Pilots, Demonstrations, And Research Projects CB-15205-06-60	11/01/2005 - 10/31/2009	\$233,496	0 %
			CFDA Total:	\$233,496	
2600 3500	17.266	Work Incentive Grants			
		WI160903AO	05/20/2009 - 09/30/2009	\$32,424	100 %
		WI160907L	05/01/2007 - 09/30/2009	\$13,958	100 %
		WI16090VN	05/01/2007 - 09/30/2009	\$3,108	100 %
		WI-60903A	05/20/2009 - 09/30/2009	\$2,743	0 %
		WI-60907L	05/01/2007 - 09/30/2009	\$64,005	0 %
			CFDA Total:	\$116,238	
2700	17.271	Work Opportunities Tax Credit Program (WOTC)			
		ES-17576-08-55-A-33	10/01/2008 - 09/30/2009	\$1,868	0 %
		ES-19217-09-55-A-33	10/01/2009 - 09/30/2010	\$125,596	0 %
			CFDA Total:	\$127,464	
2700	17.273	Temporary Labor Certification For Foreign Workers			
		ES-15710-06-55	10/01/2006 - 09/30/2007	\$2,720	0 %
		ES-16227-07-55-A-33	10/01/2007 - 09/30/2008	\$5,137	0 %
		ES-17576-08-55-A-33	10/01/2008 - 09/30/2009	\$21,797	0 %
			CFDA Total:	\$29,654	
2700	17.275	Program Of Competitive Grants For Worker Training And Placement In High Growth And Emerging Industry Sectors			
	ARRA	1083-LMG-03	01/01/2010 - 05/31/2011	\$10,000	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
				CFDA Total:	<u>\$10,000</u>
4400	17.504	Consultation Agreements			
		CS17708-CS10	10/01/2009 - 09/30/2010	\$374,006	0 %
		CS17708C-S9	10/01/2008 - 09/30/2009	\$130,507	0 %
				CFDA Total:	<u>\$504,513</u>
2600 3500	17.600	Mine Health And Safety Grants			
		MS170720855R33	10/01/2007 - 09/30/2008	\$2,671	100 %
		MS-S09	10/01/2008 - 09/30/2009	\$21,942	0 %
				CFDA Total:	<u>\$24,613</u>
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 8)			
		DV19658105-55-33	10/01/2009 - 09/30/2010	\$170,127	0 %
		E-9-5-9-5043	10/01/2008 - 09/30/2009	\$139,754	0 %
				CFDA Total:	<u>\$309,881</u>
2700	17.804	Local Veterans` Employment Representative Program (Note 8)			
		DV19658105-55-33	10/01/2009 - 09/30/2010	\$273,347	0 %
		E-9-5-9-5043	10/01/2008 - 09/30/2009	\$139,202	0 %
				CFDA Total:	<u>\$412,549</u>
DEPARTMENT OF LABOR TOTAL:				<u>\$481,283,276</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9600	20.106 ARRA	Airport Improvement Program (Note 7)			
		Various	07/01/2009 - 06/30/2010	\$3,074,803	100 %
			07/01/2009 - 06/30/2010	\$4,485,176	100 %
			CFDA Total:	<u>\$7,559,979</u>	
9600	20.205 ARRA	Highway Planning And Construction (Note 8)			
		Various	07/01/2009 - 06/30/2010	\$64,956,520	0 %
			07/01/2009 - 06/30/2010	\$152,243,867	2 %
			CFDA Total:	<u>\$217,200,387</u>	
2300	20.218	National Motor Carrier Safety			
		BE-08-33-1	03/24/2008 - 09/30/2009	\$79,074	0 %
		MC-08-33-1	10/01/2007 - 09/30/2009	\$113,350	0 %
		MC-08-33-1	10/07/2007 - 09/30/2009	\$23,528	0 %
		MC093310000000	10/01/2008 - 09/30/2010	\$581,666	0 %
		MH08331	06/23/2008 - 09/30/2009	\$46,099	0 %
		MH093310000000	10/01/2008 - 09/30/2010	\$527,918	0 %
		MH093310000000	05/29/2009 - 09/30/2010	\$29,955	0 %
		MN-08-33-1	10/01/2007 - 09/30/2009	\$16,502	0 %
		MR-06-33-1-G-00000	09/15/2006 - 03/30/2010	\$13,965	0 %
		PZ09331	08/26/2009 - 09/30/2011	\$26,852	0 %
			CFDA Total:	<u>\$1,458,909</u>	
3500	20.219	Recreational Trails Program (Note 8)			
		NRT-00NH (006)	10/01/2005 - 09/30/2009	\$9,166	0 %
		NRT-00NH (007)	10/01/2006 - 10/01/2012	\$962,864	0 %
			CFDA Total:	<u>\$972,030</u>	
2300	20.232	Commercial Driver`s License Program Improvement Grant			
		27XX33CD08331NH08	07/16/2008 - 09/30/2010	\$55	0 %
			CFDA Total:	<u>\$55</u>	
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort			
		TCP1 (003)	10/01/2007 - 10/01/2011	\$1,393	0 %
			CFDA Total:	<u>\$1,393</u>	
9600	20.500	Federal Transit - Capital Investment Grants (Note 8)			
		Various	07/01/2009 - 06/30/2010	\$1,699,988	100 %
			CFDA Total:	<u>\$1,699,988</u>	
9600	20.507 ARRA	Federal Transit - Formula Grants (Note 8)			
			07/01/2009 - 06/30/2010	\$1,994,824	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		Various	07/01/2009 - 06/30/2010	\$1,641,318	100 %
			CFDA Total:	<u>\$3,636,142</u>	
9600	20.509 ARRA	Formula Grants For Other Than Urbanized Areas	07/01/2009 - 06/30/2010	\$1,507,107	100 %
		Various	07/01/2009 - 06/30/2010	\$3,468,355	92 %
			CFDA Total:	<u>\$4,975,462</u>	
9600	20.513	Capital Assistance Program For Elderly Persons And Persons With Disabilities (Note 8)			
		Various	07/01/2009 - 06/30/2010	\$516,111	84 %
			CFDA Total:	<u>\$516,111</u>	
9600	20.515	State Planning And Research			
		Various	07/01/2009 - 06/30/2010	\$113,658	100 %
			CFDA Total:	<u>\$113,658</u>	
9600	20.516	Job Access - Reverse Commute (Note 8)			
		Various	07/01/2009 - 06/30/2010	\$117,429	100 %
			CFDA Total:	<u>\$117,429</u>	
9600	20.521	New Freedom Program (Note 8)			
		various	07/01/2009 - 06/30/2010	\$205,208	100 %
			CFDA Total:	<u>\$205,208</u>	
2300 2500	20.600	State And Community Highway Safety (Note 8)			
		DTNH2207H00104	02/01/2007 - 01/31/2012	\$22,580	0 %
		none	07/01/2009 - 09/30/2009	\$78,142	0 %
		none	07/01/2009 - 09/30/2009	\$197,708	82 %
		none	10/01/2009 - 09/30/2010	\$90,511	0 %
		None	10/01/2009 - 09/30/2010	\$1,179,058	82 %
			CFDA Total:	<u>\$1,567,999</u>	
2500	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants (Note 8)			
		none	07/01/2009 - 09/30/2009	\$83,144	98 %
		none	10/01/2009 - 09/30/2010	\$447,492	99 %
			CFDA Total:	<u>\$530,636</u>	
2500	20.610	State Traffic Safety Information System Improvement Grants (Note 8)			
		None	10/01/2009 - 09/30/2010	\$264,278	100 %
			CFDA Total:	<u>\$264,278</u>	

(Continued)

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2500	20.612	Incentive Grant Program To Increase Motorcycle Safety (Note 8) none	10/01/2009 - 09/30/2010	\$11,219	100 %
			CFDA Total:	<u>\$11,219</u>	
2300	20.615	Enhance 911 Act NHTSA20080142	09/30/2009 - 09/30/2012	\$87,248	0 %
			CFDA Total:	<u>\$87,248</u>	
8100	20.700	Pipeline Safety Program Base Grants DOT-GB-90027	01/01/2009 - 12/31/2009	\$345,238	0 %
		DTPH56-10-G-PHPG27	01/01/2010 - 12/31/2010	\$237,963	0 %
			CFDA Total:	<u>\$583,201</u>	
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants HMENH8026160	10/01/2008 - 09/30/2009	\$29,498	67 %
		HMHMP0046090100	10/01/2009 - 09/30/2010	\$46,939	99 %
			CFDA Total:	<u>\$76,437</u>	
2300	20.999	No Program Title TCP-0001(003)	10/01/2008 - 09/30/2011	\$3,521	0 %
			CFDA Total:	<u>\$3,521</u>	
DEPARTMENT OF TRANSPORTATION TOTAL:				<u>\$241,581,290</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
 Schedule Of Expenditures Of Federal Awards
 For The Fiscal Year Ended June 30, 2010**

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts			
		7FPSLP0122	07/01/2009 - 06/30/2010	\$108,910	17 %
		7FPSLP0122	07/01/2009 - 07/30/2010	\$1,137	17 %
		7FPSLP0122	01/01/2010 - 01/01/2010	\$53,750	17 %
			CFDA Total:	\$163,797	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL:				\$163,797	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

GENERAL SERVICES ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3) 33	07/01/2009 - 06/30/2010	\$222,936	100 %
			CFDA Total:	<u>\$222,936</u>	
3200	39.011	Election Reform Payments Title I, 101	07/01/2009 - 06/30/2010	\$105,677	0 %
			CFDA Total:	<u>\$105,677</u>	
GENERAL SERVICES ADMINISTRATION TOTAL:				<u><u>\$328,613</u></u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
6100	43.999	No Program Title			
		NNK06EC95G	08/01/2006 - 07/31/2009	\$4,585	0 %
		NNX08BA90G	07/23/2008 - 07/22/2010	\$1,546	0 %
		NNX08BA90G	07/23/2008 - 07/22/2010	\$27,186	100 %
			CFDA Total:	\$33,317	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL:				\$33,317	

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3400	45.025	Promotion Of The Arts - Partnership Agreements			
		08-6100-2021	07/01/2008 - 09/30/2009	\$123,051	100 %
		09-6100-2024	07/01/2009 - 09/30/2010	\$645,511	100 %
	ARRA	09-6188-2085	07/01/2009 - 06/30/2011	\$255,108	100 %
			CFDA Total:	\$1,023,670	
3400	45.301	Museums For America			
		LS-00-09-0030-09	10/01/2008 - 09/30/2010	\$1,263,243	100 %
		LS-00-10-0030-10	10/01/2009 - 09/30/2011	\$138,333	100 %
			CFDA Total:	\$1,401,576	
3400	45.310	Grants To States			
		LS-00-08-0030-08	10/01/2007 - 09/30/2009	\$36,027	100 %
			CFDA Total:	\$36,027	
3400	45.312	National Leadership Grants			
		LG-41-09-0013-09	03/01/2009 - 10/31/2011	\$8,775	100 %
			CFDA Total:	\$8,775	
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL:				\$2,470,048	

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

NATIONAL SCIENCE FOUNDATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5800	47.041	Engineering Grants EEC-0648161	03/01/2007 - 08/31/2010	\$39,346	0 %
			CFDA Total:	<u>\$39,346</u>	
5800	47.076	Education And Human Resources DUE0324204	10/01/2003 - 09/30/2010	\$37,500	0 %
		DUE0501953	09/01/2005 - 08/31/2009	\$489,758	0 %
		DUE0603277	07/01/2006 - 12/31/2010	\$186,070	0 %
			CFDA Total:	<u>\$713,328</u>	
NATIONAL SCIENCE FOUNDATION TOTAL:				<u><u>\$752,674</u></u>	

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF VETERANS AFFAIRS

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT	
4300	64.005 ARRA	Grants To States For Construction Of State Home Facilities				
		FAI33-008	07/01/2009 - 06/30/2011	\$3,860	0 %	
		FAI33-006	07/01/2006 - 06/30/2010	\$8,600	0 %	
		FAI33-007	07/01/2008 - 06/30/2011	\$3,245,172	0 %	
		CFDA Total:	<u>\$3,257,632</u>			
1200	64.101	Burial Expenses Allowance For Veterans				
		None	10/01/2007 - 09/30/2012	\$159,400	0 %	
		CFDA Total:	<u>\$159,400</u>			
5700	64.124	All-Volunteer Force Educational Assistance				
		V101 (223C) P-5086	10/01/2009 - 09/30/2010	\$102,919	0 %	
		V101 (223D) P-4986	10/01/2008 - 09/30/2009	\$40,209	0 %	
		CFDA Total:	<u>\$143,128</u>			
DEPARTMENT OF VETERANS AFFAIRS TOTAL:				<u>\$3,560,160</u>		

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.032	State Indoor Radon Grants			
		K100162319	07/01/2008 - 06/30/2009	\$4,197	0 %
		K100162320	07/01/2009 - 06/30/2010	\$78,803	0 %
			CFDA Total:	<u>\$83,000</u>	
4400	66.040 ARRA	State Clean Diesel Grant Program			
		2D-96102101	04/17/2009 - 09/30/2010	\$981,359	0 %
		DS97191001	10/01/2008 - 09/30/2010	\$10,892	0 %
			CFDA Total:	<u>\$992,251</u>	
4400	66.202	Congressionally Mandated Projects			
		EM97146601	04/15/2006 - 01/01/2011	\$21,269	0 %
			CFDA Total:	<u>\$21,269</u>	
4400	66.424	Surveys, Studies, Investigations, Demonstrations, And Training Grants Section 1442 Of The Safe Drinking Water Act			
		WP98190201	11/01/2003 - 11/01/2010	\$49,836	0 %
			CFDA Total:	<u>\$49,836</u>	
4400	66.436	Surveys, Studies, Investigations, Demonstrations, And Training Grants And Cooperative Agreements - Section 104 (B)(3) Of The Clean Water Act			
		X796100701	05/01/2009 - 09/15/2012	\$603	0 %
		X797128001	09/30/2005 - 09/30/2007	\$12,414	0 %
		X96100301	07/01/2009 - 09/30/2011	\$6,820	0 %
			CFDA Total:	<u>\$19,837</u>	
4400	66.454 ARRA	Water Quality Management Planning			
		2P-96102901	05/01/2009 - 08/17/2011	\$196,557	0 %
		C600100207	10/01/2006 - 09/30/2009	\$2,503	0 %
		C600100208	10/01/2007 - 09/30/2010	\$83,455	0 %
		C600100209	10/01/2008 - 09/30/2011	\$20,267	0 %
			CFDA Total:	<u>\$302,782</u>	
4400	66.458 ARRA	Capitalization Grants For Clean Water State Revolving Funds			
		2W-33000209	10/01/2008 - 12/31/2012	\$13,377,219	0 %
		CS33000103	04/01/2006 - 04/01/2012	\$406,395	100 %
		CS33000104	03/01/2005 - 03/01/2012	\$31,042	0 %
		CS33000104	03/01/2005 - 03/01/2012	\$5,340,491	100 %
			CFDA Total:	<u>\$19,155,147</u>	
4400	66.460	Nonpoint Source Implementation Grants			
		C998132404	09/30/2003 - 09/30/2009	\$96,851	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		C998132405	09/30/2004 - 09/30/2009	\$73,970	0 %
		C998132406	09/30/2005 - 09/30/2010	\$320,428	0 %
		C998132407	09/15/2006 - 09/30/2011	\$76,106	0 %
		C998132408	07/01/2007 - 09/30/2012	\$367,781	0 %
		C998132409	04/01/2008 - 09/30/2012	\$321,028	0 %
		C998132410	04/08/2009 - 09/30/2012	\$47,029	0 %
			CFDA Total:	<u>\$1,303,193</u>	
4400	66.461	Regional Wetland Program Development Grants CD97184501	05/01/2008 - 09/30/2010	\$20,552	0 %
			CFDA Total:	<u>\$20,552</u>	
4400	66.467	Wastewater Operator Training Grant Program T97117801	10/01/2004 - 09/30/2012	\$1,330	0 %
		T98199301	10/01/2007 - 09/30/2010	\$35	0 %
			CFDA Total:	<u>\$1,365</u>	
4400	66.468 ARRA	Capitalization Grants For Drinking Water State Revolving Fund			
		2F-96102301	10/01/2008 - 10/01/2012	\$12,860,973	0 %
		FS99115005	10/16/2005 - 10/01/2012	\$683,451	0 %
		FS99115006	10/01/2006 - 10/01/2012	\$3,907,222	0 %
		FS99115008	10/01/2008 - 10/01/2012	\$1,105,873	8 %
		FS99115009	05/01/2010 - 05/01/2012	\$2,047,579	5 %
		FS99115010	05/01/2011 - 05/01/2012	\$80,254	0 %
			CFDA Total:	<u>\$20,685,352</u>	
4400	66.471	State Grants To Reimburse Operators Of Small Water Systems For Training And Certification Costs CT-98149601	09/30/2002 - 09/30/2012	\$131,015	0 %
			CFDA Total:	<u>\$131,015</u>	
4400	66.472	Beach Monitoring And Notification Program Implementation Grants CU96103601	10/01/2009 - 02/01/2011	\$113,080	0 %
		CU97123901	10/01/2008 - 02/01/2010	\$182,359	0 %
		CU97168501	10/01/2007 - 02/01/2010	\$57,923	0 %
			CFDA Total:	<u>\$353,362</u>	
4400	66.474	Water Protection Grants To The States WP96120101	10/01/2009 - 09/30/2012	\$309	0 %
		WP97172301	10/01/2007 - 06/23/2011	\$23,985	0 %
		WP98167401	10/01/2002 - 10/01/2009	\$62,546	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	<u>\$86,840</u>	
1800 4400	66.605	Performance Partnership Grants BG-97198302-0	09/01/2009 - 09/30/2010	\$169,441	0 %
		BG99127304	10/01/2004 - 09/30/2009	\$88,103	0 %
		BG99127307	10/01/2006 - 09/30/2011	\$262,113	0 %
		BG99127308	10/01/2008 - 09/30/2012	\$4,534,831	0 %
		CD96119701	10/01/2009 - 09/30/2010	\$177,407	0 %
		CD97193801	10/01/2008 - 09/30/2009	\$81,612	0 %
			CFDA Total:	<u>\$5,313,507</u>	
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants PM99129403	04/01/2008 - 03/31/2010	\$197,360	0 %
			CFDA Total:	<u>\$197,360</u>	
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance OS83260901	10/01/2005 - 09/30/2008	\$26,176	0 %
		OS83347801	08/01/2007 - 07/30/2010	\$245,822	0 %
		OS83408001	09/01/2008 - 08/31/2010	\$971	0 %
		OS83408101	10/01/2008 - 09/30/2010	\$203,340	0 %
		OS88348301	08/01/2007 - 07/31/2009	\$69,892	0 %
			CFDA Total:	<u>\$546,201</u>	
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements BG-9798301-0	10/01/2008 - 09/30/2009	\$112,869	0 %
		E-00146308-2	10/01/2007 - 09/30/2009	\$40,450	0 %
			CFDA Total:	<u>\$153,319</u>	
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements K99144808-0	10/01/2008 - 09/30/2010	\$79,920	0 %
			CFDA Total:	<u>\$79,920</u>	
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals PB961031	06/01/2009 - 09/30/2010	\$5,607	0 %
		PB991512	10/01/2008 - 09/30/2010	\$125,337	0 %
			CFDA Total:	<u>\$130,944</u>	
4400	66.708	Pollution Prevention Grants Program NP96118001	10/01/2009 - 09/30/2011	\$29,117	0 %
		NP97156801	10/01/2006 - 09/30/2008	\$(400)	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		NP97179701	10/01/2007 - 09/30/2009	\$11,690	0 %
		NP97181701	10/01/2007 - 09/30/2009	\$11,818	0 %
		NP97189901	10/01/2008 - 09/30/2010	\$61,845	0 %
		NP97190001	10/01/2008 - 09/30/2009	\$69,050	0 %
			CFDA Total:	\$183,120	
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements			
		V96115301	08/01/2009 - 06/30/2011	\$102,411	0 %
		V96121901	11/10/2009 - 06/30/2011	\$256,013	0 %
		V96122601	01/25/2010 - 10/30/2010	\$1,682	0 %
		V97139301	07/01/2008 - 06/30/2010	\$96,492	0 %
		V97140401	07/01/2008 - 06/30/2010	\$131,947	0 %
		V97148901	08/10/2006 - 06/30/2010	\$219,512	0 %
		V97150401	10/01/2006 - 09/30/2009	\$124,214	0 %
		V97167901	07/01/2007 - 06/30/2010	\$341,656	0 %
		V97172101	07/01/2008 - 03/24/2010	\$489,045	0 %
		V99130701	10/01/1995 - 03/24/2010	\$1,205,379	0 %
		VC00173320	09/01/2008 - 08/30/2009	\$49,974	0 %
		VC00173321	09/01/2009 - 08/31/2010	\$246,621	0 %
			CFDA Total:	\$3,264,946	
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program			
		L97171601	07/01/2007 - 09/30/2009	\$15,419	0 %
		L98138005	10/01/2007 - 09/30/2010	\$88,946	0 %
		L98738006	07/01/2009 - 12/31/2010	\$231,028	0 %
			CFDA Total:	\$335,393	
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			
	ARRA	2L-96100101	03/01/2009 - 09/30/2011	\$694,528	0 %
		LS97199801	04/01/2009 - 03/31/2011	\$629,426	0 %
		LS98138004	04/01/2007 - 12/31/2009	\$159,273	0 %
			CFDA Total:	\$1,483,227	
4400	66.811	Brownfield Pilot Cooperative Agreements			
		BL97130701-0	10/01/2005 - 07/01/2010	\$255,496	100 %
		BL98110601	10/01/1999 - 09/30/2006	\$56,173	100 %
		BL98110701-0	10/01/2005 - 07/01/2010	\$40,261	0 %
			CFDA Total:	\$351,930	

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The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.817	State And Tribal Response Program Grants			
		RP96105901	10/01/2009 - 09/30/2010	\$709,343	0 %
		RP97172901	10/01/2008 - 09/30/2009	\$402,197	0 %
			CFDA Total:	\$1,111,540	
4400	66.818	Brownfield Assessment And Cleanup Cooperative Agreements			
	ARRA	2B-96120301	10/01/2009 - 09/30/2012	\$8,002	0 %
		BF96112501	08/03/2009 - 08/02/2012	\$372,352	0 %
		BF97173201	10/01/2008 - 09/30/2011	\$25,906	0 %
			CFDA Total:	\$406,260	
4400	66.940	Environmental Policy And State Sustainability Grants			
		E197146401	04/15/2006 - 09/30/2009	\$21,798	0 %
		E197188001	10/01/2008 - 09/30/2012	\$104,132	0 %
			CFDA Total:	\$125,930	
ENVIRONMENTAL PROTECTION AGENCY TOTAL:				\$56,889,398	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF ENERGY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	81.039	National Energy Information Center DE-FC01-06EI38102	08/08/2009 - 08/07/2010	\$13,480	0 %
			CFDA Total:	<u>\$13,480</u>	
0240	81.041	State Energy Program			
	ARRA	DE-EE0000228	04/17/2009 - 04/30/2012	\$1,063,041	74 %
		DE-FG41-01R130472	07/01/2009 - 06/30/2010	\$168,838	0 %
			CFDA Total:	<u>\$1,231,879</u>	
0240	81.042	Weatherization Assistance For Low-Income Persons			
	ARRA	EE00161	04/01/2009 - 03/31/2012	\$6,227,359	97 %
		EE00060	04/01/2009 - 03/31/2010	\$1,501,350	93 %
		EE00060	04/01/2010 - 03/31/2011	\$159,145	93 %
			CFDA Total:	<u>\$7,887,854</u>	
4400	81.119	State Energy Program Special Projects CC02-002	05/20/2009 - 09/30/2009	\$20,893	0 %
			CFDA Total:	<u>\$20,893</u>	
0240 8100	81.122	Electricity Delivery And Energy Reliability, Research, Development And Analysis			
	ARRA	DE-EE0000163	01/01/2010 - 12/31/2012	\$110,585	0 %
	ARRA	DE-EE0000100	08/12/2009 - 08/14/2012	\$32,788	0 %
			CFDA Total:	<u>\$143,373</u>	
0240	81.127	Energy Efficient Appliance Rebate Program (EEARP)			
	ARRA	DE-EE0001569	08/24/2009 - 02/17/2012	\$128,143	57 %
			CFDA Total:	<u>\$128,143</u>	
0240	81.128	Energy Efficiency And Conservation Block Grant Program			
	ARRA	DE-EE0003576	06/01/2010 - 05/31/2012	\$138	0 %
	ARRA	EE0000668	09/10/2009 - 09/09/2012	\$340,933	72 %
			CFDA Total:	<u>\$341,071</u>	
DEPARTMENT OF ENERGY TOTAL:				<u><u>\$9,766,693</u></u>	

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.002	Adult Education - Basic Grants To States			
		V002A050029 016	07/01/2009 - 09/30/2010	\$662,956	61 %
		V002A060029 916	07/01/2008 - 09/30/2009	\$710,688	94 %
		V002A070029 816	07/01/2007 - 09/30/2008	\$72,044	44 %
			CFDA Total:	<u>\$1,445,688</u>	
5800	84.007	Federal Supplemental Educational Opportunity Grants (Note 8)			
		P007A082518	07/01/2008 - 06/30/2009	\$58	0 %
		P007A092513	07/01/2009 - 06/30/2010	\$74,506	0 %
		P007A092514	07/01/2009 - 06/30/2010	\$26,151	0 %
		P007A092515	07/01/2009 - 06/30/2010	\$22,483	0 %
		P007A092516	07/01/2009 - 06/30/2010	\$26,469	0 %
		P007A092517	07/01/2009 - 06/30/2010	\$37,237	0 %
		P007A092518	07/01/2009 - 06/30/2010	\$27,943	0 %
		P007A092519	07/01/2009 - 06/30/2010	\$35,022	0 %
			CFDA Total:	<u>\$249,869</u>	
5600	84.010	Title I Grants To Local Educational Agencies (Note 8)			
		S010A070029 819	07/01/2007 - 09/30/2008	\$2,705,998	100 %
		S010A080029 919	07/01/2008 - 09/30/2009	\$71,343	0 %
		S010A080029 919	07/01/2008 - 09/30/2009	\$15,836,584	98 %
		S010A090029 019	07/01/2009 - 09/30/2010	\$14,588	0 %
		S010A090029 019	07/01/2009 - 09/30/2010	\$19,462,619	99 %
			CFDA Total:	<u>\$38,091,132</u>	
5600	84.011	Migrant Education - State Grant Program			
		S011A080029 925	07/01/2008 - 09/30/2009	\$113,019	2 %
		S011A090029 025	07/01/2009 - 09/30/2010	\$5	0 %
			CFDA Total:	<u>\$113,024</u>	
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children			
		S013A070029 821	07/01/2007 - 09/30/2008	\$275,048	88 %
		S013A080029 921	07/01/2008 - 09/30/2009	\$215,349	65 %
			CFDA Total:	<u>\$490,397</u>	
5600	84.027	Special Education - Grants To States (Note 8)			
		H027A070103 823	07/01/2007 - 09/30/2008	\$1,083,712	100 %
		H027A080103 923	07/01/2008 - 09/30/2009	\$14,181,241	98 %
		H027A090103 023	07/01/2009 - 09/30/2010	\$302,778	0 %
		H027A090103 023	07/01/2009 - 09/30/2010	\$28,352,591	94 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	\$43,920,322	
5800	84.032	Federal Family Education Loans (Notes 4,8) Sub, Unsub & Plus	07/01/2009 - 06/30/2010	\$44,153,601	0 %
			CFDA Total:	\$44,153,601	
5800	84.033	Federal Work-Study Program (Note 8)			
		P033A082513	07/01/2008 - 06/30/2009	\$3,785	0 %
		P033A082514	07/01/2008 - 06/30/2009	\$2,478	0 %
		P033A082515	07/01/2008 - 06/30/2009	\$2,479	0 %
		P033A082516	07/01/2008 - 06/30/2009	\$828	0 %
		P033A082517	07/01/2008 - 06/30/2009	\$3,347	0 %
		P033A082519	07/01/2008 - 06/30/2009	\$1,985	0 %
		P033A092513	07/01/2009 - 06/30/2010	\$75,109	0 %
		P033A092514	07/01/2009 - 06/30/2010	\$27,638	0 %
		P033A092515	07/01/2009 - 06/30/2010	\$19,782	0 %
		P033A092516	07/01/2009 - 06/30/2010	\$23,112	0 %
		P033A092517	07/01/2009 - 06/30/2010	\$29,463	0 %
		P033A092518	07/01/2008 - 06/30/2009	\$561	0 %
		P033A092518	07/01/2009 - 06/30/2010	\$39,585	0 %
		P033A092519	07/01/2009 - 06/30/2010	\$28,821	0 %
			CFDA Total:	\$258,973	
5800	84.038	Federal Perkins Loan Program - Federal Capital Contributions (Notes 4,8)			
		orgn 9201	07/01/2009 - 06/30/2010	\$29,901	0 %
		orgn 9202	07/01/2009 - 06/30/2010	\$21,188	0 %
		orgn 9203	07/01/2009 - 06/30/2010	\$65,970	0 %
		orgn 9204	07/01/2009 - 06/30/2010	\$40,501	0 %
		orgn 9205	07/01/2009 - 06/30/2010	\$35,910	0 %
		orgn 9206	07/01/2009 - 06/30/2010	\$40,415	0 %
		orgn 9207	07/01/2009 - 06/30/2010	\$37,710	0 %
			CFDA Total:	\$271,595	
5800	84.042	TRIO - Student Support Services P042A050349	09/01/2005 - 08/31/2010	\$291,957	0 %
			CFDA Total:	\$291,957	
4600 5600	84.048	Career And Technical Education - Basic Grants To States			
		V048A070029 815	07/01/2007 - 09/30/2008	\$21,842	100 %
		V048A080029 915	07/01/2008 - 09/30/2009	\$2,238,131	89 %
		V048A090029 015	07/01/2009 - 09/30/2010	\$4,016,222	84 %

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		V048A10029	09/01/2008 - 08/30/2010	\$7,112	0 %
		V048A10029	10/01/2008 - 09/30/2010	\$8,465	0 %
			CFDA Total:	<u>\$6,291,772</u>	
5600	84.051	Career And Technical Education - National Programs			
		V051C080016 014	10/01/2009 - 09/30/2011	\$31,400	100 %
		V051C080016 914	10/01/2008 - 09/30/2010	\$54,323	100 %
			CFDA Total:	<u>\$85,723</u>	
5800	84.063	Federal Pell Grant Program (Note 8)			
		P063P083167	07/01/2008 - 06/30/2009	\$262	0 %
		P063P085848	07/01/2008 - 06/30/2009	\$(592)	0 %
		P063P091795	07/01/2009 - 06/30/2010	\$3,891,061	0 %
		P063P091796	07/01/2009 - 06/30/2010	\$2,402,550	0 %
		P063P092631	07/01/2009 - 06/30/2010	\$1,808,881	0 %
		P063P093167	07/01/2009 - 06/30/2010	\$1,816,514	0 %
		P063P095845	07/01/2009 - 06/30/2010	\$1,477,573	0 %
		P063P095848	07/01/2009 - 06/30/2010	\$1,573,478	0 %
		P063P095850	07/01/2009 - 06/30/2010	\$1,202,581	0 %
		P063Q081795	07/01/2008 - 06/30/2009	\$1,759	0 %
		P063Q081796	07/01/2008 - 06/30/2009	\$1,404	0 %
		P063Q082631	07/01/2008 - 06/30/2009	\$811	0 %
		P063Q083167	07/01/2008 - 06/30/2009	\$850	0 %
		P063Q085845	07/01/2008 - 06/30/2009	\$706	0 %
		P063Q085848	07/01/2008 - 06/30/2009	\$763	0 %
		P063Q085850	07/01/2008 - 06/30/2009	\$686	0 %
		P063Q091795	07/01/2009 - 06/30/2010	\$4,123	0 %
		P063Q091796	07/01/2009 - 06/30/2010	\$2,483	0 %
		P063Q092631	07/01/2009 - 06/30/2010	\$1,879	0 %
		P063Q093167	07/01/2009 - 06/30/2010	\$1,905	0 %
		P063Q095845	07/01/2009 - 06/30/2010	\$1,541	0 %
		P063Q095848	07/01/2009 - 06/30/2010	\$1,659	0 %
		P063Q095850	07/01/2009 - 06/30/2010	\$1,264	0 %
			CFDA Total:	<u>\$14,194,141</u>	
5700	84.069	Leveraging Educational Assistance Partnership			
		N069A090030	07/01/2009 - 06/30/2010	\$108,989	0 %
		N069B080026	07/01/2009 - 06/30/2010	\$140,131	0 %
			CFDA Total:	<u>\$249,120</u>	
5800	84.116	Fund For The Improvement Of Postsecondary Education			

(Continued)

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**State of New Hampshire
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For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		P116B060322	10/01/2006 - 09/30/2010	\$61,060	0 %
		P116Z080169	06/15/2008 - 03/31/2010	\$126,538	0 %
		P116Z080247	06/30/2008 - 10/29/2010	\$15,926	0 %
		P116Z090203	09/01/2009 - 08/31/2010	\$242,557	0 %
		P116Z090236	08/01/2009 - 09/30/2010	\$109,457	0 %
			CFDA Total:	<u>\$555,538</u>	
5600	84.126	Rehabilitation Services - Vocational Rehabilitation Grants To States (Note 8)			
		H126A080042 890	10/01/2007 - 09/30/2009	\$627,149	0 %
		H126A090042 990	10/01/2008 - 09/30/2010	\$7,095,855	0 %
		H126A100042 090	10/01/2009 - 09/30/2011	\$1,459,008	0 %
			CFDA Total:	<u>\$9,182,012</u>	
5600	84.144	Migrant Education - Coordination Program			
		S144F070029 826	07/01/2007 - 09/30/2008	\$79,873	0 %
		S144F080029 926	07/01/2008 - 09/30/2009	\$57,598	0 %
		S144F080029 926	07/01/2008 - 09/30/2009	\$27,688	90 %
		S144F090029 026	07/01/2009 - 09/30/2010	\$7,121	0 %
		S144G070029 929	07/01/2007 - 09/30/2008	\$12,070	0 %
			CFDA Total:	<u>\$184,350</u>	
0205	84.161	Rehabilitation Services - Client Assistance Program			
		H161A090030	10/01/2008 - 09/30/2010	\$68,164	0 %
		H161A100030B	10/01/2009 - 09/30/2010	\$43,581	0 %
			CFDA Total:	<u>\$111,745</u>	
5600	84.169	Independent Living - State Grants (Note 8)			
		H169A090043 989	10/01/2008 - 09/30/2010	\$128,652	0 %
		H169A100043 089	10/01/2009 - 09/30/2011	\$142,823	0 %
			CFDA Total:	<u>\$271,475</u>	
5600	84.173	Special Education - Preschool Grants (Note 8)			
		H173A070109 824	07/01/2007 - 09/30/2008	\$363,505	95 %
		H173A080109 924	07/01/2008 - 09/30/2009	\$737,900	93 %
		H173A090109 024	07/01/2009 - 09/30/2010	\$465,219	83 %
			CFDA Total:	<u>\$1,566,624</u>	
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind (Note 8)			
		H177B090029A 993	10/01/2008 - 09/30/2010	\$56,070	0 %
		H177B100029A 093	10/01/2009 - 09/30/2011	\$123,496	0 %

(Continued)

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	\$179,566	
9500	84.181	Special Education Grants For Infants And Families (Note 8)			
		H181A080127	07/01/2008 - 09/30/2009	\$256,793	1 %
		H181A090127	07/01/2009 - 09/30/2010	\$1,838,912	1 %
			CFDA Total:	\$2,095,705	
5600	84.185	Byrd Honors Scholarships			
		P185A090031 003	07/01/2009 - 06/30/2010	\$166,500	100 %
			CFDA Total:	\$166,500	
5600 9500	84.186	Safe And Drug-Free Schools And Communities - State Grants			
		Q186A070030 810	07/01/2007 - 09/30/2008	\$477,966	92 %
		Q186A080030 910	07/01/2008 - 09/30/2009	\$403,502	90 %
		Q186A090030 010	07/01/2009 - 09/30/2010	\$419,569	87 %
		Q186B080031	07/01/2008 - 09/30/2009	\$72,982	0 %
		Q186B080031	07/01/2009 - 09/30/2010	\$218,947	0 %
			CFDA Total:	\$1,592,966	
5600	84.187	Supported Employment Services For Individuals With Significant Disabilities			
		H187A080043 898	10/01/2007 - 09/30/2009	\$2,655	0 %
		H187A090043 998	10/01/2008 - 09/30/2010	\$169,737	0 %
		H187A100043 098	10/01/2009 - 09/30/2011	\$8,445	0 %
			CFDA Total:	\$180,837	
5600	84.196	Education For Homeless Children And Youth (Note 8)			
		S196A070030 845	07/01/2007 - 09/30/2008	\$3,513	79 %
		S196A080030 945	07/01/2008 - 09/30/2009	\$25,079	0 %
		S196A080030 945	07/01/2008 - 09/30/2009	\$99,838	95 %
		S196A090030 045	07/01/2008 - 09/30/2009	\$40,807	0 %
		S196A090030 045	07/01/2009 - 09/30/2010	\$43,774	93 %
			CFDA Total:	\$213,011	
5600	84.213	Even Start - State Educational Agencies			
		S213C070030 838	07/01/2007 - 09/30/2008	\$45,048	100 %
		S213C080030 938	07/01/2008 - 09/30/2009	\$5,700	0 %
		S213C080030 938	07/01/2008 - 09/30/2009	\$38,368	99 %
		S213C090030 038	07/01/2009 - 09/30/2010	\$4,428	0 %
		S231C090030 038	07/01/2009 - 09/30/2010	\$227,054	100 %
			CFDA Total:	\$320,598	

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**State of New Hampshire
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For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.243	Tech-Prep Education V243A070029 812	07/01/2007 - 09/30/2008	\$8,571	100 %
		V243A080029 912	07/01/2008 - 09/30/2009	\$175,261	90 %
		V243A090029 012	07/01/2009 - 09/30/2010	\$183,025	100 %
			CFDA Total:	<u>\$366,857</u>	
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training H265A050108-08 995	10/01/2008 - 09/30/2009	\$7,523	0 %
		H265A050108-09 095	10/01/2009 - 09/30/2010	\$17,373	0 %
			CFDA Total:	<u>\$24,896</u>	
5800	84.268	Federal Direct Student Loans (Note 8) P268K101795	07/01/2009 - 06/30/2010	\$25,296	0 %
			CFDA Total:	<u>\$25,296</u>	
5600	84.287	Twenty-First Century Community Learning Centers S287C070029 843	07/01/2007 - 09/30/2008	\$224,029	85 %
		S287C090029 043	07/01/2009 - 09/30/2010	\$35,098	0 %
		S287C090029 043	07/01/2009 - 09/30/2010	\$2,739,694	96 %
		S287C090029 943	07/01/2008 - 09/30/2009	\$2,058,597	97 %
			CFDA Total:	<u>\$5,057,418</u>	
5600	84.298	State Grants For Innovative Programs S298A070029 801	07/01/2007 - 09/30/2008	\$189,522	100 %
			CFDA Total:	<u>\$189,522</u>	
5600	84.318	Education Technology State Grants (Note 8) S318X070029 805	07/01/2007 - 09/30/2008	\$262,039	100 %
		S318X080029 905	07/01/2008 - 09/30/2009	\$477,142	100 %
		S318X090029 005	07/01/2009 - 09/30/2010	\$493,426	87 %
			CFDA Total:	<u>\$1,232,607</u>	
5600	84.323	Special Education - State Personnel Development H323A040018-07 833	09/01/2007 - 08/31/2008	\$48,290	88 %
		H323A070028-08 933	09/01/2008 - 08/31/2009	\$454,807	52 %
		H323A070028-09 033	09/01/2009 - 08/31/2010	\$227,824	0 %
			CFDA Total:	<u>\$730,921</u>	
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) S330B080033 835	05/01/2008 - 02/28/2009	\$1,458	100 %

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		S330B090033 935	03/01/2009 - 02/28/2010	\$18,746	100 %
			CFDA Total:	<u>\$20,204</u>	
5600	84.357	Reading First State Grants			
		S357A070030 844	07/01/2007 - 09/30/2008	\$570,575	99 %
		S357A080030 944	07/01/2008 - 09/30/2009	\$501,761	75 %
			CFDA Total:	<u>\$1,072,336</u>	
5600	84.358	Rural Education			
		S358B070029 849	07/01/2007 - 09/30/2008	\$128,782	100 %
		S358B080029 949	07/01/2008 - 09/30/2009	\$467,728	100 %
		S358B090029 049	07/01/2009 - 09/30/2010	\$41,150	0 %
		S358B090029 049	07/01/2009 - 09/30/2010	\$203,622	100 %
			CFDA Total:	<u>\$841,282</u>	
5600	84.360	High School Graduation Initiative			
		V360A050017 622	10/01/2005 - 09/30/2008	\$399,794	3 %
			CFDA Total:	<u>\$399,794</u>	
5600	84.365	English Language Acquisition Grants			
		T365A070029 865	07/01/2007 - 09/30/2008	\$80,392	100 %
		T365A080029 965	07/01/2008 - 09/30/2009	\$59,293	0 %
		T365A080029 965	07/01/2008 - 09/30/2009	\$298,165	88 %
		T365A090029 065	07/01/2009 - 09/30/2010	\$117,655	26 %
			CFDA Total:	<u>\$555,505</u>	
5600	84.366	Mathematics And Science Partnerships			
		S366B070030 848	07/01/2007 - 09/30/2008	\$162,963	71 %
		S366B080030 948	07/01/2008 - 09/30/2009	\$769,360	23 %
		S366B090030 048	07/01/2009 - 09/30/2010	\$270,054	11 %
			CFDA Total:	<u>\$1,202,377</u>	
5600	84.367	Improving Teacher Quality State Grants			
		S367A070026 862	07/01/2007 - 09/30/2008	\$2,622,014	97 %
		S367A080026 961	07/01/2008 - 09/30/2009	\$22,191	39 %
		S367A080028 962	07/01/2008 - 09/30/2009	\$36,378	0 %
		S367A080028 962	07/01/2008 - 09/30/2009	\$4,258,333	97 %
		S367A090026 061	07/01/2009 - 09/30/2010	\$13,054	0 %
		S367A090028 062	07/01/2009 - 09/30/2010	\$112,244	0 %
		S367A090028 062	07/01/2009 - 09/30/2010	\$7,160,727	98 %

(Continued)

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**State of New Hampshire
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For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
				CFDA Total:	<u>\$14,224,941</u>
5600	84.368	Grants For Enhanced Assessment Instruments S368A080002 931	10/01/2008 - 05/31/2010	\$602,560	100 %
				CFDA Total:	<u>\$602,560</u>
5600	84.369	Grants For State Assessments And Related Activities S369A080030 959	07/01/2008 - 09/30/2009	\$307,736	73 %
		S369A090030 059	07/01/2009 - 09/30/2010	\$29,016	0 %
		S369A090030 059	07/01/2009 - 09/30/2010	\$2,606,712	83 %
				CFDA Total:	<u>\$2,943,464</u>
5600	84.372	Statewide Data Systems R372A070019-07 830	08/01/2007 - 07/31/2009	\$57,812	0 %
		R372A080019-08 930	08/01/2008 - 07/31/2010	\$1,228,108	3 %
				CFDA Total:	<u>\$1,285,920</u>
5800	84.375	Academic Competitiveness Grants (Note 8)			
		P375A091795	07/01/2009 - 06/30/2010	\$79,002	0 %
		P375A091796	07/01/2009 - 06/30/2010	\$12,115	0 %
		P375A092631	07/01/2009 - 06/30/2010	\$13,650	0 %
		P375A093167	07/01/2009 - 06/30/2010	\$22,849	0 %
		P375A095845	07/01/2009 - 06/30/2010	\$12,380	0 %
		P375A095848	07/01/2009 - 06/30/2010	\$19,003	0 %
		P375A095850	07/01/2009 - 06/30/2010	\$16,495	0 %
				CFDA Total:	<u>\$175,494</u>
5600	84.377	School Improvement Grants S377A070030 817	07/01/2007 - 09/30/2008	\$298,901	100 %
		S377A080030 917	07/01/2008 - 09/30/2009	\$611,358	93 %
		S377A090031 017	07/01/2009 - 09/30/2010	\$9,395	0 %
				CFDA Total:	<u>\$919,654</u>
5700	84.378	College Access Challenge Grant Program P378A080050	08/15/2008 - 08/14/2010	\$229,593	79 %
		P378A090050	08/15/2009 - 08/14/2011	\$24,021	79 %
				CFDA Total:	<u>\$253,614</u>
5600	84.386 ARRA	Education Technology State Grants, Recovery Act (Note 8) S386A090029 R99	02/17/2009 - 09/30/2010	\$1,016,661	98 %
				CFDA Total:	<u>\$1,016,661</u>

(Continued)

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**State of New Hampshire
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For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.387 ARRA	Education For Homeless Children And Youth, Recovery Act (Note 8) S387A090030 R95	02/17/2009 - 09/30/2010	\$78,794	100 %
			CFDA Total:	<u>\$78,794</u>	
5600	84.389 ARRA	Title I Grants To Local Educational Agencies, Recovery Act (Note 8) S389A090029A	02/18/2009 - 09/30/2010	\$7,255,552	100 %
			CFDA Total:	<u>\$7,255,552</u>	
5600	84.390 ARRA	Rehabilitation Services - Vocational Rehabilitation Grants To States, Recovery Act (Note 8) H391A090042 R98	02/17/2009 - 09/30/2010	\$219,435	8 %
			CFDA Total:	<u>\$219,435</u>	
5600	84.391 ARRA	Special Education Grants To States, Recovery Act (Note 8) H391A090103A R9	02/17/2009 - 09/30/2010	\$13,798,943	100 %
			CFDA Total:	<u>\$13,798,943</u>	
5600	84.392 ARRA	Special Education - Preschool Grants, Recovery Act (Note 8) H392A090109 R91	02/17/2009 - 09/30/2010	\$288,721	100 %
			CFDA Total:	<u>\$288,721</u>	
5800 9500	84.393 ARRA ARRA	Special Education - Grants For Infants And Families, Recovery Act (Note 8) NHDHHS ECE H393A090127	12/01/2009 - 09/30/2011 02/17/2009 - 09/30/2010	\$823 \$1,701,700	0 % 1 %
			CFDA Total:	<u>\$1,702,523</u>	
0299	84.394 ARRA	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Note 8) S394A090030	08/19/2009 - 09/30/2010	\$164,243,954	100 %
			CFDA Total:	<u>\$164,243,954</u>	
0299	84.397 ARRA	State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act (Note 8) S397A090030	08/19/2009 - 09/30/2010	\$384,653	0 %
			CFDA Total:	<u>\$384,653</u>	
5600	84.398 ARRA	Independent Living State Grants, Recovery Act (Note 8) H398A090043 R96	02/17/2009 - 09/30/2010	\$37,041	0 %
			CFDA Total:	<u>\$37,041</u>	
5600	84.399 ARRA	Independent Living Services For Older Individuals Who Are Blind, Recovery Act (Note 8) H399A090029 R97	02/17/2009 - 09/30/2010	\$36,627	0 %

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**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	<u>\$36,627</u>	
5600	84.999	No Program Title			
		ED-03-CO-0067 6145	01/22/2008 - 09/30/2008	\$3,517	0 %
		ED-03-CO-0067 6421	01/22/2008 - 09/30/2008	\$122,990	0 %
		ED-08-CO-0078	07/08/2009 - 06/30/2010	\$74,088	0 %
			CFDA Total:	<u>\$200,595</u>	
DEPARTMENT OF EDUCATION TOTAL:				<u><u>\$388,116,402</u></u>	

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State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010

ELECTION ASSISTANCE COMMISSION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3200	90.401	Help America Vote Act Requirements Payments (Note 6) Title II, 251	07/01/2009 - 06/30/2010	\$600,690	0 %
			CFDA Total:	<u>\$600,690</u>	
ELECTION ASSISTANCE COMMISSION TOTAL:				<u>\$600,690</u>	

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**State of New Hampshire
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DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			
			10/01/2008 - 09/30/2009	\$43,210	0 %
			10/01/2009 - 09/30/2010	\$129,630	0 %
		SHMP0510120-05-01	09/01/2008 - 08/31/2009	\$47,132	0 %
		SHMP0510120-05-01	09/01/2009 - 08/31/2010	\$141,397	0 %
			CFDA Total:	<u>\$361,369</u>	
9500	93.041	Special Programs For The Aging - Title VII, Chapter 3, Programs For Prevention Of Elder Abuse, Neglect, And Exploitation			
		09AANHT7SP	10/01/2008 - 09/30/2009	\$18,386	0 %
			CFDA Total:	<u>\$18,386</u>	
9500	93.042	Special Programs For The Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services For Older Individuals			
		09AANHT7SP	10/01/2008 - 09/30/2009	\$29,164	0 %
			CFDA Total:	<u>\$29,164</u>	
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services			
		09AANHTS3P	10/01/2008 - 09/30/2009	\$29,685	0 %
		10AANHTS3P	10/01/2009 - 09/30/2010	\$35,703	0 %
			CFDA Total:	<u>\$65,388</u>	
9500	93.044	Special Programs For The Aging - Title III, Part B - Grants For Supportive Services And Senior Centers (Note 8)			
		09AANHT3SP	10/01/2008 - 09/30/2009	\$233,100	0 %
		10AANHT3SP	10/01/2009 - 09/30/2010	\$1,616,324	0 %
			CFDA Total:	<u>\$1,849,424</u>	
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 8)			
		09AANHT3SP	10/01/2008 - 09/30/2009	\$1,163,923	0 %
		10AANHT3SP	10/01/2009 - 09/30/2010	\$1,502,905	0 %
			CFDA Total:	<u>\$2,666,828</u>	
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects			
		90AM3067/03	06/01/2008 - 05/31/2009	\$27,048	0 %
		90AM3165/01	09/30/2007 - 09/30/2009	\$159,338	0 %
		90AM3168/02	09/30/2007 - 05/31/2009	\$33,652	0 %
		90AM3168/03	09/30/2007 - 05/31/2010	\$74,419	0 %
		90CD1186/01	09/30/2008 - 09/30/2010	\$316,572	0 %
		90CD1202/01	09/30/2009 - 09/29/2011	\$1,361	0 %

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		90MP0022/01	06/01/2009 - 05/31/2010	\$141,847	0 %
			CFDA Total:	<u>\$754,237</u>	
9500	93.051	Alzheimer's Disease Demonstration Grants To States 90AI0023/01	09/30/2009 - 03/31/2011	\$16,787	0 %
			CFDA Total:	<u>\$16,787</u>	
9500	93.052	National Family Caregiver Support, Title III, Part E 08AANHT3SP	10/01/2007 - 09/30/2008	\$32,063	0 %
		09AANHT3SP	10/01/2008 - 09/30/2009	\$702,232	0 %
			CFDA Total:	<u>\$734,295</u>	
9500	93.053	Nutrition Services Incentive Program (Note 8) 09AANHNSIP	10/01/2008 - 09/30/2009	\$540,422	0 %
		10AANHNSIP	10/01/2009 - 09/30/2010	\$511,195	0 %
			CFDA Total:	<u>\$1,051,617</u>	
9500	93.069	Public Health Emergency Preparedness CCU117011	08/31/2007 - 08/09/2008	\$464,243	0 %
		HTP000375	07/31/2009 - 07/30/2010	\$3,052,044	0 %
		n/a	10/01/2009 - 09/30/2010	\$4,160,805	1 %
		TP000266	09/30/2008 - 09/29/2010	\$516,991	0 %
		TP117011BIOT	08/10/2008 - 08/09/2009	\$863,636	0 %
		TP117011BIOT	08/10/2009 - 08/09/2010	\$4,554,713	0 %
			CFDA Total:	<u>\$13,612,432</u>	
9500	93.070	Environmental Public Health And Emergency Response EH000509	09/01/2009 - 08/31/2010	\$234,886	0 %
			CFDA Total:	<u>\$234,886</u>	
9500	93.072	NH Lifespan Respite Care Project 90LR0009/01	09/30/2009 - 09/29/2012	\$8,355	1 %
			CFDA Total:	<u>\$8,355</u>	
4600	93.086	Healthy Marriage Promotion And Responsible Fatherhood Grants 90-FR-0077/01	09/30/2006 - 09/29/2011	\$19,638	0 %
			CFDA Total:	<u>\$19,638</u>	
9500	93.103	Food And Drug Administration - Research UFD003822	09/21/2009 - 06/30/2010	\$35,835	0 %
			CFDA Total:	<u>\$35,835</u>	

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.110	Maternal And Child Health Federal Consolidated Programs			
		H18MC00033	12/01/2008 - 11/30/2009	\$42,874	0 %
		H18MC00033	12/01/2009 - 11/30/2010	\$56,458	0 %
		H25MC00249	09/01/2007 - 05/31/2009	\$3,029	0 %
		H25MC00249	06/01/2009 - 05/31/2010	\$82,125	0 %
		CFDA Total:		<u>\$184,486</u>	
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program			
		CCU107868	01/01/2009 - 12/31/2009	\$152,818	0 %
		UPS1078689	01/01/2010 - 12/31/2010	\$104,499	0 %
		CFDA Total:		<u>\$257,317</u>	
9500	93.130	Cooperative Agreements To States/Territories For The Coordination, And Development Of Primary Care Offices			
		U68HP11508	04/01/2009 - 03/31/2010	\$97,293	0 %
		U68HP11508	04/01/2010 - 03/31/2011	\$10,737	0 %
		CFDA Total:		<u>\$108,030</u>	
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs			
		VCE001133	11/01/2008 - 10/31/2009	\$93,807	0 %
		VCE001133	11/01/2009 - 10/31/2010	\$81,974	0 %
		CFDA Total:		<u>\$175,781</u>	
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)			
		2X06SM060030-09	07/01/2009 - 06/30/2010	\$295,559	1 %
		CFDA Total:		<u>\$295,559</u>	
9500	93.165	Grants To States For Loan Repayment Program			
		HP15668	09/01/2009 - 08/31/2010	\$15,008	0 %
		CFDA Total:		<u>\$15,008</u>	
9500	93.197	Childhood Lead Poisoning Prevention Projects - State And Local Childhood Lead Poisoning Prevention And Surveillance Of Blood Lead Levels In Children			
		211-2008-M-25576	05/22/2008 - 10/31/2009	\$10,243	0 %
		211-2009-M-30317	06/17/2009 - 10/31/2010	\$5,122	0 %
		HEH000136	07/01/2009 - 06/30/2010	\$334,177	0 %
		CFDA Total:		<u>\$349,542</u>	
4400	93.204	Surveillance Of Hazardous Substance Emergency Events			
		U61/ATU17520905	04/01/2009 - 03/31/2010	\$207,758	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		U61/ATU17520906	04/01/2010 - 03/31/2011	\$62,638	0 %
			CFDA Total:	<u>\$270,396</u>	
9500	93.217	Family Planning - Services 01H000036	12/31/2008 - 12/30/2009	\$816,251	0 %
		01H000036	12/31/2009 - 12/30/2010	\$758,639	0 %
			CFDA Total:	<u>\$1,574,890</u>	
9500	93.235	Abstinence Education Program 01NHAEGP	10/01/2008 - 09/30/2009	\$61,806	0 %
			CFDA Total:	<u>\$61,806</u>	
9500	93.236	Grants For Dental Public Health Residency Training HP10743	09/01/2008 - 06/30/2010	\$119,117	0 %
			CFDA Total:	<u>\$119,117</u>	
9500	93.241	State Rural Hospital Flexibility Program H54RH00022	09/01/2008 - 08/31/2009	\$184,037	0 %
			CFDA Total:	<u>\$184,037</u>	
9500	93.243	Substance Abuse And Mental Health Services - Projects Of Regional And National Significance			
		HR1 SM56638	09/30/2004 - 09/29/2008	\$41,432	1 %
		HR1SM058105	09/30/2007 - 09/29/2010	\$112,318	1 %
		U9SP11217A	09/30/2008 - 09/29/2010	\$4,067,520	0 %
			CFDA Total:	<u>\$4,221,270</u>	
9500	93.251	Universal Newborn Hearing Screening H61MC00034	04/01/2008 - 03/31/2009	\$11,090	0 %
		H61MC00034	04/01/2009 - 03/31/2010	\$121,597	0 %
		H61MC00034	04/01/2010 - 03/31/2011	\$35,806	0 %
			CFDA Total:	<u>\$168,493</u>	
9500	93.268	Immunization Grants (Note 3, 8)			
			07/06/2009 - 06/30/2010	\$9,400,364	0 %
		CCH122555	01/01/2009 - 12/31/2009	\$1,014,091	0 %
		CCH122555	01/01/2010 - 12/31/2010	\$668,090	0 %
			CFDA Total:	<u>\$11,082,545</u>	
9500	93.283	Centers For Disease Control And Prevention - Investigations And Technical Assistance			
		CCU122787	06/30/2007 - 03/29/2009	\$303,736	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		CCU124193	09/01/2008 - 08/31/2009	\$126,113	0 %
		CI000498	01/01/2009 - 12/31/2011	\$612,145	0 %
		DP000798	06/30/2008 - 06/29/2009	\$328,077	0 %
		DP000798	06/30/2009 - 06/29/2010	\$2,202,357	0 %
		DP001471	06/30/2008 - 06/29/2009	\$18,707	0 %
		DP001471	06/30/2009 - 06/29/2010	\$348,376	0 %
		DP001979	03/29/2009 - 03/28/2010	\$1,627,498	0 %
		DP001979	03/29/2010 - 03/28/2011	\$16,695	0 %
		EH000174	08/02/2008 - 08/01/2009	\$113,367	0 %
		EH000174	08/02/2009 - 08/01/2010	\$512,357	0 %
		UDD000426	07/01/2008 - 06/30/2009	\$31,131	0 %
		UDD000426	07/01/2009 - 06/30/2010	\$98,101	0 %
		UPS000887A	11/01/2008 - 10/31/2009	\$18,961	0 %
		UPS000887A	11/01/2009 - 10/31/2010	\$60,087	0 %
			CFDA Total:	\$6,417,708	
9500	93.301	Small Rural Hospital Improvement Grant Program			
		H3HRH00028	09/01/2008 - 08/31/2009	\$94,871	0 %
		H3HRH00028	09/01/2009 - 08/31/2010	\$112,471	0 %
			CFDA Total:	\$207,342	
9500	93.448	Food Safety And Security Monitoring Project			
		FD003164	07/01/2007 - 06/30/2009	\$5	0 %
		FD003164	07/01/2009 - 06/30/2011	\$307,734	0 %
			CFDA Total:	\$307,739	
9500	93.556	Promoting Safe And Stable Families			
		0801NHOOFP	10/01/2007 - 09/30/2009	\$242,048	0 %
		0901NHFPSS	10/01/2007 - 09/30/2009	\$12,734	0 %
		0901NHOOFP	10/01/2008 - 09/30/2010	\$726,142	0 %
		1001NHFPSS	10/01/2009 - 09/30/2011	\$38,202	0 %
			CFDA Total:	\$1,019,126	
9500	93.558	Temporary Assistance For Needy Families (TANF) (Note 8)			
		0801NHTANF	10/01/2007 - 09/30/2009	\$2,101,566	0 %
		0901NHTANF	10/01/2008 - 09/30/2009	\$7,877,666	0 %
		0901NHTANF	10/01/2008 - 09/30/2010	\$6,304,696	0 %
		1001NHTANF	10/01/2009 - 09/30/2010	\$23,632,998	0 %
			CFDA Total:	\$39,916,926	
2700 9500	93.563	Child Support Enforcement			

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		0804NH4004	10/01/2007 - 09/30/2009	\$61	0 %
		0904NH4004	10/01/2008 - 09/30/2009	\$2,294,860	0 %
		0904NH4004	10/01/2008 - 09/30/2010	\$184	0 %
		1004NH4004	10/01/2008 - 09/30/2009	\$6,743,109	0 %
		1004NH4004	10/01/2009 - 09/30/2010	\$141,470	0 %
	ARRA	1004NH4002	10/01/2008 - 09/30/2009	\$282,436	0 %
		NONE	07/01/2009 - 06/30/2010	\$3,893	0 %
			CFDA Total:	\$9,466,013	
0240	93.566	Refugee And Entrant Assistance - State Administered Programs			
		G-09AANH1100	10/01/2008 - 09/30/2010	\$629,442	93 %
		G-09AANH1110	10/01/2008 - 09/30/2009	\$115,855	100 %
		G-10AANH1100	10/01/2009 - 09/30/2010	\$194,786	44 %
		G-10AANH1110	10/01/2009 - 09/30/2010	\$104,932	100 %
			CFDA Total:	\$1,045,015	
0240	93.568	Low-Income Home Energy Assistance			
		G-08B1NHLIEA	10/01/2007 - 09/30/2009	\$193,556	100 %
		G-09B1NHLIEA	10/01/2008 - 09/30/2010	\$9,619,516	99 %
		G-10B1NHLIEA	10/01/2009 - 09/30/2011	\$34,468,555	100 %
			CFDA Total:	\$44,281,627	
9500	93.569	Community Services Block Grant (Note 8)			
		09B1NHCOSR	10/01/2008 - 09/30/2010	\$2,081,611	1 %
		10B1NHCOSR	10/01/2009 - 09/30/2011	\$1,976,022	1 %
			CFDA Total:	\$4,057,633	
0240	93.576	Refugee And Entrant Assistance - Discretionary Grants			
		90RX0159/03	07/01/2008 - 06/30/2009	\$12,103	100 %
		90RX0159/04	07/01/2009 - 06/30/2010	\$80,370	100 %
		90ZE0090/04	08/15/2008 - 08/14/2009	\$46,278	100 %
		90ZE0090/05	08/15/2009 - 08/14/2010	\$36,470	100 %
			CFDA Total:	\$175,221	
0240	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants			
		0801NHRRTA	10/01/2008 - 09/30/2009	\$96,025	100 %
		0901NHRRTA	10/01/2009 - 09/30/2011	\$95,964	100 %
			CFDA Total:	\$191,989	
1000	93.586	State Court Improvement Program			
		2007G991512	10/01/2007 - 09/30/2009	\$105,119	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2007G991513	10/01/2007 - 09/30/2009	\$23,415	0 %
		2007G996437	10/01/2007 - 09/30/2009	\$37,377	0 %
		2008G991512	10/01/2008 - 09/30/2010	\$82,657	0 %
		2008G991513	10/01/2008 - 09/30/2010	\$56,615	0 %
		2008G996437	10/01/2008 - 09/30/2010	\$72,628	0 %
		2009G991512	10/01/2009 - 09/30/2011	\$45,340	0 %
		2009G991513	10/01/2009 - 09/30/2011	\$46,995	0 %
		2009G996437	10/01/2009 - 09/30/2011	\$24,762	0 %
		2010G991512	10/01/2009 - 09/30/2011	\$1,085	0 %
		2010G991513	10/01/2009 - 09/30/2011	\$109	0 %
			CFDA Total:	\$496,102	
9500	93.596	Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 8)			
		0801NHCCDF	10/01/2007 - 09/30/2009	\$4,703,787	0 %
		0901NHCCDF	10/01/2008 - 09/30/2009	\$(71,391)	0 %
		0901NHCCDF	10/01/2008 - 09/30/2010	\$14,111,361	0 %
		1001NHCCDF	10/01/2009 - 09/30/2010	\$(214,172)	0 %
			CFDA Total:	\$18,529,585	
9500	93.597	Grants To States For Access And Visitation Programs			
		0801NHSAVP	10/01/2007 - 09/30/2009	\$3,370	0 %
		1001NHSAVP	10/01/2009 - 09/30/2011	\$10,108	0 %
			CFDA Total:	\$13,478	
9500	93.599	Chafee Education And Training Vouchers Program (ETV)			
		0801NHCETV	10/01/2007 - 09/30/2009	\$24,016	0 %
		0901NHCETV	10/01/2008 - 09/30/2010	\$72,049	0 %
			CFDA Total:	\$96,065	
9500	93.600	Head Start			
		01CD000018/03	07/01/2008 - 06/30/2012	\$124,113	0 %
			CFDA Total:	\$124,113	
9500	93.603	Adoption Incentive Payments			
		0801NHAIPP	10/01/2007 - 09/30/2009	\$72,520	0 %
		0901NHAIPP	10/01/2008 - 09/30/2010	\$217,562	0 %
			CFDA Total:	\$290,082	
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants			
		G994902	10/01/2009 - 09/30/2010	\$436,351	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
				CFDA Total:	<u>\$436,351</u>
2000	93.643	Children's Justice Grants To States			
		G0701NHCJA1	10/01/2007 - 09/30/2009	\$14,807	0 %
		G0701NHCJA1	10/01/2007 - 09/30/2009	\$633	60 %
		G0801NHCJA1	10/01/2008 - 09/30/2010	\$34,160	0 %
		G0801NHCJA1	10/30/2008 - 09/01/2010	\$66,227	100 %
				CFDA Total:	<u>\$115,827</u>
9500	93.645	Child Welfare Services - State Grants			
		0801NH1400	10/01/2007 - 09/30/2009	\$163,137	0 %
		0901NH1400	10/01/2008 - 09/30/2010	\$489,411	0 %
		1001NH1400	10/01/2009 - 09/30/2010	\$11,964	0 %
		1001NH1400	10/01/2009 - 09/30/2011	\$36,793	0 %
				CFDA Total:	<u>\$701,305</u>
9500	93.658	Foster Care - Title IV-E			
		0801NH1401	10/01/2007 - 09/30/2009	\$2,446,671	0 %
		0901NH1401	10/01/2008 - 09/30/2009	\$1,357,253	0 %
		0901NH1401	10/01/2008 - 09/30/2010	\$7,340,013	0 %
		1001NH1401	10/01/2009 - 09/30/2010	\$3,999,156	0 %
	ARRA	0901NH1402	10/01/2009 - 12/31/2010	\$324,472	0 %
				CFDA Total:	<u>\$15,467,565</u>
9500	93.659	Adoption Assistance			
		0801NH1407	10/01/2007 - 09/30/2009	\$1,108,493	0 %
		0901NH1407	10/01/2008 - 09/30/2009	\$138,350	0 %
		0901NH1407	10/01/2008 - 09/30/2010	\$3,325,480	0 %
		1001NH1407	10/01/2009 - 09/30/2010	\$367,771	0 %
	ARRA	0901NH1403	10/01/2009 - 12/31/2010	\$476,026	0 %
				CFDA Total:	<u>\$5,416,120</u>
9500	93.667	Social Services Block Grant			
		0801NHSOSR	10/01/2007 - 09/30/2009	\$2,999,641	0 %
		0901NHSOSR	10/01/2008 - 09/30/2010	\$3,476,462	0 %
		0901NHSOSR	10/01/2008 - 09/30/2010	\$1,051,869	1 %
		0901NHSOSR	10/01/2009 - 09/30/2011	\$3,287,233	0 %
		G-0901NHSOSR	10/01/2008 - 09/30/2009	\$37,822	0 %
		G-1001NHSOSR	10/01/2009 - 09/30/2010	\$84,682	0 %
				CFDA Total:	<u>\$10,937,709</u>

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.669	Child Abuse And Neglect State Grants			
		0601NHCA01	10/01/2006 - 09/30/2011	\$84,333	0 %
		0801NHCA01	10/01/2007 - 09/30/2012	\$252,999	0 %
			CFDA Total:	<u>\$337,332</u>	
9500	93.671	Family Violence Prevention And Services / Grants For Battered Women's Shelters - Grants To States And Indian Tribes			
		0801NHFVPS	10/01/2007 - 09/30/2009	\$205,581	0 %
		0901NHFVPS	10/01/2008 - 09/30/2010	\$616,745	0 %
			CFDA Total:	<u>\$822,326</u>	
9500	93.674	Chafee Foster Care Independent Program			
		0801NH1420	10/01/2007 - 09/30/2009	\$112,314	0 %
		0901NH1420	10/01/2008 - 09/30/2010	\$336,941	0 %
			CFDA Total:	<u>\$449,255</u>	
9500	93.705	Aging Home - Delivered Nutrition Services For States (Note 8)			
	ARRA	09AANHC2RR	03/18/2009 - 09/30/2010	\$160,000	0 %
			CFDA Total:	<u>\$160,000</u>	
9500	93.707	Aging Congregate Nutrition Services For States (Note 8)			
	ARRA	09AANHC1RR	03/17/2009 - 09/30/2010	\$259,502	0 %
			CFDA Total:	<u>\$259,502</u>	
9500	93.710	ARRA - Community Services Block Grant (Note 8)			
	ARRA	G-0901NHCOS2	10/01/2008 - 09/30/2010	\$2,559,495	1 %
			CFDA Total:	<u>\$2,559,495</u>	
9500	93.712	ARRA - Immunization (Note 8)			
	ARRA	122555SF	09/01/2009 - 12/31/2011	\$150,881	0 %
			CFDA Total:	<u>\$150,881</u>	
5800	93.713	ARRA - Child Care Development Block Grant (Note 8)			
9500	ARRA	NHDHHS R&R	01/01/2010 - 06/30/2010	\$11,981	0 %
	ARRA	1001NHCCDF	10/01/2009 - 09/30/2010	\$2,199,593	0 %
			CFDA Total:	<u>\$2,211,574</u>	
9500	93.714	ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) State Programs (Note 8)			
	ARRA	1001NHTANF	10/01/2009 - 09/30/2010	\$5,316,220	0 %
			CFDA Total:	<u>\$5,316,220</u>	
9500	93.717	ARRA - Preventing Healthcare - Associated Infections			

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	ARRA	000498AR	09/01/2009 - 12/31/2011	\$133,520	0 %
			CFDA Total:	<u>\$133,520</u>	
9500	93.767	Children`s Health Insurance Program			
		0805NH5021	10/01/2007 - 09/30/2010	\$3,034,298	0 %
		0905NH5021	10/01/2008 - 09/30/2011	\$9,102,895	0 %
			CFDA Total:	<u>\$12,137,193</u>	
9500	93.768	Medicaid Infrastructure Grants To Support The Competitive Employment Of People With Disabilities 1QACMS300123	01/01/2007 - 12/31/2010	\$1,660,762	1 %
			CFDA Total:	<u>\$1,660,762</u>	
2000	93.775	State Medicaid Fraud Control Units (Note 8)			
		0901NH5050	10/01/2009 - 09/30/2010	\$569,205	0 %
			CFDA Total:	<u>\$569,205</u>	
9500	93.777	State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 8)			
		0905NH5001	10/01/2008 - 09/30/2009	\$174,283	0 %
		0905NH5002	10/01/2008 - 09/30/2009	\$383,442	0 %
		1005NH5001	10/01/2009 - 09/30/2010	\$522,850	0 %
		1005NH5002	10/01/2009 - 09/30/2010	\$1,083,111	0 %
		1005NH5002	10/01/2009 - 09/30/2020	\$67,216	0 %
			CFDA Total:	<u>\$2,230,902</u>	
9500	93.778	Medical Assistance Program (Note 8)			
		05NH5048	10/01/2008 - 09/30/2009	\$35,853	0 %
		05NH5048	10/01/2009 - 09/30/2010	\$108,363	0 %
		0705NH5028	10/01/2007 - 09/30/2009	\$4,052,400	0 %
		0805NH5028	10/01/2008 - 09/30/2010	\$12,157,200	0 %
		0905NH5028	10/01/2008 - 09/30/2009	\$41,103,687	0 %
		0905NH5048	10/01/2008 - 09/30/2009	\$191,585,376	0 %
		0905NH5048	10/01/2008 - 09/30/2009	\$19,193	1 %
		0905NH5ADM	10/01/2008 - 09/30/2009	\$7,509,323	0 %
		0905NH5MAP	10/01/2008 - 09/30/2009	\$70,298,380	0 %
		1005NH5028	10/01/2009 - 09/30/2010	\$135,686,949	0 %
		1005NH5048	10/01/2009 - 09/30/2010	\$19,861,002	0 %
		1005NH5048	10/01/2009 - 09/30/2010	\$92,526	1 %
		1005NH5ADM	10/01/2009 - 09/30/2010	\$22,527,970	0 %
		1005NH5MAP	10/01/2009 - 09/30/2010	\$210,895,138	0 %
		1005NHQUAL	10/01/2009 - 09/30/2010	\$1,405,175	0 %

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	ARRA	05-0905NH	10/01/2008 - 09/30/2009	\$9,778,894	0 %
	ARRA	05-1005NH	10/01/2009 - 09/30/2010	\$29,336,683	0 %
	ARRA	0905NH5028	10/01/2008 - 09/30/2009	\$6,793,869	0 %
	ARRA	0905NHARRA	10/01/2009 - 12/31/2010	\$3,140,476	0 %
	ARRA	1005NH5028	10/01/2009 - 09/30/2010	\$74,993,991	0 %
			CFDA Total:	\$841,382,448	
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations			
		11-P-20220/1-16	04/01/2008 - 03/31/2009	\$143,345	0 %
		11-P-20220/1-17	04/01/2009 - 03/31/2010	\$70,350	0 %
		1LQCMS300010/01	09/30/2005 - 09/29/2010	\$695,763	0 %
		1Y0CMS030360/01	06/01/2009 - 05/31/2011	\$37,759	0 %
			CFDA Total:	\$947,217	
9500	93.791	Money Follows The Person Rebalancing Demonstration			
		1LICMS300148/01	01/01/2007 - 09/30/2011	\$478,928	0 %
		1LICMS300148/01	10/01/2007 - 09/30/2011	\$344,691	0 %
			CFDA Total:	\$823,619	
5800	93.887	Health Care And Other Facilities			
		C76HF06136	09/01/2005 - 08/31/2009	\$98,206	0 %
			CFDA Total:	\$98,206	
9500	93.889	National Bioterrorism Hospital Preparedness Program			
		01NHBTHP	08/09/2009 - 06/30/2010	\$1,614,790	0 %
		01NHPIHP	07/31/2009 - 07/30/2010	\$246,854	0 %
		03NHBTHP	09/01/2006 - 08/31/2008	\$468,111	0 %
			CFDA Total:	\$2,329,755	
9500	93.912	Rural Health Care Services Outreach, Rural Health Network Development And Small Health Care Provider Quality Improvement Program			
		H54RH00022	09/01/2009 - 08/31/2010	\$231,237	0 %
			CFDA Total:	\$231,237	
9500	93.913	Grants To States For Operation Of Offices Of Rural Health			
		H95RH00149	07/01/2009 - 06/30/2010	\$167,200	0 %
			CFDA Total:	\$167,200	
9500	93.917	HIV Care Formula Grants			
		HAX070003	04/01/2008 - 03/31/2009	\$17,206	0 %

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		HAX070003	04/01/2009 - 03/31/2010	\$1,044,364	0 %
			CFDA Total:	<u>\$1,061,570</u>	
5600	93.938	Cooperative Agreements To Support Comprehensive School Health Programs To Prevent The Spread Of HIV And Other Important Health Problems			
		5U87DP001217-01 850	03/01/2008 - 02/28/2009	\$(67)	100 %
		5U87DP001217-02 950	01/01/2009 - 02/28/2010	\$136,428	3 %
		5U87DP001217-03 050	03/01/2010 - 02/28/2011	\$51,683	0 %
			CFDA Total:	<u>\$188,044</u>	
9500	93.940	HIV Prevention Activities - Health Department Based			
		CCU123494	01/01/2008 - 12/31/2009	\$778,775	0 %
		UPS123494	01/01/2010 - 12/31/2010	\$689,262	0 %
			CFDA Total:	<u>\$1,468,037</u>	
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			
		UPS001029A	01/01/2009 - 12/31/2009	\$80,883	0 %
		UPS001029A	01/01/2010 - 12/31/2010	\$28,408	0 %
			CFDA Total:	<u>\$109,291</u>	
9500	93.958	Block Grants For Community Mental Health Services			
		3B09SM010035-08	10/01/2007 - 09/30/2009	\$46,266	1 %
		3B09SM010035-09	10/01/2008 - 09/30/2010	\$1,533,479	1 %
		3B09SM010035-10	10/01/2009 - 09/30/2011	\$60,724	0 %
		None	10/01/2003 - 09/30/2009	\$20,032	1 %
			CFDA Total:	<u>\$1,660,501</u>	
9500	93.959	Block Grants For Prevention And Treatment Of Substance Abuse			
		09B1NHSAPT	10/01/2008 - 09/30/2010	\$1,488,882	0 %
		10B1NHSAPT	10/01/2009 - 09/30/2011	\$4,480,240	0 %
			CFDA Total:	<u>\$5,969,122</u>	
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants			
		HPS001345	01/01/2009 - 12/31/2009	\$147,627	0 %
		HPS001345	01/01/2010 - 12/31/2010	\$172,034	0 %
			CFDA Total:	<u>\$319,661</u>	
9500	93.988	Cooperative Agreements For State-Based Diabetes Control Programs And Evaluation Of Surveillance Systems			
		CCU122741	03/30/2007 - 03/29/2009	\$41,009	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	<u>\$41,009</u>	
9500	93.991	Preventive Health And Health Services Block Grant B1NHPRVS	10/01/2008 - 10/30/2010	\$1,005,074	0 %
			CFDA Total:	<u>\$1,005,074</u>	
9500	93.994	Maternal And Child Health Services Block Grant To The States B1NHMCHS	10/01/2008 - 09/30/2010	\$500,557	0 %
		B1NHMCHS	10/01/2009 - 09/30/2011	\$1,433,688	0 %
			CFDA Total:	<u>\$1,934,245</u>	
DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL:				<u>\$1,088,971,962</u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	94.004	Learn And Serve America - School And Community Based Programs			
		06KSANH-001 055	09/30/2009 - 09/29/2011	\$33,305	79 %
		06KSANH001 755	09/30/2006 - 09/29/2008	\$3,717	47 %
		06KSANH001 855	09/30/2007 - 09/29/2009	\$4,012	76 %
		06KSANH001 955	09/01/2008 - 08/31/2010	\$21,152	77 %
			CFDA Total:	<u>\$62,186</u>	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL:				<u><u>\$62,186</u></u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

SOCIAL SECURITY ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	96.001	Social Security - Disability Insurance			
		04-0704NHD100 796	10/01/2006 - 09/30/2007	\$(247)	100 %
		04-0804NHD100 896	10/01/2007 - 09/30/2008	\$(324)	100 %
		04-0904NHD100 996	10/01/2008 - 09/30/2009	\$2,024,194	30 %
		04-1004NHD100 096	10/01/2009 - 09/30/2010	\$4,033,106	20%
			CFDA Total:	<u>\$6,056,729</u>	
5600	96.009	Social Security State Grants For Work Incentives Assistance To Disabled Beneficiaries 010-056-4050	01/01/1995- 12/01/2009	\$2, 053,497	0 %
			CFDA Total:	<u>\$2,053,497</u>	
SOCIAL SECURITY ADMINISTRATION TOTAL:				<u><u>\$8,110,226</u></u>	

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF HOMELAND SECURITY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	97.001	Pilot Demonstration Or Earmarked Projects 2008IOT80016	09/01/2008 - 08/31/2010	\$20,496	100 %
			CFDA Total:	<u>\$20,496</u>	
2300	97.004	Homeland Security Grant Program 2006GET60056	07/01/2006 - 12/31/2009	\$85,055	0 %
		2006GET60056	07/01/2006 - 12/31/2009	\$568,133	6 %
		2006GET60056	07/01/2006 - 12/31/2009	\$684,373	86 %
		2007GET70053	07/01/2007 - 12/31/2010	\$52,207	0 %
		2007GET70053	07/01/2007 - 12/31/2010	\$216,743	6 %
		2007GET70053	07/01/2007 - 12/31/2010	\$816,247	86 %
		2008GET80043	09/01/2008 - 08/31/2011	\$826,204	86 %
		2009SST90078	08/01/2009 - 07/31/2012	\$94,079	86 %
			CFDA Total:	<u>\$3,343,041</u>	
2300	97.012	Boating Safety Financial Assistance 18.01.33	07/01/2009 - 06/30/2010	\$1,379,274	0 %
			CFDA Total:	<u>\$1,379,274</u>	
0240	97.023	Community Assistance Program - State Support Services Element (CAP- SSSE) EMB-2009-GR-0890	10/01/2008 - 09/30/2009	\$30,674	0 %
		EMB-2010-GR-0904	10/01/2009 - 09/30/2010	\$80,232	0 %
			CFDA Total:	<u>\$110,906</u>	
2300	97.029	Flood Mitigation Assistance EMB2008FME003	08/15/2008 - 12/16/2009	\$1,580,577	98 %
		EMB2009FME003	09/23/2009 - 09/15/2012	\$1,425,278	100 %
			CFDA Total:	<u>\$3,005,855</u>	
2300	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) DRNH 1892 PA	04/26/2010 - 06/26/2012	\$2,012,348	100 %
		DRNH1610PA	10/07/2005 - 10/07/2009	\$1,158,440	100 %
		DRNH1643PA	05/31/2006 - 05/31/2010	\$22,230	100 %
		DRNH1695PA	04/27/2007 - 04/27/2011	\$621,746	100 %
		DRNH1782PA	09/17/2008 - 09/17/2012	\$5,236	100 %
		DRNH1787PA	10/07/2008 - 10/07/2012	\$379,735	100 %
		DRNH1799PA	11/19/2008 - 11/19/2012	\$49,266	100 %
		DRNH1812PA	01/02/2009 - 01/02/2012	\$794,102	100 %
			CFDA Total:	<u>\$5,043,103</u>	
2300	97.039	Hazard Mitigation Grant			

(Continued)

The accompanying notes are an integral part of this schedule.

**State of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2010**

DEPARTMENT OF HOMELAND SECURITY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		DRNH 1782 HM	06/30/2009 - 08/31/2011	\$48,495	100 %
		DRNH1610HM	09/13/2006 - 09/14/2009	\$209,319	98 %
		DRNH1643HM	08/16/2007 - 05/25/2010	\$190,220	99 %
		DRNH1695HM	08/26/2008 - 08/26/2011	\$1,115,471	99 %
			CFDA Total:	<u>\$1,563,505</u>	
2300	97.042	Emergency Management Performance Grants			
		2008EME80025	10/01/2007 - 09/30/2010	\$74,185	0 %
		2008EME80025	10/01/2007 - 09/30/2010	\$7,246	98 %
		2008EME80025	10/01/2007 - 09/30/2010	\$772,482	100 %
		2009EPE90044	10/01/2008 - 09/30/2010	\$1,883	98 %
		2009EPE90044	10/01/2008 - 09/30/2010	\$215,315	100 %
		2010EPE00052	10/01/2009 - 09/30/2011	\$1,054,247	0 %
		2010EPE00052	10/01/2009 - 09/30/2011	\$9	98 %
			CFDA Total:	<u>\$2,125,367</u>	
2300	97.043	State Fire Training Systems Grants			
		2009RB630028	09/15/2009 - 09/14/2010	\$19,355	0 %
			CFDA Total:	<u>\$19,355</u>	
2300	97.047	Pre-Disaster Mitigation			
		EM2008PD0001	09/30/2008 - 10/01/2010	\$179,429	96 %
		EMB2007PC0006	09/07/2007 - 09/30/2010	\$57,719	95 %
		EMB2008PC0003	09/08/2008 - 09/17/2011	\$20,597	74 %
		EMB2009PC0006	07/24/2009 - 07/10/2012	\$147,647	100 %
			CFDA Total:	<u>\$405,392</u>	
0240	97.070	Map Modernization Management Support			
		EMB-2008-CA-0884	10/01/2008 - 09/30/2009	\$61,713	79 %
		EMB-2009-CA-0898	09/16/2009 - 03/15/2011	\$68,299	50 %
			CFDA Total:	<u>\$130,012</u>	
2300	97.078	Buffer Zone Protection Program (BZPP)			
		2007BZT70045	07/01/2007 - 06/30/2010	\$31,083	100 %
		2009BFT90043	05/27/2009 - 03/31/2012	\$290	0 %
			CFDA Total:	<u>\$31,373</u>	

DEPARTMENT OF HOMELAND SECURITY TOTAL: \$17,177,679

Grand Total of All Federal Assistance: \$2,550,607,104

The accompanying notes are an integral part of this schedule.

STATE OF NEW HAMPSHIRE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – PURPOSE OF SCHEDULE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose of Schedule

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the State's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the U.S. Office of Management and Budget (OMB), Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

B. Reporting Entity

The reporting entity is defined in the Notes to the basic financial statements of the State of New Hampshire, which are presented in Section C of this report. The accompanying Schedule of Expenditures of Federal Awards includes all federal financial assistance programs of the State of New Hampshire reporting entity for the year ended June 30, 2010, with the exception of the following component units identified in Note 1 of the basic financial statements. The Pease Development Authority, the University System of New Hampshire, Community Development Finance Authority, and the Business Finance Authority component units have separate Single Audits of their federal financial assistance programs. Accordingly, the accompanying Schedule and Schedule of Current Year Findings and Questioned Costs exclude these four component units.

C. Basis of Presentation

The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

- a. *Federal Awards* – Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities.
- b. *Federal Financial Assistance* – Pursuant to the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and as defined by OMB Circular A-133, federal financial assistance is assistance that non-federal entities receive or administer in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, food commodities, or direct appropriations. Accordingly, nonmonetary federal assistance, as described in Note 3, is reported as federal financial assistance on the Schedule. Federal financial assistance does not include direct federal cash payments to individuals.

**NOTE 1 – PURPOSE OF SCHEDULE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

- c. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining for the State of New Hampshire Type A and Type B federal financial assistance programs. Type A programs are those programs and clusters of programs that equal or exceed \$7,651,821 in federal expenditures, distributions, or issuances for the year ended June 30, 2010. Type A programs are in bold print in the accompanying Schedule.
- d. *Pass Thru Percent* – The amount of federal funds, expressed as a percentage of expenditures, passed through by State agencies to various non-state subrecipients.

D. Basis of Accounting

Expenditures for all programs are presented in the Schedule on the cash basis of accounting. Expenditures are recorded when paid rather than when the obligation is incurred. The Schedule reflects federal expenditures for all individual grants, which were active during the fiscal year and are net of program refunds applicable to a program. Expenditures funded with American Recovery and Reinvestment Act of 2009 (ARRA) grants are separately identified on the Schedule.

NOTE 2 - CATEGORIZATION OF EXPENDITURES

The categorization of expenditures by program included in the Schedule is based upon the Catalog of Federal Domestic Assistance (CFDA) as required by OMB Circular A-133. Changes in the categorization of expenditures occur based upon revisions to the CFDA, which is issued in June and December of each year. The Schedule reflects CFDA changes issued through June 2010. Federal programs that do not have an assigned catalog number are denoted with the three-digit suffix .999. The numerical identification of the State agency responsible for administering each federal program is also noted on the accompanying schedule. See Appendix A in section H of this report for the legend of State agency identification numbers.

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE

Supplemental Nutrition Assistance Program – Expenditures of \$145,265,041 reported in the Schedule under CFDA No. 10.551, Supplemental Nutrition Assistance Program, represent actual disbursements for client purchases of authorized food products through the use of the electronic benefits card program during the year ended June 30, 2010.

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 16.38 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2010.

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE (CONTINUED)

Donated Foods – The State distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures are reported in the Schedule at the federally assigned value of the product distributed under the following U.S. Department of Agriculture federal programs:

<u>CFDA #</u>	<u>Federal Program</u>	<u>Amount</u>
10.550	Food Donation	\$ 3,879,954
10.558	Child and Adult Care Food Program	3,702,746
10.565	Commodity Supplemental Food Program	2,062,120
10.569	Emergency Food Assistance Program (Food Commodities)	788,778
	Total	<u>\$ 10,433,598</u>

Donated Federal Surplus Personal Property – The State obtains surplus property from various federal agencies at no cost. The property is then sold by the State to eligible organizations for a nominal service charge. Total federal expenditures of \$222,936 reported for CFDA No. 39.003, Donation of Federal Surplus Personal Property, represent the value of the property determined by the federal government to be federal financial assistance.

Vaccines – The State receives various childhood vaccines from the federal Centers for Disease Control and Prevention. The vaccines are distributed to children through free clinics, local hospitals, and doctors' offices. Expenditures of \$9,400,364 for CFDA No.93.268, Immunization Grants and \$4,160,805 for CFDA No.93.069, Public Health Emergency Preparedness included on the Schedule, represent the federal value assigned to the vaccines distributed.

NOTE 4 - FEDERAL STUDENT LOAN PROGRAMS

The total expenditures shown for the Federal Family Education Loans (CFDA No. 84.032) and the Federal Perkins Loan Program (CFDA No. 84.038) represent the total amount of loans made to students during State fiscal year 2010. Total loans outstanding as of June 30, 2010 for the Perkins Loan Program equaled \$1,366,934. Administrative costs for the Perkins Loan Program were not material in 2010. During State fiscal year 2010, the Community College System of New Hampshire processed the following amounts of new loans under the Federal Family Education Loans (FFEL) program. The total loans outstanding under the FFEL are not readily available.

Stafford Subsidized	\$ 19,883,942
Stafford Unsubsidized	23,089,584
Parents' Loan for Undergraduate Students	<u>1,180,075</u>
Total	<u>\$ 44,153,601</u>

NOTE 5 - UNEMPLOYMENT INSURANCE

The New Hampshire Department of Employment Security administers the Unemployment Insurance Program (CFDA No. 17.225). The reported expenditures comprise the following:

Unemployment Insurance - State Contribution	\$ 232,041,088
Unemployment Insurance - Administrative Grant	18,811,808
Unemployment Insurance - Administrative Grant (ARRA)	3,758,916
Federal TEUC	(1,752)
Unemployment Compensation for Ex-servicemen	1,501,609
Unemployment Compensation for Federal Employees	914,561
EUC08 (Non-ARRA)	79,770,287
EUC08 (ARRA)	78,698,881
FAC (Non-ARRA)	4,834,308
FAC (ARRA)	30,483,148
Trade Act	(3,258)
Extended Benefits (Non-ARRA)	5,089,331
Extended Benefits (ARRA)	5,089,330
ATAA	273,554
Total	<u>\$ 461,261,811</u>

NOTE 6 - STATE ELECTION FUND – HELP AMERICA VOTE ACT (HAVA)

The State of New Hampshire received \$5,000,000 from the United States General Services Administration in fiscal year 2003 and an additional \$11,596,000 as part of the Help America Vote Act of 2002. The funds are to be used for establishing minimum election administration standards for states and local governments with the responsibility for the administration of federal elections. Expenditures for this program (CFDA # 90.401) totaled \$600,690 in fiscal year 2010. As of June 30, 2010, the State had expended a cumulative total of \$4,095,660 of the \$16,596,000 Election Reform payments received, leaving a remaining balance of \$12,500,340.

The State of New Hampshire Office of the Secretary of State (Office) has taken a position of agreement with the National Association of Secretaries of State Resolution relative to the distinction between payments and grants. Accordingly, the Office believes that the Election Assistance Commission (“EAC”) does not have the statutory authority to apply rules outside HAVA when performing its section 902(b) function in auditing States. In as much as the Office has reported these payments in this report, it is the Office’s position that such reporting may not be required under the Single Audit Act, and this reporting is in no way meant to alter the position taken by the Secretary of State with respect to the character or status of these funds, or the authority of the EAC.

NOTE 7 – AIRPORT IMPROVEMENT PROGRAM (CFDA #20.106)

The State of New Hampshire’s SEFA does not include funds related to the Federal Aviation Administration’s Airport Improvement Program (AIP) for grants sponsored by the cities of Manchester and Lebanon and the Pease Airport Authority. The AIP funds included in the SEFA represent those grants sponsored by the State.

NOTE 8 - CLUSTERED PROGRAMS

OMB Circular A-133 defines a “cluster” as “a grouping of closely related programs that share common compliance requirements.” The table below details the federal programs included in the Schedule that are required by OMB Circular A-133 to be “clustered” for purposes of testing federal compliance requirements and identifying Type A programs.

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
<i>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>		
10.551	Supplemental Nutrition Assistance Program	\$ 145,265,041
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	<u>7,825,240</u>
	<i>SNAP Cluster Total</i>	<u>\$ 153,090,281</u>
 <i>Child Nutrition Cluster</i>		
10.553	School Breakfast Program	\$ 4,310,758
10.555	National School Lunch Program	20,782,263
10.556	Special Milk Program for Children	182,842
10.559	Summer Food Service Program for Children	<u>708,517</u>
	<i>Child Nutrition Cluster Total</i>	<u>\$ 25,984,380</u>
 <i>Emergency Food Assistance Cluster</i>		
10.568	Emergency Food Assistance Program (Administrative Costs)	\$ 206,724
10.569	Emergency Food Assistance Program (Food Commodities)	<u>788,778</u>
	<i>Emergency Food Assistance Cluster Total</i>	<u>\$ 995,502</u>
 <i>Fish and Wildlife Cluster</i>		
15.605	Sport Fish Restoration Program	\$ 3,434,539
15.611	Wildlife Restoration	<u>1,971,378</u>
	<i>Fish and Wildlife Cluster Total</i>	<u>\$ 5,405,917</u>

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

<u>CFDA#</u>	<u>PROGRAM TITLE</u>	<u>EXPENDITURES</u>
<i>Employment Services Cluster</i>		
17.207	Employment Service/Wagner – Peyser Funded Activities	\$ 4,166,058
17.801	Disabled Veterans' Outreach Program (DVOP)	309,881
17.804	Local Veterans' Employment Representative Program	<u>412,549</u>
	<i>Employment Services Cluster Total</i>	<u>\$ 4,888,488</u>
<i>Workforce Investment Act (WIA) Cluster</i>		
17.258	WIA Adult Program	\$ 2,699,967
17.259	WIA Youth Activities	3,630,921
17.260	WIA Dislocated Workers	<u>3,849,781</u>
	<i>WIA Cluster Total</i>	<u>\$ 10,180,669</u>
<i>Highway Planning and Construction Cluster</i>		
20.205	Highway Planning And Construction	\$ 217,200,387
20.219	Recreational Trails Program	<u>972,030</u>
	<i>Highway Planning and Construction Cluster Total</i>	<u>\$ 218,172,417</u>
<i>Federal Transit Cluster</i>		
20.500	Federal Transit - Capital Investment Grants	\$ 1,699,988
20.507	Federal Transit – Formula Grants	<u>3,636,142</u>
	<i>Federal Transit Cluster Total</i>	<u>\$ 5,336,130</u>
<i>Transit Services Programs Cluster</i>		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	\$ 516,111
20.516	Job Access – Reverse Commute	117,429
20.521	New Freedom Program	<u>205,208</u>
	<i>Transit Services Programs Cluster Total</i>	<u>\$ 838,748</u>
<i>Highway Safety Cluster</i>		
20.600	State and Community Highway Safety	\$ 1,567,999
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	530,636
20.610	State Traffic Safety Information System Improvement Grants	264,278
20.612	Incentive Grant Program to Increase Motorcyclist Safety	<u>11,219</u>
	<i>Highway Safety Cluster Total</i>	<u>\$ 2,374,132</u>

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
<i>Student Financial Aid Cluster</i>		
84.007	Federal Supplemental Educational Opportunity Grants	\$ 249,869
84.032	Federal Family Education Loans	44,153,601
84.033	Federal Work-Study Program	258,973
84.038	Federal Perkins Loans – Federal Capital Contributions	271,595
84.063	Federal Pell Grant Program	14,194,141
84.268	Federal Direct Student Loans	25,296
84.375	Academic Competitiveness Grant	<u>175,494</u>
	<i>Student Financial Aid Cluster Total</i>	<u>\$ 59,328,969</u>
 <i>Title I, Part A Cluster</i>		
84.010	Title I Grants To Local Educational Agencies	\$ 38,091,132
84.389	Title I Grants to Local Educational Agencies, Recovery Act	<u>7,255,552</u>
	<i>Title I, Part A Cluster Total</i>	<u>\$ 45,346,684</u>
 <i>Special Education Cluster</i>		
84.027	Special Education-Grants to States	\$ 43,920,322
84.173	Special Education-Preschool Grants	1,566,624
84.391	Special Education-Grants to States, Recovery Act	13,798,943
84.392	Special Education-Preschool Grants, Recovery Act	<u>288,721</u>
	<i>Special Education Cluster Total</i>	<u>\$ 59,574,610</u>
 <i>Vocational Rehabilitation Cluster</i>		
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	\$ 9,182,012
84.390	Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	<u>219,435</u>
	<i>Vocational Rehabilitation Cluster Total</i>	<u>\$ 9,401,447</u>
 <i>Independent Living State Grants Cluster</i>		
84.169	Independent Living – State Grants	\$ 271,475
84.398	Independent Living – State Grants, Recovery Act	<u>37,041</u>
	<i>Independent Living State Grants Cluster Total</i>	<u>\$ 308,516</u>

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
<i>Independent Living Services for Older Individuals Who Are Blind Cluster</i>		
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who Are Blind	\$ 179,566
84.399	Independent Living Services for Older Individuals Who Are Blind, Recovery Act	<u>36,627</u>
	<i>Independent Living Services for Older Individuals Who Are Blind Cluster Total</i>	<u>\$ 216,193</u>
<i>Early Intervention Services (IDEA) Cluster</i>		
84.181	Special Education Grants for Infants and Families	\$ 2,095,705
84.393	Special Education Grants for Infants and Families, Recovery Act	<u>1,702,523</u>
	<i>Early Intervention Services (IDEA) Cluster Total</i>	<u>\$ 3,798,228</u>
<i>Education of Homeless Children and Youth Cluster</i>		
84.196	Education for Homeless Children and Youth	\$ 213,011
84.387	Education for Homeless Children and Youth, Recovery Act	<u>78,794</u>
	<i>Education of Homeless Children and Youth Cluster Total</i>	<u>\$ 291,805</u>
<i>Educational Technology State Grants Cluster</i>		
84.318	Education Technology State Grants	\$ 1,232,607
84.386	Education Technology State Grants, Recovery Act	<u>1,016,661</u>
	<i>Educational Technology State Grants Cluster Total</i>	<u>\$ 2,249,268</u>
<i>State Fiscal Stabilization Fund Cluster</i>		
84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	\$ 164,243,954
84.397	State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	<u>384,653</u>
	<i>State Fiscal Stabilization Fund Cluster Total</i>	<u>\$ 164,628,607</u>

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
<i>Aging Cluster</i>		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	\$ 1,849,424
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,666,828
93.053	Nutrition Services Incentive Program	1,051,617
93.705	Aging Home – Delivered Nutrition Services for States	160,000
93.707	Aging Congregate Nutrition Services for States	<u>259,502</u>
	<i>Aging Cluster Total</i>	<u>\$ 5,987,371</u>
<i>Immunization Cluster</i>		
93.268	Immunization Grants	\$ 11,082,545
93.712	ARRA – Immunization	<u>150,881</u>
	<i>Immunization Cluster Total</i>	<u>\$ 11,233,426</u>
<i>Temporary Assistance for Needy Families (TANF) Cluster</i>		
93.558	Temporary Assistance for Needy Families (TANF)	\$ 39,916,926
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	<u>5,316,220</u>
	<i>TANF Cluster Total</i>	<u>\$ 45,233,146</u>
<i>Community Services Block Grants (CSBG) Cluster</i>		
93.569	Community Services Block Grant	\$ 4,057,633
93.710	ARRA – Community Services Block Grant	<u>2,559,495</u>
	<i>CSBG Cluster Total</i>	<u>\$ 6,617,128</u>
<i>Child Care and Development Fund (CCDF) Cluster</i>		
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	\$ 18,529,585
93.713	ARRA – Child Care and Development Block Grant	<u>2,211,574</u>
	<i>CCDF Cluster Total</i>	<u>\$ 20,741,159</u>
<i>Medicaid Cluster</i>		
93.775	State Medicaid Fraud Control Units	\$ 569,205
93.777	State Survey and Certification of Health Care Providers and Suppliers	2,230,902
93.778	Medical Assistance Program	<u>841,382,448</u>
	<i>Medicaid Cluster Total</i>	<u>\$ 844,182,555</u>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Part I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness identified?	<u> X </u> yes	<u> </u> no
• Significant Deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> no
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards:

Internal control over major programs:		
• Material weakness identified?	<u> X </u> yes	<u> </u> no
• Significant Deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> no
Type of auditors' report issued on compliance for major programs:	Centers For Disease Control and Prevention - Qualified Workforce Investment Act Cluster - Qualified Low-Income Home Energy Assistance - Qualified Weatherization Assistance For Low-Income Persons, ARRA – Qualified Capitalization Grants: Clean Water and Drinking Water Funds, ARRA – Qualified Special Education Cluster - Qualified All Other Major Programs - Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133.	<u> X </u> yes	<u> </u> no

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Identification Of Major Programs

<u>CFDA Number</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
<u>Supplemental Nutrition Assistance</u>	
<u>Program Cluster</u>	
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grant for the Supplemental Nutrition Assistance Program
<u>Employment Services Cluster</u>	
17.207	Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veterans Outreach Program
17.804	Local Veterans Employment Representative Program
<u>Workforce Investment Act (WIA) Cluster</u>	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
<u>Highway Planning and Construction</u>	
<u>Cluster</u>	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
<u>Federal Transit Cluster</u>	
20.500	Federal Transit-Capital Investment Grants
20.507	Federal Transit-Formula Grants
<u>Student Financial Aid Cluster</u>	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program-Federal Capital Contributions
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
<u>Title I, Part A Cluster</u>	
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Special Education Cluster</u>	
84.027	Special Education-Grants to States
84.173	Special Education-Preschool Grants
84.391	Special Education-Grants to States, Recovery Act
84.392	Special Education-Preschool Grants, Recovery Act
<u>Vocational Rehabilitation Cluster</u>	
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States
84.390	Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act
<u>State Fiscal Stabilization Fund Cluster</u>	
84.394	State Fiscal Stabilization Fund-Education State Grants, Recovery Act
84.397	State Fiscal Stabilization Fund-Government Services, Recovery Act
<u>Aging Cluster</u>	
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services
93.053	Nutrition Services Incentive Program
93.705	Aging Home-Delivered Nutrition Services for States
93.707	Aging Congregate Nutrition Services for States
<u>Immunization Cluster</u>	
93.268	Immunization Grants
93.712	ARRA - Immunization
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>	
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
<u>Community Services Block Grant Cluster</u>	
93.569	Community Services Block Grant
93.710	ARRA-Community Services Block Grant
<u>Medicaid Cluster</u>	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Identification Of Major Programs

CFDA Number	NAME OF FEDERAL PROGRAM OR CLUSTER
<i>Other Programs</i>	
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Fund
81.041	State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between
Type A and Type B Programs:
\$7,651,821

Auditee qualified as low-risk auditee: yes no

**SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Part II - Financial Statement Findings

Findings 2010-1 through 2010-5 are considered to be material weaknesses. Findings 2010-6 through 2010-10 were identified as significant deficiencies relating to the State's basic financial statements and are required to be reported in accordance with *Government Auditing Standards* in this section.

Part III – Schedule Of Current Year Findings And Questioned Costs – Federal Awards

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-27.

PART II

FINANCIAL STATEMENT FINDINGS

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-01

Material Weakness: ***Information Technology General Controls Failure***

In 2010, the State implemented their new general ledger package, NHFIRST which is designed not only to replace the legacy general ledger, NHIFS, with more up-to-date, user friendly accounting software, but it is also to help the State become more efficient in the way it conducts its day-to-day business.

Common to today's technologically advanced general ledger packages, NHFIRST utilizes on-line approval of transactions as a way of cutting down on paperwork and speeding up the time it takes a transaction to go from initiation, through approval, to ultimate completion. The on-line approval process is meant to replace the antiquated signature process used in NHIFS.

In 2010, the audit of the State was focused on the automated approval control in order to determine the effectiveness of approval controls. However, in order for such controls to be effective, it is imperative that the underlying information technology general controls (ITGC) also be considered effective.

During our review of the State's ITGC structure, we noted the following deficiencies which resulted in an ineffective ITGC structure:

- State policy requires passwords have a minimum of 10 characters, NHFIRST set password at 7 characters. Additionally, passwords are not encrypted.
- Access to the Lawson (NHFIRST software) database requires only limited password criteria
- Lawson application has shared accounts along with shared passwords.
- Lawson user IDs and passwords are authenticated by Tivoli, however, the password criteria defined in Tivoli is not applied to the password, meaning the system will accept 1 character passwords.

Due to these control weaknesses we were unable to rely on the on-line approval control in the application and were required to increase the scope of our testing in certain areas.

Recommendation:

We recommend that the State take immediate steps to rectify the password protection issue to help strengthen its ITGC structure and put the State on the right path for an effective ITGC structure and ultimately and effective on-line approval control.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-01 (continued)

Management's Response:

We concur, and offer the following discussion of changes in process or planned:

- Password Policy and Authentication:

The State recognized the need for NHFIRST to conform to the State password policy which defines length, special characters, reuse, lockout, and expiration of passwords. The approach that had been planned for NHFIRST proved to be unsustainable and risked rendering the NHFIRST application inoperable when Lawson foundation software upgrades were implemented, therefore it was decided to implement and find an acceptable and auditable solution post implementation. The State is currently procuring, and will implement before the end of state fiscal year 2011, SecureAuth--an off-the-shelf product that meets all the requirements of the State password policy and provides an even higher level of secure access using two-factor authentication with soft certificates. In addition, SecureAuth enables single sign-on for the NHFIRST financial and budgeting applications and can also be used to manage secure access to any other State web-based applications.

- Password Encryption:

All Oracle database passwords are encrypted, including the Lawson proxy password. DoIT is researching a methodology to encrypt any configuration files containing clear text passwords on the application server. Unix and Windows administrator passwords are stored encrypted by the operating system on the Unix and Windows servers.

All logins are logged and audited periodically by system administrators and DoIT management. Lawson and Affinity budgeting application passwords are not encrypted on the application server. The configuration files that contain these Lawson and Affinity application passwords have been secured so that only the System Administrators at DoIT can view the contents of the files. This was done by setting the Unix permissions so that only the Lawson account can view or update the Lawson configuration files. For Affinity, only the Unix Administrators in DoIT have the passwords for the lawson and wasadm userids used to access Lawson and WebSphere, respectively, or they grant a "pseudo" connection to the account to another DoIT user who needs the access. All accesses are logged and reviewed by DoIT management.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-01 (continued)

- Shared Accounts

Some shared accounts are required for the software to function. For example, SYS and SYSTEM accounts are standard Oracle database accounts used to administer Oracle databases. They must exist for the database to run and to maintain the databases (patches). However, unique accounts have been created with the same rights as SYS or SYSTEM for DoIT staff responsible for administering the NHFIRST databases on a day to day basis. Activity with these accounts are logged and reviewed by DoIT management.

The Operator Ids PFUSER and PFAdmin are also system accounts required for ProcessFlow to function. (Process Flow is companion software to Lawson which controls transaction approval.) These accounts are used exclusively by the ProcessFlow application and by the ProcessFlow Administrator and Backup Administrator in Financial Data Management to manage ProcessFlow on a daily basis.

The Operator Id FDMOPER is used by the Department of Administrative Services, Financial Data Management (FDM) for NHFIRST daily scheduling and job processing. LBI, the Lawson report repository, was implemented to also use FDMOPER to access and publish reports from the daily processing cycle. FDM will implement in the first quarter of calendar year 2011, the processing changes and a password change to eliminate the use of this userid in LBI processing and restrict the use of this userid to the three FDM staff that support the daily job scheduling and processing.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Treasury

Finding 2010-02

Material Weakness: *Timely Performance of Bank and Cash Balance Reconciliation*

Reconciling bank accounts is a key control for ensuring that cash collected and spent by the State is properly reflected in both the bank's records and the State's general ledger. As such, performing these reconciliations should be done regularly and on a timely basis in order to identify and resolve any errors that may exist.

In fiscal 2010, due largely to the implementation of the State's new general ledger system, NHFIRST, the Treasury Department encountered significant delays in reconciling bank statements to the State's Cash Book (cash subsidiary ledger). These delays related to the time associated with developing the reconciliation methodology, and learning the means of resolving discrepancies in the new system. The lack of timely reconciliations can lead to errors and omissions not being discovered and corrected quickly.

Additionally, the State did not have a clear process in place to agree balances in the Cash Book to the General Ledger cash accounts in NHFIRST, maintained by the Comptroller's Office. While the State's systems for recording cash transactions has numerous affirmative reviews and control, this reconciliation process is a critical part of internal controls over cash and became necessary as a result of implementing NHFIRST.

While the State did ultimately perform this reconciliation at the end of the year noting only minor variances, this reconciliation should be performed monthly throughout the year to ensure that operationally, the State's cash activity is being properly accounted for and reported on.

Recommendation:

We recommend that the State standardize its procedures, and establish a monthly process to ensure that bank statements reconcile to the Cash Book. Further, the State should implement a process to reconcile the Cash Book to NHFIRST General Ledger on a monthly basis.

Management's Response:

Treasury concurs. Treasury fully recognizes the critical importance of timely reconciliations. During the first year of NHFIRST implementation Treasury resources were (and continue to be) spread very thin. Like most users of NHFIRST, we continue to learn more about the capabilities and limitations of the system. As the States' central service agency for the processing of all revenue transactions, it was imperative that Treasury assist agencies with those new system processes when the State went live in July 2009. Additionally, there were many starts and stops as we worked cooperatively with the Division of Financial Data Management (FDM) and the Bureau of Financial Reporting (BFR) to ensure the proper reporting and data was being used in reconciliations.

**COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010**

New Hampshire Treasury

Finding 2010-02 (continued)

The process, while not yet perfect, has been significantly improved. Treasury continues to work with the Division of FDM and the BFR to automate the process. We are working toward reorganizing the revenue approval and reconciliation sections of the Treasury with the goal of using NHFIRST and bank data to reconcile all activity electronically and on a daily basis. We have met with the Comptroller and have a plan in place to restructure the cash accounts in the NHFIRST General Ledger to facilitate easier and more meaningful reconciliation from NHFIRST to the subsidiary cash ledger.

Treasury takes this weakness very seriously and is committed to its satisfactory resolution.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Turnpike System

Finding 2010-03

Material Weakness: *Financial Accounting and Reporting – Turnpike*

While there were certain improvements made to the Financial Accounting and Reporting process at the Turnpike System from the prior year, there continue to be weaknesses in the process that need to be addressed for FY 2011.

During the audit, the Turnpike personnel generated numerous drafts of the CAFR containing errors that should have been identified and corrected by Turnpike management through their review of the statements. Additionally, documentation supporting amounts disclosed in the financial statements was not readily available to support those amounts or, when available, did not always agree with those amounts.

Recommendation:

We recommend that the Turnpike management review and improve the process for preparing its financial statements. This may require additional training in financial accounting and reporting requirements and or additional involvement of the Bureau of Financial Reporting (BFR) in the review of the Turnpike financial statements.

Management's Response:

We concur. This was indeed a challenging year working with and implementing a new accounting system. To meet this challenge, the Turnpike Division was very active in partnering with the BFR, FDM and officials of State Treasury to produce year-end financials in a complete and timely manner. During the course of this activity, the Division made great strides in understanding and establishing accompanying financial schedules and reports to support the results of operations for the fiscal year.

The Division continues to strengthen its understanding, and improve accounting practices and its ability to capture and report data. This said, it is important to note that the transition to a new automated system of accounting and financial reporting was perhaps more difficult in practice than originally thought. Transition to a new automated system required much more work of the Division and coordination with others than anticipated. The migration from basically a manual system of subsidiary ledgers to NHFIRST was not exactly “plug & play” and required numerous resources and hours of staff and others to accomplish.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Turnpike System

Finding 2010-03 (continued)

Now implemented, the Division has for several months utilized the “multi-ledger” system available in NHFIRST to capture accounting transactions that ultimately, will allow the Division to automate for the first time, the production of financial statements. It is anticipated that the first financials from NHFIRST will occur at the end of the third quarter in March of this year. This ability to generate automated reports and financials will greatly improve the reporting function of the Division, management and others who rely on these statements.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Revenue Administration

Finding 2010-04

Material Weakness: ***Reconciliation of DRA Accounts***

During our audit of the Department of Revenue Administration (DRA), we noted that certain accounts are not reconciled and that reconciling items for other accounts are not adequately supported to allow DRA to identify and correct issues timely. As a result, we noted the following:

- During July 2009, after the implementation of NHFIRST, an error was detected in an account that was caused by a coding error in the Tax Information Management System (TIMS). This was noted quickly and corrected timely in the account detected. However, another account affected by the same coding error was not detected timely because this account is not routinely reconciled. The DRA worked to correct the errors as a result of the audit inquiry.
- Due to the lack of follow up on reconciliation variances, DRA did not identify errors in the way in which they processed ‘re-issued’ checks (checks reported as lost, or returned by the tax payer for correction) until prompted to do so as a result of the audit.
- In August 2009, due to a lack of controls, DRA issued \$680,000 of duplicate refund checks. Those duplicate checks have since been recovered.

Recommendation:

We recommend that DRA implement policies and procedures to ensure that all accounts are reconciled timely and variances are investigated and resolved timely.

Management’s Response:

Management of DRA concurs that the transition to a new accounting system played a part in the reconciling errors that occurred during the beginning of FY 2010. Accounts that had been used for processing certain transactions changed, specifically the use of the “clearing account” changed. This change in status was not clearly communicated or understood, resulting in a period of time where the account was still being treated as a “clearing account” and subject to minimal and periodic reconciliations. The duplicate check issue was also in part due to a change in processing and a communication/training breakdown. The Department is unique in its processing of taxpayer refunds and worked with NHFIRST for a solution to the “one time vendor” checks. The process by which these checks are approved in NHFIRST is substantially different and does not yet include some of the long time automated internal controls that had been in place.

Revenue has changed its reconciliation procedures to ensure all accounts are reconciled monthly by the Financial Analyst; the reconciliation is then reviewed and signed off by the Internal Auditor.

**COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010**

New Hampshire Department of Revenue Administration

Finding 2010-04 (continued)

Because of the certain limitations of the Lawson application, DRA created an automated solution in TIMS to ensure that, with respect to duplicate checks, the dates, dollar amounts and counts all match. This verification is then reviewed by the Business Administrator who authorizes the release of the file to be sent to Administrative Services for final processing.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

*New Hampshire Department of Administrative Services
New Hampshire Department of Revenue Administration*

Finding 2010-05

Material Weakness: *Preparation of Tax Accounts Receivable Estimates*

During preparation of the State's Comprehensive Annual Financial Report (CAFR) the Bureau of Financial Reporting (BFR), relying on tax estimates from the Department of Revenue Administration (DRA), records an amount of June 30 tax revenue receivables for business taxes and interest and dividend taxes. While BFR has been responsible for inclusion of the estimates in the CAFR for many years, DRA has been responsible for the basis and accuracy for the past two years. The two agencies collaborate in determination of the appropriate CAFR entries.

This is the third consecutive year that we have identified weaknesses in the State's process for accruing revenues at year end.

During the 2008 audit of DRA, the methodology used to estimate tax accounts receivable was questioned as it was based on budget projections that were inconsistent with the economic outlook at the time the estimates were made. Re-estimating the tax receivables using more relevant assumptions resulted in an audit adjustment totaling approximately \$31 million. In 2008, we recommended that DRA and BFR revisit the methodology for estimating tax accounts receivable and make appropriate modifications. In 2009 and again in 2010, we noted that our recommendations regarding the State's methodology for estimating accounts receivable were not fully addressed by management. In 2010, we did note that the responsibility for estimating accounts receivable was transferred from the BFR to DRA as previously recommended.

While we did not have any adjustments to the tax accruals in 2010, we did propose other adjustments that resulted from the lack of an effective review by DRA management of other information submitted for inclusion in the State's CAFR. That adjustment resulted in a \$6.8 million decrease to the State's fund balance due to a manual error that should have been identified through an effective management review by DRA of the receivable information.

Recommendation:

We reiterate our recommendation from 2008 and 2009 that DRA is in the best position to estimate accounts receivable given their intimate knowledge and exposure to tax related issues. However, if the methodology used is simply re-performed by DRA and is not updated to reflect the current economic conditions, the same issues will exist in the future. We again recommend the State take a fresh look at how it prepares these estimates, and that the DRA be fully involved in determining annual estimates. We also recommend DRA, with the help of the BFR, enhance their control structure to ensure that inaccuracies in year-end financial reporting be detected and corrected prior to inclusion in the State's CAFR.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services
New Hampshire Department of Revenue Administration

Finding 2010-05 (continued)

Management's Response:

DRA:

The Department concurs in part. The LBA Auditors have been notified in the last two years (audit cycles) that the Department is in the process of implementing systems that will provide an accurate reporting of the receivables. These systems were not scheduled to be functional until January 2011 in time for year end 2011. Consequently, the Department continued to use the spreadsheets and methodology that had been previously used by Administrative Services.

This year end, the receivable system prototype report is in place and the Department will be able to accurately report receivables by tax type including aging, and count. The Department will work closely with the Comptrollers Office to appropriately account for all receivables for the Department in accordance with the adopted system re-engineering Capital Budget plan.

DAS:

To provide a greater level of analysis and support to the accuracy of DRA's estimated receivables BFR and DRA have agreed to a step whereby they establish a time to collaboratively discuss and review together, the methods of computation and their results. This is intended to add a greater level of scrutiny and validation to the computations.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-06

Significant Deficiency: *Accounting for Intergovernmental Payables and Receivables*

There are a number of agencies which provide services to other agencies, or owe funds to other agencies for various reasons. A practical example of this relates to payments by the State’s primary operating fund as a service to other agencies under the centralized accounts payable system. All amounts paid to vendors are recognized as paid by this operating fund, while the related expenditure/expense may belong to another fund. Therefore, when such an amount is paid by the operating fund, an amount is reflected as due from the other fund (“Due From” account). The corresponding fund records an amount due to the operating fund (“Due To” account). Another example results from the amounts billed by DoIT to other funds which it serves. Cash is not exchanged for these services but rather, upon receiving a bill from DoIT, the billed agency records IT expense and reflects an amount due to DoIT, while DoIT recognizes revenue and reflects the same amount as due from the other fund.

At June 30, 2010, the State was not able to balance their intergovernmental payables and receivables. In other words, the total of amounts reflected as due from other funds did not equal the total of amounts shown as due to other funds, as would normally be the case. Upon investigation by the State, it appears that administrative agencies would create a billing and record an intergovernmental receivable, while the recipient agency either would not create a payable timely, or would create a vendor payable, and not an intergovernmental payable, thereby causing the Due To and Due From to be ‘out of balance’.

Since NHFIRST does not *automatically* create the balanced intergovernmental entry, when an administrative agency initiates an intergovernmental billing, it is the responsibility of the receiving agency to create the intergovernmental payable. The entries are initiated by recording a voucher in the accounts payable system, which initially reflects as a general accounts payable in the general ledger. Normally, that day’s close process results in a non-cash ‘payment’ cycle which properly eliminates the general account payable entry and classifies the amount in a “Due to” account. At year end, many of these vouchers were recorded during the final closing period—that time that is used following year end to record final transactions and adjustments. Logically, receipts and payments are not recorded during this time. As a result, normal daily closeout did not occur, and unknowingly at the time, these intergovernmental liabilities remained in the general Accounts Payable account.

Recommendation:

We recommend that the State review the way in which it records intergovernmental transactions. In the previous accounting system, NHIFS, if an intergovernmental billing (Due From) was created, an intergovernmental payable (Due To) was automatically created in the other agency, thereby ensuring that the transaction was always in balance. During the implementation of NHFIRST, additional restrictions were imposed, as a result of strengthened system security policies, which restrict access to accounts of

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-06 (continued)

another agency. This inherently blocks the path of one agency charging directly to another agency's account. This makes it more complex for entries to simultaneously affect different agencies. However, we recommend that the State consider alternatives to automating this transaction similar to the way in which NHIFS processed intergovernmental transactions.

Management's Response:

We concur. The new ERP system introduced many changes in approach to accounting and controlling various aspects of the State's general ledger. The introduction of Accounts Receivable and Accounts Payable system modules, and the ability to maintain balance sheet ledgers for individual funds were probably the two most comprehensive changes, though significant improvements. A great deal of attention was paid at year end to ensuring that agencies recorded all expenses appropriate to accrue for FY 2010, including those owed to other funds. Many of these were captured during the closing period resulting in the classification error described. In the coming year, at the end of the closing period, a cash disbursement cycle will be processed, only for intergovernmental vouchers, thereby correctly classifying liabilities and facilitating tie-out of the inter-agency accounts. In addition, a special search of the general Accounts Payable file will be made to look for intergovernmental items.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Transportation

Finding 2010-07

Significant Deficiency: ***Highway Mainframe Reconciliation***

In order to facilitate federal and other reporting, the Department of Transportation maintains a general ledger (DOT Mainframe) separate from the State's official books and records (NHFIRST). While the use of accounting sub-systems is a common practice, such an arrangement requires that a control process exists to reconcile NHFIRST data to the DOT Mainframe data.

Prior to the implementation of NHFIRST, the DOT performed a monthly reconciliation between the DOT Mainframe and NHIFS. However, due to challenges encountered during the implementation of NHFIRST, the DOT was unable to reconcile the DOT Mainframe to NHFIRST during FY 2010.

The lack of timely reconciliation can lead to errors and omissions going undetected for an extended period of time. Such reconciliations should be performed timely.

Recommendation:

We recommend that the Department of Transportation implement policies and procedures to ensure that the DOT Mainframe reconciliations are performed timely.

Management's Response:

We concur. Prior to the implementation of NHFIRST, the Division of Finance (Division) would key accounting transactions to the DOT Mainframe first and then upload those transactions to the former statewide accounting system NHIFS. The monthly reconciliation process under this former practice was very much routine and without significant error. The migration from the former accounting system NHIFS to NHFIRST brought unique challenges to the Division as NHFIRST was unable at the time, to accommodate an activity-based (project) means of accounting. The Division must have a project based accounting system in order to properly identify and attribute revenue and expenses to projects. To accomplish this necessary task, the Division double-keyed accounting data both to NHFIRST and the mainframe. This effort was both laborious and prone to errors. To address this issue and to maintain the integrity of data in both systems, the Division hired two part-time accounting technicians to start and complete a reconciliation of all fiscal year entries.

Effective July 1, 2010 (FY 2011), all keying is direct to NHFIRST which then is fed back to the mainframe. This interface contains all expenses incurred by project number thus eliminating the need for double-entry in this regard. As NHFIRST is further developed to meet the full needs and requirements of the Department, we will continue to monitor for variances as a result of the continued use of the two separate systems. This current fiscal year is still a year of transition. Ultimately however, the need for

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Transportation

Finding 2010-07 (continued)

the mainframe will become diminished and eventually phased out for all accounting activity and the need for reconciling will no longer be necessary.

The Division will update written procedures as the full integration of NHFIRST is developed.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Transportation

Finding 2010-08

Significant Deficiency: *Accounting and Reporting of Capital Assets*

During our audit of the Department of Transportation we noted various errors in the accounting and financial reporting for infrastructure assets. The errors included the following:

- adding items in FY 2010 that were purchased in prior years;
- adding items twice;
- capitalizing the contracted amount rather than actual costs;
- understatement of additions to buildings
- recording disposal of items not actually disposed
- recording disposals in FY 2010 that were disposed in previous years.

These errors are evidence of a need for improvement in the internal controls over accounting and financial reporting for capital assets.

Recommendation:

We recommend that the State improve its system of internal controls to ensure that capital assets are complete and accurate.

Management's Response:

We concur. The Division has taken on the task of reviewing both process and procedures relative to the accounting and reporting of capital assets. The current process is being addressed and we understand that until a new system of recording assets is in place, the need for manual review needs to be improved. This said, we have also found and reported (properly) during this audit period, errors that culminated over prior periods.

Enhancements to this issue include but are not limited to, working with project managers to better describe on project authorization forms, more detailed descriptions of what project expense qualify as either capital or repair. We are also exploring opportunities with the development of other internal systems to give us better reporting capabilities. Ultimately, the State should expedite the NHFIRST Fixed Asset and Inventory System (available but unimplemented), to provide greater capability to agencies and enable a uniform state-wide system and procedures.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-09

Significant Deficiency: ***Completeness and Accuracy of the Schedule of Expenditures of Federal Awards***

Federal Office of Management and Budget (OMB) Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) that reflects all federal funds expended by the State during its fiscal year ended June 30. It is important that the SEFA be complete and accurate as the Federal expenditures are used as the basis for determining the Federal programs required to be audited. If the schedule is incomplete or inaccurate, Federal programs required to be audited may not be audited resulting in erroneous reporting to the Federal government. Conversely, Federal programs that do not need to be audited may be audited resulting in unnecessary cost to the State.

The Department of Administrative Services (DAS) is responsible for preparing the SEFA based on information provided by the various State agencies and departments and while DAS has some procedures to help ensure that the SEFA is accurate and complete, the procedures in place are not sufficient to ensure the SEFA includes all federally funded expenditures accurately.

As a result of our audit work, we noted errors on the SEFA including:

- Expenditures reported reflected cumulative program expenditures rather than expenditures for the State's fiscal year;
- Expenditures from two separate Federal programs were reported as a single Federal program resulting in an improper conclusion about the programs required to be audited; and
- Lack of analysis and documentation surrounding the inclusion of program expenditures funded by the Federal Department of Transportation - Federal Aviation Administration

As in prior years, we again noted that the SEFA is prepared by one individual at DAS and that documentation supporting amounts received from individual state departments and agencies is insufficient to enable verification of amounts entered by the agencies. Finally, the SEFA is not adequately reviewed in detail by DAS personnel prior to it being provided to KPMG for audit.

Recommendation:

We recommend that the SEFA be properly analyzed and reviewed, as proper internal control procedures dictate, to identify discrepancies prior to releasing it for audit. Further, the Department may want to consider researching the grant and activities module of the Lawson accounting system to determine the cost benefit of being able to centralize the reporting of agency expenditures.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Department of Administrative Services

Finding 2010-09 (continued)

Management's response:

We concur. The SEFA is developed through the accumulation of expenditure data into a web-based application, unrelated to NHFIRST. Analytical procedures to verify the input to this application are necessarily limited by the lack of centralized project/program cost reporting system within the state and of a lack of centrally available contract terms and details. The general ledger is not designed such that expenditures related to federal programs may be captured efficiently, providing an alternative basis for verifying data input into the SEFA report. As compensating controls to provide minimum assurance of SEFA accuracy, Bureau of Financial Reporting (BFR) staff performs year to year comparisons of CFDA information to identify omissions or inconsistency of expenditures. Unfortunately, this does not give a high degree of assurance to its accuracy.

The NHFIRST software has a projects reporting module which is not yet fully implemented, as it was not part of the initial design. This module would allow for project reporting, were all agencies to enter activity data with its entry of vouchers. Implementation of this function would enable the state to monitor federal and other programs, providing numerous advantages monitoring operating performance, as well as better control of SEFA data. This is planned to be implemented during FY 2012, thereby enabling greater reliability of assurance as to the accuracy of the SEFA by FY 2012. As with any such effort, resources are limited and our success in this implementation is dependent on maintaining sufficient skill levels of resources which can make the best use of the module. In the meantime, as an additional step, BFR will provide secondary analysis of the SEFA prior to submission as a final document.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Treasury

Finding 2010-10

Significant Deficiency: *Compliance with the Treasury State Agreement*

U. S. Department of the Treasury regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs, known as the Treasury State Agreement (TSA). The New Hampshire State Treasury Department (Treasury) is responsible for the implementation and enforcement of policies and procedures designed to enhance the State's internal control over cash management. The Treasury considers the management of cash as having the right amount of cash as needed by the State Agencies to finance the operating and capital budgets on a timely basis and meets this responsibility through a variety of routine tasks including the development and implementation of the CMIA system. The CMIA system is a module under NHFIRST. The system was established by Treasury in order to monitor compliance with the TSA, however, the system is underutilized and not established in such a way to ensure relevance to the large programs.

During the past fiscal year, the CMIA system did not include the applicable programs as outlined in the approved TSA and the clearance patterns established in the system are not in agreement with the TSA. The CMIA system includes a lag day which results in cash draw downs to be drawn in an additional day. Additionally, Treasury does not communicate with the State Agencies the importance of the TSA and the relationship between the TSA and the CMIA system. Some State Agencies are not aware of the TSA and the required clearance patterns and have established policies and procedures where the timing is practical for the State Agency but not in accordance with the TSA. Also, during the past fiscal year, some State Agencies have opted out from using the CMIA system as the system does not always identify the total amounts to be drawn.

Recommendation:

We recommend that Treasury ensure that the information included in the CMIA system and the TSA are in agreement and that State Agencies are utilizing the CMIA system effectively.

We also recommend that Treasury formalize policies and procedures to review the TSA, establish clearance patterns with State Agencies to ensure departmental compliance with the TSA and the cash management requirements, and finally to communicate the approved TSA to State Agencies on an annual basis.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2010

New Hampshire Treasury

Finding 2010-10 (continued)

Management's Response:

Treasury concurs. Prior to and during the first year of the new financial system, Treasury was incredibly challenged with dedicating sufficient resources to the area of federal cash management. Treasury recognizes the important role communication, policies, and procedures have in ensuring a better understanding of and compliance with cash management requirements including how the customized NHFIRST CMIA module operates and can assist in compliance. At the same time, resources continue to be strained in the Treasury as we recover from, adapt to, and enhance our understanding of the new financial system implemented last year.

With an increased understanding, further process redesign to increase efficiencies throughout the agency and the assistance of Financial Data Management (FDM) in planned NHFIRST development, Treasury will sufficiently address the concerns expressed in this finding. As a first step, Treasury has scheduled an information session and review meeting for mid April to cover the TSA and specific compliance requirements with all agencies covered in the agreement. There will be a specific agenda and directives for the effected agencies. Treasury intends to host similar meetings on an annual basis. Treasury will also develop written policies and procedures with input from the State agencies covered by the TSA after meeting with those agencies in April.

Part III

Schedule Of Current Year Findings And Questioned Costs – Federal Awards

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Health and Human Services
NH Department of Health and Human Services

Finding 2010-11

CFDA #93.778 Medical Assistance Payments (Medicaid)
CFDA #93.558 Temporary Assistance to Needy Families
CFDA #93.714 ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families

Grant Year and Award: Various

Finding: *Direct program draw downs not performed in accordance with the Treasury-State Agreement*

Criteria:

The regulations codified at 31 CFR Part 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also known as the Treasury-State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury-State Agreement (TSA). A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S Department of Treasury and the State and identify the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Health and Human Services, Office of Business Operations (the “Department”) has implemented a central draw process where the Department ascertains the amounts that can be reimbursed and then draws down the Federal funds. The process consists of using the State’s accounting system, Lawson, and the Department’s Cost Allocation System, FARS, to identify the Federal reimbursements. The Department utilizes the Cash Management Improvement Act subsystem (CMIA system), a module of Lawson, to ascertain the direct program costs.

During our audit, we noted that the TSA for the Medicaid and TANF programs states for payments relating to direct program costs the State must draw down funds from the United States Treasury as defined by the TSA using the Average Clearance techniques of 3 and 0 days, respectively.

We selected 40 direct program cash draw downs. During our testwork, we noted that 30 of the direct program cash draw downs were not drawn using the approved average clearance pattern/technique, 10 related to the Medicaid program and 20 cash draw downs related to the TANF program. We noted that the approved clearance pattern for the Medicaid program is 3 days and the Department requested Federal reimbursement using 4 days. Additionally, we noted that the approved clearance pattern for the TANF program is 0 days and the Department requested Federal reimbursement using 4 days.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Cause:

The Department did not adhere to the TSA when submitting the cash draw downs for the Medicaid and TANF programs.

Effect:

The State is not in compliance with the Treasury-State Agreement.

Questioned Costs:

None

Recommendation:

The Department should review current cash management practices and institute controls to ensure the timely request of funds in accordance with the Treasury-State Agreement.

Auditee Corrective Action Plan:

The Department of Health and Human Services concurs with KPMG's finding. DHHS understands that Treasury is planning to engage State Agencies on TSA and CMIA related issues in the spring of 2011 to address policies and procedures as well as the CMIA module in NHFirst. DHHS anticipates that Treasury will then propose a solution to this issue.

Contact Person: Anne Mattice, Bureau of Finance

Anticipated Completion Date: June 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<i>U.S. Department of Agriculture</i>	<i>Finding 2010-12</i>
<i>U.S. Department of Health and Human Services</i>	
<i>NH Department of Health and Human Services</i>	
<i>CFDA #10.561</i>	<i>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</i>
<i>CFDA #93.563</i>	<i>Child Support Enforcement</i>
<i>CFDA #93.558</i>	<i>Temporary Assistance for Needy Families</i>
<i>CFDA #93.714</i>	<i>ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families</i>
<i>CFDA #93.778</i>	<i>Medical Assistance Payments</i>
<i>Grant Year and Award:</i>	<i>Various</i>

Finding: *Administrative draw downs not performed in accordance with the Treasury-State Agreement*

Criteria:

The regulations codified at 31 CFR Part 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also known as the Treasury-State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury-State Agreement (TSA). A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S Department of Treasury and the State and identify the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Health and Human Services, Office of Business Operations (the “Department”), has implemented a central draw process for the Federal programs. The process consists of using the State’s accounting system Lawson to identify the Federal reimbursements. The Department utilizes the Cost Allocation System, FARS, to ascertain the administrative costs.

During our testwork, we noted that the Department is required to draw down funds from the United States Treasury as defined by the TSA using an average clearance pattern or technique which varies depending on the program. We selected 40 administrative cash draw downs and noted that 35 of the 40 cash draw downs were not drawn using the approved average clearance pattern or technique. We noted the Department has established draw cycles which are not in agreement with the TSA. The following outlines both:

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Program/Costs	Established Draw Cycle	TSA Clearance Pattern/Technique
State Administrative Matching Grant for SNAP	Estimated costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	CAP - Monthly
Child Support Enforcement – Administrative Costs	Estimated costs drawn bi-weekly on a payroll cycle	4 days
TANF/TANF ARRA – Administrative Costs	Estimated costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	4 days
Medicaid – MT Administrative Costs	Estimated costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	4 days

Additionally, we noted the following based on our testwork:

- Child Support Enforcement direct program costs were not drawn using the CMIA system.
- Medicaid – MP direct program costs relating to Disproportionate Share, ProShare, and ARRA supplemental were not drawn using the CMIA system.

Cause:

The Department has implemented controls that do not ensure adherence to the TSA.

Effect:

The Department is not in compliance with the Treasury-State Agreement.

Questioned Costs:

None.

Recommendation:

The Department should review current cash management practices and institute controls to ensure the timely request of funds in accordance with the Treasury-State Agreement.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

The Department of Health and Human Services concurs with KPMG's finding in part. DHHS has consistently applied procedures for administrative cost claiming outside of the CMIA module for many years. While some of those processes may be improved by using the CMIA module, the resources needed to address all the internal controls to ensure the accuracy of the draw, federal filing and reconciliation between the state and federal accounting period, are limited. While KPMG's reference to DSH, ARRA, and Proshare is not administrative, the same explanation applies to these financial events. DHHS understands that Treasury is planning to engage State Agencies on TSA and CMIA related issues in the spring of 2011 to address policies and procedures as well as the CMIA module in NHFirst. DHHS anticipates that Treasury will propose a solution to this issue.

Contact Person: Anne Mattice, Bureau of Finance

Anticipated Completion Date: June 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<i>U.S. Department of Health and Human Services</i>		<i>Finding 2010-13</i>
<i>NH Department of Health and Human Services</i>		
<i>CFDA # 93.778</i>	<i>Medical Assistance Payments</i>	
<i>Grant Award and Year:</i>	<i>various</i>	<i>2009</i> <i>2010</i>

Finding: *Updated provider disclosures are not obtained from all required providers*

Criteria:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B (sections 455.100 through 455.106)).

Before the Medicaid agency enters into or renews a provider agreement, or at any time upon written request by the Medicaid agency, the provider must disclose to the Medicaid agency the identity of any person who: (1) Has ownership or control interest in the provider, or is an agent or managing employee of the provider; and (2) Has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs (42 CFR 455.106 paragraph (a)).

The Medicaid agency may refuse to enter into or may terminate a provider agreement if it determines that the provider did not fully and accurately make any disclosure required under paragraph (a) of this section (42 CFR 455.106 paragraph (c)).

Condition:

The Department has established the process to ensure that providers meet the required applicable criteria to be an eligible Medicaid provider including reviewing and approving applications, verifying provider licensing and managing the disclosure requirements. We noted that the Department enrolled all providers selected in accordance with the established controls and in accordance with the Federal Regulations including receiving and approving applications and verifying licensing. However, we noted of the 40 enrolled providers selected for testwork, 37 providers did not have updated disclosures included in their files and were enrolled prior to 2007. We noted that the Federal regulations do not indicate the timing of an updated disclosure. Therefore, we used a reasonable time period of three years in which updated disclosures should be obtained. We noted that 3 providers were enrolled during 2007 through 2010. Therefore, we considered these providers as newly enrolled and we considered the disclosures obtained during enrollment as updated.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Additionally, we noted that 1 of the 40 providers did not have an updated license on file to document that the provider is licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid Program. The amount paid to the provider is included as a questioned cost.

A similar finding was noted in the prior year single audit report and the Department indicated that all providers will be required to re-enroll and provide updated disclosures when the State implements the new MMIS system. The implementation was postponed during State fiscal year 2010 and has not been implemented to date. Therefore, the re-enrollment was delayed.

Cause:

The cause is due to the lack of a formal policy to obtain updated disclosures from the required providers in accordance with the Federal requirements.

Effect:

The Department cannot ensure that certain enrolled Medicaid providers are, and remain eligible for participation in the Federal program.

Questioned Costs:

\$112,969

Recommendation:

We recommend that the Department implement policies and procedures to ensure that timely receipt and consideration of provider ownership, control, Medicaid fraud, and other information necessary to ensure enrolled providers remain eligible for continued program participation.

Auditee Corrective Action Plan:

The Department is in agreement with the finding and has put in place a process to request updates to license renewals from respective licensing boards, as well as, from providers. This process, however, is sometimes faced with its own issues. Since the many of the boards are computerized and are understaffed, requests for copies of paper or electronic licenses are not always fulfilled on a timely basis.

Upon implementation of the State's new MMIS, several enhancements to the technical and operational environment will support improved compliance with the applicable federal regulations. Prior to transition to the new system, all participating providers will be required to reenroll and provide current licensure verification and disclosure information. On an ongoing basis, ACS, the new MMIS fiscal agent, is obligated to routinely obtain updates to that information from all enrolled providers. The system has automated triggers to flag upcoming license expiration dates and to schedule routine revivification of other provider profile data including disclosure information. The new MMIS has electronic interfaces with several licensing boards and federal OIG and MED databases to systematically verify providers' licensing and exclusion/sanction status. Operational processes require the fiscal agent to supplement the interfaces with manual look-up of provider status on license boards' websites. In addition, auto-generated

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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letters to providers, triggered by an impending license expiration date, reiterates their responsibility to provide verification of license status as a condition of participation in the NH Title XIX program. The new fiscal agent will be following and adhering to evolving requirements to comply with new federal rules of the Affordable Care Act (ACA) for the provider enrollment & screening process.

Contact Person: Nita E. Tomaszewski, Information Representative

Anticipated Completion Date: Currently anticipated for late 2011.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-14

CFDA # 93.710 ARRA- Community Services Block Grant

Grant Award and Year:

G-0901NHCOS2 10/1/08-9/30/10

Finding: *No internal controls established to ensure data quality, completeness, accuracy and timely reporting of the 1512 reports*

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009 (ARRA)*, states that each recipient receiving recovery funds from a Federal agency shall submit a report to that agency that contains specific data elements related to the project or activity. Further guidance issued in the M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, Section 2.3, states that the prime recipient is ultimately responsible for the reporting of all data required by Section 1512 of the Recovery Act and subsequent guidance, including the Federal Funding Accountability and Transparency Act (FFATA) data elements for the sub-recipients. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. At a minimum, Federal agency, recipients, and sub-recipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

The Department of Health and Human Services (the Department) was required to submit four 1512 reports for the Community Services Block Grant program during State fiscal year 2010, as the reports are submitted quarterly. The Department has established a policy that the various units, bureaus and divisions of the Department are responsible for submitting all 1512 reports directly through FederalReporting.gov. The Community Services Block Grant reports are submitted by the Division of Family Assistance.

During our testwork, we selected 3 of the 1512 reports and noted that the Division of Family Assistance did not establish procedures to ensure that 1512 reports submitted under ARRA during FY2010 were properly reviewed and agreed to underlying documentation to ensure accuracy and completeness of reported figures.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Cause:

The cause is due to the lack of properly designed and implemented controls to ensure data integrity.

Effect:

The Department cannot ensure that reports submitted are complete and accurate.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure that required reports are reviewed for completeness and accuracy prior to submission.

Auditee Corrective Action Plan:

We concur. While the Governor's Office of Economic Stimulus did have some oversight and review, the program administrator's supervisor did not, and policies and procedures should have been in place for review of the CSBG ARRA Section 1512 reports before submission. As the final CSBG ARRA Section 1512 Report revision was submitted on January 27, 2011, there is no longer the need for policies and procedures.

Contact Person: Regina Lamprey, Division of Family Assistance

Anticipated Completion Date: Not Applicable

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-15

CFDA # 93.569 and 93.710 Community Services Block Grant; ARRA- Community Services Block Grant

Grant Award and Year:

*G-0901NHCOS2; G-10BINHCOSR; G-09BINHCOSR
10/1/08-9/30/10; 10/1/09-9/30/11; 10/1/08-9/30/10*

Finding: *No internal controls established to ensure data quality, completeness, accuracy and compliance with earmarking*

Criteria:

States must use at least 90 percent of the Non-ARRA allotted funds for sub-grants to eligible entities (42 USC 9907(a)(1)). State administrative expenses, including monitoring activities, may not exceed the greater of \$55,000 or 5 percent of CSBG funds. Such expenditures must be made from the portion of funds remaining to a State after sub-granting at least 90 percent of funds to eligible entities (42 USC 9907(b)(2)).

States must use a minimum of 99% of the ARRA allotted funds for sub-grants to eligible entities and the State may retain 1% for activities relating to the identification and enrollment of eligible individuals and families in Federal, State and local benefit programs.

Condition:

The Department of Health and Human Services, Division of Family Assistance (the Division) is responsible for ensuring that the appropriate amounts are sub-granted to eligible entities. During our testwork, we noted that the Division maintains a spreadsheet to track the awards sub-granted to each eligible entity in comparison to the total allotted funds. However, during our review, we noted that the spreadsheet maintained is not reviewed or approved by an individual other than the preparer to ensure that the Division is in compliance.

The Department did not establish procedures to ensure there was supervisory review over the work performed by the program administrator as it relates to the earmarking requirements.

Cause:

The cause is due to the lack of properly designed and implemented controls to ensure data integrity.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Effect:

The lack of properly designed controls could lead to non-compliance with program requirements.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure there is a second individual responsible for checking the initial procedures performed by the program administrator to ensure compliance with direct and material program requirements.

Auditee Corrective Action Plan:

We concur. The Department will implement policies and procedures to ensure there is a second individual responsible for checking the initial procedures performed by the program administrator to ensure compliance with direct and material program requirements.

Contact Person: Regina Lamprey, Division of Family Assistance

Anticipated Completion Date: April 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-16

CFDA #93.069 Public Health Emergency Preparedness/Bioterrorism

Grant Award and Year: 5U9OTP117011-10 August 10, 2009 – August 9, 2010

Finding: *Payroll costs were not properly supported*

Criteria:

Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit. (2 CFR 225 Appendix B 8 (h) (1)).

Condition:

In reviewing payroll charged to the referenced federal program above, it was found that 1 out of 80 employees selected was being paid a rate higher than the rate approved for the entire fiscal year. The hourly rate approved was \$27.25 and the rate paid was \$32.70.

Cause:

Human error in keying in the pay grade was determined to be the cause.

Effect:

Approximately 16% of the employee's pay was not supported by documentation due to the error. 80% of that amount was charged to the federal program identified above.

Questioned Costs:

\$10,651 overpayment

Recommendation:

The Department should implement quality control procedures over the review of payroll data being input into the payroll system to ensure amounts are accurate.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Auditee Corrective Action Plan:

In an effort to make sure that this type of error does not occur again, every PAF (ESMT screen) is checked by the Payroll Officer before it is sent to the Division of Personnel. The Payroll Officer that processed this paperwork no longer works for us.

Contact Person: Betty Hughes, Supervisor III

Anticipated Completion Date: Completed

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

Division of Public Health will initiate a procedure to ensure that the correct CFDA number is reported in regard to federal funds being passed to sub-recipients.

Contact Person: Barbara Cotton, Administrator

Anticipated Completion Date: April 15, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-18

CFDA #93.283 Centers for Disease Control and Prevention (CDC) Investigations & Technical Assistance

*Grant Award and Year: 3U58DP001979-01W1 March 29, 2009-March 28, 2010
5U58DP000798-03 June 30, 2009-June 29, 2010
5U58DP001471-02 June 30, 2009-June 29, 2010*

Finding: *In-kind matching requirements are not properly monitored*

Criteria:

In accordance with 2 CFR Part 215.23, Subpart C, “all contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contributions meet the following criteria:

- (1) Are verifiable from the recipient’s records
- (2) Are not included as contributions for any other federally-assisted project or program
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of this part, as applicable.”

The following requirements pertain to the recipient’s supporting records for in-kind contributions from third parties.

- i. Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
- ii. The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Condition:

During our testing of the matching requirements, it was noted that the Department could not adequately support their in-kind match with verifiable records as required. Details provided by vendors to support

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

the in-kind match requirements were not adequately supported, documented or reviewed by the Department. In addition, the Department currently has no controls or documented processes in place over ensuring the federal matching requirement is met. The Department is unable to provide sufficient evidence over its in-kind contributions and without key controls in place, is unable to determine the credibility of such information.

Cause:

The Department appears to lack controls and processes to mitigate the risk of non-compliance with the federal in-kind matching requirements, such as verifying the amount of matching funds received from other Departments and/or contractors.

A similar finding was noted in fiscal year 2009.

Effect:

Compliance with in-kind matching requirements was not able to be determined. The Department not sufficiently matching federal funds could result in loss of funding.

Questioned Costs:

\$921,550

Recommendation:

We recommend that DHHS implement effective controls and procedures to properly monitor the federal matching requirements. As part of this process, in-kind contributions used to meet the match must be sufficiently and appropriately documented as required by federal regulation. We also recommend the DHHS complete and maintain weekly or monthly match calculations, which should be prepared and reviewed by separate staff members, to assist in determining the amount required to meet such match.

Auditee Corrective Action Plan:

Division of Public Health will implement effective controls and procedures to properly monitor financial matching requirements.

Contact Person: Barbara Cotton, Financial Manager

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Agriculture
NH Department of Health and Human Services*

Finding 2010-19

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

*Grant Year and Award: 2010IW100344, Federal Fiscal Year 2010
2010IW100644, Federal Fiscal Year 2010
2009IW100644, Federal Fiscal Year 2009
2009IW100344, Federal Fiscal Year 2009*

Finding: *The Department does not have adequate controls over reporting to ensure compliance*

Criteria:

Per 7 CFR section 246.25(b), State agencies must submit financial and program performance data on a monthly basis, as specified by FNS, to support program management and funding decisions (FNS-798, *WIC Financial Management and Participation Report*).

Further, the OMB Circular A-133 Compliance Supplement requires entities receiving federal funding to foster a control environment sufficient to ensure compliance with federal reporting requirements. Entities receiving federal funding are required to report accurate and complete amounts on their respective reports.

Condition:

During testing of reporting for the WIC program, the following was noted:

- There is not an appropriate level of review and approval over the monthly FNS-798 reports (Financial Management and Participation Reports). The same person compiles the supporting documentation for the reports, enters the report information, and posts the report to the Federal Agency online. A second person then certifies the reports; however, per discussion with Department personnel, this second individual does not actually review the report for any sort of accuracy or compliance with reporting requirements. This certification is only attesting the fact that the person reported as the preparer, is actually the preparer. No review of the validity or completeness of the amounts reported is performed.
- Per discussion with program management and through review of reports maintained by program management, beginning in May 2010, the Business Administrator took over the role of reviewer and certifier of these monthly reports. No control issues were found for the May 2010 FNS-798 report reviewed.

There was a similar finding noted in fiscal year 2009.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Cause:

There did not appear to be any controls in place at the Department for the majority of the year to ensure the submission of accurate and complete reports.

Effect:

Reports may be submitted that are not accurate.

Questioned Costs: None

Recommendation:

It appears that the Department has remediated the control finding from the prior year audit during SFY 2010; however, as the control was only remediated eleven months into the fiscal year, we recommend that the Department review the control structure currently in place and ensure information regarding program expenditures is disseminated timely, and adequate levels of review and approval exist to ensure accurate reporting.

Auditee Corrective Action Plan:

Records indicate that the 2009 Audit findings were not known to us until early 2010. We worked diligently to address this issue in a timely manner, and will complete another review of the control structure that we have in place.

Contact Person: Elizabeth Biron, Program Chief elizabeth.l.biron@dhhs.state.nh.us

Anticipated Completion Date: April 15, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Agriculture
NH Department of Health and Human Services*

Finding 2010-20

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Grant Year and Award: Various

Finding: *Direct program draw downs not performed in accordance with the Treasury-State Agreement*

Criteria:

The regulations codified at 31 CFR Part 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also known as the Treasury-State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury-State Agreement (TSA). A TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S Department of Treasury and the State and identify the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Health and Human Services, Office of Business Operations (the “Department”) has implemented a central draw process where the Division of Public Health (DPH) provides the amounts to the Department for draw down. The process consists of using the State’s accounting system, Lawson, to identify the Federal disbursements. The Department utilizes the Cash Management Improvement Act subsystem (CMIA system), a module of Lawson, to ascertain the direct program costs.

During our testwork, we noted that the TSA for the WIC program states for payments relating to direct program costs the State must draw down funds from the United States Treasury, as defined by the TSA, using the Average Clearance technique of 5 days.

We selected 50 cash draw downs of which 25 related to direct program costs. During our testwork, we noted that 22 of the 25 direct program cash draw downs were not drawn using the approved average clearance technique of 5 days.

Cause:

The Department has not implemented controls to ensure adherence to the TSA when submitting the cash draw downs for direct costs relating to the WIC program.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Effect:

The Department is not in compliance with the Treasury State Agreement.

Questioned Costs:

None

Recommendation:

The Department should review current cash management practices and institute controls to ensure the timely request of funds in accordance with the Treasury-State Agreement.

Auditee Corrective Action Plan:

The Department of Health and Human Services concurs with KPMG's finding. DHHS understands that Treasury is planning to engage State Agencies on TSA and CMIA related issues in the spring of 2011 to address policies and procedures as well as the CMIA module in NHFirst. DHHS anticipates that Treasury will then propose a solution to this issue.

Contact Person: Anne Mattice, Bureau of Finance

Anticipated Completion Date: June 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Environmental Protection Agency
NH Department of Environmental Services*

Finding 2010-21

*CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)
CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)*

*Grant Year and Award: 2W-33000209-ARRA 2010
2F-96102301-ARRA 2010*

Finding: *Cannot adequately support expenditure amounts reported for Section 1512 ARRA reporting and no review of 1512 reports prior to submission to the Federal government*

Criteria:

M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009 notes the following:

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009). Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

Total amount of funds received; and of that the amount spent on projects and activities;

A list of those projects and activities funded by name to include:

- Description
- Completion status
- Estimates on jobs created or retained;
- Details on sub-awards and other payments.

Condition:

Per the Office of Management and Budget Circular A-133 Compliance Supplement, the auditor must perform the following procedures when testing the Section 1512 ARRA reporting:

“Trace the key data elements to records that accumulate and summarize data to verify that the data elements were presented in accordance with ARRA Section 1512 reporting requirements.”

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

We obtained the Grant Activity workbooks for both the CWSRF and DWSRF Programs. Per discussion with Program Management, the Grant Activity workbooks reflect the cash drawdowns for the programs and should agree to what was reported under Section 1512 ARRA reporting. For both the CWSRF and DWSRF programs, we reviewed all quarters reported during SFY 2010, and was unable to agree the Grant Activity workbooks to the Section 1512 ARRA reporting.

The following is a summary of variances.

CWSRF Program:

Period Report	Reported on recovery.gov	Per Grant Activity	Variance
April 1 - June 30, 2010	13,407,098	12,892,431	514,667
January 1 - March 31, 2010	2,574,913	3,011,460	(436,547)
October 1 - December 31, 2009	907,872	976,575	(68,703)
February 17 - September 30, 2009	647,517	495,902	151,615

DWSRF Program:

Period Report	Reported on recovery.gov	Per Grant Activity	Variance
April 1 - June 30, 2010	11,907,381	12,391,314	(483,933)
January 1 - March 31, 2010	6,607,850	7,495,988	(888,138)
October 1 - December 31, 2009	3,502,569	4,275,601	(773,032)
February 17 - September 30, 2009	115,262	140,911	(25,649)

In addition, there appears to be no review of the 1512 completed reports prior to submission to the Federal government. The program manager prepares and submits the 1512 Reports to the Federal agency without a second level of review.

Cause:

Insufficient records maintained by program management showing expenditures reported for Section 1512 ARRA reporting.

Effect:

Federal dollars received related to ARRA are not adequately reported.

Questioned Costs:

Unable to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Recommendation:

The State should maintain appropriate support for expenditure amounts reported under Section 1512 ARRA reporting and institute procedures for review of 1512 reports prior to submission.

Auditee Corrective Action Plan:

We concur with the finding. Initial Section 1512 ARRA reporting by the CWSRF did not include administrative costs. For the DWSRF, the discrepancy was with reporting near the end of each quarter, where the disbursement was processed at the end of the quarter but not electronically transferred until early the next quarter. The programs have since provided a reconciliation of the figures reported compared with the actual draw downs. The variances have since been corrected in the 1512 reports for period ending December 31, 2010. DES staff have created and implemented new reporting procedures.

Contact Person: Sarah Pillsbury, DWSRF
Paul Heitzler, CWSRF

Anticipated Completion Date: Measures were implemented as of January 31, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Environmental Protection Agency
NH Department of Environmental Services*

Finding 2010-22

CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)

*Grant Year and Award: CS330001-04 2004
CS330001-05 2005*

Finding: *Program income not appropriately transferred to separate bank account*

Criteria:

Per the Office of Management and Budget Circular A-133 Compliance Supplement, the auditor is required to perform tests to verify that all program income was properly recorded in the accounting records.

Condition:

Program income for the CWSRF program is the 1% fee associated with all loans. Program income is separately identified on the loan repayment schedules for each subrecipient. We selected 21 fees for testwork. For 1 of the 21 fees selected, we noted that the fee was paid to the State by the loan recipient; however, the State did not transfer the fee of \$52,734.37 to the bank 11 – the fee bank account.

Cause:

Lack of oversight by Treasury Department and program management

Effect:

Program income might not be used in accordance with requirements.

Questioned Costs:

Unable to determine

Recommendation:

Ensure procedures are in place to track that fees are transferred to the appropriate bank account.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

We concur with the finding. DES is in the process of working with the State Treasury Department to revise the procedures for making SRF loan repayments via ACH payments. DES will be requesting 2 ACH payments from loan recipients. One will be the fee portion of the payment and that will be deposited directly into bank 11 and the other will be the principal and loan interest portion of the payment sent directly into bank 51 (CW Repayment Account). This will eliminate the need for DES to request a transfer be made by the Treasury Department.

Contact Person: Paul Heirtzler, CWSRF

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Environmental Protection Agency
NH Department of Environmental Services*

Finding 2010-23

CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award: 2F-96102301 ARRA 2010

Finding: *No controls in place over ensuring that certified payrolls for subrecipients receiving ARRA dollars are received*

Criteria:

Per the Office of Management and Budget Circular A-133 Compliance Supplement, when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contacts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition:

During our discussions with program management when obtaining an understanding of the controls in place over Davis Bacon requirements, there appears to be no controls in place to ensure that the subrecipients provide the State with their contractor or subcontractor certified weekly payrolls.

During our testwork over the DWSRF program, we noted that for 2 of 19 ARRA projects tested for compliance with Davis Bacon, certain payrolls were not certified by the contractor. For each of these subrecipients, one payroll was not certified.

Cause:

Lack of oversight by program management

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Effect:

Davis Bacon wage requirements might not be met if the State does not obtain and review the certified payrolls.

Questioned Costs:

Unable to determine

Recommendation:

Management should institute procedures to ensure that weekly certified payrolls are submitted by subrecipients and reviewed by the State.

Auditee Corrective Action Plan:

The DWSRF Program concurs. As a condition of the federal grant award, any construction activity must include Davis-Bacon Act prevailing wage rates. It is the responsibility of each loan subrecipient to ensure that certified payrolls are submitted for any construction contractor. The NH Office of Economic Stimulus (OES) has provided assistance in the form of outreach and compliance review. The DWSRF identified specific projects for file review by OES and this staff person has performed random onsite compliance reviews. Although the subrecipients who failed to provide the required payroll certification are not identified in the finding, the DWSRF program acknowledges that, at the time of the audit, two submitted payrolls did not have the required certification. This oversight has been corrected. The DWSRF program has assigned a staff member to monitor and ensure compliance with Davis Bacon Act requirements. The DWSRF has developed new Davis Bacon policies and procedures and believes these actions will prevent any further occurrence of the finding.

Contact Person: Sarah Pillsbury, DWSRF

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<i>U.S. Environmental Protection Agency</i> <i>NH Department of Environmental Services</i>	<i>Finding 2010-24</i>
<i>CFDA 66.468</i>	<i>Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)</i>
<i>Grant Year and Award:</i>	
<i>FS99150-08</i>	<i>2008</i>
<i>FS99150-09</i>	<i>2009</i>

Finding: *Actual expenditures relating to state program management exceeded 10% requirement*

Criteria:

Per 40 CFR section 35.3535(d), “State program management - A State may use up to 10 percent of its allotment for State program management activities.”

Condition:

We calculated the state program management 10% allowance as \$12,876,150 (total cumulative awards \$128,761,500). However, per review of the EPA funding schedule on the grant agreements, DWSRF earmarking is \$7,651,144. Actual expenditures related to state program match were \$7,689,924, which is \$38,780 over the earmark.

Cause:

The State anticipated receiving their grant award for FY 2011 soon after the expenses were processed for FY 2010.

Effect:

Overspending of grants

Questioned Costs:

\$38,780

Recommendation:

We recommend that state maintain a tracking mechanism for the earmarking federal requirements to ensure that they do not overspend on their allowances.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

DES partially concurs with the finding. DES did not exceed the earmark for total expenditures from the beginning of the program through grant FS99115009. The issue at hand is that the FFY 10 grant award letter has a start date listed as October 1, 2010 and based on that document it does appear that DES overspent its award. However, the actual start date of the grant was October 1, 2009, which would put the \$38,780 expenditure within the proper grant period for FFY 2010. DES has been in contact with EPA to correct the date error on the award letter, and will provide a copy of the corrected letter to KPMG when it is received. DES understands that the auditors must use what they have as documentation for their findings and this department will strive to work with its federal grantors to ensure that date errors, such as these are caught and corrected as quickly as possible.

Anticipated Completion Date: None Needed

Contact Person: Sarah Pillsbury, DWSRF

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<i>U.S. Environmental Protection Agency</i>		<i>Finding 2010-25</i>
<i>NH Department of Environmental Services</i>		
<i>CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)</i>		
<i>CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)</i>		
<i>Grant Year and Award:</i>	<i>CS330001-04</i>	<i>2004</i>
	<i>CS330001-05</i>	<i>2005</i>
	<i>FS991150-05</i>	<i>2005</i>
	<i>FS991150-06</i>	<i>2006</i>
	<i>FS99150-08</i>	<i>2008</i>
	<i>FS99150-09</i>	<i>2009</i>

Finding: *Lack of timely submission of reports*

Criteria:

Per 40CFR30.52, the EPA shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by EPA upon request of the recipient.

Per OMB Circular A-110 SUBPART C_.52(2)(iv) and per the grant agreements, “SF-272, Report of Federal Cash Transactions: Recipients shall be required to submit not more than the original and two copies of the SF-272 15 calendar days following the end of each quarter.”

For the CWSRF program, per 40 CFR sections 35.3165(a), the State must provide an Annual Report to the Regional Administrator (RA) beginning the first fiscal year after it receives payments under title VI. The State should submit this report to the RA according to the schedule established in the grant agreement. Per the grant agreement, the Recipient agrees that the Annual Report will be prepared and submitted no later than ninety days (90) after the close of the fiscal year.

Condition:

Per review of the Financial Status Reports (FSR) submitted during SFY 2010 for the DWSRF program we noted that all 6 FSR’s submitted during SFY 2010 were not submitted within the 90 calendar day requirement.

In addition, for the DWSRF program, for 3 of the 6 reports submitted during SFY 2010, we were unable to obtain appropriate documentation showing what amounts made up “total outlays this period”.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Per review of the FSRs submitted during SFY 2010 for the CWSRF program, we noted that for 1 of 5 FSR's submitted during SFY 2010 the report was not submitted within the 90 calendar day requirement.

In addition, for the CWSRF program, for 2 of 5 reports submitted during SFY 2010 we were unable to obtain the appropriate documentation showing what amounts made up "total outlays this period".

In addition, we noted that although the State has a spreadsheet that tracks the filing deadlines of the FSR's, this report does not appear to be appropriately monitored as reports are not timely filed.

Per review of the Compliance Supplement, the State is required to submit a SF-272 – *Federal Cash Transaction Report*. We are required to perform the following procedures:

Ascertain if the financial reports are complete and accurate, were prepared in accordance with the required accounting basis, and were submitted timely to the pass-through entity or the Federal agency, as applicable.

As of January 15, 2011, the SF-272 reports for both the CWSRF and DWSRF programs were not submitted to the Federal agency. As such, we were unable to test these reports for completeness and accuracy and we note that they were not submitted timely.

For the CWSRF Annual Report, we are required to perform the following procedures related to special reporting:

- (1) Trace the reported data to records that accumulate and summarize data.
- (2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

As of January 15, 2011, the CWSRF Annual Report was not submitted. As such, we were unable to perform the procedures noted above.

Cause:

For untimely submission of FSR's, this was primarily due to inadequate monitoring of reporting deadlines.

For FSRs in which not sufficient documentation for total outlays was able to be provided, this was primarily due to coding problems in DES's system so there are no expenditure reports to match the FSR submitted in FY2010.

For the SF-272 reports and CWSRF Annual Report not being submitted timely, this was primarily due to oversight by program management.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Effect:

Possible incorrect information submitted to the Federal government.

Questioned Costs:

Unable to determine

Recommendation:

Create appropriate monitoring procedures of when reports need to be filed. Create procedures to ensure that appropriate documentation of expenditures is maintained for amounts reported.

Auditee Corrective Action Plan:

We concur with the finding. DES will try to submit reports in a more timely manner and in accordance with the submission requirements. DES does have procedures for when reports are due to be filed and are in the process of hiring a part time accountant position. This position will assist the current accountants with processing of SRF expenditures and allow current accounting staff to have the reports filed within the time allotted.

Contact Person: Sarah Pillsbury, DWSRF
Paul Heitzler, CWSRF

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Environmental Protection Agency
NH Department of Environmental Services*

Finding 2010-26

*CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)
CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)*

<i>Grant Year and Award:</i>	<i>2W-33000209-ARRA</i>	<i>2010</i>
	<i>CS330001-04</i>	<i>2004</i>
	<i>CS330001-05</i>	<i>2005</i>
	<i>2F-96102301-ARRA</i>	<i>2010</i>
	<i>FS991150-05</i>	<i>2005</i>
	<i>FS991150-06</i>	<i>2006</i>
	<i>FS99150-08</i>	<i>2008</i>
	<i>FS99150-09</i>	<i>2009</i>

Finding: *Subrecipient monitoring - insufficient award identification to subrecipients and no review of subrecipient audits*

Criteria:

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§__.225, §__.310(d)(5), §__.400(d)), A-102 Common Rule (§__.37 and §__.40(a)), and OMB Circular A-110 (2 CFR section 215.51(a)), program legislation, Section 1512(h) of ARRA, 2 CFR section 176.50(c), Federal awarding agency regulations, and the terms and conditions of the award.

Per the Office of Management and Budget Circular A-133 Compliance Supplement, a pass-through entity is responsible for:

- Award Identification – At the time of the award, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- During-the-Award Monitoring – Monitoring the subrecipients’ use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients’ fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipients’ audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients’ audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition:

For both the CWSRF and DWSRF programs, we reviewed a sample of loan agreements for both ARRA and non-ARRA loans. For the non-ARRA loans, appropriate award identification was not present in the loan agreements. No CFDA number was communicated to loan recipients.

For 3 of 40 subrecipient files reviewed in the DWSRF program, the State did not adequately perform during the award monitoring visits. The State did not physically visit these sites; however, they did review invoices submitted by the subrecipients to ensure that expenditures are appropriately being reimbursed to the subrecipient and program management reviewed the meeting minutes for the subrecipients.

For 2 of 27 (40 subrecipient files reviewed; however, as noted above, none of the non-ARRA loans made communication of CFDA numbers) ARRA subrecipient files reviewed in the DWSRF program, the wrong CFDA number was communicated in the loan agreements. For 1 of the subrecipients, no CFDA number was communicated. For 1 of the subrecipients, no CFDA and no identification that the award was ARRA related was communicated.

For 1 of 29 (40 subrecipient files reviewed; however, as noted above, none of the non-ARRA loans made communication of CFDA numbers) ARRA subrecipient files reviewed in the DWSRF program, no CFDA numbers were communicated in the loan agreements.

During our discussions with program management for both the CWSRF and DWSRF programs, it was noted that they do not have procedures in place for the following:

1. To ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipients’ fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period.
2. To review subrecipient audit reports and issue a management decision on audit findings within 6 months after receipt of the subrecipients’ audit report; and
3. To ensure that the subrecipient takes timely and appropriate corrective action on all findings.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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In addition, no subrecipient audit reports were able to be provided to us. The State did not appear to review any audit reports for subrecipients expending over \$500,000 in federal awards.

Cause:

For non-ARRA loans for which no CFDA number was communicated to loan recipients, the State was not aware of this requirement of providing this information in the loan agreements.

For incorrect communication of CFDA information for ARRA loans, this was due to an oversight by program management.

During the award monitoring was not performed for the exceptions noted above due to an oversight by program management.

Program management was not aware of the requirement regarding obtaining and reviewing their subrecipients' A-133 audit reports.

Effect:

Subrecipients may not be aware that they are receiving federal dollars.

Subrecipients might have audit findings that effect federal dollars and the State would not be aware of these.

Questioned Costs:

Unable to determine

Recommendation:

Appropriately communicate to all subrecipients the CFDA number of the award.

Implement policies and procedures to ensure that during the award monitoring is performed in accordance with Federal regulations and to also ensure that subrecipient audit reports are submitted to the State and reviewed.

Auditee Corrective Action Plan:

We concur. DES is currently in the process of hiring an additional staff person who will have the responsibility of monitoring subrecipient audit requirements. CWSRF and DWSRF staff are currently working on an audit requirement checklist for implementation. The checklist will include procedures to insure that audit reminder letters are sent to subrecipients annually, that audit reports are received and reviewed and that corrective action for findings are discussed and implemented. Additionally, all State Revolving Fund (SRF) loan agreements will include a CFDA number for proper identification.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Contact Person: Sarah Pillsbury, DWSRF
Paul Heirtzler, CWSRF

Anticipated Completion Date: June 30, 2011

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Education
NH Department of Education

Finding 2010-27

CFDA #84.027 Special Education – Grants to States

Grant Year and Award: FFY 2008 H027A080103A

Finding: Level of Effort – The required Maintenance of Effort (MOE) was not maintained.

Criteria:

A State may not reduce the amount of State financial support for special education and related services for children with disabilities (or State financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year. The Secretary reduces the allocation of funds under 20 USC 1411 for any fiscal year following the fiscal year in which the State fails to comply with this requirement by the amount by which the State failed to meet the requirement.

If, for any fiscal year, a State fails to meet the State-level maintenance of effort requirement (or is granted a waiver from this requirement), the financial support required of the State in future years for maintenance of effort must be the amount that would have been required in the absence of that failure (or waiver) and not the reduced level of the State's support (20 USC 1412(a)(18); 34 CFR section 300.163).

Condition:

During our audit, we noted that the Department of Education reduced the amount of State financial support for special education and related services for children with disabilities. We reviewed the expenditures related to the State financial support for fiscal years 2008, 2009 and 2010 and noted that the State financial support in fiscal year 2010 was below the State financial support provided in fiscal year 2009. Additionally, we reviewed the State financial support budgets for fiscal years 2008, 2009 and 2010, and noted that the fiscal year 2010 budgeted amounts for the State financial support for special education and related services for children with disabilities were reduced. The State financial support provided in fiscal year was reduced in the amount of \$2,821,145.

Cause:

The cause is due to the lack of sufficient controls to ensure that the State maintains the required maintenance of effort.

Effect:

The Department reduced the State financial support for special education and related services for children with disabilities which resulted in the non-compliance with the stated requirements. Future program funding may be reduced in subsequent periods as a result.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Questioned Costs:

\$2,821,145

Recommendation:

We recommend that the Department strengthen internal control procedures to and develop formal policies and procedures to monitor compliance with the maintenance of effort compliance requirements to ensure that the appropriate levels of State financial support are maintained.

Auditee Corrective Action Plan:

We agree that the required maintenance of effort for state Special Education was not maintained. However we are currently in the process of obtaining a Waiver from OSEP. This failure to maintain the MOE was due to a combination of unusually high spending of Statewide Special Education Funding and a higher than normal number of request for Court Ordered Placement Costs in FY 2009 and budget cuts in FY2010 that affected Catastrophic Aid.

Previously our IDEA MOE calculation was based on Statewide Special Education, Court Ordered Placement, and Catastrophic Aid expenditures. Going forward, we would like to remove Court Ordered Placement from this calculation as it is not a cost that is fixed and is solely dependent on the amount and timing of invoices submitted by the districts. With this updated calculation, we believed that the question costs are \$2,387,322, for which we are hoping a waiver will be granted.

Additionally, we are developing a process for a person independent of the bureau to monitor expenditures to ensure that required maintenance of effort is maintained. In October of 2010, we hired an Internal Auditor who will monitor MOE requirements for all programs on a monthly basis, in addition to the work already performed by the Program Administrators.

Anticipated Completion Date: May 31, 2011

Contact Person: Michael Bieniek, Business Administrator, Department of Education
Ralph Tilton, Program Specialist, Special Education Department

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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<i>U.S. Department of Transportation</i> <i>NH Department of Transportation</i>	<i>Finding 2010-28</i>
<i>CFDA # 20.205 Highway Planning and Construction</i> <i>Highway Planning and Construction-ARRA</i>	
<i>Grant Award and Year: Various</i>	<i>2010, 2009, 2008, 2007, 2006, 2005, 2004</i>

Finding: *Cash management- draw downs not in compliance with the Treasury-State Agreement*

Criteria:

The average clearance technique is defined such that the State requests funds such that they are deposited by the Treasury on the dollar weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II of the Treasury-State Agreement (TSA). The dollar weighted average day of clearance for the Highway Planning and Construction Program is 5 business days.

Condition:

Our audit procedures noted that the drawdown process used by the Department did not always replicate the average clearance techniques defined in the TSA. We noted that 1 out of the 7 drawdowns selected for testwork, the Department did not replicate the average clearance pattern technique defined in the TSA. This drawdown occurred in 4 business days.

We did note that the drawdown process used by the Department for the Highway Planning and Construction program does not draw down funds in advance of disbursement of the dollar weighted average day of clearance.

Cause:

The Treasury-State Agreement was not reviewed properly to ensure compliance.

Effect:

The Department is not in compliance with the Treasury State Agreement (TSA) and the Cash Management Improvement Act (CMIA).

Recommendation:

We recommend that the Department strengthen its existing policies and procedures to ensure that the TSA drawdown techniques agree with the actual methods used to drawdown Federal funds.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur. We have discussed this issue with the State Treasurer's Office and an amendment to the TSA will be submitted by Treasury to more closely reflect the flow of funds and timing involved in the drawdown cycle associated with CFDA # 20.205. Agreements related to federal fund drawdowns will be reviewed at least annually with Treasury.

Contact Person: Leonard Russell, Finance Administrator

Anticipated Completion Date: June 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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<i>U.S. Department of Transportation</i> <i>NH Department of Transportation</i>	<i>Finding 2010-29</i>
<i>CFDA # 20.205</i> <i>Highway Planning and Construction</i> <i>Highway Planning and Construction-ARRA</i>	
<i>Grant Award and Year:</i> <i>Various</i> <i>2010, 2009, 2008, 2007, 2006, 2005, 2004</i>	

Finding: *Subrecipient monitoring-no mechanism to track and review audit reports*

Criteria:

OMB Circular A-133 state a pass-through entity is responsible for:

- Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients fiscal year as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients’ audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition:

We noted that the Department requests that all subrecipients submit A-133 audit reports regardless of the amount of federal expenditures. However, there is no formal mechanism in place to keep track of the submission and review of these reports.

Cause:

No policies and procedures in place to track and review subrecipient audit reports.

Effect:

The Department is not in compliance with the Subrecipient Monitoring requirement related to the collection and review of subrecipient A-133 reports.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Recommendation:

Audit reports should be requested and reviewed in a timely manner, and the Department should ensure that timely and appropriate corrective action is taken on all audit findings. Further, the Department should evaluate the impact of subrecipient activities on their ability to comply with applicable Federal regulations.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur. The Department's approach was to request the audit reports at the conclusion of the project as part of the close out procedure. The DOT has reviewed the regulations and has implemented procedures that are applied to all subrecipients that receive federal funds through NHDOT. We are also revising additional procedures that have been in place, to request audit reports from all communities annually as part of a larger request, regardless of whether the Department has active projects with the community at the time. These efforts are being implemented to make sure all required audit reports are received in a timely manner and further follow-up on any A-133 compliance related issues. Further, the DOT is reviewing other control procedures to manage risk when dealing with subrecipients to include:

- Review and update of the Local Program Administration Manual (LPA Manual) which, when completed in early 2011 will provide stronger reference to the record keeping requirements and reporting requirements for successful project implementation.
- DOT continues to require vendor invoices and other supporting documentation at the time of reimbursement;
- Requiring the DOT Community Assistance staff, the DOT Internal Auditor, and other DOT Finance staff to educate and document responsibilities to ensure efficiencies and accountabilities for the program, and
- Reviewing the OMB Circular A-133 language and incorporating appropriate subrecipient requirements in the agreements between DOT and subrecipients.
- DOT is in discussions with the Comptroller's office to establish a standard review and compliance process throughout all of the State's agencies.
- The subrecipient now submits the A-133 audit report to DOT throughout the term of the award.

Contact Person: Leonard Russell, Finance Administrator

Anticipated Completion Date: May 1, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-30

*CFDA #93.268 Immunization Grants
CFDA #93.712 ARRA Immunization
CFDA#93.069 Public Health Emergency Preparedness*

*Grant Year and Award: 2009 5H23IP122555-07
2010 5H23IP122555-08
September 2009-December 2011 3H23IP122555-0751 (ARRA)*

Finding: Reconciliation of vaccine records not performed

Criteria:

In instances where detailed transaction records reside in a database other than the accounting system used to prepare the Schedule of Expenditures of Federal Awards (SEFA), it is considered sound internal control to ensure that the detailed transaction records are reconciled to the accounting system.

Condition:

During the latter part of fiscal 2008, the State of New Hampshire Department of Health and Human Services (the Department) transitioned to a federally contracted vaccine distribution system developed by the Centers of Disease Control and Prevention (CDC). As such, the Department no longer warehouses and distributes vaccines. Instead, vaccines ordered by the Department for vaccinating providers are shipped directly to the providers from the third party vendor. VACMAN, a federal system, is used by the Department to track the vaccine inventory. However, the inventory tracked in the VACMAN system is not adequately reconciled to either the third party providers reports or to monthly, quarterly and year-to-date order-based monitoring reports from CDC. The reports received from CDC are the reports used to prepare the Schedule of Expenditures of Federal Awards (SEFA). A similar finding was noted in the prior year single audit report.

Cause:

Procedures need to be strengthened over the recording, tracking, and reconciliation of vaccine transactions.

Effect:

Vaccines may be under- or over-ordered, not distributed as needed or unaccounted for. The value of vaccines monitored may not be accurate.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Questioned Costs:

None

Recommendation:

We recommend that the Department maintain a formal vaccine transactions ledger to record and track order, receipt, and usage of vaccines. The Department should be able to reconcile vaccine orders and shipments to CDC's monitoring reports and to the third party vendor distribution reports. This reconciliation will help ensure that all vaccines are accounted for properly and are completely and accurately reported on the Schedule of Expenditures of Federal Awards. Based on a roll forward of beginning inventory, order/shipment, and usage of vaccines during the period, the Department can then compare expected inventory amounts to those held in inventory by the providers at any given point in time. The Department should also develop and implement procedures to ensure that vaccinating providers are ordering reasonable amounts of vaccines. These procedures will prevent and detect under- or over-ordering.

Auditee Corrective Action Plan:

The NH Immunization Program has a policy developed and procedures implemented to ensure that vaccinating providers are ordering reasonable amounts of vaccines. These procedures will prevent and detect under- or over- ordering. The Program knows the value of all vaccines ordered and how much vaccine is in the provider offices at time of order.

CDC is testing the new vaccine accountability and vaccine ordering system called VTrckS with the original four pilot sites. As explained on the link given below, this system integrates four antiquated IT systems into one which will allow the Grantees to account for doses of vaccine from the annual forecasting process through provider ordering to vaccine administration.

<http://www.cdc.gov/vaccines/programs/vtrcks/about.html>

Anticipated Completion Date:

Contingent on completion by CDC. Hopefully in 2011.

Contact Person: Marcella Bobinsky, Program Manager

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Office of Energy and Planning (OEP)*

Finding 2010-31

CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)

*Grant Year and Award: 10/1/07 – 9/30/09 G-08BINHLIEA
10/1/08 – 9/30/10 G-09BINHLIEA
10/1/09 – 9/30/11 G-10BINHLIEA*

Finding: *OEP did not comply with subrecipient monitoring requirements of the LIHEAP Program*

Criteria:

Per 2 CFR 215.52, (a) *Monitoring and reporting program performance*, “Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.”

Further, Section *M. Subrecipient Monitoring* of the A-133 Compliance Supplement describes a pass-through entity as responsible for:

“*During-the-Award Monitoring* – Monitoring the subrecipients’ use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

OEP’s 2009-2010 Fuel Assistance Program (FAP) Manual under the heading of Monitoring states that OEP will conduct program and fiscal monitoring of the community action agencies (CAAs) for compliance with Federal and State rules and regulations. On-site monitoring will occur throughout the program year and a written report will be provided following each monitoring visit.

Condition:

During FY2010, OEP has developed new LIHEAP program monitoring to include application monitoring, application process compliance monitoring, and intake and outreach site evaluation monitoring. Per review of the FAP PY2010 Monitoring List, only 3 out of the 6 CAAs were monitored during FY2010.

In addition, no financial monitoring (i.e. monitoring of the CAAs’ fiscal operations, review of accounting records, etc) was conducted during FY2010.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Cause:

OEP has one program manager dedicated to the LIHEAP program. Reported lack of resources, excessive work load, the program manager's lack of financial background and focus on program monitoring efforts have contributed to the issues noted above.

Effect:

OEP has not performed formal program monitoring of all CAAs during FY2010 to ensure Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

OEP has not performed any financial monitoring of the CAAs during FY2010 to ensure the proper disbursement of and accounting for Federal funds under the LIHEAP program.

Because of the above, the OEP cannot evaluate the impact of subrecipient activities on the OEP's ability to comply with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable.

Questioned Costs:

Unable to determine.

Recommendation:

OEP should monitor subrecipient activities in accordance with federal requirements. At a minimum, OEP's subrecipient monitoring efforts must be sufficient to meet its Federal program requirements. OEP should also ensure that its during-the-award monitoring, as described in its Fuel Assistance Program Manual, is performed.

Auditee Corrective Action Plan:

OEP has made significant progress in this area. A detailed program monitoring instrument was developed and implemented. Program monitoring at all six Community Action Agencies was completed during the LIHEAP program year which extends 1 quarter past the fiscal year. In addition, one Community Action Agency was monitored twice. OEP believes its monitoring requirement from Health and Human Services is relative to the program year not the fiscal year. In addition, we recently completed the development of a monitoring instrument for financial monitoring and will have financial monitoring completed by March 1, 2011. Program monitoring for this program year will be completed by September 30, 2011. This progress is in accordance with our corrective action plan submitted in response to the audit of FY2009.

Anticipated Completion Date: Program monitoring was completed. Financial monitoring will be completed by March 1, 2011.

Contact Person: Joanne Morin

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Office of Energy and Planning*

Finding 2010-32

CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)

*Grant Year and Award: 10/1/08 – 9/30/10 G-09BINHLIEA
10/1/09 – 9/30/11 G-10BINHLIEA*

Finding: *LIHEAP reports were not adequately supported, contained errors, and were not filed timely.*

Criteria:

Title 45 of the United States Code, Part 96, Subpart H, section 96.82 (b) requires each grantee to submit data annually on the number of households receiving LIHEAP assistance. The regulation requires the data to be reported separately for LIHEAP heating, cooling, crisis, and weatherization assistance on a *LIHEAP Household Report*.

U.S. Department of Health and Human Services (U.S. DHHS) LIHEAP Action Transmittal AT-2010-02 requires State grantees to submit a *LIHEAP Grantee Survey* on an annual basis which includes data on the sources and uses of funds, average benefits, and maximum income cutoff for 4-person households for each type of assistance provided by the State.

OMB Circular A-133 Compliance Supplement, – Reporting, requires that reports of federal awards “include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.”

Condition:

The *LIHEAP Household Report* and *LIHEAP Grantee Survey* for Federal Fiscal Year 2009 submitted by the Office of Energy and Planning (OEP) to the U.S. DHHS during our audit period included data that was not supported by the OEP’s accounting or performance records.

Our review of the *LIHEAP Household Report* revealed that the reported 428 households assisted with winter crisis benefits where at least one member is age five or under was an estimated amount that could not be supported by database records or other alternative OEP records. OEP could not provide the methodology used to calculate the reported number. In addition, the reported number of households assisted with weatherization assistance benefits was unsupported.

Our review of the *LIHEAP Grantee Survey* submitted by OEP on December 15, 2009 revealed an error in the amount of Funds Carried Over from FFY08. The amount reported was the FFY09 Carry over amount. Per discussion with the program manager, the prior year carry over amount is pre-filled by the federal agency when the report is sent to OEP for completion and submittal. It appears that US DHHS made an

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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error in populating the report that was forwarded to OEP. This error, however, was not recognized by OEP and the incorrect amount was used for the computation of the OEP reported amounts and ultimately affected the computed amount of Estimated Total Funds Available and amount of Heating Assistance Benefits. Once we notified OEP of the error, a corrected report was prepared and submitted to US DHHS on September 3, 2010 (9 months after the original submission).

In addition, a review of the annual Financial Status Report due December 31, 2009, revealed the report was submitted on January 20, 2010, 20 days after the report due date.

Cause:

The *LIHEAP Household Report* contains an estimated number of households assisted with winter crisis benefits where at least one member is age five or under because the actual data is not captured by the Fuel Assistance Program Software (FAPS). Although the FAPS system captures data for most of the other categories in the *LIHEAP Household Report*, the LIHEAP Program Manager reported the FAPS system would need a programming change to capture the data for the specific category that is currently estimated. The data for the number of households assisted with weatherization assistance benefits was provided by the Weatherization Director. The Weatherization Director was not successful in locating support for the reported amounts.

The *LIHEAP Grantee Survey* is pre-filled by the US DHHE and filed electronically. It appears that OEP did not verify the accuracy of the information populated in the electronic file.

Staff shortages and high workload have been reported as the cause of the late filing of the financial status report.

Effect:

LIHEAP reports are not properly supported and the financial status report not filed timely.

Questioned Costs:

None

Recommendation:

The OEP should maintain adequate documentation, whether paper or electronic, to support all required report submittals. The OEP should also consider implementing a review and approval control procedure to ensure federal reports: include all activity of the reporting period, are supported by applicable accounting or performance records, are fairly presented in accordance with program requirements, and are submitted timely.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Auditee Corrective Action Plan:

In accordance with our corrective action plan for the FY2009 audit, we have changed our software so that the LIHEAP Household Report does now collect the needed information on an on-going basis. We do not have the information to correct the past reports. We will review the electronic information supplied by HHS on future reports. Although we will endeavor to submit all reports on time, we believe the submittal of the annual Financial Status Report by January 20th was a minor infraction and did not significantly affect the appropriate control of the program.

Anticipated Completion Date: Complete

Contact Person: Joanne Morin

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Health and Human Services
NH Office of Energy and Planning*

Finding 2010-33

CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)

*Grant Year and Award: 10/1/08 – 9/30/10 G-09B1NHLIEA
10/1/09 – 9/30/11 G-10B1NHLIEA*

Finding: *Federal drawdowns for the LIHEAP program not performed timely*

Criteria:

The U.S. Department of Treasury regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended, require State recipients to enter into agreements (Treasury-State Agreements) that prescribe specific methods of drawing down Federal funds for selected large programs.

The Office of Energy and Planning's (OEP) Low-Income Home Energy Assistance Program (LIHEAP) is subjected to the provisions of New Hampshire's agreement with the U.S. Department of Treasury. The Treasury-State Agreement requires monthly federal drawdowns for administrative costs and weekly federal drawdowns for direct program costs of the LIHEAP program.

Condition:

The OEP did not perform timely federal drawdowns for the LIHEAP program during our audit period. We tested 65 LIHEAP payment voucher transactions for their timeliness of federal reimbursements and noted the OEP did not request reimbursements for forty of the sixty five transactions (61%) timely in accordance with the Treasury-State Agreement. Federal drawdowns for direct program costs were performed up to 90 days after the expenditure was incurred and federal drawdowns for administrative costs were performed up to 175 days after the expenditure was incurred.

Cause:

Reportedly, lack of resources prevented the OEP from performing timely drawdowns in compliance with the Treasury-State Agreement.

Effect:

The OEP was not in compliance with the Treasury State Agreement resulting in potential cash flow issues and lost interest income for the State.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Questioned Costs:

None

Recommendation:

The Office of Energy and Planning should perform federal drawdowns timely in accordance with the Treasury-State agreement.

Auditee Corrective Action Plan:

Drawdowns of program costs are currently done within 7 days of payment of the reimbursement request. These costs include the fuel payments and administrative costs of the Community Action Agencies (i.e., all contractual costs). The only costs that are not done within this schedule are OEP's administrative costs. Since OEP needs to allocate its administrative costs to several programs and NH First can only assign an employee to one accounting unit, OEP has to manually allocate its administrative costs. This is done on a quarterly basis. Once NH First can assign employees to multiple accounting units, OEP will be able to drawdown our administrative costs more frequently. Please note that OEP's administrative costs are only about 3% of the total costs of the program.

Contact Person: Joanne Morin

Anticipated Completion Date: Complete

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-34

CFDA #81.042 Weatherization Assistance For Low-Income Persons (WXN)

Grant Year and Award: 4/1/09 – 3/31/12 # EE0000161 - ARRA

Finding: *OEP should verify sub-recipient compliance with Central Contractor Registration (CCR) requirements*

Criteria:

Per section 1512(h) of the American Reinvestment and Recovery Act prime recipients of ARRA funds must identify to sub-recipients the requirement to register in the Central Contractor Registration (CCR), including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

In order to assure OEP that sub-recipients are in compliance with the requirement, it is the responsibility of the pass through entity to review whether or not sub-recipients receiving ARRA funding have current CCR registrations and to perform periodic checks to ensure that sub-recipients are updating information, as necessary.

Condition:

During our testwork, we noted that OEP could not demonstrate its compliance with the verification of CCR registration requirements. Although, according to OEP's ARRA Compliance Officer, OEP has verified its WXN subrecipients' CCR registration, the verification was not documented and therefore could not be confirmed.

Cause:

Based on a discussion with the ARRA Compliance Officer, this appears to be the result of a number of new compliance requirements related to the WXN program and changes in program personnel.

Effect:

By failing to document the verification of the WXN subrecipients' CCR registration the OEP cannot demonstrate its compliance with the OMB Circular A-133 monitoring requirements. The lack of clear and consistent procedures related to the CCR registration puts OEP at risk for contracting with sub-recipients who are not in compliance with section 1512(h) of ARRA.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs:

None

Recommendation:

OEP should develop and implement adequate policies and procedures to ensure that the required CCR registration verifications are performed periodically in compliance with section 1512(h) of ARRA. OEP should ensure that the verification is adequately documented and the documentation retained for subsequent review.

Auditee Corrective Action Plan:

OEP has revised its policy relative to documenting a subrecipient's Central Contractor Registration (CCR). Though we had been checking for the CCR, we did not print out the associated registration information. OEP will now print out a subrecipient's CCR and place it in the appropriate compliance file. We have also notified the community action agencies of this finding and will include this issue in our monitoring visits.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-35

CFDA # 81.042 Weatherization Assistance For Low-Income Persons (WXN)

*Grant Year and Award: 4/1/09 – 3/31/12 #EE0000161-ARRA
4/1/09 – 3/31/11 #EE0000060*

Finding: *WXN reports not adequately supported, reviewed, and not filed timely*

Criteria:

OMB Circular A-133 Compliance Supplement, compliance requirement – Reporting, requires that reports of federal awards “include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.”

According to the US Department of Energy Federal Assistance Reporting Checklist and Instructions, an Annual Training and Technical Assistance, Monitoring, and Leveraging Report is due 30 days after the end of the reporting period.

Condition:

The *Quarterly Weatherization Assistance Program Report* for Non-ARRA WXN grant for quarter ended December 31, 2009 submitted by the Office of Energy and Planning (OEP) to the U.S. Department of Energy during our audit period included data that was not supported by the OEP’s accounting or performance records. Section II of the report calls for a report of the grant production activities to include the total number of units weatherized and a breakdown of the production activity by type, heating source, occupancy, and other demographics. The spreadsheet supporting the production activity reported by OEP, did not agree to the numbers reported to US DOE.

The quarterly financial reports are compiled by OEP’s Fiscal Director and are based on financial records and spreadsheets that summarize program activity for each period. There is no formal review of the financial reports to ensure accuracy and completeness.

In addition, a review of the annual Training and Technical Assistance, Monitoring, and Leveraging Report for ARRA due April 30, 2010, revealed the report was submitted on October 22, 2010, almost 6 months after the report due date.

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Cause:

According to the WXN Program Manager, the data supporting the production activities was manually compiled by her and apparently was erroneously added. OEP did not implement any formalized controls over the WXN reporting process to ensure that the reports are reviewed by an independent person for accuracy before submittal.

According to the WXN Program Manager, the late filing of the Annual Training and Technical Assistance, Monitoring, and Leveraging report was an oversight. In addition, she stated that DOE personnel had access to and has reviewed the documentation supporting the reported activities prior to the official submittal of the report.

Effect:

The quarterly WXN program report was not properly supported and the annual Training and Technical Assistance, Monitoring, and Leveraging report was not filed timely.

Questioned Costs:

None

Recommendation:

The OEP should maintain adequate documentation, whether paper or electronic, to support all required report submittals. The OEP should also consider implementing a review and approval control procedure to ensure federal reports include: all activity of the reporting period, are supported by applicable accounting or performance records, are fairly presented in accordance with program requirements, and are submitted timely.

Auditee Corrective Action Plan:

In the short term, OEP has implemented a review process that involves two staff members compiling and checking the number of weatherization units on its Quarterly Weatherization Assistance Program Report. In the long term, weatherization staff is going out to bid to develop a complete tracking database for the weatherization program that will avoid hand-tabulating the subject data, thereby eliminating the possibility of error. The annual Training and Technical Assistance, Monitoring, and Leveraging report was filed late because DOE emphasis in terms of reporting has been placed entirely on financials and production. The OEP Program Manager had supplied the DOE Program Officer with a complete summary of training and technical assistance activities one month after the due date of the report, so DOE had the required information. The annual Training and Technical Assistance, Monitoring, and Leveraging report was filed late but has been accepted and approved by the Department of Energy. We do not expect this to occur again.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-36

CFDA #81.042 Weatherization Assistance For Low-Income Persons(WXN)

Grant Year and Award: 4/1/09 – 3/31/12 # EE0000161- ARRA

Finding: *Certified payrolls subject to the requirements of the Davis Bacon Act should be received weekly and subject to review*

Criteria:

Per the Wage Rate Requirements under Section 1606 of ARRA, the ARRA portion of the WAP is subject to the requirements of the Davis Bacon Act. Accordingly, for federally funded construction contracts greater than \$2,000, OEP is required to obtain from the contractor or subcontractor a copy of the payroll and a statement of compliance weekly for each week in which work is performed (29 CFR sections 5.5 and 5.6).

Additionally, OEP is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements (2 CFR 215). This includes internal controls designed to assure program management that certified payrolls are being received weekly from contractors and subcontractors and that the certified payrolls received are complete, accurate and in compliance with the wage rate requirements dictated in the contract.

Condition:

All Weatherization work funded by the Weatherization Assistance Program through OEP is performed by local Community Action Agencies (CAAs). There are six CAAs in the State that serve different geographic areas of the State. In some cases, the CAAs themselves perform all the Weatherization work. Some of the CAAs however, hire private contractors to perform the work with the CAA coordinating and supervising the efforts. All CAAs are required to prepare weekly certified payrolls and collect them from their contactors for weekly submittal to OEP.

During our testwork, we selected 65 weekly certified payrolls from all six CAAs. We noted that 8 of the 65 payrolls (12%), were never received by OEP. Of the remaining 57 payrolls, we noted that 21 (37%) were received by OEP after the corresponding invoice was paid and 2 (3%) were not date stamped precluding our ability to determine if they were received timely and prior to the invoice being paid. In addition, we noted that 38 of the 57 (68%) selected payrolls received by OEP, contained one or more certified payrolls that were submitted to OEP late.

Although OEP reported that the certified payrolls were subject to a review of an ARRA Compliance Officer, we found evidence of the review to be inconsistent and as a result could not rely on the control.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Cause:

The base Weatherization grant was not subject to the Davis Bacon requirement prior to the American Recovery and Reinvestment Act. As a result, OEP did not have the knowledge or experience with administration and oversight of these requirements. OEP hired personnel dedicated to ARRA compliance however the workload and necessity to develop numerous policies and procedures resulted in a slower implementation of required Davis Bacon procedures.

Effect:

By failing to receive the certified payrolls weekly, and to uniformly subject them to an adequate review and approval process prior to the payment of contract invoices, OEP fails to be in full compliance with the requirements of the Davis Bacon Act.

Questioned Costs:

Unable to determine

Recommendation:

OEP should improve the internal controls in place over the collection and review of certified weekly payrolls to ensure full compliance with the Davis Bacon Act, ARRA, and the WXN Grant provisions. OEP should establish adequate policies and procedures to ensure that certified payrolls are received and reviewed timely and related and required corrective action, if any, has been taken.

Auditee Corrective Action Plan:

A number of formalized procedures to improve compliance with the Davis-Bacon Act have been implemented since the audit. A change in personnel has enabled us to concentrate review of Davis Bacon payroll with a more detail- orientated staff member. We have required mandatory training with all new subcontractors used by the community action agencies. In addition, we have increased technical support and monitoring.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-37

CFDA #81.041 State Energy Program (SEP)

*Grant Year and Award: 2010 SEP award # DE FG26 06R130472
2009 ARRA SEP award # DE-EE0000228*

Finding: *Suspension and debarment certifications should be included and verified for all contracts over covered transactions*

Criteria:

2 CFR 180.300 states that “When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the EPLS; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person.”

A covered transaction is described in 2 CFR 180.220 (3) (c) as including “those procurement contracts non-procurement transactions (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000...”

In order to comply with this requirement, OEP has implemented policies wherein contracts over covered transactions include a Certification Regarding Debarment, Suspension and Other Responsibility Matters in the contract; in addition to this, OEP’s internal policies dictate that the corresponding vendors be checked against the Excluded Parties List System (EPLS) to verify that they are not suspended or debarred. The combination of these two controls is intended to assure compliance with 2 CFR 180.300 and to prevent the State from inadvertently contracting with suspended or debarred vendors (as required by 10 CFR 600.235).

Condition:

During our testwork, we noted nine vendors whose contracts represented covered transactions and were therefore subject to the requirements described above. We noted that 2 of the 9 (22%) vendor contracts failed to include a Certification Regarding Debarment, Suspension, and Other Responsibility Matters and failed to be subjected to verification of their suspension/debarred status through a review of the EPLS.

In addition to this it was noted in 1 of the remaining 7 vendors that; although the contract contained the appropriate certification, the OEP failed to verify the vendor’s suspended or debarred status on the EPLS (note: a total of 3 of the nine vendors were not verified against the EPLS).

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Cause:

OEP contracts for engineering and design as well as construction are administered by the Department of Administrative Services (DAS). As a result of this arrangement, OEP relies on DAS to ensure SEP Management that the Certification Regarding Debarment, Suspension, and Other Responsibility Matters is included in all covered transactions.

According to discussions with OEP personnel, DAS believed that the requirement did not apply to contracts for services. Consequently, DAS failed to include the certification and failed to verify the suspension and debarment status of the vendors in engineering and design contracts. This resulted in two of the failures described above.

The additional failure of OEP to verify the suspension and debarment status of a vendor contracted under a covered transaction resulted from a similar relationship between OEP and the Department of Resources and Economic Development (DRED). The OEP treats DRED as a sub-recipient charging the agency with administration of the SEP Business Energy Efficiency Program. In entering into a contract constituting a covered transaction for SEP related activities, DRED failed to verify the suspension and debarment status of the vendor. This resulted in the third failure described above.

Effect:

By failing to include the Certification Regarding Debarment, Suspension, and Other Responsibility Matters in contracts for covered transactions, or verifying the suspended or debarred status of vendors on the EPLS; OEP is not in compliance with 2 CFR 180.300.

Additionally, failure to include the certification *and* verify the suspended or debarred status of vendors creates a situation wherein OEP risks inadvertently contracting with suspended or debarred parties. Reliance on the certification alone does not provide OEP with full assurance that the contracted party is not suspended or debarred. In only taking one of the two measures described above, OEP risks further incidents of non-compliance and potential questioned costs.

Questioned Costs:

None

Recommendation:

We recommend that the OEP institutes policies and procedures designed to ensure that Suspension and Debarment Certifications are included and verified for all covered transactions including those entered into on OEP's behalf by other State Agencies.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

OEP has reiterated the importance of this policy to the state agencies involved with implementing programs under the State Energy Programs (SEP) and will give this issue specific attention in upcoming monitoring.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-38

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award: 2009 ARRA SEP award # DE-EE0000228

Finding: *Weekly certified payrolls required for construction contracts subject to the requirements of the Davis Bacon Act should be received weekly and subject to review*

Criteria:

Per the Wage Rate Requirements under Section 1606 of ARRA, the ARRA portion of the SEP is subject to the requirements of the Davis Bacon Act. Accordingly, for federally funded construction contracts greater than \$2,000, OEP is required to obtain from the contractor or subcontractor a copy of the payroll and a statement of compliance weekly for each week in which work is performed (29 CFR sections 5.5 and 5.6).

Additionally, OEP is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements (2 CFR 215). This includes internal controls designed to assure program management that certified payrolls are being received weekly from contractors and subcontractors and that the certified payrolls received are complete, accurate and in compliance with the wage rate requirements dictated in the contract.

Condition:

During our testwork, we noted discrepancies in 4 out of 7 weeks tested. Two of the weeks tested evidenced that the OEP did not receive the certified payrolls weekly. It was noted that the payrolls for the entire month of February were submitted in one submission dated February 25 by the contractor. It was also noted that the certified payrolls did not evidence when they were received by the state.

In the other two weeks in which discrepancies were noted, we could not determine when the certified payrolls were received as the certified payrolls were not date stamped upon receipt. A review of e-mails exchanged between program personnel indicates that one of these two weeks may have been received as early as eight days after the end of the pay week while the other week was received at least four weeks after the end of the pay period and after the associated invoice was paid.

In all four of these instances a control requiring the review and approval of the associated certified payrolls by a Project Manager I, prior to the payment of associated invoices, failed indicating that OEP has not established and maintained internal controls designed to reasonably ensure compliance with the requirements of the Davis Bacon Act.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Cause:

OEP construction contracts are administered by the Department of Administrative Services (DAS). As a result of this arrangement, OEP relies on controls and processes in place at DAS to ensure SEP Management that federal compliance requirements over SEP construction contracts, including the weekly receipt of certified payrolls, are being met.

Effect:

By failing to receive the certified payrolls weekly, and to uniformly subject them to an adequate review and approval process prior to the payment of contract invoices; OEP fails to be in full compliance with the requirements of the Davis Bacon Act.

OEP also increases their risk that in the event that workers are paid incorrect wages, proper retribution can be made to the workers. Although state contracting procedures incorporates a retainer amount in construction related contracts, this retainer amount is in place to cover a myriad of potential problems that could result from non compliance with the terms of the contract including equipment failure, failure to perform adequately, or failure to comply with federal regulations. In the event that the retainer amount was inadequate to leverage full compliance with the terms of the contract, questioned costs could be incurred.

Questioned Costs:

None

Recommendation:

We recommend that the OEP improve their policies and procedures and internal controls in place over the collection, and the review and approval of certified weekly payrolls to ensure full compliance with the Davis Bacon Act, ARRA, and the SEP Grant.

Auditee Corrective Action Plan:

By the time the audit of SEP took place in the summer of 2010, changes to our policies and procedures had already been instituted to ensure more consistent compliance with Davis Bacon rules, including emphasis on weekly payroll records, by the Bureau of Public Works (BPW) which was responsible for the contracts in question for the Department of Administrative Services. These changes incorporated not only improvements in documentation but also incorporated further guidance from DOE regarding Davis Bacon, which was provided to OEP in a contract amendment dated May 9, 2010. These changes resulted in:

- a) OEP undertaking a site monitoring of the HVAC Phase I general contractor to address insufficiencies,
- b) Several discussions during bi-weekly meetings with BPW regarding the May, 2010 amendments from DOE as well as other protocols regarding who was to receive weekly payrolls, how to handle them, when to report to DOE, how to issue conformances, and monitoring requirements.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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- c) A thorough review of Davis Bacon compliance history in HVAC I and Envelopes I contracts by the Office of Economic Stimulus' Davis Bacon resident expert, Kathie Bourret, and finally,
- d) The removal of BPW's assigned staff member from oversight duties regarding Davis Bacon due to inadequacies in performance, and substitution of Kathie Bourret to oversee Davis Bacon on all State Buildings contracts under ARRA.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-39

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award: 2009 ARRA SEP award # DE-EE0000228

Finding: *OEP should verify sub-recipient compliance with section 1512(h) of the American Reinvestment and Recovery Act related to Central Contractor Registration*

Criteria:

Per section 1512(h) of the American Reinvestment and Recovery Act prime recipients of ARRA funds must identify to sub-recipients the requirement to register in the Central Contractor Registration (CCR), including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number.

In order to assure OEP that sub-recipients are in compliance with the requirement, it is the responsibility of the pass through entity to review whether or not sub-recipients receiving ARRA funding have current CCR registrations and to performed periodic checks to ensure that sub-recipients are updating information, as necessary.

Condition:

During our testwork, we noted that OEP does not have a system in place to verify if SEP sub-recipients receiving ARRA funds have current CCR registrations or to periodically check that sub-recipients are updating CCR information as necessary.

Although OEP has been requiring that sub-recipients submit a DUNS number to OEP prior to entering into a sub-recipient agreement, OEP does not verify that the number has been registered with the CCR.

Cause:

Based on discussions with program management, this appears to be the result of a misinterpretation of the requirement by program personnel.

Effect:

By failing to verify that sub-recipients have registered with the CCR, OEP risks contracting with a sub-recipient of SEP funds who is not in compliance with section 1512(h) of ARRA.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Questioned Costs:

None

Recommendation:

It is recommended that the OEP institute policies and procedures that require verification of SEP sub-recipient compliance with section 1512(h) of ARRA.

Auditee Corrective Action Plan:

OEP has revised its policy relative to documenting a subrecipient's Central Contractor Registration (CCR). Though we had been checking for the CCR, we did not print out the associated registration information. OEP will now print out a subrecipient's CCR and place it in the appropriate compliance file.

Anticipated Completion Date: Completed

Contact Person: Joanne Morin, Director Office of Energy and Planning

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-40

CFDA #81.041 State Energy Program (SEP)

*Grant Year and Award: 2010 SEP award # DE FG26 06R130472
2009 ARRA SEP award # DE-EE0000228*

Finding: *Program management should uniformly adhere to policies and procedures as related to subrecipient monitoring.*

Criteria:

As stated in 10 CFR 600.240 (a), Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities to assure compliance with the applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

In order to comply with this requirement grantees should maintain a system of internal controls over sub-recipient monitoring robust enough to assure program management that the monitoring efforts are adequate to ensure the sub-recipient's compliance with Federal laws, regulations, and the provisions of its contracts or grant agreements.

As part of their system of internal controls over sub-recipient monitoring, OEP has developed a risk assessment tool designed to determine the nature and extent of monitoring efforts required for a sub-recipient and a sub-recipient monitoring checklist designed to assure that monitoring efforts are performed in an objective manner that addresses all relevant compliance requirements.

Condition:

During our testwork, we noted that in one of four SEP subrecipients, OEP failed to complete a risk assessment tool designed to determine the extent and nature of monitoring required to assure OEP that the sub-recipient remains compliant with program requirements. It was also noted that the same sub-recipient was not subjected to on site monitoring visits. Instead the subrecipient was monitored via telephone and e-mail communication and a thorough review of supporting documentation.

It was also noted in two of the four sub-recipients tested that program management failed to utilize the subrecipient monitoring checklists when conducting their monitoring efforts.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Cause:

The cause appears to be program management's lack of uniform implementation of internal controls.

Effect:

By failing to utilize the risk assessment tool, OEP risks overlooking areas in which a particular sub-recipient may require additional monitoring activities to ensure compliance with federal regulations.

By failing to utilize the monitoring checklists and to conduct on-site visits; OEP jeopardizes the ability to detect and correct incidences of sub-recipient non compliance in a timely fashion. OEP also hinders their ability to assure that sub-recipient monitoring is performed in an objective manner that addresses all applicable compliance requirements for a given sub-recipient.

Questioned Costs:

None

Recommendation:

We recommend that the OEP uniformly adhere to policies and procedures in place as related to sub-recipient monitoring,

Auditee Corrective Action Plan:

Relative to the projects reviewed for this finding, 3 of the 4 risk assessments were completed, with the fourth partially completed. When the incomplete risk assessment was pointed out, the program manager completed it and placed it in the project file. While the risk assessment tool is very helpful to us, it is not the only tool we use to periodically evaluate a sub-recipient relative to ARRA compliance. OEP also discusses sub-recipient issues at the weekly staff meetings, conducts weekly calls and emails, and conducts desk monitoring. Since that time (in FY11), risk assessments have been updated for all programs, as well as program specific meetings and desk monitoring.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-41

CFDA #81.041 State Energy Program (SEP)

*Grant Year and Award: 2010 SEP award # DE FG26 06R130472
2009 ARRA SEP award # DE-EE0000228*

Finding: *OEP should improve internal controls over State Energy Program federal reporting requirements.*

Criteria:

As stated in 10 CFR 600.240 (a), Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities to assure compliance with the applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

In order to comply with this requirement, grantees should maintain a system of internal controls over the reporting requirements of federal programs robust enough to assure that required reports are submitted timely and with accurate information.

Condition:

During our testing, we noted that OEP does not have a system of internal controls in place over the financial reporting requirements of the State Energy Program (SEP). Federal financial reporting data for the SEP is collected and aggregated for reporting purposes by one individual and is not subject to the review of another individual prior to submission. This significantly inhibits the Office of Energy and Planning's (OEP) ability to prevent or detect any potential errors in the financial reporting data elements in a timely manner.

It was also noted in our testing that despite a quality control review in place over ARRA 1512 reporting, errors in reporting data elements were not detected prior to submission of the report resulting in the submission of faulty data.

Cause:

The lack of controls in place over federal financial reporting appears to be the result of lack of management oversight.

The failure of OEP's internal controls over ARRA 1512 reporting to prevent the submission of faulty data appears to be the result of a departure from the written procedures developed by OEP. OEP's documented

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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procedures dictate that the form used to collect ARRA 1512 reporting data be routed to the Business Director for population of the financial data elements before being routed to program management. The procedures then charge program management with reviewing the data entered by the Business Director for accuracy and completeness prior to completing the data and forwarding the form to the ARRA Compliance Officer for a quality control review.

According to discussions with OEP personnel, due to limited personnel resources, instead of routing the form through the Business Director for data input, the Business Director forwards the financial information to program management for input.

Effect:

The lack of controls in place over federal financial reporting inhibits OEP's ability to prevent or detect erroneous data from being included in their federal financial reports.

OEP's departure from prescribed procedures over ARRA 1512 reporting results in program management extracting and populating ARRA 1512 data elements that they are also responsible for reviewing for accuracy and completeness. This change in the prescribed process diminishes the effectiveness of program management's review of the financial data elements and consequently the effectiveness of the ARRA Compliance Officer's quality control review.

The diminished effectiveness of the internal controls over ARRA 1512 reporting has subsequently resulted in the submission of erroneous data elements and non-compliance with the ARRA 1512 reporting requirements of the SEP.

Questioned Costs:

None

Recommendation:

We recommend that the OEP institute a system of internal controls over federal financial reporting and that they re-evaluate their current system of internal controls over ARRA 1512 reporting. It is also recommended that instituted policies and procedures related to the internal controls over federal reporting requirements of the SEP be uniformly adhered to.

Auditee Corrective Action Plan:

The following is the quality control review we perform of these reports:

For the 1512 reports, our Business Director compiles the financial data. It then goes to the Program Manager for review. Finally, our Grants Manager reviews the information before it is filed with OMB.

For the Quarterly Financial Status Reports, the Business Director compiles the data and our Grants Manager reviews it before she files it with DOE.

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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We will better ensure that these reviews are comprehensive and thorough.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Energy
NH Office of Energy and Planning*

Finding 2010-42

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award: 2009 ARRA SEP award # DE-EE0000228

Finding: *OEP should enhance internal controls over payroll allocation to assure that payroll charges made to Federal programs are proper*

Criteria:

In order to receive cost reimbursement under Federal Awards, recipients of Federal Funds submit claims asserting that allowable and eligible costs have been incurred (direct and indirect) in accordance with OMB Circular A-87. Direct costs are defined as costs that can be specifically identified with a specific cost objective or Federal Program.

Condition:

During our testing of SEP direct payroll expenses, we noted that due to a data entry error in the processing of payroll, hours worked by one OEP employee were not properly charged to the ARRA SEP. The hours were instead charged to ARRA Weatherization and the Energy Efficiency and Conservation Block Grant programs. The error resulted in the SEP program being undercharged by \$961.50 in wages and more than \$307.34 of associated fringe benefits. Additionally, it was noted that another OEP employee had recorded 2.5 hours on ARRA SEP which was inadvertently charged to the Energy Efficiency and Conservation Block Grant. This resulted in ARRA SEP being undercharged by an additional indeterminable amount.

Cause:

Based on discussions with the Accounting Technician and the testing performed, this is the result of a data entry error made by the technician shortly after she started in her position. However, OEP does not have adequate internal controls in place to prevent or detect such an error in a timely manner.

Effect:

This error resulted in the ARRA SEP being undercharged and other Federal programs (ARRA Weatherization and ARRA Energy Efficiency and Conservation Community Block Grants) being overcharged by an indeterminable amount.

The lack of effective internal control(s) designed to prevent or detect this error in a reasonable amount of time places the OEP at risk of making additional improper charges to Federal programs.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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Questioned Costs:

\$1,269

Recommendation:

We recommend that OEP institute a system of internal controls designed to prevent or detect similar errors.

Auditee Corrective Action Plan:

OEP has implemented a quality control review of payroll data entry at two points in the process. Initially, the Accountant II creates an excel spreadsheet using data from individual timesheets. The Fiscal Assistant then checks the accuracy by cross-checking the data on the spreadsheet against the data on the individual timesheets. The Accountant II then enters the data into the Government Human Resource System (GHRIS). Prior to Gross to Net, the GHRIS reports and timesheet spreadsheet are reviewed by the Accountant III.

Contact Person: Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Education
Community College System of New Hampshire*

Finding 2010-43

CFDA #84.032 – Federal Family Education Loans

Grant year and Award: Various July 1, 2009 – June 30, 2010

Finding: *Students federal financial aid exceeded their need*

Criteria:

A student's eligibility to receive federal financial aid awards for an academic year is based upon their financial need. The student's financial need is defined as the difference between the student's cost of attendance (COA) and their expected family contribution (EFC), less any other financial aid (i.e.-state aid or scholarships). The EFC is computed by the U.S. Department of Education (DE), and is based upon information derived from the student's Free Application for Federal Student Aid (FAFSA).

Condition:

For 1 of the 65 students tested (2%) received federal financial aid awards in excess of their financial need.

Cause:

Failure of internal control

Effect:

The effect was that one student received aid that the student was not eligible to receive.

Questioned Costs:

\$931

Recommendation:

The CCSNH should implement policies and procedures to ensure that students are awarded financial aid commensurate to their need.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

The CCSNH Cost of Attendance (COA) policy includes a review of student enrollment to determine if an adjustment is required, which may involve an award modification. The student identified was initially awarded \$931 in subsidized Federal Family Education Loan Program (FFELP) funds and \$4,569 in unsubsidized FFELP. Following such a COA evaluation/adjustment for this student, he became ineligible for the subsidized portion of the FFELP. The \$931 has been reallocated to unsubsidized FFELP, which the student remained eligible for. The lender (PHEAA – Pennsylvania Higher Education Assistance Agency) has processed the reallocation, for a total of \$5,500 in unsubsidized FFELP and \$0 in subsidized FFELP, and the student has been notified of the adjustment.

Contact Person:

Susan Proulx, Director of Financial Aid Compliance

Anticipated Completion Date: Completed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Education
Community College System of New Hampshire*

Finding: 2010-44

*CFDA #84.063 – Federal Pell Grant Program
CFDA #84.032 – Federal Family Education Loans*

Grant Year and Award: Various July 1, 2009 – June 30, 2010

Finding: *Title IV funds were not returned within required timeframe*

Criteria:

Schools are required to return Title IV funds no later than 45 days after the institution determines that the student withdrew (34 CFR section 668.173(b)).

Condition:

For 2 of the 25 students tested (8%) of the Title IV refunds tested, the System did not return the funds to the Department of Education or the FFEL lender within the required 45 day time frame.

Cause:

Failure of internal control

Effect:

The effect was that the System was late in processing the returns to the Department of Education and the FFEL lender.

Questioned Costs:

None

Recommendation:

The CCSNH should implement policies and procedures to ensure that the return of Title IV funds is completed in a timely manner.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Auditee Corrective Action Plan:

Beginning with the 2010-2011 award year (7/1/10), CCSNH implemented a new system of controls over the Title IV disbursement process, cash management, and reporting to the Common Origination and Disbursement (COD) system. This development was driven by and designed for the conversion from the Federal Family Education Loan Program (FFELP) to ED's Direct Lending (DL) program. The new system of controls also enhanced the CCSNH procedures for management and monitoring of the return of Title IV funds.

When informed that a student withdrew during the semester or that a student failed to earn any credit at the end of the semester, a return of Title IV calculation is computed in the Financial Aid Office. The College's Financial Aid Director informs the College's Bursar/Business office to run the negative disbursement process to post the return amount on the student's account. This process holds for Pell, SEOG, ACG and DL funds. The Financial Aid Director submits a report to COD after each disbursement, systematically monitors and records the acceptance/return of the file from COD, and makes corrections as necessary. On a daily basis an automated report listing all pending disbursements/returns is generated and transmitted to the CCSNH System Cash Management Specialist (responsible for draw downs/return of excess cash). This Cash Management Specialist processes the required draw downs/excess cash returns in a timely fashion and communicates with each College Financial Aid Director, as well as the CCSNH Director of Financial Aid Compliance, if the amount available in G5 does not agree with what is expected. These layered controls ensure that returns of Title IV funds are made within the required 45 day timeframe.

Contact Person:

Susan Proulx, Director of Financial Aid Compliance

Anticipated Completion Date:

Complete

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Education
NH Department of Education

Finding 2010-45

CFDA # 84.394 State Fiscal Stabilization Fund - ARRA

Grant Award and Year: S394A0900S0A June 30, 2009- September 30, 2010

Finding: *The State did not identify to subrecipients the Federal award information and applicable compliance requirements at the time of the award*

Criteria:

At the time of the award, the pass-through entity is responsible for identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements (2 CFR section 215.51(a)).

Also, at the time of the award pass-through entities are responsible for identifying the amount of ARRA funds to their subrecipients and require their subrecipients to provide similar identification in their SEFA and SF-SAC (2 CFR section 176.210).

Condition:

The Department did not establish procedures to identify to subrecipients the Federal award information for the State Fiscal Stabilization Fund program at the time of the award.

The Department notified subrecipients of the Federal award information required subsequent to the initial subaward and prior to the State's fiscal year end of June 30, 2010.

Cause:

The cause is due to the lack of a formal policy to notify subrecipients of Federal award information in accordance with the Federal requirements.

Effect:

The Department cannot ensure that subrecipients are aware of applicable requirements of federal awards and ensure compliance with Federal requirements.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure that subrecipients are informed of the applicable Federal award information at the time of the award.

Auditee Corrective Action Plan:

We agree with the criteria, condition, cause, and effect. Grant Award Notification (GAN) letters have been issued to all Fiscal Year 2010 subrecipients. In the future, all ARRA SFSF subrecipients will be issued Grant Award Notification (GAN) letters prior to the award of funds. For the Education Jobs Fund, also subject to 2 CFR section 176, notification occurred prior to award.

Contact Person: Sally Fellows, Systems Development Specialist IV
Sergio Gonzalez, Administrator

Anticipated Completion Date: Completed

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Education
NH Department of Education

Finding 2010-46

CFDA # 84.394 and 84.397 State Fiscal Stabilization Fund - ARRA

Grant Award and Year: S394A0900S0A June 30, 2009- September 30, 2010

Finding: *Appropriately designed controls over reporting under the State Fiscal Stabilization program were not established*

Criteria:

Per M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, at a minimum, Federal agency, recipients, and sub-recipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by the Recovery Act.

Condition:

The Department did not establish procedures to ensure that 1512 reports submitted under ARRA during FY2010 were properly reviewed and agreed to underlying documentation to ensure accuracy and completeness of reported figures. This resulted in inaccurate information being reported within 1512 reports during FY2010.

We noted that the total expenditures reported under program # 84.397 were incorrect for the fiscal year. In addition, award date information and amounts reported under the payments to vendor's categories and sub-awards less than \$25,000 were incorrect in some instances on the reports selected for testing for programs #84.394 and #84.397.

Cause:

The cause is due to the lack of a properly designed control to ensure supporting documentation used to prepare reports is reviewed and maintained in a central location to ensure data quality.

Effect:

The Department cannot ensure that reports submitted are complete and accurate.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Recommendation:

We recommend that the Department implement policies and procedures to ensure that required reports are reviewed for completeness and accuracy prior to submitting them to the Federal Agency and that all supporting documentation is retained along with the report in a central location.

Auditee Corrective Action Plan:

We agree with the criteria, condition, cause, and effect. The New Hampshire Office of Economic Stimulus will implement additional checks to the ARRA Section 1512 State Fiscal Stabilization Fund (SFSF) quarterly reporting procedures that were in place during FY2010.

Contact Person: Sally Fellows, Systems Development Specialist IV
Jennifer Livingston, Administrator III

Anticipated Completion Date: Completed

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Education
NH Department of Education*

Finding 2010-47

CFDA # 84.394 State Fiscal Stabilization Fund - ARRA

Grant Award and Year: S394A0900S0A June 30, 2009- September 30, 2010

Finding: *The Department of Education did not establish procedures to ensure that maintenance of effort requirements under the State Fiscal Stabilization program were tracked for compliance with current information*

Criteria:

The executed grant agreement between the State of New Hampshire and the U.S Department of Education stipulates Maintenance of Effort (MOE) requirements that must be met. In the event the State anticipates that it will be unable to comply with one or more of the Stabilization program, MOE requirements of the application additional assurances must be provided.

Condition:

The Department of Education did not establish procedures to ensure that Maintenance of Effort requirements under the State Fiscal Stabilization program were tracked for compliance with current information.

The State demonstrated that compliance with MOE requirements would be met within the amended application for Initial Funding under the State Fiscal Stabilization program on April 30, 2010. However, the information used to demonstrate compliance was based on the information available at the time of the application and was not updated based on current information at the State's fiscal year end of June 30, 2010.

Cause:

The cause is due to the lack of a properly designed control to ensure maintenance of effort requirements under the program were tracked to ensure compliance.

Effect:

The Department cannot ensure that maintenance of effort requirements are met in accordance with the grant agreement.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure that maintenance of effort requirements are tracked on a regular basis with current information to ensure compliance.

Auditee Corrective Action Plan:

We agree with the criteria, condition, cause, and hypothetical effect. However, the April 30, 2010 amended application reflected State budget adjustments to FY10 and FY11 that were enacted in May 2010. The United States Department of Education does not require Maintenance of Effort (MOE) updating where “amounts ... are unlikely to be revised to such an extent that any revisions would affect the State’s ability to meet the criterion.” To trigger the need for an MOE waiver, State expenditures would need to be \$20 million less than anticipated (and mostly spent as of 4/30/10) in FY10, and \$150 million less than budgeted for FY11. We believe that we are in full compliance with MOE requirements and that any possible changes from the submitted MOE figures would definitely not cause an out of compliance condition.

Anticipated Completion Date: Not Applicable

Contact Person: Sally Fellows, Systems Development Specialist IV
Jennifer Livingston, Administrator III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Labor
NH Department of Resources and Economic Development

Finding 2010-48

CFDA 17.258 WIA ADULT PROGRAM
CFDA 17.259 WIA YOUTH ACTIVITIES
CFDA 17.260 WIA DISLOCATED WORKERS

Grant Year and Award:	17.258 AA171365J	ARRA	Feb 17, 2009 - June 30, 2011
	17.260 AA171365P	ARRA	Feb 17, 2009 - June 30, 2011
	17.259 AA171365L	ARRA	Feb 17, 2009 - June 30, 2011

Finding: Did not comply with ARRA subrecipient monitoring requirements

Criteria:

The requirements for subrecipient monitoring are contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)), OMB Circular A-133 (§__.225, §__.310(d)(5), §__.400(d)), A-102 Common Rule (§__.37 and §__.40(a)), and OMB Circular A-110 (2 CFR section 215.51(a)), program legislation, **Section 1512(h) of ARRA, 2 CFR section 176.50(c)**, Federal awarding agency regulations, and the terms and conditions of the award.

Per the Office of Management and Budget Circular A-133 Compliance Supplement, Federal agencies must require recipients to agree to:

- (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and
- (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition:

Based on our testwork performed and per review of subrecipient contracts and agreements, we noted that the Federal award and CFDA number were not made available to the subrecipients. In addition, program management did not perform reviews of the subrecipients A-133 audit reports to ensure that the subrecipients had appropriately identified ARRA dollars.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Cause:

Prior to October 1, 2009, the WIA program was managed by the Department of Labor and the Workforce Opportunity Council (WOC), a private agency, was the prime subrecipient in charge of distributing funding. At the time WOC entered into agreements with subrecipient and was not aware of the ARRA specific requirements. When WOC became a state agency on October 1, 2009 and became the Office of Workforce Opportunity (OWO) and the WIA program was transferred to the Department of Resources and Economic Development (DRED), all previous subrecipient contracts were transferred to the state as part of the DRED and WOC agreement. The additional information was communicated to the subrecipients at the time regarding ARRA awards.

Effect:

Subrecipients may not accurately identify ARRA awards in their A-133 audit reports as they are not aware of the federal funding.

Questioned Costs:

None

Recommendation:

We recommend DRED update subrecipient contracts to include all ARRA required elements.

Auditee Corrective Action Plan:

We concur. During the transition period from being an independent organization to being merged with DRED, OWO did not perform the monitoring at the level required. As part of DRED, OWO has engaged the services of the Department's internal auditor to perform this necessary review and analysis. The internal auditor has a reporting relationship to the Director of OWO, the Department's Business Manager and to insure independence to the Commissioner of the agency.

The monitoring programs are designed to:

- Review performance during the program and at the conclusion;
- Review both financial reporting and operational reporting;
- Review the identification of each subrecipient and ensure that their subrecipients are properly reported in SEFA and SF-SAC; and
- Review the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with the laws, regulations and the provisions of the grant agreement.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Contact Person: Tom Martin, Business Manager, Department of Resources and Economic
Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date: June 30, 2011

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

*U.S. Department of Labor
NH Department of Resources and Economic Development*

Finding 2010-49

**CFDA 17.258 WIA ADULT PROGRAM
CFDA 17.259 WIA YOUTH ACTIVITIES
CFDA 17.260 WIA DISLOCATED WORKERS**

Grant Year and Award:	17.258	AA171365J	ARRA Feb 17, 2009 - June 30, 2011
	17.260	AA171365P	ARRA Feb 17, 2009 - June 30, 2011
	17.259	AA171365L	ARRA Feb 17, 2009 - June 30, 2011
	17.260	EM193066B	April 1, 2009 - March 31, 2011
	17.258	AA16043XW	July 1 2007 - June 30 2010
	17.260	AA164043YG	July 1 2007 - June 30 2010
	17.260	AA16043ZM	July 1 2007 - June 30 2010
	17.259	AA160432D	July 1 2007 - June 30 2010
	17.258	AA171362J	July 1 2008 - June 30, 2011
	17.258	AA171362Y	July 1 2008 - June 30, 2011
	17.260	AA171362L	July 1 2008 - June 30, 2011
	17.260	AA171364A	July 1 2008 - June 30, 2011
	17.259	AA171362J	July 1 2008 - June 30, 2011
	17.258	AA186566X	July 1 2009- June 30, 2012
	17.258	AA186568D	July 1 2009- June 30, 2012
	17.260	AA186566Z	July 1 2009- June 30, 2012
	17.260	AA186568F	July 1 2009- June 30, 2012
	17.259	AA186566E	July 1 2009- June 30, 2012

Finding: Did not follow the State’s laws and procedures when entering into procurement contracts

Criteria:

Per 2 CFR section 215.43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient’s interest to do so.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Further, per the A-133 Compliance Supplement, States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Condition:

During our review of subrecipient contracts, we noted that no contracts were awarded under the State's laws and procedures which requires contracts to be bid.

Cause:

Prior to October 1, 2009, the WIA program was managed by the Department of Labor and the Workforce Opportunity Council (WOC), a private agency, was the prime subrecipient in charge of distributing funding. At the time WOC entered into agreements with subrecipients and followed their own policies and procedures which did not include soliciting bids and going through a formal bidding process. When WOC became a state agency on October 1, 2009 and became the Office of Workforce Opportunity (OWO) and the WIA program was transferred to the Department of Resources and Economic Development (DRED), all previous subrecipient contracts were transferred to the state as part of the DRED and WOC agreement. Part of the agreement included a clause that all contracts previously in place would be transferred to the State without being re-bid.

Effect:

Contracts with subrecipients might not be awarded to the lowest bidder which might over-use State funds.

Questioned Costs:

Unable to determine.

Recommendation:

We recommend DRED solicit new bids for all contracts in place to comply with the State's procurement policies.

Auditee Corrective Action Plan:

We concur in part. The acquisitions of these services prior to merging into State Government were processed through an appropriate procurement process. When the Office merged into State Government, these contracts were continued in place and when expired, these services will be put out for competitive bidding.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Contact Person: Tom Martin, Business Manager, Department of Resources and Economic
Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<i>U.S. Department of Labor</i>		<i>Finding 2010-50</i>	
<i>NH Department of Resources and Economic Development</i>			
<i>CFDA 17.258 WIA ADULT PROGRAM</i>			
<i>CFDA 17.259 WIA YOUTH ACTIVITIES</i>			
<i>CFDA 17.260 WIA DISLOCATED WORKERS</i>			
<i>Grant Year and Award:</i>	17.258	AA171365J	ARRA Feb 17, 2009 - June 30, 2011
	17.260	AA171365P	ARRA Feb 17, 2009 - June 30, 2011
	17.259	AA171365L	ARRA Feb 17, 2009 - June 30, 2011

Finding: *Did not separately identify ARRA funding*

Criteria:

Per 2 CFR section 176.20(b), to maximize transparency of Recovery Act funds required for reporting by the assistance recipient, the award official shall consider structuring assistance awards to allow for separately tracking Recovery Act funds.

Condition:

Based on our review of the Statement of Appropriations which is generated from the State’s accounting system, we noted only one organization code for the WIA cluster, which did not separately identify ARRA funding. We noted that the Office of Workforce Opportunity (OWO), the State Agency managing the program, separately identifies ARRA funding in their own accounting system, Fundware, but noted no separate identification in the State’s accounting system.

Cause:

Lack of resources to appropriately ensure proper tracking on the Statement of Appropriation.

Effect:

ARRA funding might not be appropriately identified on the Schedule of Expenditures and Financial Awards (SEFA).

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Recommendation:

We recommend DRED include a separate organizational code for ARRA funding.

Auditee Corrective Action Plan:

We concur in part. When the OWO was merged into Department in October 2009, we decided to stay with two primary accounting units. This decision was based on the Office's proven track record of using their grant ledgers effectively to provide segregation of costs for existing several active grants. The shared nature of costs across grants including personnel costs makes breaking out each grant into a separate accounting unit difficult given the current budgeting practices and labor distribution payroll system shortcomings. When the ARRA funds were received, we continued the existing accounting model of maintaining only the primary accounting units and relied on the grant ledgers of OWO which we believe provide for the required separation of costs. In the future, our plan is to utilize the activity module of the Lawson ERP system, which will provide the necessary separation of costs on the statewide accounting system.

Contact Person: Tom Martin, Business Manager, Department of Resources and Economic Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date: June 30, 2011

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

*U.S. Department of Labor
NH Department of Resources and Economic Development*

Finding 2010-51

**CFDA 17.258 WIA ADULT PROGRAM
CFDA 17.259 WIA YOUTH ACTIVITIES
CFDA 17.260 WIA DISLOCATED WORKERS**

Grant Year and Award:	17.258	AA171365J	ARRA Feb 17, 2009 - June 30, 2011
	17.260	AA171365P	ARRA Feb 17, 2009 - June 30, 2011
	17.259	AA171365L	ARRA Feb 17, 2009 - June 30, 2011
	17.260	EM193066B	April 1, 2009 - March 31, 2011
	17.258	AA16043XW	July 1 2007 - June 30 2010
	17.260	AA164043YG	July 1 2007 - June 30 2010
	17.260	AA16043ZM	July 1 2007 - June 30 2010
	17.259	AA160432D	July 1 2007 - June 30 2010
	17.258	AA171362J	July 1 2008 - June 30, 2011
	17.258	AA171362Y	July 1 2008 - June 30, 2011
	17.260	AA171362L	July 1 2008 - June 30, 2011
	17.260	AA171364A	July 1 2008 - June 30, 2011
	17.259	AA171362J	July 1 2008 - June 30, 2011
	17.258	AA186566X	July 1 2009- June 30, 2012
	17.258	AA186568D	July 1 2009- June 30, 2012
	17.260	AA186566Z	July 1 2009- June 30, 2012
	17.260	AA186568F	July 1 2009- June 30, 2012
	17.259	AA186566E	July 1 2009- June 30, 2012

Finding: Did not perform during-the-award monitoring procedures

Criteria:

Per the Office of Management and Budget Circular A-133 Compliance Supplement, the State Agency must perform *During-the-Award Monitoring* – “Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

In addition, the Federal Office of Management and Budget Circular A-133 Section ___400(d) requires a pass through entity to perform the following for the Federal Awards it makes:

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients ...have met the audit requirements of this part for that fiscal year.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

The Workforce Investment Act (WIA) section 184(a)(4) also stipulates that each State must have a subrecipient monitoring system which provides for annual on-site monitoring reviews of a subrecipients in compliance with U.S. Department of Labor uniform administrative requirements. Further, each State must have a subrecipient monitoring system that ensures established policies to achieve program quality and outcomes meet the WIA objectives and, enable the Governor to determine if subrecipients are in substantial compliance with WIA requirements.

Condition:

Based on testwork performed and per inquiry with program management, no during the award monitoring procedures were performed during the current fiscal year.

A similar finding was noted in the prior year single audit report.

Cause:

Not enough program staff availability to perform monitoring procedures.

Effect:

DRED is not performing formal during the award monitoring procedures to ensure:

- Federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements, and
- Performance goals are achieved.

DRED is not effectively monitoring the subrecipients.

Because of the above, DRED cannot evaluate the impact of its subrecipient activities on the Department's ability to comply with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable.

Questioned Costs:

Unable to determine

Recommendation:

We recommend DRED perform annual on-site monitoring visits for their subrecipients.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Auditee Corrective Action Plan:

We concur. During the transition period from being an independent organization to being merged with DRED, OWO did not perform the monitoring at the level required. As part of DRED, OWO has engaged the services of the Department's internal auditor to perform this necessary review and analysis. The internal auditor has a reporting relationship to the Director of OWO, the Department's Business Manager and to insure independence to the Commissioner of the agency.

The monitoring programs are designed to:

- Review performance during the program and at the conclusion;
- Review both financial reporting and operational reporting;
- Review the identification of each subrecipient and ensure that their subrecipients are properly reported in SEFA and SF-SAC; and
- Review the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with the laws, regulations and the provisions of the grant agreement.

Contact Person: Tom Martin, Business Manager, Department of Resources and Economic Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date: June 30, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

<p><i>U.S. Department of Labor</i> <i>NH Department of Employment Security</i></p> <p><i>CFDA #17.207 Employment Services</i> <i>#17.801 Disabled Veterans' Outreach Program</i> <i>#17.804 Local Veterans' Employment Representative Program</i></p> <p><i>Grant Year and Award: 2010 ES-19217-09-55-A-33</i> <i>2010 DV-19658-10-55-5-33</i></p>	<p><i>Finding 2010-52</i></p>
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Finding: *Employment Services reports not submitted timely*

Criteria:

The Department of Employment Security (Department) is responsible for submitting several quarterly reports to the US Department of Labor (USDOL) related to the Employment Services (ES) functions in New Hampshire. The ES program and its Veterans related components all require reports to be submitted timely and to contain complete and accurate data at the time of submission.

Condition:

During testing we identified the following three Employment Services performance reports that were not submitted timely:

	<u>Period Ending</u>	<u>Date Due</u>	<u>Date Submitted</u>
ETA 9002	6/30/2010	8/15/2010	9/16/2010
VETS 200	12/31/2009	1/2/2010	6/30/2010
VETS 200	6/30/2010	8/15/2010	9/16/2010

According to the Department personnel responsible for the report submissions, the reports were filed late due to issues with the DRVS Data Validation Software that was provided by the U.S. Department of Labor and is required to be used in conjunction with the submission of the reports.

Cause:

Lack of understanding and support for the DRVS System used to compile and produce required quarterly reports

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Effect:

The Department is not in compliance with the reporting requirements of the Employment Services Cluster due to late report filings. We noted that the Department was in contact with the U.S. Department of Labor (USDOL) informing them of the reporting issues and reasons for the delay.

Questioned Costs:

None

Recommendation:

The Department should continue to work with USDOL to ensure that all obstacles to producing and submitting required reports are overcome. The Department should continue to keep USDOL updated on any issues that prevent the Department from meeting its reporting requirements.

Auditee Response:

Prior to the submittal of the quarter ending 6/30/10 ETA 9002 and Vets 200 reports, the US Department of Labor provided DRVS Data Validation Software changes for the production of said reports. NH Employment Security and NH Department of Information Technology staff attempted to incorporate the new software and have it work compatibly with the existing software. This was met with no success. Subsequently state staff had many email messages requesting assistance and advice from the regional and federal USDOL office staff and several conference calls with the federal staff and the vendor hired by USDOL for this new software. Initially, neither the federal staff nor the vendor had any idea as to the cause of the problem being experienced by other states as well as NH. It took them some time to determine a possible solution and then create the appropriate “patches”. Eventually a fix was installed and the program did function. The reports were not submitted timely due to the fact that it required more than one month to determine what was wrong with the software and provide the appropriate patches. These items were not in the control of NH Employment Security staff.

The Vets 200 quarterly report for quarter ending 12/31/09 had a due date of 2/15/2010, not the 1/2/2010 date indicated in the report. NH Employment Security has copies of confirmation pages which state that the Vets 200 reports for quarter ending 12/31/09 were submitted and certified on 2/12/10. This date is prior to the 2/15/10 due date, consequently the report was submitted timely. For unknown reasons, the federal staff did contact us many months later stating they had not received the report. The Vets 200 report for this quarter was then resubmitted and recertified on 6/30/10 per the federal government request as they could not locate the original submittal. NH Employment Security did initially submit this report timely.

Contact Person: Doris Lachance, Director of Employment Services Compensation Bureau

Anticipated Completion Date: August 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Labor
NH Department of Employment Security*

Finding 2010-53

CFDA #17.225 Unemployment Insurance

Grant Year and Award: 2010 UI-19597-10-55-1-33

Finding: *No evidence of work search obtained prior to payment of benefits*

Criteria:

The Unemployment Compensation program is a Federal/State partnership that is based on Federal Statute and implemented through State Law. One of the many state responsibilities includes determining claimant eligibility and disqualification provisions.

NH RSA 282-A:31 Benefit Eligibility Conditions, states that: “I. An unemployed individual shall be eligible to receive benefits with respect to any week only if the commissioner finds that...(d) He or she is available for *and seeking* (emphasis added) permanent, full-time or part-time work for which he or she is qualified provided that, if availability is limited to part-time work, the claim for unemployment benefits is based on wages earned in part-time work.”

Administrative Rule Emp 501.02, Registration for Work, further clarifies RSA 282-A:31 by stating that: “(a) No benefits shall be paid for a week of unemployment unless the individual has on file in that week an active registration for work.

(b) The filing of an initial claim pursuant to Emp 501.03 shall be sufficient registration for work for an individual who:

- (1) Has filed claims for no more than 2 weeks of benefits following the filing of an initial claim;
or
- (2) Is not required to report for employment services pursuant to Emp 501.11 and is exempted from searching for work pursuant to Emp 501.12.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

(c) No individual shall be considered to have on file an active registration for work for a week after the second week for which benefits have been claimed following the filing of an initial claim unless during such week the individual is registered on the New Hampshire department of employment security job match system at www.nhes.state.us if such individual:

- (1) Resides in New Hampshire; or
- (2) Resides outside of New Hampshire but within 25 miles of a New Hampshire Employment Security office.”

In addition to the State Law and Rule requiring work search efforts, claimants receiving benefits under the Extended Benefits (EB) program are required to make a “systemic and sustained effort” to seek work and must provide “tangible evidence” of the search.

Condition:

The Department of Employment Security (Department) currently requires claimants to submit a separate Continued Claim Application for each week of Unemployment Compensation claimed. Claimants are required to keep track of employment searches using work search forms, however, the forms are not required to be submitted to the Department unless specifically requested during the course of an audit or investigation. While the Continued Claim Application includes questions related to availability for work and performance of work during the week, there is no specific reference to the claimant’s requirement to search for work.

To assist claimants in seeking permanent work, the Department developed a Job Match System (JMS) which matches registered claimants to available jobs that utilize their specific skill set. While registration in the Job Match System is required per the Claimant Handbook, there is no manual verification or NHUIS Benefit System control to ensure that an individual is registered in the Job Match System prior to the disbursement of benefit checks.

During Eligibility testwork, we identified 10 instances out of 65 selections when a benefit payment was made to a claimant who was not registered in JMS and did not file a completed Work Search Form. In 5 of the 10 instances, the claimant was registered within JMS at the date of the benefit payment. The remaining 5 individuals remained unregistered at the time of testing.

Cause:

The newly implemented benefit system (NHUIS) was not adequately interfaced with the Job Match System. Increased claim volume resulting in pressure from management to process benefit payments quickly.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Effect:

The Department is at an increased risk of paying benefits to ineligible claimants who are not seeking permanent work as required by statute. Since the Department finds itself partly at fault for the lack of enforcement of this requirement, management has indicated that it would not seek repayment of benefits paid to individuals who were not registered in JMS.

Questioned Costs:

None

Recommendation:

The Department of Employment Security should implement controls to ensure that all claimants who are required to search for work are providing evidence of their work search activities prior to receiving benefit payments. In accordance with RSA 282-A:31, a claimant who fails to produce a listing of work search activities for a given week should be found non-monetarily ineligible to receive benefits during the requested week.

Auditee Response:

We believe there is no specific requirement that the Department preview a claimant's work search prior to issuing payment. Department rules allow for subsequent review of work search activities to ensure proper payments were made.

In terms of registration requirements, the New Hampshire Unemployment Insurance System (NHUIS) collects all of the information necessary during the initial claims process to constitute registration of a claimant with the New Hampshire Employment Security's Employment Service Program. With the implementation of this system in August 2009, all persons who file claims against the state of New Hampshire are automatically registered for work with the employment service by the act of certifying their application. Although the filing of an initial claim is sufficient to meet the basic work registration requirements, it was not until July 30, 2010 that the registration was automatically transferred to the Department's job match system to assist with additional re-employment activities.

When a claimant files an Initial Claim (IC), before s/he certifies that the information provided is correct, s/he is presented with a certification page that states:

"I certify that I am partially or totally unemployed. I hereby make application for determination of my eligibility to collect unemployment benefits and register for work, unless specifically exempted. I understand that the law provides penalties for false statements made to obtain benefits." The individual must acknowledge and accept the statements on this page in order to complete their application. In doing so, they are considered registered for employment services and have met the requirements of EMP 501.02, thus be eligible for payment.

The New Claim Instruction Sheet sent to the claimant the day after any claim is filed includes the statement:

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Unless this department has specifically told you that you do not have to, you must actively look for work in your usual occupation each week you file for unemployment benefits. You must document your work search efforts and provide this documentation for review when asked.

The Claimant Rights & Obligations Book available on-line and in any Local Office lists specific eligibility requirements including:

You must actively look for work, keep a list of employers you contact about a job and the activities you perform as part of looking for work, such as websites visited or networking groups you participate in. Each week, you must try to find work on your own by contacting employers who are likely to have work in your usual occupation. If you cannot find work in your regular occupation, you are expected to look for work in other occupations for which you are qualified.

The claimant is notified that they are required to look for work in all of the above ways. Worksearch is reviewed during Reemployment Assessment meetings, Eligibility Review meetings, Profiling meetings and/or through Quality Control reviews.

By asking a claimant whether they are able to work and available for work on each week's continued claim, the inference is that the individual, by answering YES to each of these questions, is acknowledging that they remain attached to the labor market and would accept work offered as a result of looking for work. The question, "Did you refuse any offer of work?" is also asked on each form.

Starting with continued claims filed or entered after 11/4/2010, worksearch records are required to be submitted as part of filing or entering the continued claim. This is applicable to all continued claims filed by claimants via the web application and all continued claims entered directly by staff. There is no technical method to collect the worksearch records for individuals filing a continued claim via the automated phone system, however, we are currently working with the phone vendor to add a question to the continued claim, "During the week you are claiming, did you look for work that you are capable of doing and would accept if offered?". If the claimant answered "No", a stop-payment issue would be entered. If the claimant answered "Yes", a second question would be presented, "How many work search contacts did you make this week?".

In regards to EB claimants, worksearch was also being randomly reviewed until 5/17/2010. At that time, a process was implemented whereby every EB claimant received a letter with specific instruction about the worksearch requirement and what "systematic and sustained" meant in layman's terms. Every claimant was required to submit worksearch and every worksearch record was reviewed. New Hampshire is no longer paying EB as our unemployment dropped below the threshold.

Contact Person: Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date: July 30, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Labor
NH Department of Employment Security*

Finding 2010-54

CFDA #17.225 Unemployment Insurance

Grant Year and Award: 2010 UI-19597-10-55-1-33

Finding: *Ineffective Information Technology General Controls (ITGC) related to the New Hampshire Unemployment Insurance System*

Criteria:

The Unemployment Compensation program is a Federal/State partnership that is based on Federal Statute and implemented through State Law. One of the many state responsibilities includes establishing a system of controls in determining claimant eligibility.

The A-102 Common Rule and OMB Circular A-110 (2CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition:

The New Hampshire Department of Employment Security (NHDES) had managed their claimants' eligibility and payments through a mainframe application, New Hampshire Unemployment System (NHUS), up until August 2009 when the system was converted to a new eligibility system - New Hampshire Unemployment Insurance System (NHUIS). Unlike the previous unemployment system, many of the controls surrounding eligibility determinations are electronic and now reside in the NHUIS.

As a result of our audit, we determined that certain Information Technology General Controls (ITGC) surrounding the NHUIS system were determined to be ineffective.

- In the NHUIS benefit system, application roles are used to control user access privileges. However, we noted that superuser access (access to all application functions and capabilities) had been granted to 69 application users and the job responsibilities of many of the superusers was not properly aligned with their assigned roles.
- As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that testing and subsequent authorization was not consistently or comprehensively documented on the change request forms stored in the system's change tracking application.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Cause:

Management indicated that NHES planned to create new roles to better align application privileges to job responsibilities and to conduct periodic reviews of user access and access privileges, but due to limitations in time and resources, the roles have not yet been created nor the reviews conducted.

Effect:

Excessive access to application functions and capability increases the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error or fraud.

Additionally, an absence of formal testing with appropriate sign-off by both information systems and user management increases the risk that unauthorized or untested changes could be migrated into production. Further, weak controls over the individuals who can migrate changes into production increases the risk that unauthorized changes could be put into production.

Questioned Costs:

None

Recommendation:

While it is recognized that some experienced business users may need to be granted superuser privileges to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced.

NHDES should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Additionally, management should ensure that users with superuser access have their system activity logged and the logs periodically reviewed by an appropriate individual or group of individuals to identify any unauthorized persons with access and authorized users with inappropriate access privileges.

Information technology management should review change management procedures associated with NHUIS and introduce the following:

- require development and support staff to ensure that all appropriate information relative to change testing (application and infrastructure) and migration is captured in the change management system.
- restrict the number of persons with the system access to migrate changes into production and to require all migrations to be fully authorized by appropriate management before migration.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Auditee Corrective Action Plan:

In the NHUIS benefit system, application roles are used to control user access privileges. However, we noted that superuser access (access to all application functions and capabilities) had been granted to 69 application users and the job responsibilities of many of the superusers was not properly aligned with their assigned roles.

Colleen O'Neill, Internal Security Officer, authorizes access levels and any changes thereto. NHUIS business team will work with Mrs. O'Neill and the appropriate Unit Supervisors to reevaluate all individuals with superuser access in the production environment and determine their appropriate access level. Their level will be reassigned and/or new roles established as necessary to address segregation of duty controls and provide minimum access privileges. The due date for completion of the review and update of the 69 listed superusers is March 31, 2011.

As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that testing and subsequent authorization was not consistently or comprehensively documented on the change request forms stored in the system's change tracking application.

Program staff were trained and provided a reference document about the expected process and documentation when creating, tracking and closing defects, enhancements and support items, using Harvest as the change management tool. The reference document will be updated and redistributed, with additional explanation as to the importance of following the process and that failure to do so may result in counseling and/or disciplinary action.

Regarding formal sign-off before moving items into production, a formal sign-off document is not required for every fix that passes User Acceptance Testing and approved for move to production. There is a spreadsheet that is used to track all items sent to the Test Team. That spreadsheet includes a column that captures YES or NO in regards to whether the Test Team has successfully tested the item. YES authorizes move to production. NO indicates testing is not complete and/or the fix has been rejected because testing failed. Other columns capture the status any given day – test in progress, rejected, pending batch to verify, etc.

There is a formal Infrastructure change request process that is required to be followed by the Information technology staff for handling change requests.

The Chief Information Officer (CIO) must approve exceptions to this policy in advance.

Contact Person: Dianne Carpenter, Director of Unemployment Compensation Bureau.

Anticipated Completion Date: March 31, 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

U.S. Department of Labor
NH Department of Employment Security

Finding 2010-55

CFDA #17.225 Unemployment Insurance
CFDA #17.207 Employment Service/Wagner-Peyser Funded Activities.

Grant Year and Award: UI-19597-10-55-1-33 2010
ES-19217-09-55-A-33 2010

Finding: Insufficient verification process for review of vendor suspension or debarment status

Criteria:

29 CFR 97.35 states in part, “Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs...”

Condition:

The State’s fiscal year 2009 Single Audit Report contained a finding related to a lack of evidence of the Department of Employment Security’s query of the Excluded Parties List System (EPLS). In response to the finding, the Department stated its intent to include printed evidence of its EPLS queries within the contract files. The Department also intended to conduct annual EPLS queries for vendors with multi-year contracts.

We noted that while none of the vendors selected for testing appeared to be suspended or debarred from receipt of federal funds, there was no evidence that a search of the EPLS was conducted during the fiscal year ending 6/30/10 in 8 of the 9 selections. Three selections included evidence of EPLS searches conducted in August 2010, three included evidence of EPLS searches conducted in September 2010, and two selections had no evidence of an EPLS search.

Cause:

Increased claimant activity, frequent federally mandated benefit extensions, and issues related to the implementation of the new benefit system (NHUIS) resulted in failure to meet anticipated completion date.

Effect:

The Department is at increased risk that a contract or subaward will be made with a party that is suspended or debarred from receipt of federal funds.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs:

None

Recommendation:

The Department should implement controls to ensure that the EPLS is checked periodically for applicable vendors and to ensure that evidence of the search is maintained. Policies and procedures specifying the timing and frequency of EPLS queries and their retention should be enforced and monitored. These policies should explicitly include all federal program contractors and vendors, including those contracts made on behalf of the Department of Employment Security by the Department of Information Technology, the Department of Administrative Service, or any other related agency.

Auditee Response:

NHES, Administrative Services Purchasing department will follow the below process to correct use of Query of Excluded Parties List System (EPLS).

- 1) Prior to NHES utilizing any new contracts for services or purchases, Administrative Services Purchasing Department Personnel will query through the EPLS network the contractor or contract company to ensure that they are not listed in the EPLS files as an unacceptable contractor. A copy of the EPLS document will be printed and kept on file in the NHES office.
- 2) At the beginning of each fiscal year, any multi year contracts that are to be used in the new fiscal year will be queried through the EPLS network to ensure they are still an acceptable contractor. New EPLS documents will be printed out and filed accordingly in the NHES office.

Contact Person: Ernie Liakas, Administrative Services Supervisor

Anticipated Completion Date: July 1, 2011

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Labor
NH Department of Employment Security*

Finding 2010-56

CFDA #17.225 Unemployment Insurance

Grant Year and Award: 2010 UI-19597-10-55-1-33

Finding: *Accuracy and availability of data used in Federal reports needs improvement*

Criteria:

The Department of Employment Security (Department) is responsible for submitting several quarterly and/or monthly reports to the US Department of Labor (USDOL) related to the Unemployment Compensation program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

Condition:

The Department implemented a new benefit payment system (NHUIS) in August 2009 and immediately had difficulty extracting complete and accurate data for use in federal reports. Discrepancies in reported amounts were identified and addressed as they became known. These issues led to the late filing of several reports for the quarters ending 9/30/09 and 12/31/09, including the ETA 191, ETA UI3, and ETA 563.

Testing also revealed several instances of reports filed to the USDOL with inaccurate data. Examples of these reports are ETA 227, ETA 563, ETA 2112, and ETA 581. Per discussions with Department staff responsible for the ETA 227 and ETA 563 reports, the reports were filed by the Department with known discrepancies. For the ETA 227 reports, estimates were used. For the ETA 2112 and ETA 581 the reports contained inaccurate data; however, it appears that the Department believed the data to be correct at the time of filing. When the Department became aware of potential issues with the NHUIS data extraction, a review of previously submitted reports detected the data discrepancies and identified the need to file revised reports.

Cause:

The cause appears to be a lack of familiarity with the new benefit payment system data elements. System issues related to benefit payments were given top priority over known reporting issues.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program due to late report filings and report filings containing inaccurate data. We noted that the Department was in contact with the U.S. Department of Labor (USDOL) informing them of the reporting issues and reasons for the delay for many of the required reports. We also noted that the Department appears to have submitted revised reports when new information or revisions to old information became available.

Questioned Costs:

None

Recommendation:

The Department should continue to improve the reporting function of its new benefit system, NHUIS, and continue to keep USDOL updated on any issues that appear to prevent the Department from filing accurate and timely reports. The Department should consider implementing a formal policy prohibiting staff from filing reports to USDOL when known data discrepancies exist.

Auditee Response:

NH Employment Security (NHES) experienced some challenges with the initial implementation of its new unemployment insurance benefit system, NHUIS. As noted in the finding, the United States Department of Labor (USDOL) was kept apprised by NHES of the circumstances surrounding our reporting issues. NHES has submitted revised reports as required.

The reporting errors associated with the ETA 227 and 563 reports are due to functional anomalies in the transactional coding. The fundamental transactional errors are diligently being addressed and when completed should address the reporting errors encountered.

Contact Person: Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date: In progress

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-57

CFDA #93.563 Child Support Enforcement

<i>Grant Year and Award:</i>	0904NH4004	7/1/09-9/30/09
	1004NH4004	10/1/09-12/31/09

Finding: *Interstate case activities not performed within required timeframes - Initiating*

Criteria:

Per 45 CFR section 303.7 (b)(2) Except as provided in paragraph (b)(1) of this section, within 20 calendar days of determining that the absent parent is in another State, and, if appropriate, receipt of any necessary information needed to process the case, refer any interstate IV - D case to the responding State's interstate central registry for action, including URESA petitions and requests for location, document verification, administrative reviews in Federal income tax refund offset cases, wage withholding, and State income tax refund offset in IV - D cases.

Condition:

During our testwork, we noted that for 2 out of 40 selected cases, the state did not forward the case to the responding state within 20 calendar days of determining the absent parent is in another State.

A similar finding was noted in the prior year.

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities. In addition, heavy case-load leads to lack of monitoring of time frame requirements.

Effect:

Increased difficulty on the part of another State's Child Support Enforcement to correctly and efficiently perform its operations regarding a State of New Hampshire case in a timely manner.

Questioned Costs:

None

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

The two (2) cases cited for noncompliance were noncompliant. The Department will continue to utilize reports and review process timeframes with staff to meet compliance requirements.

Contact Person: Ed Lovejoy, Business Administrator
Jean Marston, Regional Manager DCSS

Anticipated Completion Date: April 2011

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-58

CFDA #93.563 Child Support Enforcement

Grant Year and Award: 0904NH4004 7/1/09-9/30/09
 1004NH4004 10/1/09-12/31/09

Finding: *Case activities not performed within required timeframes*

Criteria:

Per 45 CFR section 303.2(b), for all cases referred to the IV-D agency or applying for services under § 302.33 of this chapter, the IV-D agency must, within no more than 20 calendar days of receipt of referral of a case or filing of an application for services under § 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.

Per CFR section 303.4(d), within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order and, if necessary, paternity (or document unsuccessful attempts to serve process, in accordance with the State's guidelines defining diligent efforts under § 303.3(c)).

Condition:

During our testwork, we noted that for 6 out of 25 cases tested, the State did not open a case by establishing a case record and determining necessary action. We noted that these 6 cases were entered into the NECSES system within 20 calendar days of receipt, but were not initiated on the system to determine if necessary action was needed within the 20 days.

In addition, during our testwork, we noted that for 4 out of the 25 cases tested an order was not established within 90 days of locating the alleged father or noncustodial parent. We noted that when the case was referred to legal for processing, the noncustodial parent was located, and a support order was not issued within a 90 day window.

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities. In addition, heavy case-load leads to lack of monitoring of time frame requirements. For support orders not being issued within 90 days, this is also due to lack of court follow-up on cases identified that need an order.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Effect:

Increased difficulty on the part of another State's Child Support Enforcement to correctly and efficiently perform its operations regarding a State of New Hampshire case in a timely manner.

Questioned Costs:

None

Recommendation:

We recommend that the Department strengthen procedures regarding cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

A review of the six (6) cases that were not opened within twenty (20) calendar days concluded that half of the cases were from one office and there was a misunderstanding of the timeframe being calendar days and not working days. That has been clarified with the office and will be monitored for compliance. The remaining three (3) cases were noncompliant. The issue will be corrected by closer monitoring of reports provided to the offices and a review with staff of the timeframes.

The four (4) cases cited as noncompliant in establishment of a court order ninety (90) days from locating the noncustodial parent were confirmed as out of compliance. The Department will review timeframes and processes with reports and follow-up to improve compliance.

Anticipated Completion Date: April 2011

Contact Person: Ed Lovejoy, Business Administrator
Jean Marston, Regional Manager DCSS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

*U.S. Department of Health and Human Services
NH Department of Health and Human Services*

Finding 2010-59

CFDA #93.563 Child Support Enforcement

<i>Grant Year and Award:</i>	0904NH4004	7/1/09-9/30/09
	1004NH4004	10/1/09-12/31/09

Finding: Interstate case activities not performed within required timeframes - Responding

Criteria:

Per 45 CFR section 303.7(a)(2) Within 10 working days of receipt of an interstate IV- D case from an initiating State, the central registry must:

- (i) Ensure that the documentation submitted with the case has been reviewed to determine completeness;
- (ii) Forward the case for necessary action either to the State PLS for location services or to the appropriate agency for processing;
- (iii) Acknowledge receipt of the case and ensure that any missing documentation has been requested from the initiating State; and
- (iv) Inform the IV - D agency in the initiating State where the case was sent for action.

Per 45 CFR section 303.7(c)(4) Within 75 calendar days of receipt of an Interstate Child Support Enforcement Transmittal Form, a URESA Action Request Form or other alternative State form and documentation from its interstate central registry, the IV - D agency must:

- (i) Provide location services in accordance with _303.3 of this part if the request is for location services or the form or documentation does not include adequate location information on the absent parent.

Condition:

During our testwork, we noted that the 1 out of 25 responding cases tested, the State did not comply with the 10 working day requirement for notifying the initiating State of receipt of the case. For 4 out of 25 responding cases tested, the State did not provide location services within 75 calendar days or receipt of the case.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities. In addition, heavy case-load leads to lack of monitoring of time frame requirements.

Effect:

Increased difficulty on the part of another State's Child Support Enforcement to correctly and efficiently perform its operations regarding a State of New Hampshire case in a timely manner.

Questioned Costs:

None

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

One case exceeded the ten (10) working days for notifying the initiating state of receipt of the case timeframe. To meet this requirement going forward, the Department will utilize reports for closer monitoring of timeframes.

Four (4) cases were not compliant in meeting the timeframe for providing locate services within seventy-five (75) days of receipt of a request from another state's child support office. To meet this requirement going forward, the Department will utilize reports for closer monitoring along with supervisory review.

Contact Person: Ed Lovejoy, Business Administrator
Jean Marston, Regional Manager DCSS

Anticipated Completion Date: April 2011

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS					
2009-9	<i>NH Department of Health and Human Services</i>	93.268	Reconciliation of Vaccine Records Not Performed	None	<i>Partially resolved See G-10 and related finding 2010- 30 on F-72</i>
2009-10	<i>NH Department of Health and Human Services</i>	93.268	Non-compliance with Control, Accounting, and Safeguarding of Vaccines Requirement	None	<i>Resolved</i>
2009-11	<i>NH Department of Health and Human Services</i>	93.283	Non-compliance with In-kind Federal Matching Requirement	\$50,000	<i>Unresolved See G-14 and related finding 2010-18 on F- 44</i>
2009-12	<i>NH Department of Health and Human Services</i>	93.563	Interstate Case Activities Not Performed Within Required Timeframes	None	<i>Unresolved See G-16 and related finding 2010-57 on F-136</i>
2009-13	<i>NH Department of Health and Human Services</i>	93.778	Updated Provider Disclosures are not Obtained from all Required Providers	None	<i>Unresolved See G-18 and related finding 2010-13 on F-33</i>
2009-14	<i>NH Department of Health and Human Services</i>	10.551 10.561 93.959 93.268 93.563 93.283	Failure to Institute Controls and Perform Payroll Certifications	Unable to Determine	<i>Resolved</i>
2009-15	<i>NH Department of Health and Human Services</i>	93.069 10.551 10.561 93.959 93.563 93.283	Public Assistance Cost Allocation Plan Needs Updating	Unable to Determine	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-16	<i>NH Department of Health and Human Services</i>	10.557	Administrative Draw Downs Not Performed in accordance with the Treasury-State Agreement	None	<i>Unresolved See G-21 and related finding 2010-20 on F- 48</i>
2009-17	<i>NH Department of Health and Human Services</i>	10.557	The Department does not have Adequate Controls Over Reporting To Ensure Compliance	None	<i>Resolved</i>
2009-18	<i>NH Department of Health and Human Services</i>	84.126 93.558 93.778	CMIA system not updated to reflect the Treasury State Agreement	None	<i>Unresolved See G-23 and related findings 2010-10 on F-25 and 2010-11 on F-28</i>
2009-19	<i>New Hampshire Department of Administrative Services</i>	84.397	Separate Accountability of ARRA funds is not in accordance with requirements	None	<i>Resolved</i>
2009-20	<i>New Hampshire Department of Corrections</i>	84.397	Allowable Activities/Costs are not properly supported by source documents	Unable to Determine	<i>Resolved</i>
2009-21	<i>Community College System of New Hampshire</i>	84.063	Pell Grant Disbursement data should be reported to the U.S. Department of Education's Common Origination and Disbursement System within 30 days of the Pell Grant Disbursement	None	<i>Partially Resolved See G-25</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-22	<i>Community College System of New Hampshire</i>	84.032 84.063	Cost of Attendance should be applied in accordance with Federal Regulations	Unable to Determine	<i>Resolved</i>
2009-23	<i>Community College System of New Hampshire</i>	84.032	Cash Management	Unable to Determine	<i>Resolved</i>
2009-24	<i>Federal Transit Cluster</i>	20.500 20.507	The Bureau of Rail & Transit submitted Financial status reports that included erroneous information, excluded relevant information and/or contained an inaccurate cumulative balance of federal funds expended	None	<i>Resolved</i>
2009-25	<i>U.S Department of Transportation</i>	20.205	Allowable Costs-Payroll	None	<i>Resolved</i>
2009-26	<i>U.S Department of Transportation</i>	20.205	Cash Management	None	<i>Unresolved</i> <i>See G-27 and related finding 2010- 28 on F-68</i>
2009-27	<i>U.S Department of Transportation</i>	20.205	Subrecipient Monitoring	None	<i>Unresolved</i> <i>See G- 29 and related finding 2010-29 on F-70</i>
2009-28	<i>U.S Department of Transportation</i>	20.205	Special Tests and Provisions- Contractor Recoveries	Unable to Determine	<i>Partially Resolved</i> <i>See G-31</i>
2009-29	<i>NH Department of Fish and Game</i>	15.605 15.611	Volunteer In-Kind Contributions (control)	None	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-30	<i>NH Department of Fish and Game</i>	15.605 15.611	Suspension & Debarment Not Monitored	None	<i>Resolved</i>
2009-31	<i>NH Department of Fish and Game</i>	15.605 15.611	No Reconciliation of Department and State Accounting Systems (control)	None	<i>Partially Resolved See G-33</i>
2009-32	<i>Office of Energy and Planning</i>	93.568	OEP did not comply with Subrecipient Monitoring Requirements of the LIHEAP Program	Unable to Determine	<i>Partially Resolved See G- 35 and related finding 2010-31 on F-74</i>
2009-33	<i>Office of Energy and Planning</i>	81.042	Required Weatherization (WXN) Report not Filed	None	<i>Resolved</i>
2009-34	<i>Office of Energy and Planning</i>	81.042	OEP did not Comply with Significant Aspects of the Subrecipient Monitoring Requirements of the Weatherization Program	Unable to Determine	<i>Resolved</i>
2009-35	<i>Office of Energy and Planning</i>	93.568	Low-Income Home Energy Assistance Program (LIHEAP) Drawdowns Not Performed Timely	None	<i>Unresolved See G-40 and related finding 2010-33 on F-79</i>
2009-36	<i>Office of Energy and Planning</i>	81.042	Weatherization Assistance Program (WXN) Costs Should be Adequately Supported	\$13,165	<i>Partially Resolved Questioned costs remain open. See G- 42</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-37	<i>Office of Energy and Planning</i>	81.042	Controls should Be Designed To Ensure Compliance With Weatherization Policies And Procedures	Unable to Determine	<i>Resolved</i>
2009-38	<i>Office of Energy and Planning</i>	81.042	Required Number of Weatherization (WXN) Site Inspections Not Performed	None	<i>Resolved</i>
2009-39	<i>Office of Energy and Planning</i>	81.042	Noncompliance With Weatherization Assistance for Low Income Persons Program (WXN) Eligibility Requirements	\$790	<i>Partially Resolved Questioned costs remain open. See G-47</i>
2009-40	<i>Office of Energy and Planning</i>	93.568	Improper Segregation of duties over Eligibility Process	\$7,374	<i>Partially Resolved Questioned costs remain open. See G-50</i>
2009-41	<i>Office of Energy and Planning</i>	93.568	Low-Income Home Energy Assistance Program (LHEAP) Costs Not Adequately Supported	\$26,116	<i>Partially Resolved Questioned costs remain open. See G-55</i>
2009-42	<i>Office of Energy and Planning</i>	81.042	Indirect Costs Charged to the Weatherization Assistance For Low-Income Persons (WXN) Program Not Properly Calculated	\$3,168	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-43	<i>Office of Energy and Planning</i>	93.568	Low-Income Home Energy Assistance Program (LIHEAP) Reports Not Adequately Supported	None	<i>Partially Resolved See G-59 and related finding 2010-32 on F- 76</i>
2009-44	<i>NH Department of Labor</i>		The Department of Labor (DOL) did not comply with subrecipient monitoring Requirements of the WIA Program	Unable to Determine	<i>Resolved</i>
2009-45	<i>NH Department of Labor</i>	17.258 17.259 17.260	The Department did not comply with the subrecipient monitoring compliance requirements applicable to major programs with expenditures of ARRA awards	None	<i>Partially Resolved See G-62 and related finding 2010-51 on F-120</i>
2009-46	<i>NH Department of Employment Security</i>	17.225 17.207	Insufficient Verification Process for Review of Vendor Suspension or Debarment Status	None	<i>Partially Resolved See G-65 and related finding 2010-55 on F-132</i>
2009-47	<i>NH Department of Employment Security</i>	17.225	Benefits Accuracy Measurement (BAM) Reports Included Open Case Files	None	<i>Resolved</i>
2009-48	<i>NH Department of Employment Security</i>	17.225 17.207	Benefit Accuracy Measurement Program Not on Task	None	<i>Resolved</i>
2009-49	<i>NH Department of Employment Security</i>	17.225 17.207	Employment Services Bureau Not on Task During All of 2009	\$1,925	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2008-6	<i>NH Department of Health and Human Services</i>	93.778	Incomplete Review of DSH Information Submitted by General Hospitals	Not able to determine	<i>Partially Resolved See G-67</i>
2008-7	<i>NH Department of Health and Human Services</i>	93.778	DSH Calculation Methodology Noncompliant with Federal and State Requirements	\$35,325,468	<i>Partially Resolved See G-69</i>
2008-11	<i>NH Department of Health and Human Services</i>	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Not able to determine	<i>Partially Resolved See G-71</i>
2008-15	<i>NH Department of Health and Human Services</i>	93.778	Provider Disclosures Are Not Obtained From All Required Providers	Not able to determine	<i>Partially Resolved See G- 73 and related finding 2010-13 on F-33</i>
2008-24	<i>NH Department of Transportation</i>	20.500 20.507	Federal Approval Was Not Received and a Cost or Price Analysis was not Performed for Procurements When Only One Bid Was Received	Not able to determine	<i>Resolved</i>
2008-28	<i>NH Department of Health and Human Services</i>	10.561 93.563 93.778 93.069	Public Assistance Cost Allocation Plan Needs Updating	Not able to determine	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2008-30	<i>NH Department of Health and Human Services</i>	95.563	Interstate Case Activities Not Performed Within Required Timeframes	None	<i>Unresolved See G-76 and related finding 2010-57 at F-136</i>
2008-33	<i>NH Department of Environmental Services</i>	66.605	Administrative and Direct Program Cost Drawdowns are Not in Accordance With The Treasury-State Agreement	None	<i>Resolved</i>
2008-34	<i>NH Department of Fish and Game</i>	15.605 15.611	Volunteer In-Kind Contributions (Control)	None	<i>Resolved</i>
2008-35	<i>NH Department of Fish and Game</i>	15.605 15.611	Suspension and Debarment Not Monitored	None	<i>Resolved</i>
2008-37	<i>NH Department of Fish and Game</i>	15.605 15.611	No Reconciliation of Department and State Accounting Systems	None	<i>Partially Resolved See G-78</i>
2008-38	<i>NH Department of Fish and Game</i>	15.605 15.611	Inadequate Controls Over Real Property	None	<i>Partially Resolved See G-80</i>
2008-40	<i>NH Department of Education</i>	84.010 84.027 84.048 84.126 84.369	Administrative Cost Drawdowns not in Accordance with the Treasury-State Agreement	None	<i>Resolved</i>
2008-41	<i>NH Department of Education</i>	84.126	Direct Program Cost Drawdowns not in accordance with the Treasury-State Agreement	None	<i>Resolved</i>

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2007-19	<i>NH Department of Health and Human Services</i>	93.778	DSH Calculation Methodology noncompliant with Federal and State Requirements	\$35,325,468	<i>Partially Resolved See G-82 and 2008-7</i>
2007-26	<i>NH Department of Health and Human Services</i>	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Not able to determine	<i>Partially Resolved See G-84 and 2008-11</i>
2007-28	<i>NH Department of Environmental Services</i>	66.605	Allocation and Classification of Indirect Costs	Not able to determine	<i>Partially Resolved See G-88</i>
2007-29	<i>NH Department of Administrative Services</i>	Various	Errors Noted in the Calculation of the 2007 Cost Allocation Plan	\$218,530	<i>Resolved</i>
2007-30	<i>NH Department of Administrative Services</i>	Various	Internal Control over the Statewide Cost Allocation Plan needs Improvement	Not able to determine	<i>Resolved</i>
2007-31	<i>NH Department of Health and Human Services</i>	Various	Public Assistance Cost Allocation Plan Needs Updating	Not able to determine	<i>Resolved</i>
2007-37	<i>NH Department of Health and Human Services</i>	93.778	Provider Disclosures are Not Obtained from all Required Providers	Not able to determine	<i>Partially Resolved See G-90 and related finding 2010-13 on F-33</i>
2006-24	<i>NH Department of Health and Human Services</i>	<i>None</i>	Public Assistance Cost Allocation Plan Needs Updating	None	<i>Resolved</i>
TOTAL UNRESOLVED QUESTIONED COSTS AS OF FEBRUARY 2011:				\$35,422,913	

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>NH Department of Health and Human Services</i>	<i>Finding 2009-9</i>
<i>US Department of Health and Human Services</i>	
<i>CFDA # 93.268 Immunization Grants</i>	
<i>Grant Awards and Years:</i>	
<i>5H23IPI22555</i>	<i>2009</i>
<i>2H23IPI22555</i>	<i>2008</i>

Finding: *Reconciliation of Vaccine Records Not Performed*

Criteria:

In instances where detailed transaction records reside in a database other than the accounting system used to prepare the Schedule of Expenditures of Federal Awards (SEFA), it is considered sound internal control to ensure that the detailed transaction records are reconciled to the accounting system.

Condition:

During the latter part of fiscal 2008, the State of New Hampshire Department of Health and Human Services (the Department) transitioned to a federally contracted vaccine distribution system developed by the Centers of Disease Control and Prevention (CDC). As such, the Department no longer warehouses and distributes vaccines. Instead, vaccines ordered by the Department for vaccinating providers are shipped directly to the providers from the third party vendor. VACMAN, a federal system, is used by the Department to track the vaccine inventory. However, the inventory tracked in the VACMAN system is not adequately reconciled to either the third party providers reports or to monthly, quarterly and year-to-date order based monitoring reports from CDC. The reports received from CDC are the reports used to prepare the Schedule of Expenditures of Federal Awards (SEFA).

A similar finding was noted in the prior year single audit report.

Cause:

Procedures need to be strengthened over the recording, tracking, and reconciliation of vaccine transactions.

Effect:

Vaccines may be under- or over-ordered, not distributed as needed or unaccounted for. The value of vaccines reported on the SEFA may be misstated.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-9 (continued)

CFDA # 93.268 *Immunization Grants*

Recommendation:

We recommend that the Department maintain a formal vaccine transactions ledger to record and track order, receipt, and usage of vaccines. The Department should be able to reconcile vaccine orders and shipments to CDC's monitoring reports and to the third party vendor distribution reports. This reconciliation will help ensure that all vaccines are accounted for properly and are completely and accurately reported on the Schedule of Expenditures of Federal Awards. Based on a roll forward of beginning inventory, order/shipment, and usage of vaccines during the period, the Department can then compare expected inventory amounts to those held in inventory by the providers at any given point in time. The Department should also develop and implement procedures to ensure that vaccinating providers are ordering reasonable amounts of vaccines. These procedures will prevent and detect under- or over- ordering.

Auditee Response:

As recommended, by 6/1/09, the NHIP wrote and abides by a set of policies to improve the vaccine accountability process. The policies include, but are not limited to:

- 2.2 Conduct site visits in public and private VFC provider settings to assure vaccine accountability and appropriate vaccine storage and handling at the provider level.
- 2.3 Collect data sufficient to accurately account for all publicly purchased vaccine, monitor this information using standardized protocols to assure that provider vaccine orders are appropriate. To determine the amount of vaccine lost or wasted, to provide technical assistance to providers when problems are identified, and to implement corrective action plans as needed.
- 2.4 Assure appropriate distribution of VFC vaccine purchases based on VFC-eligible population.
- 2.5 Adhere to VFC requirements for vaccine storage and handling and vaccine incident and wastage reporting.
- 2.6 Return wasted vaccine for a refund of the federal excise tax following procedures outlined by CDC.

All of these policies have procedures attached. All Policies and Procedures are found at the desk of NHIP employees and reviewed constantly for improvement. The most recent adjustment was made on February 5, 2010.

In addition, a system has been developed in Excel that allows all ordered vaccine to be tracked from Vacman order, to McKesson shipment date, to receipt of vaccine at provider office.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-9 (continued)

CFDA # 93.268 *Immunization Grants*

The ability to reconcile this in-house Excel spreadsheet and the CDC monthly Monitoring Report is difficult. NHIP relies on the in-house Excel tracking sheet to account for doses of vaccine into the state. We rely on the Monitoring Report to track the funds set aside for us in the 317, VFC and now ARRA vaccine accounts. The Monitoring Report is compared to the VOFA (Vaccine Ordering Forecast Administrator) report that is generated based on (1) the NH forecast of vaccine use on an annual basis (by VFC, 317 and State/Local funds) and (2) population data submitted by NH and accepted by CDC/NCIRD. NHIP adjusts the VOFA as needed and at least quarterly, to allow for increase or decrease in orders, vaccine shortages, pressure on a fund balance, introduction of new vaccines, etc.

Currently, CDC is developing a new vaccine/monetary tracking system, currently called VTrcks, to allow the Grantees to track inventory order by providers, into CDC, through the financial system, into the McKesson ordering system and out to providers. We hope that this system will be in place in New Hampshire by the start of State Fiscal Year 2012. In the meantime, NHIP will review the recommendation - (Based on a roll forward of beginning inventory, order/shipment, and usage of vaccines during the period, the Department can then compare expected inventory amounts to those held in inventory by the providers at any given point in time.) and explore the use of a data system to construct a point-in-time reconciliation with the fluid information available to us.

New Hampshire has developed a formula, which we share with vaccine providers, to ensure the proper number of doses of vaccine are ordered. Every order is submitted to this ordering formula by the NHIP staff. The formula calculates current vaccine need based on doses administered in the last X days, and doses on hand at the provider office.

PROTOCOLS FOR AUDITING VACCINE ORDERS

1. Check vaccine order form, doses on hand report, usage report, and temperature logs for any discrepancies requiring intervention with provider's vaccine manager. If found either a phone call or a fax is sent requesting intervention.
2. Determine number of days the usage report is reporting.
3. For each vaccine reported on the usage report: total the amounts.
4. Divide this figure by number of days in #2. Then times that figure by number of days per tier position. Examples: 4 – 8 weeks is 56 days, 8 – 10 weeks is 70 days, and 10 – 12 weeks is 84 days.
5. Subtract from this figure total reported doses on hand.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-9 (continued)

CFDA # 93.268 *Immunization Grants*

6. Add cushion based on chart below, (take number from #5 then add)

- | | |
|-----------------|--------|
| a. Less than 10 | add 5 |
| b. 11 – 20 | add 10 |
| c. 21 – 80 | add 20 |
| d. 81 – 150 | add 30 |
| e. 151 – 220 | add 40 |
| f. over 221 | add 50 |

→ Exception is the D/H Manchester Peds: The cushion numbers are doubled for this provider.

→ Exception at this time is Hib vaccine 10 doses are added due to shortage of vaccine.

7. Repeat these steps for each vaccine listed whether ordered or not. Make changes based on above formula.

Vaccine wastage for calendar year 2009 has been calculated as 0.5% for the NH Immunization Program and statewide providers. (This number does not include influenza vaccine).

Contact Person:

Marcella J. Bobinsky, Program Manager, Immunization

Anticipated Completion Date:

January 1, 2011

Status as of February 2011:

Unresolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010- 30.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-11

CFDA# 93.283 Centers For Disease Control and Prevention – Investigations and Technical Assistance

Grant Award and Years: SU58DP122787-05W1 June 30, 2003 – March 2009

Finding: *Non-compliance with In-kind Federal Matching Requirement*

Criteria:

In accordance with 2 CFR Part 215.23, Subpart C, “all contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the recipient's records.
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of this part, as applicable.

The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.

- (i) Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
- (ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Condition:

During our testing of the matching requirements, it was noted that the Department of Health and Human Services (DHHS) could not adequately support their in-kind match with verifiable records as required. Details provided by the vendors to support the in-kind match requirements were not adequately supported, documented or reviewed by DHHS. In addition, the Department of Health and Human Services currently has no controls or documented processes in place over ensuring the federal matching requirement is met. The Department is unable to provide sufficient evidence over its in-kind contributions and without key controls in place, is unable to determine the credibility of such information.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-11 (continued)

CFDA# 93.283 Centers For Disease Control and Prevention – Investigations and Technical Assistance

Cause:

The Department appears to lack controls and processes to mitigate the risk of non-compliance with the federal matching requirements.

Effect:

Compliance with matching requirements was not able to be determined. Insufficient match could result in loss of funding.

Questioned Costs:

\$50,000

Recommendation:

We recommend that DHHS implement effective controls and procedures to properly monitor the federal matching requirements. As part of this process, in-kind contributions used to meet the match must be sufficiently and appropriately documented as required by federal regulation. We also recommend the DHHS complete and maintain weekly or monthly match calculations to assist in determining the amount required to meet such match.

Auditee Corrective Action Plan:

We concur and will prepare and implement policies and procedures for accurately monitoring and recording match requirements.

Contact Person:

Barbara Cotton, Financial Manager

Status as of February 2011:

Corrective actions will be complete by June 30, 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-12

CFDA # 93.563 Child Support Enforcement

Grant Awards and Years: 0804NH4004 2008
0904NH4004 2009

Finding: *Interstate Case Activities Not Performed Within Required Timeframes*

Criteria:

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Condition:

During our testwork, we noted that the State did not perform all required interstate case activities within the timeframes specified in 45 CFR 303.7. We selected thirty cases and noted four cases where the case was not referred to the initiating State's interstate central registry within the twenty calendar day timeframe.

The same issue was disclosed in the prior year.

Cause:

Due to the misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities.

Effect:

The effect is an increased difficulty on the part of another State's Child Support Enforcement to correctly and efficiently perform its operations regarding a State of New Hampshire case in a timely manner.

Questioned Costs:

None

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2009-12 (continued)

CFDA # 93.563 Child Support Enforcement

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Response:

Resolved. DCSS now distributes weekly reports that highlight to field staff of any cases with new or revised out of state addresses or employers within the latest reporting period. This facilitates workers' ability to submit documentation within the 10 working days requirement.

Contact Person:

Ed Lovejoy, Business Administrator

Anticipated Completion Date:

Not Applicable

Status as of February 2011:

Unresolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010-54.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-13

CFDA # 93.778 Medical Assistance Program

Grant Awards and Years: Various 2008 2009

Finding: Updated provider disclosures are not obtained from all required providers

Criteria:

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B (sections 455.100 through 455.106)).

Before the Medicaid agency enters into or renews a provider agreement, or at any time upon written request by the Medicaid agency, the provider must disclose to the Medicaid agency the identity of any person who: (1) Has ownership or control interest in the provider, or is an agent or managing employee of the provider; and (2) Has been convicted of a criminal offense related to that person's involvement in any program under Medicare, Medicaid, or the Title XX services program since the inception of those programs (42 CFR 455.106 paragraph (a)).

The Medicaid agency may refuse to enter into or may terminate a provider agreement if it determines that the provider did not fully and accurately make any disclosure required under paragraph (a) of this section (42 CFR 455.106 paragraph (c)).

Condition:

The Department has established the process to ensure that providers meet the required applicable criteria to be an eligible Medicaid provider including reviewing and approving applications, verifying provider licensing and managing the disclosure requirements. We noted that the Department enrolled all providers selected in accordance with the established controls and in accordance with the Federal Regulations including receiving and approving applications and verifying licensing. However, we noted of the 40 enrolled providers selected during our audit, 37 providers did not have updated disclosures included in their files and were enrolled prior to 2006. We noted that 3 providers were enrolled during 2006 through 2009. Therefore, we considered these providers as newly enrolled.

A similar finding was noted in the prior year single audit report.

Cause:

The cause is due to the lack of a formal policy to obtain updated disclosures from the required providers in accordance with the Federal requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-13(continued)

CFDA # 93.778 Medical Assistance Program

Grant Awards and Years: Various 2008 2009

Effect:

Although the Department indicated that all providers will be required to re-enroll and provide updated disclosures when the State implements the new MMIS system, the Department cannot currently ensure that all enrolled Medicaid providers are, and remain eligible for participation in the Federal program.

Questioned Costs:

None

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will help ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

Operations processes under the new MMIS will include a contractual obligation of the fiscal agent to verify provider licenses effective dates on an ongoing basis.

During enrollment: All Providers who are enrolling for the first time, and active Providers who are reenrolling as part of the transition to the new MMIS, will be required to submit hard copy evidence of license effectivity, which will be verified by the fiscal agent directly with the credentialing agency. Verified license expiration dates will be stored in the Provider system.

Ongoing: Based on the license expiration date in the system, internal reports will be available to the fiscal agent and DHHS, and reminder letters to Providers will be generated, 90 days and 30 days prior to license expiration date. Electronic interfaces between the MMIS and some credentialing agencies will automatically update expiration dates of some Provider Types. For Provider Types that are not utilizing the electronic interface, operations processes require ACS Provider Relations to conduct manual verification directly with the credentialing source and update as appropriate license expiration dates in the system. Operations processes will require DHHS to review reports of Providers with expired license effective dates. The fiscal agent will have the ability to suspend claims of a specific Provider if verification of license effective date cannot be obtained, based on DHHS policies and instructions.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2009-13 (continued)

CFDA # 93.778 Medical Assistance Program

Grant Awards and Years: Various 2008 2009

Contact Person:

Mary Gaye Grizwin, Contract Administrator, Office of Medicaid Business and Policy.

Status as of February 2011:

Partially Resolved. Upon implementation of the new MMIS, expected third calendar quarter of 2011

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
U.S. Department of Agriculture*

Finding 2009-16

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

<i>Grant Awards and Years:</i>	<i>2008IW100644</i>	<i>2008</i>
	<i>2008IW100344</i>	<i>2008</i>
	<i>2009IW100644</i>	<i>2009</i>
	<i>2009IW100344</i>	<i>2009</i>

Finding: *Administrative Draw Downs not performed in accordance with the Treasury-State Agreement*

Criteria:

The regulations codified at 31 CFR Part 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also known as the Treasury State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury State Agreement (TSA). The TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S Department of Treasury and the State and identifies the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the Department of Health and Human Service, Office of Business Operations (the “Department”) has implemented a non-central draw process where the Division of Public Health (DPH) provides the amounts to the Department for drawdown. The process consists of using the State’s accounting system NHIFS to identify the Federal disbursements. The disbursements are divided into two components; payments for direct program costs and administrative costs. The DPH utilizes the Cash Management Improvement Act subsystem (CMIA system), a module of NHIFS, to ascertain the direct program costs and the Cost Allocation system to ascertain the administrative costs.

During our audit, we noted that the TSA for the WIC program states for payments relating to direct program costs to be drawn by the State from the United States Treasury using the Average Clearance technique of 5 days in the TSA. We also noted that the TSA states for administrative costs the State must draw down funds from the United State Treasury as defined by the TSA using the Cost Allocation Plans – Monthly technique.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*NH Department of Health and Human Services
U.S. Department of Agriculture*

Finding 2009-16 (continued)

CFDA #10.557 *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)*

During our testwork, we selected 30 cash draw downs of which eleven drawdowns related to administrative costs and were not drawn in accordance with the TSA. The monthly cash draws were reviewed for the months of July 2008 through May 2009 and we noted no consistency in the process. We noted that there was one month where the draw down was 4 months, two months where the draw downs were 3 months, two months where the draw downs were 2 months, 4 months where the draw downs were 1 month and two months where the draw downs were 2 weeks after the TSA approved clearance pattern.

Cause:

The DPH did not adhere to the TSA when submitting the cash draw downs for the WIC program.

Effect:

The State is not in compliance with the Treasury State Agreement.

Questioned Costs:

None.

Recommendation:

The Department should review current cash management practices and institute controls to ensure the timely request of funds in accordance with the Treasury-State Agreement.

Auditee Response:

We concur. The administrative cash draw calculation has been moved from the WIC program area to Financial Operations within the Directors office of the Division of Public Health Services, to better align the process of drawing WIC cash. In the past, WIC would review the activity report monthly before cash was drawn and cash would not be drawn without program area approval. This could hold up the cash draw of the administrative part of the grant. Going forward, the activity report will still be sent to the program area for review but a higher priority and closer attention to the time will be followed in order to process the administrative cash draw in a timely manner.

Anticipated Completion Date:

June 30, 2010

Status as of February 2011:

Unresolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010-20.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>NH Department of Treasury</i>	<i>Finding 2009-18</i>
<i>US Department of Education</i>	
<i>US Department of Health and Human Services</i>	
<i>CFDA # 84.126</i>	<i>Rehabilitation Services – Vocational Rehabilitation Grants to States</i>
<i>CFDA # 93.558</i>	<i>Temporary Assistance to Needy Families</i>
<i>CFDA # 93.778</i>	<i>Medical Assistance Program</i>
<i>Grant Awards and Years:</i>	<i>H126A080042 2008, 2009, 2010</i>
	<i>Various 2008</i>
	<i>Various 2009</i>

Finding: *CMIA system not updated to reflect the Treasury State Agreement*

Criteria:

The regulations codified at 31 CFR Part 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also known as the Treasury State Agreement. The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a Treasury State Agreement (TSA). The TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S Department of Treasury and the State and identifies the Federal assistance programs governed by Subpart A. If anything in a TSA is inconsistent with Subpart A, that part of the TSA will not have any effect and Subpart A will govern (31 CFR 205.6 (a)).

Condition:

For certain Federal programs the State of New Hampshire, Department of Treasury, (the “Department”) has implemented a central draw process where State Agencies provides the amounts to the State’s Treasury for drawdown. The process consists of using the State’s accounting system NHIFS. The disbursements are divided into two components; payments for direct program costs and administrative costs. State Agencies use the Cash Management Improvement Act (CMIA) system within NHIFS for ascertaining the direct program costs to be drawn down and the CMIA system is updated by the Department of Treasury in order to ensure that the CMIA system and the TSA are in agreement.

There are 23 Federal programs included in the TSA. During our audit, we noted that the CMIA system was not updated to reflect the clearance patterns included in the TSA for 3 of the programs included in the TSA.

Cause:

The cause is due to the lack of a formal policy to update the CMIA system in NHIFS to ensure that the State Agencies are drawing down Federal funding in accordance with the TSA.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>NH Department of Treasury</i>	<i>Finding 2009-18 (continued)</i>
<i>US Department of Education</i>	
<i>US Department of Health and Human Services</i>	
<i>CFDA # 84.126</i>	<i>Rehabilitation Services – Vocational Rehabilitation Grants to States</i>
<i>CFDA # 93.558</i>	<i>Temporary Assistance to Needy Families</i>
<i>CFDA # 93.778</i>	<i>Medical Assistance Program</i>

Effect:

The State increases the risk of not drawing Federal funds for Federal Assistant Programs in accordance with the TSA and the State is not in compliance with the Treasury State Agreement.

Questioned Costs:

None

Recommendation:

We recommend that the Department develop a formal policy to ensure that the CMIA system and the TSA are in agreement.

Contact Person:

Rachel Miller, Chief Deputy State Treasurer

Auditee Response:

Treasury concurs. Treasury has initiated a review process from which a formal policy will be developed that addresses adequate review and maintenance of CMIA parameters.

Status as of February 2011:

Corrective Action in Progress. Anticipated Completion Date is June 30, 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*Community College System of New Hampshire
U.S. Department of Education*

Finding 2009-21

CFDA # 84.063 Federal Pell Grant Program

Grant Awards and Years: Various July 1, 2008 to June 30, 2009

Finding: *Pell Grant Disbursement Data Should Be Reported To The U.S. Department Of Education's Common Origination And Disbursement System Within 30 Days Of The Pell Grant Disbursement*

Criteria:

Institutions must submit certain Pell payment data to the U.S. Department of Education (ED) through the Common Origination and Disbursement (COD) system within 30 calendar days after the institution makes a payment to a student. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly, or may set up their own system to ensure that changes are reported in a timely manner (34 CFR 690.83).

This is further reinforced in the Community College System of New Hampshire's (CCSNH) own 2008-2009 Financial Aid Policy Manual which states, "Each NHCTCS college submits a report to COD electronically at least every 30 days. These monthly reports are mandated by federal regulation".

Condition:

During our testing, we noted that Pell Grant payments, for either the fall or spring semester, for seven of 60 students tested (13%) were reported to the ED outside of the 30-day timeframe established for the federal student aid program. Instances of untimely reporting were noted at three of the seven Colleges tested (Manchester, Concord, and Claremont). These payments were reported in a range from 31 to 45 days, 1 to 15 days late.

Cause:

The cause of the noncompliance reported by the Colleges was attributed to employee oversight.

Effect:

In addition to being out of compliance with federal program regulations, late reporting of Pell Grant payment data also delays federal reimbursements as federal funds cannot be drawn until the Colleges have completed the reporting of Pell Grant payment data to the ED. Incomplete, incorrect, and otherwise unreliable data may be used to make important management decisions, which could ultimately impair the institution's ability to comply with federal regulations and achieve other goals and objectives.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*Community College System of New Hampshire
U.S. Department of Education*

Finding 2009-21 (continued)

CFDA # 84.063 Federal Pell Grant Program

Questioned Costs:

None

Recommendation:

The CCSNH should review the need to report Pell Grant payment information to the ED's COD system in accordance with federal program and CCSNH requirements with the individual Colleges.

Auditee Response:

CCSNH has reinforced the requirement to report Pell Grant payment information to the ED's COD system. Additionally, for the 2010-2011 award year, we will implement a BANNER (CCSNH Financial Aid System) processing control (Just In Time). This control will ensure that all Pell records have been sent to ED's COD system, and that an accepted COD origination record is received back by each college, prior to the disbursement of Pell. This will ensure that all required edits are made prior to the disbursement.

Contact Person:

Susan Proulx, CCSNH Director of Financial Aid Compliance

Status as of February 2011:

Corrective Action in Progress.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-26

CFDA # 20.205 Highway Planning and Construction

Grant Award and Years: Various 2009, 2008, 2007, 2006, 2005, 2004

Finding: Cash Management

Criteria:

The average clearance technique is defined such that the State requests funds such that they are deposited by the Treasury on the dollar weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II of the Treasury State Agreement (TSA).

Condition:

We noted that for three out of five drawdowns selected for testwork, the Department did not replicate the average clearance pattern technique defined in the TSA. The dollar weighted average day of clearance for the Highway Planning and Construction Program is five business days. These three drawdowns selected occurred in three, four, and two business days.

We did note that the drawdown process used by the Department for the Highway Planning and Construction program does not draw down funds in advance of disbursement of the dollar weighted average day of clearance.

Cause:

The Department is not in compliance with the Treasury State Agreement (TSA) and the Cash Management Improvement Act (CMIA).

Questioned Costs:

None

Recommendation:

We recommend that the Department strengthen its existing policies and procedures to ensure that the TSA drawdown techniques agree with the actual methods used to drawdown Federal funds.

Auditee Corrective Action Plan:

We concur. We have discussed this issue with the State Treasurer's Office and an amendment to the TSA will be submitted by Treasury to more closely reflect the flow of funds and timing involved in the drawdown cycle associated with CFDA # 20.205. Agreements related to federal fund drawdowns will be reviewed at least annually with Treasury.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-26 (continued)

CFDA # 20.205 Highway Planning and Construction

Contact Person:

Leonard Russell, Finance Administrator

Status as of February 2011:

We have discussed this issue with the State Treasurer's Office and an amendment to the TSA will be submitted by Treasury to more closely reflect the flow of funds and timing involved in the drawdown cycle associated with CFDA #20.205. Agreements related to federal funds will be reviewed at least annually with Treasury. Treasury has indicated the amendment to the TSA will be completed by April 15, 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-27

CFDA # 20.205 Highway Planning and Construction

Grant Award and Year Various 2009, 2008, 2007, 2006, 2005, 2004

Finding: Subrecipient Monitoring

Criteria:

OMB Circular A-133 states that a pass-through entity is responsible for:

- Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipients' fiscal year as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients' audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition:

We noted that the Department requests that all subrecipients submit A-133 audit reports regardless of the amount of federal expenditures. However, there is no formal mechanism in place to keep track of the submission and review of these reports.

A similar finding was identified in the prior year.

Cause:

The Department is not in compliance with the Subrecipient Monitoring requirement related to the Collection and Review of subrecipient A-133 reports.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-27 (continued)

CFDA # 20.205 Highway Planning and Construction

Recommendation

Audit reports should be requested and reviewed in a timely manner, and the Department should ensure that timely and appropriate corrective action is taken on all audit findings. Further, the Department should evaluate the impact of subrecipient activities on their ability to comply with applicable Federal regulations.

Auditee Corrective Action Plan:

We concur. The two instances cited involved one contract with no expenditure activity and another with very little activity. The Department's approach was to request the audit reports at the conclusion of the project as part of the close out procedure. The DOT is reviewing the regulations and will revise procedures to make sure all required audit reports are received in a timely manner and to further follow-up on any compliance related issues. Further the DOT is reviewing other control procedures to manage risk when dealing with subrecipients to include:

- Improving specific contract language to reinforce and strengthen the recorded keeping requirements;
- Requesting vendor invoices and other supporting documentation at the time of reimbursement;
- Requiring the DOT Community Services staff, the DOT Internal Auditor, and other DOT Finance staff to educate and document responsibilities to insure efficiencies and accountabilities for the program and
- Reviewing the OMB Circular A-113 language and incorporating appropriate subrecipient requirements in the agreements between DOT and subrecipients.
- The A-133 audit report will be submitted by the subrecipient to DOT throughout the term of the award.

Contact Person:

Leonard Russell, Finance Administrator

Status as of February 2011:

DOT is reviewing procedures to make sure all required audit reports are received in a timely manner and to further follow-up on any compliance related issues. Additionally, we are instituting control procedures noted in the corrective action plan above.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-28

CFDA # 20.205 Highway Planning and Construction

Grant Award and Year: Various 2009, 2008, 2007, 2006, 2005, 2004

Finding: Special Tests and Provisions-Contractor Recoveries

Criteria:

When a State recovers funds from highway contractors for a project overcharges due to bid-rigging, fraud, or anti-trust violations or otherwise recovers compensatory damages, the Federal-aid project involved shall be credited with the Federal share of such recoveries (Tennessee v. Dole F.2d 331 (6th Cir. 1984); 57 Comp Gen. 577 (1978); 47 Comp. Gen. 309 (1967)).

Condition:

The Department does not have a systematic mechanism in place to identify and track recoveries from contractors to ensure that such amounts are properly credited against Federal billings.

Cause/Effect:

Controls are not adequately designed to identify and track recoveries; and therefore, contract recoveries may not be credited against Federal Billings in a timely and accurate fashion.

Questioned Costs:

Not able to determine

Recommendation:

The Department needs to implement a system of controls to identify and track recoveries to ensure that such amounts are properly credited against Federal billings.

Auditee Corrective Action Plan:

We concur in part.

The Department has an effective system for tracking overcharges on contracts. The construction bureau reviews all construction projects during the final audit of the construction phase. The bureau then contacts the vendors with either an amount owed to the contractor or an amount owed to the DOT. For amounts owed to DOT, a memo is sent to the contractor indicating the amount due DOT. The Department follows up after 60 days if payment is not received. When the refund is received, the amount is credited back to the project expense account. Through, the current billing system, subsequent federal draws are then appropriately reduced. Projects do not move forward with closing actions until overcharges or amounts due are resolved.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Department of Transportation

Finding 2009-28 (continued)

CFDA # 20.205 Highway Planning and Construction

When DOT implements the billing module of the NH First system, these amounts due will be recorded as receivables on the state's books which formalizes the transaction and improves the documentation and control.

Although we understand that *no* system exists to detect all occurrences of possible contractor fraud, we believe the Department as a whole, has an effective bidding and contract process to mitigate such events. The Department, as with all State agencies, participates in an open, formal and rigorous contract bidding & approval process. All contracts greater than \$2,500 require the vendor to openly compete in a State bidding process, provide comprehensive insurance, Certificate of Authority (signature authority), Certificate of Good Standing (filed with Secretary of State), be subjected to Attorney General review and approval, and finally, if successful in the bidding process, obtain Governor and Council approval of the contract. Lastly, in the event that unlawful or compensatory type damages occur and recoveries are made, the Department will treat such recoveries in the same manner as contractor reimbursements and credit these transactions back to the project for purposes of federal billing.

Contact Person:

Leonard Russell, Finance Administrator

Status as of February 2011:

The Department's Accounts Receivable person is currently working with the Accounts Receivable specialist from the Department of Administrative Services to implement the NHFIRST Accounts Receivable module. The expected implementation date for Contractor Recoveries is May 1, 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*U.S. Fish and Wildlife Service
NH Department of Fish and Game*

Finding 2009-31

*CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration*

<i>Grant Year and Award:</i>	<i>F50R25, F53E22, F60D16, FW17C34, FW25T15, FW28D14, FW30T10, W11D68, W66S37, W89</i>	<i>7/01/2008-6/30/2009</i>
	<i>F63D1</i>	<i>5/7/07-12/31/2008</i>
	<i>F100R25M</i>	<i>10/1/2007-9/30/08</i>
	<i>F61R14</i>	<i>1/1/2009-12/31/2009</i>

Finding: *No Reconciliation of Department and State Accounting Systems (control)*

Criteria:

Federal regulations (43 C.F.R 12.60 Standards for Financial Management Systems) require each State’s accounting procedures to allow for sufficient preparation of grant reports and for the tracing of funds to a level of expenditure adequate to demonstrate compliance with grant provisions. Additionally C.F.R 225 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) specifies that allowable costs under federal awards must be necessary and reasonable, be allocable and authorized, and be adequately documented.

Condition:

The State’s accounting system is unable to provide the detail required for grant reporting purposes. The current process in place is dependent on a manual operation that one person controls using software (QuickBooks), that is not linked or reconciled to the State of New Hampshire’s financial management system. Without the ability to reconcile the two systems, the Department cannot be assured that it is not claiming duplicate costs.

A similar finding was noted in the prior year audit.

Cause:

The Departments utilizes a stand-alone accounting software that is not integrated with the State of New Hampshire financial management system and a reconciliation of the two systems is not performed.

Effect:

Without reconciling the two systems, the Department cannot be assured that it is not claiming duplicate costs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*U.S. Fish and Wildlife Service
NH Department of Fish and Game*

Finding 2009-31 (continued)

*CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration*

Questioned Costs:

None

Recommendation:

The Department should implement a process where records of Federal Expenditures and Revenues maintained in their stand-alone accounting system are reconciled in a timely manner to the State of New Hampshire's financial management system. Without such a control, the Department will be unable to determine if it is claiming duplicate costs.

Auditee Corrective Action Plan:

The Department continues to utilize the Lawson financial system implemented July 2009. However, the human resource module has not been implemented and will not be for quite some time. We cannot reconcile the State's accounting system to our system until the ERP system contains both the federal grants module and the human resources component.

Contact Person:

Kathy LaBonte, Business Administrator

Status as of February 2011:

Partially resolved. Corrective Action Plan in progress

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

<i>Office of Energy and Planning (OEP)</i>	<i>Finding 2009-32</i>
<i>Department of Health and Human Services</i>	

CFDA # 93.568 Low-Income Home Energy Assistance

<i>Grant Awards and Years:</i>	<i>G-07BINHLIEA</i>	<i>October 1, 2006 to September 30, 2008</i>
	<i>G-08BINHLIEA</i>	<i>October 1, 2007 to September 30, 2009</i>
	<i>G-09BINHLIEA</i>	<i>October 1, 2008 to September 30, 2010</i>

Finding: *OEP Did Not Comply With Subrecipient Monitoring Requirements of The LIHEAP Program*

Criteria:

Federal Office of Management and Budget (OMB) Circular A-133 §__400 (d) requires a pass-through entity to perform the following for the Federal awards it makes:

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients ...have met the audit requirements of this part for that fiscal year.

Section *M. Subrecipient Monitoring* of the A-133 Compliance Supplement describes a pass-through entity as responsible for:

AWARD IDENTIFICATION – AT THE TIME OF THE AWARD, IDENTIFYING TO THE SUBRECIPIENT THE FEDERAL AWARD INFORMATION (I.E., CFDA TITLE AND NUMBER; AWARD NAME AND NUMBER; IF THE AWARD IS RESEARCH AND DEVELOPMENT; AND NAME OF FEDERAL AWARDDING AGENCY) AND APPLICABLE COMPLIANCE REQUIREMENTS.

During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Subrecipient Audits – (1) Ensuring that subrecipients...have met the audit requirements of OMB Circular A-133...; (2) issuing a management decision on audit findings...; and (3) ensuring the subrecipient takes timely and appropriate corrective action on all audit findings.

Pass-Through Entity Impact – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-32 (continued)

Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

Section (10) of the Federal grant agreement for LIHEAP for program year 2009 provides that such fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this title, including procedures for monitoring the assistance provided under this title, and provide that the State will comply with the provisions of Chapter 75 of Title 31, United State Code, commonly known as the “Single Audit Act”.

OEP’s 2008-2009 Fuel Assistance Program Manual under the heading of Monitoring states that OEP will conduct program and fiscal monitoring of the community action agencies (CAAs) for compliance with Federal and State rules and regulations. On-site monitoring will occur throughout the program year and a written report will be provided following each monitoring visit. OEP will also monitor energy suppliers on a random basis and OEP will issue the CAAs a written report containing all findings following each monitoring visit of a vendor in their territory. The Manual contains descriptions of areas subject to OEP monitoring and blank forms for documenting monitoring efforts.

Condition:

During fiscal year 2009, the OEP did not perform any formal monitoring site visits of CAAs or energy suppliers. According to the OEP, the last formal monitoring effort was performed during March 2008. That OEP review of an energy supplier was not documented by the OEP’s completion of standard forms or issuance of a monitoring report.

Complete copies of subrecipient audit reports are not maintained by the OEP. OEP LIHEAP program employees are not trained in A-133 audit requirements and do not have or retain CAA audit report information required to determine whether subrecipient audits contain control or compliance findings requiring timely and appropriate corrective action.

Cause:

Apparent lack of OEP management emphasis on OEP’s need to actively monitor subrecipients.

The OEP discontinued its CAA site-visit and energy vendor monitoring efforts due to OEP’s conclusion that these efforts were not productive.

OEP federal program personnel are not trained in monitoring subrecipient audit results.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-32 (continued)

Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

Effect:

The OEP is not performing formal during-the-award monitoring procedures to ensure:

- Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements,
- Performance goals are achieved, and
- The proper disbursement of and accounting for Federal funds paid to the State under this federal program, including procedures for monitoring the assistance.

The OEP is not effectively monitoring and reacting to the results of subrecipient audit results.

Because of the above, the OEP cannot evaluate the impact of subrecipient activities on the OEP's ability to comply with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable.

Questioned Costs:

Unable to determine.

Recommendation:

OEP should monitor subrecipient activities in accordance with federal requirements. At a minimum, OEP's subrecipient monitoring efforts must be sufficient to meet its Federal program requirements. OEP should also ensure that its during-the-award monitoring, as described in its Fuel Assistance Program Manual, is performed.

OEP should train its federal program employees in A-133 audit requirements. OEP employees responsible for reviewing and responding to subrecipient audits should have and retain complete copies of the audit reports and have the knowledge and experience to determine whether subrecipient audit reports indicate corrective actions are required by either or both the OEP and the CAA.

Auditee Response:

The OEP *partially concurs*.

The OEP acknowledges its responsibility for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-32 (continued)

Department of Health and Human Services

CFDA # 93.568 *Low-Income Home Energy Assistance*

The OEP recognizes that improved monitoring documentation and additional on-site monitoring of the Community Action Agencies' (CAA) Low-Income Home Energy Assistance programs (LIHEAP) are needed. Productivity and costs were previously monitored manually using the attachments/forms of the *Fuel Assistance Program Manual*. Some internal control is now being achieved electronically through the CAA's reporting software. Since the implementation of the software, the monitoring forms of the *Fuel Assistance Program Manual* have become obsolete.

While the LIHEAP program manager exercised controls over the program through its reporting software, OEP concurs that an identified area of monitoring weakness in fiscal year 2009 is detailed financial monitoring/review of the accounting systems of the Community Action Agencies, as well as appropriate documentation of program monitoring. Prior to 2005, the OEP business director conducted annual financial monitoring in coordination with program monitoring by the program staff at each CAA. A new business director was hired in May of 2005, approximately four months after the previous director had resigned. It appears that institutional knowledge was lost relative to the scope and timing of financial monitoring of the CAAs and inadequate procedures were in place to ensure their continuation. An additional factor was the reduction of staff from the merger of the Office of Energy and Community Services and the Office of State Planning in 2003 which resulted in the loss of a number of positions, including the program manager for the weatherization program and a director of community services which oversaw both the LIHEAP and weatherization programs. These changes put additional workload pressure on the business office staff over time and further eroded program staff focus on financial monitoring issues.

The LIHEAP program manager is currently in the process of updating The *Fuel Assistance Program Manual* to reflect the addition of its reporting software. However, comprehensive on-site monitoring needs to be conducted regularly and documented in addition to the electronic monitoring.

A comprehensive monitoring of each CAA will be performed on-site at least once per year and agencies at risk will be monitored more often. OEP is working with the NH Office of Economic Stimulus to develop a comprehensive program for all the CAAs by the end of this program year. Program monitoring of the CAAs will be coordinated with the weatherization program manager to avoid duplicate monitoring of the same financial accounting systems.

Historically, financial monitoring was done by the OEP business office, which did have A-133 audit knowledge. Financial monitoring was not a duty of the program manager. With changes in personnel and increased responsibilities there is now a need to expand knowledge of A-133 requirements to program managers so they can recognize what is needed for financial tracking and help perform this monitoring.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

Office of Energy and Planning (OEP)

Finding 2009-32 (continued)

Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

OEP is pursuing A-133 training options through the Office of Economic Stimulus and other State or Federal agencies or alternatively, using a “best practices” approach, OEP will develop its own training in cooperation with and input from sister States who currently provide the training for their staff. We anticipate training to be defined and developed by May 30, 2010. The OEP also recognizes that we may need additional resources and continued support, outside of our fiscal office, for on-site fiscal monitoring of the CAAs.

Contact Person:

Joanne O. Morin, Director

Status as of February 2011:

Partially implemented. As of 11/1/10, OEP has revised and implemented new on-site program monitoring procedures for PY 2010. PY 2010 program monitoring for all six NH CAA’s has been completed. Fiscal monitoring of three of the six NH CAA’s is complete. The Fuel Assistance Program (FAP) procedures manual has been updated to reflect the new on-site monitoring tools and to reflect the desk monitoring conducted as part of the EAP software. The software automatically calculates income for all household members, determines benefits and tracks all payments to vendors. Scheduled on-site monitoring for PY 2011 will include at least one program monitoring visit and one fiscal monitoring visit to each of the six NH Community Action Agencies, as well as on-going reviews using the FAP software reporting system.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-35

US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

<i>Grant Award and Year:</i>	<i>G-08BINHLIEA</i>	<i>October 1, 2007 To September 30, 2009</i>
	<i>G-09BINHLIEA</i>	<i>October 1, 2008 To September 30, 2010</i>

Finding: Low-Income Home Energy Assistance Program (LIHEAP) Drawdowns Not Performed Timely

Criteria:

31 CFR part 205, which implements the Cash Management Improvement Act of 1990 (CMIA), as amended, requires state recipients to enter into agreements (Treasury-State Agreements) that prescribe specific methods of drawing federal funds for certain programs.

As it applies to OEP's operation of LIHEAP, the Treasury-State Agreement requires monthly draws for administrative costs and weekly draws for direct program costs.

Condition:

OEP did not consistently draw federal LIHEAP funds in accordance with the Treasury-State Agreement during fiscal year 2009. OEP performed federal draws on a quarterly basis during the period July 1, through December 31, 2008. During the second half of the fiscal year, OEP drew federal program funds on a biweekly or weekly basis.

A sample of 15 LIHEAP expenditures was reviewed for timeliness of federal reimbursement. OEP did not request reimbursements for four of the 15 transactions (27%) in the timeframe included in the Treasury-State Agreement. OEP drew federal reimbursement for one direct program expenditure three weeks after the expenditure was incurred and drew federal reimbursement for three administrative expenditures between six and 15 weeks after OEP incurred the program expenditure.

Cause:

OEP reported a lack of resources prevented it from performing drawdowns in the timeframe included in the Treasury-State Agreement.

Effect:

OEP did not draw federal reimbursement as soon as the program allowed, resulting in the State incurring an unnecessary cash flow cost, including lost interest income.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

Office of Energy and Planning (OEP)

Finding 2009-35 (continued)

US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

Questioned Costs:

None

Recommendation:

OEP should draw federal reimbursements as soon as allowed by the Treasury-State agreement.

Auditee Response:

We partially concur.

OEP will make every attempt to improve its timeliness of drawing down federal reimbursements. OEP's standard procedure for contractual costs is to drawdown these costs upon disbursement. Due to loss of staff and the changeover to NH First, OEP fell behind on timely draw down of contractual payments for the last six months. With staffing levels returned to normal, we are in the process are getting back on schedule and anticipate more timely draw downs in the near future.

However, OEP has a small business office in comparison to the size and complexity of its federal grants. Given the increase in federal grants through the American Recovery and Reinvestment Act (ARRA) and the State restrictions on expanding staff, we may experience some additional delays to contractual draw downs as the ARRA programs ramp up with multiple contractual payments.

Administrative costs can only be drawn down quarterly because that's the frequency with which we reallocate time. When a new payroll system is implemented that allows time to be directly charged to multiple programs, we will be able to meet a monthly drawdown on administration costs.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Immediate

Status as of February 2011:

Unresolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010- 33.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>Office of Energy and Planning (OEP)</i>	<i>Finding 2009-36</i>
<i>U.S. Department of Energy</i>	
<i>CFDA # 81.042</i>	<i>Weatherization Assistance For Low-Income Persons</i>
<i>Grant Awards and Years:</i>	
<i>DE-FG26-04R130436</i>	<i>April 1, 2008 to March 31, 2009</i>
<i>EE00060</i>	<i>April 1, 2009 to March 31, 2010</i>
<i>EE00161 (ARRA)</i>	<i>April 1, 2009 to March 31, 2012</i>

Finding: Weatherization Assistance Program (WXN) Costs Should Be Adequately Supported

Criteria:

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, paragraph C.1. Basic Guidelines, identifies the factors affecting the allowability of costs. Specifically, the Circular states, “To be allowable under Federal awards, costs must meet the following general criteria [excerpt only]:

- (a) Be necessary and reasonable for the performance and administration of Federal awards.
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (j) Be adequately documented.”

OMB Circular A-122, *Cost Principles For Non-Profit Organizations*, (applicable to subgrantee community action agencies (CAA)), Attachment A, paragraph A.2. Basic Considerations, identifies the same factors affecting allowability of costs as OMB Circular A-87. In addition, OMB Circular A-122 defines reasonable costs as follows:

“A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof which receive the preponderance of their support from awards made by Federal agencies. In determining the reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award.
- b. The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, Federal and State laws and regulations, and terms and conditions of the award.
- c. Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large, and the Federal Government.
- d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.”

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-36 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

According to OMB Circular A-122, Attachment B, Section 8, m. *Support of salaries and wages*, the distribution of salaries and wages to awards must be supported by personnel activity reports and those reports “must reflect an **after-the-fact** determination of the actual activity of each employee.” [Emphasis added].

Condition:

The objective of the Weatherization Assistance Program is to reduce household energy use and costs in the homes of low-income persons by installing energy efficiency improvements. OEP contracts with CAAs to provide these energy efficiency improvements to eligible New Hampshire households. The CAAs determine client eligibility, inspect the housing units to determine what weatherization measures are needed, and install the needed improvements using private contractors or CAA work crews. The CAAs request reimbursement of direct WXN expenditures from OEP after the work has been completed and accepted by the client. CAAs generally request reimbursement of WXN administrative costs monthly.

We reviewed a sample of 15 OEP payments to five of the six CAAs for WXN program costs during fiscal year 2009. We also reviewed the CAA’s associated reimbursement requests and the support for those requests. Allowability concerns were noted for costs requested by four of the CAAs for reimbursement on 11 of the payments tested.

1. The requested reimbursement for personnel, fringe, or administrative costs for five CAA reimbursement requests were based on estimated percentages of time worked on the WXN program (including ARRA WXN). While apparently the percentages were either estimated or based on a time study conducted by the CAA, there was no documentation available at the CAA to support the accuracy or reasonableness of the percentages used in the allocations.
2. One CAA charged fringe costs to the personnel category and personnel costs to the administrative category, apparently due to the CAA having previously spent its entire fringe and personnel budgets.
3. One CAA included financing charges (at a rate of 19% for a period of 60 months) for the purchase of two laptop computers, a blower door, and a pickup truck in its WXN reimbursement request. In addition, the CAA did not obtain the required OEP approval prior to the purchase of the truck using WXN program funds. When the transaction was questioned by the auditors, the costs related to the laptop and blower door were subsequently transferred to another non-federal CAA program. The cost for the truck had been transferred prior to the auditor’s visit. The CAA reimbursed the WXN program for the costs previously charged for these items.
4. For one of the reimbursements selected for testing, the CAA was unable to support the \$13,100 difference between the amount requested for reimbursement and the lower program costs recorded in the CAA’s general ledger.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-36 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

5. Indirect costs charged by one CAA were calculated using an outdated rate instead of the federally approved indirect rates in effect during the period. The CAA's use of the incorrect rate resulted in the CAA overcharging the WXN program by \$65 for the period.
6. For two reimbursement requests submitted by the same CAA, we were unable to agree the costs of materials reported on the project list to invoices or other documentation supporting the costs. We noted the following issues:
 - Some costs were not supported by invoices or other documentation,
 - Some materials costs were listed on the CAAs' project listings at prices different than those recorded on corresponding invoices,
 - In some instances, we were not able to determine how material costs for a specific job were calculated as there were no notations or other documentation of which costs comprised the reported amounts.
7. Health and safety labor costs reported by one CAA are calculated as estimated health and safety labor hours (estimated by WXN Director) multiplied by a \$40 rate. According to the CAA WXN Director, this rate represents an average crew hourly rate plus the costs of benefits, tools, and equipment maintenance. The CAA was not able to provide documentation to support how that rate was calculated or otherwise demonstrate whether the rate charged approximates the actual costs incurred.
8. Organization-wide financial audit costs on one CAA reimbursement request were allocated to the WXN program but the CAA was not able to provide documentation supporting how the amount was allocated and whether the allocation reflected a reasonable cost to the WXN program.

Cause:

OEP has not effectively communicated federal WXN program requirements related to allowable costs, including documentation of allowable costs.

OEP has not required CAAs to adequately support expenses charged to the WXN program.

OEP's monitoring of the CAAs has not been sufficient to detect and correct problems with the CAAs' documentation of WXN program activities.

Effect:

Unallowable costs related to the WXN program may be submitted by the CAA and OEP for federal participation. The lack of documentation noted above makes it difficult, if not impossible, to determine whether certain costs charged to the WXN program are allowable.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-36 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

Questioned Costs:

\$13,165

We were unable to determine the amount of additional questioned costs due to the lack of supporting documentation for amounts allocated to the WXN program.

Recommendation:

OEP should ensure that it effectively communicates all WXN program requirements to the CAAs.

OEP should require CAAs to adequately support all expenses charged to the WXN program and submitted for federal participation.

OEP should establish effective monitoring of the CAAs to ensure that all costs charged to federal programs are allowable in accordance with federal regulations.

Auditee Response:

We concur.

Prior to receipt of this draft audit finding, OEP management and weatherization program staff recognized areas within the program where monitoring practices and procedures needed improvement. A weatherization program manager was hired on May 7, 2009 to augment the work of the existing technical manager. The newly hired program manager has already increased CAA oversight including: increased documentation for reimbursement, increased monitoring visits, and improved procedures. All program monitoring visits are documented in a timely manner in written reports. For example, an August 13th monitoring report to the Tri-County CAA indicated what cost documentation was missing or incomplete in their files.

In addition, OEP initiated an in-depth financial audit of two CAAs, considered at-risk, using auditors from the NH Office of Economic Stimulus and the Department of Revenue after more significant concerns were first flagged by LBA auditors and later confirmed by OEP staff. One of these CAA had been previously targeted by OEP and others for poor performance. Staff, including the Executive Director, were replaced in 2008 and another CAA took over its WXN program through a Memorandum of Agreement which is still in place. The audit findings highlighted in this report for this CAA were from this problem period. Auditing of program year 2010 for this restructured CAA shows significant improvement and substantial compliance with federal requirements. Note that the remaining four CAA, though still showing room for improvement, were also in substantial compliance with federal requirements for documentation and accounting procedures. The remaining at-risk CAA is still undergoing remedial measures.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*Office of Energy and Planning (OEP)
U.S. Department of Energy*

Finding 2009-36 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

A comprehensive monitoring of each CAA will be performed at least once per year and agencies at risk will be monitored more often. The two CAAs identified in 2009 as at-risk are still undergoing increased monitoring which will continue until all issues are resolved.

OEP had taken additional program-wide initiatives to improve CAA procedures and documentation. A mandatory financial accounting workshop was held with all CAAs on January 5th to review all federal requirements and procedures. The CAAs identified areas that they felt needed to be clarified with the Department of Energy (DOE). OEP has since received confirmation (with written confirmation expected shortly) from DOE contracting specialists on questions raised by the CAAs relative to allowable cost allocation procedures. OEP is in the process of revising its WXN Program Manual to reflect the clarifications from DOE. OEP has continued to review these procedures with the CAA WXN Directors on monthly conference calls. OEP will also continue to hold mandatory financing accounting workshops on a periodic, as needed basis.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Annual program monitoring, including verifying adequate documentation of costs, will be completed by the end of the program year as required, March 31, 2010. Continued monitoring of the two at-risk CAAs will continue until all issues are resolved.

Status as of February 2011:

Resolved except questioned costs remain open

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

<i>Office of Energy and Planning (OEP)</i>		<i>Finding 2009-39</i>
<i>U.S. Department of Energy</i>		
<i>CFDA # 81.042</i>	<i>Weatherization Assistance For Low-Income Persons</i>	
<i>Grant Award and Years:</i>	<i>DE-FG41-04R130436</i>	<i>April 1, 2008 to March 31, 2009</i>

Finding: *Noncompliance With Weatherization Assistance for Low Income Persons Program (WXN) Eligibility Requirements*

Criteria:

Title 10 of the United States Code, Chapter II, Part 440.18 (f)(2) states no grant funds shall be used to install or otherwise provide weatherization materials for a dwelling unit previously weatherized with grant funds. OEP's Weatherization Grant Guidance documentation, section 5.15 (Reweathering), clarifies that the final rule does permit State and local agencies to reweatherize homes previously weatherized prior to October 1, 1993.

Condition:

OEP does not have a system in place to limit weatherization assistance to dwelling units that have not been previously, (since October 1, 1993), weatherized by the WXN program.

The community action agencies (CAAs), in their administration of the WXN program under contract to OEP, use systems that are indexed by client/tenant name and not unit location. If a prospective client name does not match a previously assisted client name in the CAA's manual or spreadsheet information systems, the dwelling unit is assumed to be eligible for weatherization assistance. While the OEP receives certain information from the CAAs on clients served and dwellings weatherized, the information accumulated since 1993 by the OEP is generally regarded as incomplete and not reliable.

In one out of 63 WXN cases reviewed, a dwelling which had previously been weatherized was inadvertently weatherized a second time by a CAA. An error in the spelling of the tenant's name in the CAA's client information system did not allow for a match to identify the dwelling as having previously been weatherized.

The name-based information systems used by the CAAs depends upon information in several databases or other information systems that have recorded weatherization work performed since 1993. The reliance on information in multiple information systems, covering the period since 1993, further increases the risk that information available in the systems will not prove a reliable control. Audit testing also revealed in 10 out of 15 (67%) instances reviewed at one CAA, weatherization work subject to testing was not recorded in electronic spreadsheets used by the CAA to record and track the completion of weatherization work. This error was not evident at the other CAAs visited.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-39 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

Cause:

OEP has not responded to a recognized WXN program risk. OEP reported it was aware of the risk related to weak CAA information systems reporting WXN program activity. The OEP has not required and assisted CAAs to build better information systems that would track units weatherized by the WXN program by location as well as client served.

Effect:

The lack of effective WXN client information systems increases the risk that dwelling units may be improperly reweatherized without detection.

Questioned Costs:

Known questioned costs \$790.

Recommendation:

OEP should strengthen its control environment by responding timely and effectively to recognized risks.

OEP should assist the CAAs to implement effective information systems that would allow the CAAs to track the dwelling units weatherized and to reasonably ensure that units previously weatherized are not reweatherized in noncompliance with WXN program rules.

Auditee Response:

We concur.

OEP will continue to work with the CAAs to establish an effective information system to track dwelling unit by address. Though OEP concurs with this finding, the new WXN program manager identified this issue last May and has been working on a resolution with the CAAs and the electric utilities, which provide additional WXN resources through a state-funded program. Resolution is hampered by a series of different tracking mechanisms at the CAAs over the years, sometimes starting with paper records, followed by a series of different unconnected databases. In addition, there are issues related to control of the information in existing databases used by the utilities that could result in the CAAs having to duplicate data entry of the needed information. Increased monitoring identified in OEP responses to finding 2009-34 will follow up on the system once in place.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*Office of Energy and Planning (OEP)
U.S. Department of Energy*

Finding 2009-39 (continued)

CFDA # 81.042

Weatherization Assistance For Low-Income Persons

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

December 31, 2010

Status as of February 2011:

Resolved except questioned costs remain open

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>Office of Energy and Planning (OEP)</i>		<i>Finding 2009-40</i>
<i>U.S. Department of Energy</i>		
<i>CFDA # 93.568</i>	<i>Low-Income Home Energy Assistance Program</i>	
<i>Grant Awards and Years:</i>	<i>G-08B1NHLIEA</i>	<i>October 1, 2007 to September 30, 2009</i>
	<i>G-09B1NHLIEA</i>	<i>October 1, 2008 to September 30, 2010</i>

Finding: Noncompliance With Low-Income Home Energy Assistance (LIHEAP) Eligibility Requirements

Criteria:

Title 42 of the United States Code (USC), Chapter 94, Subchapter II, Section 8624(b)(2)(B), requires that the State make payments only to households which do not exceed the greater of (i) an amount equal to 150 percent of the poverty level for the State; or (ii) an amount equal to 60 percent of the State median income.

The federal regulation is further reinforced by the OEP’s guidance included in the 2008-2009 LIHEAP Procedures Manual which states that the New Hampshire fuel assistance program is based on the following four eligibility requirements:

- The [applicant] household resides in New Hampshire
- Household size
- Household income level, and
- [Applicant has] Responsibility for energy costs of \$100 or more.

The LIHEAP Procedures Manual specifies that the local community action agencies shall determine eligibility through the application and certification process and shall ensure that applicants have provided adequate and accurate documentation of gross income. The LIHEAP Procedures Manual further states that, “all applications must be complete, with all supporting documentation attached.”

Condition:

The OEP is responsible for the statewide administration of LIHEAP. OEP contracts with six locally-based community action agencies (CAAs) to provide LIHEAP services to low-income households. OEP relies upon the CAAs to perform the direct client interactions including determining and certifying client eligibility for LIHEAP services.

Our testing of a sample of 120 LIHEAP clients revealed the following instances of noncompliance with LIHEAP requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-40 (continued)

CFDA # 93.568

Low-Income Home Energy Assistance Program

Household Income Not Calculated Correctly

- The household income of six out of 120 applicants (5%) was not calculated correctly resulting in \$1,125 of questioned costs.

Examples of errors noted included the use of gross profit instead of the required net profit for calculating self employment income, the use of a medical deduction as income instead of the pension income amount supported by applicant documentation, the use of net pay versus the required gross pay for calculating salaries and wages, not including all paychecks received by an applicant, and not including one applicant's social security income. The error in calculating self-employment income noted above resulted in the applicant receiving a lower benefit than he/she was eligible for.

Lack Of Documentation To Support Household Income

- Insufficient documentation was maintained in the client files to support the household income of four out of 120 applicants (3%) resulting in \$5,199 of questioned costs.

The spreadsheets documenting the self-employment income of three applicants did not have required source documentation necessary to support the reported amounts. The reported zero income of the fourth applicant was not supported by required verifications and the confirmation of the applicant's lack of unemployment income in a prior year was used to support a lack of unemployment income in the current year. Because of the lack of information in the files, we were unable to make a conclusion on the eligibility determination for the four applicants.

Energy Costs Not Calculated Correctly

- The CAAs appeared to have incorrectly calculated the energy costs for 22 of the 120 (18%) tested applicants.

In accordance with the Fuel Assistance Program (FAP) Manual, energy costs can be calculated by using the household's actual annual heating costs or by using heating cost tables prepared by the OEP for each CAA. However, the FAP Manual states that "the method used should be in the best interest of the applicant." Examples of errors noted in the tested applicants files included using the method that was not in the best interest of the applicant, the exclusion of supplemental electric costs to the energy costs of applicants with power hot air and forced hot water systems, and including a supplemental electric cost to the energy costs of applicants who use electric heat as a primary heating source. While none of the errors in calculating energy costs resulted in questioned costs, one error in calculating energy costs resulted in the applicant receiving a lower benefit than he/she was eligible for.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-40 (continued)

CFDA # 93.568

Low-Income Home Energy Assistance Program

Improper Segregation Of Duties Over Eligibility Process

- The client fuel assistance application was missing one of the required two CAA signatures (either the intake worker's signature or the certifier's signature) for nine out of the 120 (8%) applications tested.

The FAP Manual states "the intake process [performed by an intake worker] begins by assessing a household's eligibility for a 30 day time period" and "a certifier reviews all applications for accuracy and completeness and determines eligibility or ineligibility based on the provided information."

CAAs also determine client eligibility for LIHEAP services as precondition to clients being qualified for Weatherization Program (WXN) participation.

Our testing of CAA eligibility determinations for 63 WXN applicants noted the following instances of noncompliance with OEP requirements.

- The household income of one applicant out of the 63 (2%) applications tested lacked sufficient supporting documentation, resulting in \$1,050 of LIHEAP questioned costs.
- The energy costs of 10 out of 63 (16%) WXN program applicants were calculated incorrectly by the CAAs. However, these errors had no effect on the applicant's Fuel Assistance benefit amount.

Cause:

OEP has not established appropriate controls for client eligibility determinations performed on its behalf by the CAAs. OEP has not established the proper control environment, performed an appropriate risk assessment or established control activities, information sharing and monitoring efforts to reasonably ensure its programs are operating as intended.

OEP income verification policies and procedures in the LIHEAP Manual may appear more as general guidance than required compliance activity, in light of perceived client needs.

Effect:

OEP cannot be reasonably certain that its LIHEAP program is operating in compliance with OEP and federal guidance. Based on audit testing, during the fiscal year ended June 30, 2009, certain LIHEAP payments have been made based on unsupported CAA client eligibility determinations.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-40 (continued)

CFDA # 93.568

Low-Income Home Energy Assistance Program

Questioned Costs:

\$7,374

Recommendation:

OEP should re-establish appropriate controls for monitoring the CAAs operation of LIHEAP. The OEP should review the errors noted with the CAAs to determine the likely cause of the errors and the appropriate response. OEP should determine whether additional program guidance and/or training is needed to improve CAA compliance with LIHEAP policies and procedures.

OEP should consider the need to more fully develop its policies and procedures addressed in the LIHEAP Manual for client income determination to ensure that the directives are clear and consistent with LIHEAP rules and regulations and program objectives.

The OEP should ensure the CAAs understand that, if in using the LIHEAP Manual a CAA Fuel Assistance Program (FAP) Manager determines that the LIHEAP Manual does not appropriately cover a client's unusual or emergency situation, the CAA FAP Manager should use the waiver process allowed by the Manual prior to taking action not otherwise provided by the LIHEAP Manual.

Auditee Response:

We concur.

OEP is revising its LIHEAP Program Manual and will hold a mandatory workshop for CAA LIHEAP program managers on eligibility and financial accounting procedures similar to the workshop held for the WXN program. This will include intake workers up through program management staff to review all procedures. An on-site program monitoring schedule will be re-established to review the CAAs' compliance with procedures. The frequency of monitoring has been hampered by limited resources as a LIHEAP assistant position remains unfilled. OEP will need to use resources from other programs to assist the LIHEAP program manager in returning to required monitoring scope and frequency.

Though OEP concurs with this finding, we would like to point out that audit findings did vary greatly by CAA. The most significant findings related to one of the at-risk CAAs described in an earlier response. Auditors noted, in fact, that one CAA had no findings.

Contact Person:

Joanne O. Morin, Director

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
U.S. Department of Energy

Finding 2009-40 (continued)

CFDA # 93.568

Low-Income Home Energy Assistance Program

Anticipated Completion Date:

June 30, 2010

Status as of February 2011:

Resolved except questioned costs remain open

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

<i>Office of Energy and Planning (OEP)</i>	<i>Finding 2009-41</i>
<i>US Department of Health and Human Services</i>	
<i>CFDA # 93.568</i>	<i>Low-Income Home Energy Assistance Program</i>
<i>Grant Awards and Years:</i>	<i>G-08BINHLIEA October 1, 2007 to September 30, 2009</i>
	<i>G-09BINHLIEA October 1, 2008 to September 30, 2010</i>

Finding: *Low-Income Home Energy Assistance Program (LHEAP) Costs Not Adequately Supported*

Criteria:

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, paragraph C.1. Basic Guidelines, identifies the factors affecting the allowability of costs. Specifically, the Circular states, “To be allowable under Federal awards, costs must meet the following general criteria [excerpt only]:

(b) Be allocable to Federal awards under the provisions of A-87. Section C.3.a. of Attachment A of the Circular further states that, “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received.”

(j) Be adequately documented.”

OMB Circular A-122, Cost Principles For Non-Profit Organizations (applicable to subgrantee community action agencies (CAA’s)), Attachment A, paragraph A.2. Basic Considerations, identifies the same factors affecting the allowability of costs as OMB Circular A-87. In addition, in accordance with OMB Circular A-122, Attachment B, Section 8, m. *Support of salaries and wages*, the distribution of salaries and wages to awards must be supported by personnel activity reports and those reports “must reflect an **after-the-fact** determination of the actual activity of each employee.” [Emphasis added.]

Condition:

The OEP contracts with six community action agencies (CAAs) to provide LIHEAP fuel assistance services to eligible New Hampshire households. The CAAs are responsible for accepting client applications, determining eligibility, and making fuel assistance payments directly to the clients, energy vendors, or landlords, depending upon the client’s situation. The CAAs recover both the direct costs for energy paid to or on behalf of the clients and an administrative overhead amount from the LIHEAP program administered by the OEP.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-41 (continued)

US Department of Health and Human Services

CFDA # 93.568

Low-Income Home Energy Assistance Program

We reviewed a sample of 27 energy and energy-related and seven non-energy payments made by OEP to five of the six CAAs for fiscal year 2009 LIHEAP program costs. We also reviewed the CAAs' associated reimbursement requests and the support for those requests. Allowability concerns were noted for costs requested by each of the CAAs for reimbursement on one of 27 energy and six of the seven non-energy payments tested.

Energy and Energy Related Costs:

1. For one CAA reimbursement request submitted for LIHEAP Heating System Repair and Replacement (HRRP) costs, we were unable to agree the costs of materials reported on the project list in the client file to actual invoices or other documentation supporting the costs. We noted the following issues:
 - Some costs were not supported by invoices or other documentation,
 - Some materials costs were listed on the CAA's project listings at prices different than those recorded on corresponding invoices, and
 - In some instances, we were not able to determine how material costs for a specific job were calculated, as the files did not identify which costs comprised the reported amounts.
2. For one reimbursement request submitted for LIHEAP Heating System Repair and Replacement (HRRP) costs, HRRP paid labor costs reported by one CAA are calculated as HRRP labor hours (estimated by Weatherization (WXN) Director) multiplied by a \$40 per hour rate. According to the CAA WXN Director, this rate represents an average crew hourly rate plus the costs of benefits, tools, and equipment maintenance. The CAA was not able to document how that rate was calculated and demonstrate that the rate charged reasonably reflected the actual LIHEAP costs incurred.

Administrative Costs:

1. One CAA charged \$5,528 of Electric Assistance Program costs to the LIHEAP program, reportedly due to insufficient funding being available in the non-federal EAP program. The Electric Assistance Program is administered by another State agency.
2. Multiple instances were noted where the CAA was unable to adequately document the allocation of costs charged to LIHEAP, resulting in unallowable costs:
 - a. All CAAs have access to and utilize the Fuel Assistance Program System (FAPS), an information system used by the CAAs and OEP to administer LIHEAP. FAPS is also used by the CAAs to administer the Electric Assistance Program. One CAA maintains FAPS and allocates the cost of operating FAPS based on each CAA's relative share of LIHEAP and Electric Assistance Program activity. While we don't question the methodology of the allocation, no documentation was available at the CAA to support the actual calculation of the allocated costs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-41 (continued)

US Department of Health and Human Services

CFDA # 93.568

Low-Income Home Energy Assistance Program

- b. One CAA reported its allocation of the salary costs for the executive director to LIHEAP (six hours per two-week pay period) was derived from a time study conducted several years ago. The CAA did not have documentation to support the completion of the original time study or the appropriateness of continuing to use the results of that prior time study.
- c. One CAA reported \$5,797 of LIHEAP postage expense during one reporting period. While the CAA could document it had purchased and used \$1,797 of that amount, the CAA could not document the purchase and or use of the remaining \$4,000 amount claimed for LIHEAP reimbursement.
- d. One CAA allocated \$4,000 of its \$14,835 annual financial statement and federal compliance audit costs to LIHEAP. The CAA was not able to document how the amount was determined or whether the costs allocated to LIHEAP was reasonable.
- e. The \$80,544 in administrative costs claimed by one CAA did not agree to amounts on supporting documentation provided by the CAA to the auditors. When asked about the difference, the CAA employee responsible for preparing the reimbursement request stated the reimbursement request includes estimates of costs, partly based on original budget amounts.
- f. Indirect costs for one CAA were calculated using an outdated indirect cost rate rather than the federally approved indirect rate in effect for the period. The use of the incorrect cost rate resulted in the CAA overcharging the OEP by \$425.
- g. For one of the reimbursements selected for testing, the CAA was unable to support the \$20,163 difference between the amount requested for reimbursement and the program costs recorded in the CAA's general ledger.
- h. One CAA was unable to provide support for administrative, fringe, and vehicle operation costs or allocated percentages on one LIHEAP reimbursement request.

Cause:

OEP has not established effective control activities, including obtaining and reviewing relevant LIHEAP data to support CAA activities and requests for LIHEAP funds.

OEP has not effectively monitored to determine whether CAAs are charging OEP for LIHEAP costs according to federal program requirements, including maintaining required documentation to support the allowability of LIHEAP activities and costs incurred. OEP has not taken effective action to require compliance.

Effect:

OEP has increased risk that it is paying CAAs for unallowable LIHEAP costs.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

Office of Energy and Planning (OEP)

Finding 2009-41 (continued)

US Department of Health and Human Services

CFDA # 93.568

Low-Income Home Energy Assistance Program

Questioned Costs:

\$30,116 (\$20,163 costs not supported; \$4,000 postage costs; \$5,528 EAP costs charged to LIHEAP; \$425 indirect costs overcharged to OEP). We were unable to determine the amount of additional questioned costs due to the lack of supporting documentation for amounts allocated to the LIHEAP program.

Recommendation:

OEP must establish controls to reasonably ensure that all costs charged to LIHEAP are allowable in accordance with federal regulations. OEP should establish appropriate control activities, information systems, and monitoring efforts that will reasonably ensure that the CAAs are operating LIHEAP in compliance with program rules and regulations.

Auditee Response:

We concur.

OEP had made it clear to the CAA Executive Directors that the financing accounting procedures that we have focused on in the WXN program are also applicable to the LIHEAP program. We will follow up with a mandatory workshop with the CAA LIHEAP program managers to review these procedures in order to complete CAA staff re-training. A re-established schedule for on-site program monitoring will ensure compliance.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

June 30, 2010

Status as of February 2011:

Resolved except \$26,116 of questioned costs remain open

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)
US Department of Health and Human Services

Finding 2009-43

CFDA # 93.568 Low-Income Home Energy Assistance Program

Grant Award and Years: G-08BINHLIEA October 1, 2007 to September 30, 2009

Finding: *Low-Income Home Energy Assistance Program (LIHEAP) Reports Not Adequately Supported*

Criteria:

Title 45 of the United States Code, Part 96, Subpart H, section 96.82 (b) requires each grantee to submit data annually on the number of households receiving LIHEAP assistance. The regulation requires the data to be reported separately for LIHEAP heating, cooling, crisis, and weatherization assistance on a LIHEAP Household Report.

US Department of Health and Human Services (U.S. DHHS) LIHEAP Action Transmittal AT-2009-02 requires State grantees to submit a LIHEAP Grantee Survey on an annual basis which includes data on the sources and uses of funds, average benefits, and maximum income cutoff for 4-person households for each type of assistance provided by the State.

The 2009 OMB Circular A-133 Compliance Supplement, compliance requirement L - Reporting, requires reports of federal awards “include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.”

Condition:

The LIHEAP Household Report and LIHEAP Grantee Survey for federal fiscal year 2008 submitted by OEP included data that was not supported by the OEP’s accounting or performance records.

The reported 354 households assisted with winter crisis benefits, where at least one member is age five or under, on the LIHEAP Household Report was an estimated amount that could not be supported by database records or other alternative OEP records. Although OEP explained the methodology used to estimate the reported amount, this methodology did not recalculate. In addition, the number of households that were reported by OEP as having been assisted with weatherization assistance benefits was not supported by OEP’s information systems.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Office of Energy and Planning (OEP)

Finding 2009-43 (continued)

US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance Program

Other data reported by OEP that also did not appear to be supported by OEP's information systems include:

- Of the \$29,344,682 Estimated Sources of Funds reported on the LIHEAP Grantee Survey, \$51,945 representing funds carried over from Federal Fiscal Year (FFY) 2007 was unsupported. These carry over funds agreed to the OEP's FFY 2007 *Carryover and Reallotment Report* submitted to the U.S. DHHS, however, this 2007 federal report was not supported.
- Of the \$29,344,682 Estimated Uses of Funds reported in the *LIHEAP Grantee Survey*, \$25,584,827 was unsupported.
- The reported \$629 average household heating assistance benefits and \$363 average winter crisis benefit amounts were unsupported.
- The reported \$48,913 and \$38,203 maximum annual income amounts for heating assistance benefit and weatherization assistance benefits, respectively, were unsupported.

Cause:

OEP has not established policies and procedures and other controls to ensure that data included in the electronically filed LIHEAP Grantee Survey reports is documented and verifiable.

The Fuel Assistance Program Software (FAPS) used by OEP does not capture data related to the number of households assisted with winter crisis benefits where at least one member is age five or under. As a result, OEP reports estimated information. OEP has not established policies and procedures and other controls to ensure that data included in its filed reports, including methods used in estimating data, is documented and verifiable.

Effect:

Data included in LIHEAP reports may not be properly supported and verifiable.

Questioned Costs:

None.

Recommendation:

The OEP should maintain adequate documentation, whether paper or electronic, to support all required report submittals. The OEP should also consider implementing a review and approval control procedure to ensure federal reports: include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

Office of Energy and Planning (OEP)

Finding 2009-43 (continued)

US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance Program

Auditee Response:

We concur.

Back up documentation for the Carryover and Reallotment Report is not filed and retained. OEP will correct the collection of data for the Household Report to include the missing category.

OEP will prepare office-wide procedures for managing and monitoring federal programs in accordance with the appropriate federal guidance and regulations. Procedures will include or provide reference to program specific procedures or procedure manuals as appropriate. One procedure will include an annual review of reporting requirements by the Grants Manager and reviewed by the Director.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 31, 2010

Status as of February 2011:

Partially Resolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010- 32.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Labor
U.S. Department of Labor*

Finding 2009-45

*CFDA # 17.258 Workforce Investment Act Adult Program - ARRA
CFDA # 17.259 Workforce Investment Act Youth Activities - ARRA
CFDA # 17.260 Workforce Investment Act Dislocated Workers - ARRA*

<i>Grant Award and Year:</i>	<i>AA171365J0</i>	<i>February 17, 2009 – September 30, 2011</i>
	<i>AA171365L0</i>	<i>February 17, 2009 – September 30, 2011</i>
	<i>AA171365P0</i>	<i>February 17, 2009 – September 30, 2011</i>

Finding: *The Department did not comply with the Subrecipient monitoring compliance requirements applicable to all major programs with expenditures of ARRA awards.*

Criteria:

Pursuant to the OMB Circular A-133 Compliance Supplement and Section 1512(h), ARRA, and 2 CFR 176.50 (c) requires entities receiving ARRA federal funding to identify to its subrecipient both the requirement to register in the Central Contractor Registration, including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number, and maintain the currency of that information and to separately identify to its subrecipient at the time of the ARRA subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds. Further, the Department should require the subrecipient to provide appropriate identification of these ARRA expenditures in their SEFA and Data Collection Form (SF-SAC).

Condition:

During our audit of the ARRA subrecipient monitoring requirements for the WIA program, the following deficiencies were noted:

- There did not appear to be any formal identification to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a Dun and Brad Street Data Universal Numbering System (DUNS) number, and the requirement to maintain the currency of that information.
- When disbursement of ARRA funds was made to the Department’s subrecipient, the Department did not separately identify the Federal award number, CFDA number, and the amount of ARRA funds; and as part of the award, require the subrecipients to provide appropriate identification in their SEFA and SF-SAC.

Cause:

There appears to be lack of understanding over the federal ARRA subrecipient monitoring requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Labor
U.S. Department of Labor

Finding 2009-45 (continued)

CFDA # 17.258 Workforce Investment Act Adult Program - ARRA
CFDA # 17.259 Workforce Investment Act Youth Activities - ARRA
CFDA # 17.260 Workforce Investment Act Dislocated Workers - ARRA

Effect:

The Department did not comply with federal ARRA subrecipient monitoring requirements.

Questioned Costs:

None

Recommendation:

The Department should ensure that it fully understands the federal ARRA subrecipient monitoring requirements and establish a control structure that would ensure these requirements are being met when ARRA disbursements are made to subrecipients.

Auditee Response:

The Department of Labor does not concur with this finding or recommendation. The Department has had a long and close working relationship with the prime sub-recipient, the Workforce Opportunity Council (WOC). Over the years, and due to the WOC's extensive experience in administering federal grants, the Department's formal notification of grant administration requirements has been shortened to consistently providing that organization with copies of all federal award documents, to include signed Grant Agreements and Notice of Obligations (NOO).

The Grant Agreements include all instructions and directives applicable to the administration of the grant funds. In this particular case, the Grant Award document included instructions around the DUNS requirement and separate accounting functions (SEFA and SF-SAC). The NOO provides exact funding amounts, CFDA numbers, as well as the actual grant award number. The Department is able to document that it followed its consistent practice in providing the WOC with the ARRA documentation, thus giving formal notice of the funding requirements to its first-tier sub-recipient. Subsequent review of the WOC's A-133 filings indicates that the WOC did separately identify and report the ARRA funding as required.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Labor
U.S. Department of Labor*

Finding 2009-45 (continued)

*CFDA # 17.258 Workforce Investment Act Adult Program - ARRA
CFDA # 17.259 Workforce Investment Act Youth Activities - ARRA
CFDA # 17.260 Workforce Investment Act Dislocated Workers - ARRA*

The Department notes that, as with the WIA formula funding, the ARRA funding was transferred to the Department of Resources and Economic Development (DRED) effective October 1, 2009. Thus the Department of Labor no longer provides oversight and management of these funds. The Department will, however, encourage DRED to be diligent in its oversight responsibilities around sub-recipient monitoring.

Contact Person:

Bonnie Sweatt, Business Administrator

Anticipated Completion Date:

Not applicable

Status as of February 2011:

A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010-48.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

<i>Department of Employment Security</i>	<i>Finding 2009-46</i>
<i>U.S. Department of Labor</i>	
<i>CFDA # 17.225 Unemployment Insurance</i>	
<i>CFDA # 17.207 Employment Service/Wagner – Peyser Funded Activities</i>	
<i>Grant Year and Award:</i>	
UI-18035-09-55	2009
ES-17576-08-55	2009

Finding: *Insufficient Verification Process for Review of Vendor Suspension or Debarment Status*

Criteria:

29 CFR 97.35 states in part, “Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs....”

Condition:

The State’s fiscal year 2008 Single Audit report contained a finding related to the Department’s lack of policies and procedures to prevent contractors and vendors that are suspended or debarred from participating in federal programs managed by the Department. The Department’s corrective action plan in response to the comment added a provision requiring a suspension and debarment certification to be completed by program contractors. The certification was added to contracts beginning January 2009.

In September of 2009, the Department received notification from the U.S. Department of Labor (USDOL) that a certification within the contract by itself was not sufficient verification that the contractor or vendor was not suspended or debarred. Subsequent to that notice, the Department verifies federal program contractors and vendors have not been suspended or debarred by checking the Excluded Parties List System (EPLS).

Cause:

A lack of complete understanding of federal program requirements resulted in an incomplete corrective action plan and Department response to a fiscal year 2008 audit comment.

Effect:

There is the potential for the Department to contract with or make subawards to suspended or debarred parties.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

Department of Employment Security
U.S. Department of Labor

Finding 2009-46 (continued)

CFDA # 17.225 Unemployment Insurance
CFDA # 17.207 Employment Service/Wagner – Peysers Funded Activities

Questioned Costs:

None.

Recommendation:

The Department should establish policies and procedures to document and support its new practice of reviewing the EPLS for contractors and vendors that may be suspended or debarred from participating in the federal program.

Policies and procedures should include searching the EPLS for the contractor or vendor and principals of those firms, evidence that is to be retained from the search, frequency and timing of the EPLS reviews, and how to ensure that all federal program contractors and vendors, including those contracting with the Department of Information Technology or other related organizations that provide direct services to the Department, are included in the suspension and debarment process.

Auditee Response:

The Department responded immediately to the above-mentioned notice from USDOL. Approval was received by the Department from the assigned USDOL Audit Resolution Specialist, Avery Malone, to continue our current practice of querying the Excluded Parties List System (EPLS) website prior to entering into a contract as well as requiring the vendor to certify: (1) they are not currently suspended, debarred, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal department or agency, and (2) they will inform the Department if their status changes. The Department will also include printed evidence of our query of EPLS website in our contract files. Furthermore, the Department will query EPLS at least once per year for multi-year contracts.

Contact Person:

Jill Revels, Business Administrator

Anticipated Completion Date:

October 2009

Status as of February 2011:

Partially Resolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010-55.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-6

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: *Incomplete Review of Disproportionate Share Hospital Information Submitted by General Hospitals*

Criteria:

Pursuant to the approved Medicaid State Plan (Plan) Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The Plan specifically defines a disproportionate share hospital and the method of calculating the rate for these hospitals.

Condition:

The N.H. Department of Health and Human Services (Department) performs a limited review of information submitted by general hospitals for purposes of performing the annual disproportionate share (DSH) calculation, which annually totals approximately \$220 million.

Under State statute, the State assesses a 6% (5.5% effective January 1, 2008) tax on the hospitals' gross patient service revenue. The hospital is then reimbursed for the lesser of the tax or uncompensated care, which is defined in the Plan, for which the Department requests 50% reimbursement under the Medicaid grant. A non-profit organization, the New Hampshire Hospital Association (NHHA), assists the State's general hospitals in submitting their annual tax return and uncompensated care calculations. During our review of the annual tax return worksheets, we noted that much of the information submitted by the hospitals could not be substantiated to audited financial statements.

The Department performs a limited review of the information submitted for purposes of the DSH calculation. We noted that the Department did not obtain audited financial statements or any other source of external verification for three of the largest hospitals. Additionally, variances between the information reported to the Department and the audited financial statements were not investigated or resolved.

A similar finding was noted in the prior year single audit report.

Cause:

The Department does not perform reviews of information submitted by all of the hospitals for purposes of the DSH calculation.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-6 (continued)

CFDA # 93.778 Medical Assistance Program

Effect:

The lack of review can result in over or under reimbursement from the Federal government, and has in the past.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department implement policies and procedures to perform reviews of information submitted by all of the hospitals. The reviews should, at a minimum, include a comparison of information submitted to the hospitals' annual financial statements with any variances reviewed and documented.

Auditee Corrective Action Plan:

Do not concur, with respect to the audit recommendation that "the Department implement policies and procedures to perform reviews of information submitted by the hospitals." The Department maintains its position that the Department of Revenue Administration (DRA) is solely responsible for implementing, directing and enforcing tax policy in the State of New Hampshire. The tax is written into legislation in RSA84-A:9 which states that the commissioner of DRA shall adopt rules relative to the administration of the Medicaid enhancement tax; and the recovery of any tax, interest on tax, or penalties imposed by this chapter or by RSA 21-J. DHHS does have an obligation to cooperate with DRA in this process.

Contact Person:

James Fredyma, Controller

Status as of February 2011:

DSH payments were made on November 19, 2010, using an updated distribution methodology. A State Plan amendment which has two components, one for inpatient and one for outpatient, was filed on December 27, 2010 and CMS is now reviewing it.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-7

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: *DSH Calculation Methodology Noncompliant with Federal and State Requirements*

Criteria:

In accordance with Section 1923 of the Social Security Act, as amended, the New Hampshire Department of Health and Human Services (the “Department”) must calculate Medicaid disproportionate share hospital (DSH) payments to hospitals that serve disproportionately large numbers of low-income patients. The methodology for calculating DSH payments must follow the requirements as set forth by the Omnibus Budget Reconciliation Act of 1993, Centers for Medicare and Medicaid Services (CMS), and the State Plan.

According to the State plan, hospitals receive DSH payments for the lesser of their calculated DSH limit or 6% (5.5% effective January 1, 2008) of “gross patient services [revenue].” The New Hampshire Department of Revenue Administration imposes a 6% (5.5% effective January 1, 2008) Medicaid Enhancement Tax on the gross patient services revenue of each DSH (New Hampshire State Statute, Title V, Chapter 84-A).

Condition:

The Department underwent a review by the Office of Inspector General (OIG), with the objective of determining whether the DSH payments that the State agency claimed for Federal fiscal year 2004 complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan. The OIG issued a report in July of 2007 entitled “Review of New Hampshire’s Medicaid Disproportionate Share Hospital Payments During Federal Fiscal Year 2004”, which noted the following:

The State agency claimed DSH payments for Federal fiscal year 2004 that did not comply with the hospital-specific DSH limits imposed by Federal requirements and the State plan. Of the \$194,145,507 that the State agency claimed, \$123,494,571 was allowable. However, the remaining \$70,650,936 (\$35,325,468 Federal share) was unallowable. The State agency did not comply with the hospital-specific DSH limits for 24 of the 28 DSHs because it did not properly determine the hospitals’ allowable costs in accordance with the Medicare principles of cost reimbursement, as CMS guidance requires. Specifically, the cost-to-charge ratios that the State agency used in determining allowable costs were inflated because they (1) overstated costs by including unallowable costs and (2) understated charges by using net, rather than gross, patient services revenue.

A similar finding was noted in the prior year single audit report.

Cause:

The report stated that the excess DSH payments were attributed to the State agency’s lack of policies and procedures to ensure that its methodology for developing the cost-to-charge ratios used to calculate hospital-specific DSH limits complied with Federal requirements and the State plan.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2008-7 (continued)

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

\$35,328,468

Recommendation:

We recommend the Department continue to work with DHHS-CMS to resolve whether the DSH payments that the State claimed complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan.

Auditee Corrective Action Plan:

Do Not Concur with OIG findings, but do concur with single audit recommendation.

The State believes the OIG auditors made incorrect findings using procedures not formally adopted in law or administrative rule, misapplied Medicare principles to the Medicaid program, and ignored long standing federal Centers for Medicare and Medicaid Services guidance to the State on how the program should be administered and payments calculated. The OIG report is a review with findings and recommendations. Remedial action, if any, is left to the federal Centers for Medicare and Medicaid Services through its action official to determine and implement in conjunction with the State.

Contact Person: James Fredyma, Controller

Status as of February 2011:

DSH payments were made on November 19, 2010, using an updated distribution methodology. A State Plan amendment which has two components, one for inpatient and one for outpatient, was filed on December 27, 2010 and CMS is now reviewing it.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-11

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: *Expired Administrative Rules Governing Residential Care and Home Health Care Facilities*

Criteria:

The federal and state governments jointly finance the Medicaid program. Within broad federal rules, the State is authorized to establish detailed and more restrictive program requirements. The legal basis for the establishment of the Medicaid program in New Hampshire is codified in state statutes. The Commissioner of Health and Human Services is required to adopt, per state statute RSA 151:9 and 9-a, administrative rules necessary for the administration of the Medicaid program.

Condition:

A number of administrative rules related to licensing and classifying residential care and health facilities including home health care providers have expired and have not been formally readopted by the Department. These rules (Chapter He-P 801 – 829) expired in 1999 and 2000. The rules detailed the regulations for licensure of various types of providers of medical services. Therefore, with the expiration of the aforementioned rules, the Department does not have a legal basis with which to enforce these requirements. This finding has been noted in the State's Single Audit Report since 1999.

Cause: Unknown.

Effect:

The State may have difficulty enforcing administrative rules that have expired.

Questioned Costs: Not able to determine.

Recommendation:

We recommend that the Department update the administrative rules over the Medicaid program to properly reflect the requirements and current practices of the program. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

The Department has been methodically working on development of rules.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-11 (continued)

CFDA # 93.77 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Contact Person: John B. Martin, Manager, Bureau of Licensing and Certification

Status as of February 2011:

Partially Resolved. At this point there are two, and possibly three rules to readopt. All expected to be completed by November 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-15

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Provider Disclosures Are Not Obtained From All Required Providers

Criteria:

The Federal Medicaid Program rules require that payments cannot be made to providers who have been suspended or excluded from Program participation.

Federal administrative rules 42 CFR 445.104 through 42 CFR 445.106 provide requirements for provider disclosure of ownership and control information to ensure that state Medicaid agencies are aware of provider identity for consideration of continued eligibility.

While the Department's State Plan is in accordance with Medicaid Program (Program) disclosure requirement, Department practices do not include activities to ensure that State Plan provisions required by 42 CFR 445.104 through 42 CFR 445.106 are met.

Condition:

The Department cannot ensure that certain of its enrolled Medicaid providers are, and remain, eligible for participation in the Program.

The Department uses the provider enrollment process to collect required disclosure information for providers not subject to the Department's survey process. Because the Department does not require enrolled Medicaid providers to re-enroll after their initial application, the enrollment of some providers occurred years ago, prior to the disclosure requirement. As a result, the enrollment applications for some providers do not include the ownership and control disclosures. For example, one provider selected as a sample test item had an enrollment application that was completed in 1985.

While the Department's current provider enrollment application requires disclosure of information pertaining to ownership or control interests, adverse legal actions against the provider, and disclosure of ownership of subcontractors with whom the provider had done business with, the Department has not taken any steps to obtain the required disclosures from the providers that continue to operate without having made the required disclosures.

According to the Department, all providers will need to re-enroll and required disclosures will be obtained when the State implements its new MMIS system.

A similar finding was noted in the prior year single audit report.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-15 (continued)

CFDA # 93.778 Medical Assistance Program

Cause:

Department has not required regular reenrollment of all providers and has not obtained disclosures from providers that were not required to make disclosures upon enrollment.

Effect:

The Department is not able to use the disclosure information in its fraud detection and investigation program as intended by the federal administrative law.

The Department cannot be certain it is preventing individuals that are suspended or excluded from participating in the Program.

Questioned Costs: Not able to determine

Recommendation:

The Department should implement practices that promote the timely receipt and consideration of provider ownership, control, and other information necessary to ensure enrolled providers remain eligible for continued Program participation.

Operations processes under the new MMIS will include a contractual obligation of the fiscal agent to verify provider licenses effective dates on an ongoing basis.

During enrollment: All Providers who are enrolling for the first time, and active Providers who are reenrolling as part of the transition to the new MMIS, will be required to submit hard copy evidence of license effectivity, which will be verified by the fiscal agent directly with the credentialing agency. Verified license expiration dates will be stored in the Provider system.

Ongoing: Based on the license expiration date in the system, internal reports will be available to the fiscal agent and DHHS, and reminder letters to Providers will be generated, 90 days and 30 days prior to license expiration date. Electronic interfaces between the MMIS and some credentialing agencies will automatically update expiration dates of some Provider Types. For Provider Types that are not utilizing the electronic interface, operations processes require ACS Provider Relations to conduct manual verification directly with the credentialing source and update as appropriate license expiration dates in the system. Operations processes will require DHHS to review reports of Providers with expired license effectivity dates. The fiscal agent will have the ability to suspend claims of a specific Provider if verification of license effective date cannot be obtained, based on DHHS policies and instructions.

STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-15 (continued)

CFDA # 93.778 Medical Assistance Program

Contact Person: Mary Gaye Grizwin, Contract Administrator, Office of Medicaid Business and Policy.

Status as of February 2011:

Partially Resolved. Upon implementation of the new MMIS, expected third calendar quarter of 2011.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2008-30

*CFDA # 95.563 Child Support Enforcement
Grant Award and Year: 75-X-1501 October 1, 2007 – September 30, 2008*

Finding: *Interstate Case Activities Not Performed Within Required Timeframes*

Criteria:

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Condition:

We noted that the State did not perform all required interstate case activities within the timeframes specified in 45 CFR 303.7. We noted 2 instances out of thirty where the case was not referred to the initiating State's interstate central registry within the twenty calendar day timeframe.

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities.

Effect:

An increased difficulty on the part of another States Child Support Enforcement to correctly and efficiently perform its operations regarding a case that initiated in the State of NH in a timely manner.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2008-30 (continued)

CFDA # 95.563 Child Support Enforcement

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

DCSS agrees with one of the two instances. In the other instance they believe they did not meet the aforementioned twenty-one day deadline due to a lack of communication on part of the Responding State.

DCSS will reinforce with case supervisors the importance of meeting deadlines regarding interstate cases.

Contact Person: Ed Lovejoy, Business Administrator

Anticipated Completion Date: June 30, 2009

Status as of February 2011:

Unresolved. A similar finding was identified in the 2010 single audit report. See finding and corrective action plan at 2010-57.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*U.S. Fish and Wildlife Service
NH Department of Fish and Game*

Finding 2008-37

*CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration*

*Grant Year and Award: 7/01/2007-6/30/2008–F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13,
FW30T9, W11D67, W66S36, W89R8
5/7/2007 – 12/31/2008 – F63D1*

Finding: No Reconciliation of Department and State Accounting Systems

Criteria:

Federal regulations (43 C.F.R 12.60 Standards for Financial Management Systems) require each State's accounting procedures to allow for sufficient preparation of grant reports and for the tracing of funds to a level of expenditure adequate to demonstrate compliance with grant provisions. Additionally C.F.R 225 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) specifies that allowable costs under federal awards must be necessary and reasonable, be allocable and authorized, and be adequately documented.

Condition:

The State's accounting system is unable to provide the detail required for grant reporting purposes. The current process in place is dependent on a manual operation that one person controls in software (QuickBooks), that is not linked nor reconciled to the State of New Hampshire's financial management system. Without the ability to reconcile the two systems; the Department cannot assure that it is not claiming duplicate costs.

Cause:

The Departments utilizes accounting software (QuickBooks) that is autonomous from the State of New Hampshire financial management system and the Department does not attempt to reconcile the two systems.

Effect:

Without reconciling the two systems, the Department cannot assure that it is not claiming duplicate costs.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Fish and Wildlife Service
NH Department of Fish and Game

Finding 2008-37 (continued)

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration

Recommendation:

The Department must implement a process where records of Federal Expenditures and Revenues maintained in their autonomous accounting system (QuickBooks) are reconciled in a timely manner to the State of New Hampshire's financial management system. Without such implementation it will be difficult to distinguish if the Department is claiming duplicate costs. We also recommend that the Department institute all of the corrective actions steps outlined by the U.S Department of the Interior in their audit report dated March, 2008.

Auditee Corrective Action Plan:

The Department continues to utilize the Lawson financial system implemented July 2009. However, the human resource module has not been implemented and will not be for quite some time. We cannot reconcile the State's accounting system to our system until the ERP system contains both the federal grants module and the human resources component.

Contact Person:

Kathy LaBonte, Business Administrator

Status as of February 2011:

Partially Resolved. Corrective Action Plan in Progress

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Fish and Wildlife Service
NH Department of Fish and Game

Finding 2008-38

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration

Grant Year and Award: 7/01/2007- 6/30/2008 – F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13, FW30T9, W11D67, W66S36, W89R8

5/7/2007 - 12/31/2008 – F63D1

Finding: *Inadequate Controls over Real Property*

Criteria:

Under 50 C.F.R 80.19 each State must maintain current and complete property records in accordance with the requirements contained in the FWS Manual (522 FW 1.16) which requires each State to be responsible for the accountability and control of all assets acquired with Federal Assistance Program grant funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Finally, C.F.R 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

Condition:

Federal regulations require States to maintain control over land purchased with Federal Assistance Program funds and license revenues. To help maintain control over the use of its land, the Departments Land Resources Bureau uses a database to maintain all of its land records. Within the database the Department does not indicate whether or not purchases are funded with Federal Aid. Therefore it is difficult for the Department to determine over a historical period what land purchases have been made with federal funds. As a consequence, it is difficult for the Department to determine what funds may be owed to the government when income is generated through the sale of land held by the Department. Based on this information the Departments current system is not adequate to assure effective control over lands acquired with Federal Assistance Program grant funds and with license revenues.

Cause:

The Departments computer database lacks information on the source of funding for land purchases. This is central to maintaining a current complete property record in compliance with Federal requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

U.S. Fish and Wildlife Service
NH Department of Fish and Game

Finding 2008-38 (continued)

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration

Effect:

The Department is unable to identify real property purchases made with Federal Aid Assistance.

Questioned Costs:

None

Recommendation:

We recommend that the Department institute a process for tracking and recording land purchased with federal funds in order to meet the requirements of the U.S Fish and Wildlife Service. Additionally, we recommend the Department review its entire land inventory and determine what items were purchased using Federal Aid Assistance and institute all of the corrective actions steps outlined by the U.S Department of the Interior in their audit report dated March, 2008.

Auditee Corrective Action Plan:

The Department has agreed to a Corrective Action Plan with the U.S. Fish and Wildlife Service (Service), Division of Wildlife and Sport Fish Restoration, and is working to complete the corrective action steps outlined in the audit report dated March 2008. The Department will submit a current updated land inventory with identified funding source to the Service for review. The Department will reconcile its land records with those of the Service and submit the reconciled land inventory to the Service for review

Contact Person:

Kathy LaBonte, Business Administrator

Status as of February 2011:

Partially Resolved. The department has completed the process of updating the Lands database with the appropriate information. We have obtained a listing of property from the US Fish and Wildlife Service they have on file of us owning. We are in the process of reconciling the two lists and when complete it will be submitted to the Service for their review.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2007-19

CFDA # 93.778 Medical Assistance Program

Finding: *DSH Calculation Methodology Noncompliant with Federal and State Requirements*

Criteria:

In accordance with Section 1923 of the Social Security Act, as amended, the New Hampshire Department of Health and Human Services (Department) must calculate Medicaid disproportionate share hospital (DSH) payments to hospitals that serve disproportionately large numbers of low-income patients. The methodology for calculating DSH payments must follow the requirements as set forth by the Omnibus Budget Reconciliation Act of 1993, Centers for Medicare and Medicaid Services (CMS), and the State Plan.

According to the State plan, hospitals receive DSH payments for the lesser of their calculated DSH limit or 6 percent of “gross patient services [revenue].” The New Hampshire Department of Revenue Administration imposes a 6-percent Medicaid Enhancement Tax on the gross patient services revenue of each DSH (New Hampshire State Statute, Title V, Chapter 84-A).

Condition:

The Department underwent a review by the Office of Inspector General (OIG), with the objective of determining whether the DSH payments that the State agency claimed for Federal fiscal year 2004 complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan. The OIG issued a report in July of 2007 entitled “Review of New Hampshire’s Medicaid Disproportionate Share Hospital Payments during Federal Fiscal Year 2004”, which noted the following:

The State agency claimed DSH payments for Federal fiscal year 2004 that did not comply with the hospital-specific DSH limits imposed by Federal requirements and the State plan. Of the \$194,145,507 that the State agency claimed, \$123,494,571 was allowable. However, the remaining \$70,650,936 (\$35,325,468 Federal share) was unallowable. The State agency did not comply with the hospital-specific DSH limits for 24 of the 28 DSHs because it did not properly determine the hospitals’ allowable costs in accordance with the Medicare principles of cost reimbursement, as CMS guidance requires. Specifically, the cost-to-charge ratios that the State agency used in determining allowable costs were inflated because they (1) overstated costs by including unallowable costs and (2) understated charges by using net, rather than gross, patient services revenue.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2007-19 (continued)

CFDA # 93.778 Medical Assistance Program

Condition:

The excess DSH payments were attributed to the State agency's lack of policies and procedures to ensure that its methodology for developing the cost-to-charge ratios used to calculate hospital-specific DSH limits complied with Federal requirements and the State plan.

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

\$35,325,468

Recommendation:

We recommend the Department continue to work with DHHS-CMS to resolve whether the DSH payments that the State claimed complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan.

Auditee Corrective Action Plan:

We concur.

The Department submitted additional information to the CMS action official on August 8, 2007.

Contact Person:

James P. Fredyma, Controller

Status as of February 2011:

DSH payments were made on November 19, 2010, using an updated distribution methodology. A State Plan amendment which has two components, one for inpatient and one for outpatient, was filed on December 27, 2010 and CMS is now reviewing it.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2007-26

CFDA # 93.778 Medical Assistance Program

Finding: *Expired Administrative Rules Governing Residential Care and Home Health Care Facilities*

Criteria:

The federal and state governments jointly finance the Medicaid program. Within broad federal rules, the State is authorized to establish detailed and more restrictive program requirements. The legal basis for the establishment of the Medicaid program in New Hampshire is codified in state statutes. The Commissioner of Health and Human Services is required to adopt, per state statute RSA 151:9 and 9-a, administrative rules necessary for the administration of the Medicaid program.

Condition:

A number of administrative rules related to licensing and classifying residential care and health facilities including home health care providers have expired and have not been formally readopted by the Department. These rules (chapter He-P 801 – 829) expired in 1999 and 2000. The rules detailed the regulations for licensure of various types of providers of medical services. Therefore, with the expiration of the aforementioned rules, the Department does not have a legal basis with which to enforce these requirements. This finding has been noted in the State's Single Audit Report since 1999.

Cause:

Unknown.

Effect:

The State may have difficulty enforcing administrative rules that have expired.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2007-26 (continued)

CFDA # 93.778 Medical Assistance Program

Recommendation:

We recommend that the Department update the administrative rules over the Medicaid program to properly reflect the requirements and current practices of the program. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur.

Prior to 1992 there were nine sets of licensing rules promulgated under RSA 151. It was recognized that these nine rules had not kept pace with changes that were occurring in the health care system. Consequently, the decision was made to develop a set of rules that would more accurately reflect the diversification that was occurring in the health care industry. Between 1992-1995 nineteen new rules were adopted for a total of 28 sets of rules.

In the late 1990s, HFA-L began revising He-P 801 “General Requirements for all Facilities.” This rule contained the administrative requirements common to all facilities and entities including the application process and other pre-licensure requirements. That rule was set to expire in 2000. The plan was to have all of the administrative requirements common to the various facilities and entities licensed under RSA 151 contained within 801. The remaining sets of rules would contain only those licensing requirements that were unique to each facility and entity falling under each rule. The drafting of He-P 801 proved to be extremely difficult and it was the subject of considerable public debate and controversy. The problem centered around the difficulty in drafting one rule that was general enough to apply to all of the diverse facilities and entities licensed under RSA 151. In April 2001 the rule came before the Joint Legislative Committee on Administrative Rules (JLCAR), which voted to support a Joint Resolution. Over the course of the next year HFA-L worked on redrafting the rule, and in September 2002 a revised rule was submitted to JLCAR. Concerns remained and ultimately HFA-L made the decision to withdraw the rule. Ultimately, the decision was made to abandon the attempt to readopt He-P 801. Rather, the decision was made to merge the requirements set forth in He-P 801 into each of the other rules in the He-P 800 series as those rules were readopted. By the time that decision was made all of the rules in the He-P 800 series had expired.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2007-26 (continued)

CFDA # 93.778 Medical Assistance Program

HFA-L continues to use all of the expired rules in the He-P 800 series. It is able to do this as it has specific statutory authority under RSA 151 for its licensing and oversight authority. For several reasons, however, it is essential that the rules be redrafted and readopted and the Department has been working toward that end. The following rules were implemented:

- He-P 805, Assisted Living Residence-Supported Residential Health Care Licensing, eff 10/25/06
- He-P 808, Laboratories and Laboratory Services, eff 8/19/06 and readopted with amendments eff. 3/24/07
- He-P 810, Birthing Centers, eff. 7/27/07
- He-P 813, Adult Family Care Residences, eff 4/1/06 (in process of being repealed and reserved b/c program is being reassigned to He-E under BEAS)
- He-P 817, Collection Stations, eff 8/19/06 and readopted with amendments eff. 3/24/07

Currently In Process are:

- He-P 804, Assisted Living Residences which was submitted to the Office of Legislative Services in October 2007. A hearing before JLCAR is scheduled for February 15, 2008. It is anticipated that the rule will be formally adopted or conditionally approved on that date. Either way, it should be finalized by the end of February of this year.
- He-P 818, Adult Day Programs was submitted to OLS in October 2007. It is currently pending before JLCAR and should be by JLCAR on February 15, 2008. It is anticipated that the rule will be formally adopted or conditionally approved on that date. Either way, it should be finalized by the end of February of this year.
- He-P 816, Educational Health Centers- An Initial Proposal is ready for submission to OLS. As soon as the Fiscal Impact Statement is completed, the rule can be submitted. It is hoped that the FIS will be completed by the end of January. It is also hoped that the rule will be formally adopted by May 2008.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2007-26 (continued)

CFDA # 93.778 Medical Assistance Program

Several rules are expected to be formally adopted by the end of 2008. These include:

He-P 823, He-P 824, He-P 809, He-P 822, He-P 811, He-P 802, He-P 807, He-P 825.

The process being used by HFA-L to readopt the rules is designed to maximize the amount of provider/stakeholder input in the process including visiting programs and holding Public Forums. While this is not required under the formal process for adopting administrative rules, the Department believes that these efforts are helpful. The process will continue until all rules have been reestablished.

Contact Person:

John B. Martin, Manager of the Bureau of Licensing and Certification

Status as of February 2011:

Partially Resolved. At this point there are two, and possibly three rules to readopt. All expected to be completed by November 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*NH Department of Environmental Services
US Environmental Protection Agency*

Finding 2007-28

CFDA # 66.605 Performance Partnership Grant

Finding: *Allocation and Classification of Indirect Costs*

Criteria:

The New Hampshire Department of Environmental Services (DES) has a fixed indirect cost rate that is negotiated annually with the United States Environmental Protection Agency (EPA). This indirect cost rate is then allocated to the DES grants based on total payroll. DES submits an annual indirect cost allocation plan to EPA; however it is not clear which costs are included as indirect.

Condition:

During our testwork of the Performance Partnership Grant, we determined that costs which appear to meet the definition of indirect costs are charged directly to the grant and are not included in this indirect cost rate. Specifically, DES receives monthly invoices from the Office of Information Technology for computer maintenance and support. These invoices allow for the costs to be classified as direct or allocated costs. However, DES classifies these costs as direct in their accounting system. Per review of the allocated costs, it appears that some of these costs should be considered indirect, such as the Chief Information Officer's salary. Additionally, DES summarizes its central service functions, such as accounting and human resources, and allocates these costs to each grant as direct costs. It appears that these costs may also meet the definition of an indirect cost.

Cause:

Breakdown in controls over identification and charging of costs as either direct or indirect.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

*NH Department of Environmental Services
US Environmental Protection Agency*

Finding 2007-28 (continued)

CFDA # 66.605 Performance Partnership Grant

Recommendation:

We recommend that DES review and contact the U.S EPA to determine if they are in agreement with its classification of costs as direct and indirect. This will help ensure that only allowable indirect costs are being charged back to the federal government.

Auditee Corrective Action Plan:

The Department has been in contact with EPA Region 1 to determine whether these OIT costs are within the classification of costs as either direct or indirect. We are still awaiting a response from EPA Region 1.

Contact Person: Susan Carlson, Department of Environmental Services

Status as of February 2011:

Corrective Action Plan in Progress. D.E.S is actively working EPA to design a new cost allocation plan for the agency. A draft proposal has been submitted to EPA and the plan is currently under review. The anticipated approval of this plan is by mid-summer 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006

NH Department of Health and Human Services
US Department of Health and Human Services

Finding 2007-37

CFDA # 93.778 *Medical Assistance Program*

Finding: Provider Disclosures Are Not Obtained From All Required Providers

Criteria:

The Federal Medicaid Program rules require that payments cannot be made to providers who have been suspended or excluded from Program participation.

Federal administrative rules 42 CFR 445.104 through 42 CFR 445.106 provide requirements for provider disclosure of ownership and control information to ensure that state Medicaid agencies are aware of provider identity for consideration of continued eligibility.

While the Department's State Plan is in accordance with Medicaid Program (Program) disclosure requirement, Department practices do not include activities to ensure that State Plan provisions required by 42 CFR 445.104 through 42 CFR 445.106 are met.

Condition:

The Department cannot ensure that certain of its enrolled Medicaid providers are, and remain, eligible for participation in the Program.

The Department uses the provider enrollment process to collect required disclosure information for providers not subject to the Department's survey process. Because the Department does not require enrolled Medicaid providers to re-enroll after their initial application, the enrollment of some providers occurred years ago, prior to the disclosure requirement. As a result, the enrollment applications for some providers do not include the ownership and control disclosures. For example, one provider selected as a sample test item had an enrollment application that was completed in 1985.

While the Department's current provider enrollment application requires disclosure of information pertaining to ownership or control interests, adverse legal actions against the provider, and disclosure of ownership of subcontractors with whom the provider had done business with, the Department has not taken any steps to obtain the required disclosures from the providers that continue to operate without having made the required disclosures.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2007-37 (continued)

CFDA # 93.778 Medical Assistance Program

According to the Department, all providers will need to re-enroll and required disclosures will be obtained when the State implements its new MMIS system.

Cause:

Department has not required regular reenrollment of all providers and has not obtained disclosures from providers that were not required to make disclosures upon enrollment.

Effect:

The Department is not able to use the disclosure information in its fraud detection and investigation program as intended by the federal administrative law.

The Department cannot be certain it is preventing individuals that are suspended or excluded from participating in the Program.

Questioned Costs:

Not able to determine

Recommendation:

The Department should implement practices that promote the timely receipt and consideration of provider ownership, control, and other information necessary to ensure enrolled providers remain eligible for continued Program participation.

Auditee Corrective Action Plan:

We concur. Providers do not get enrolled unless they provide the required documentation and the Department does monitor licensure information and works with Health Facilities Licensing and the professional licensing boards to obtain the updated information. Letters and reminders are sent to providers that the licensure information is required.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

*NH Department of Health and Human Services
US Department of Health and Human Services*

Finding 2007-37 (continued)

CFDA # 93.778 Medical Assistance Program

As part of the National Provider Identifier (NPI) process, we are currently contacting all providers that have not provided their NPI and at the same time verifying Tax ID information. No medical provider will be mapped to the old provider number without a NPI.

There is currently no mechanism, however, to terminate providers or stop payment to a provider who does not provide the requested updated license. This will be included in the development of the new MMIS system scheduled for implementation January 1, 2009.

As part of the Medicaid Management Information System (MMIS) Implementation project, a provider re-enrollment process will be implemented through which all Medicaid providers will need to submit a current NH Medicaid provider application and all required supporting documentation.

As part of the enrollment validation process, the provider will be checked against the Medicare Exclusion database as one validity check.

Following re-enrollment, the system will monitor each licensed provider's license expiration date and will generate letters to the provider to remind the provider of the upcoming license expiration date and to encourage a renewal of the license. If a license date expires and the provider has not renewed the license, claims for dates of service after the expiration date will be set to suspend for a period of time, to allow Department staff to outreach to that provider to review the license status.

The fiscal agent will conduct Direct Source validation with the licensing entities to validate that the provider's license has been extended.

The SURS unit will continue to monitor CMS correspondence regarding any action taken against NH Medicaid providers based on Medicare exclusion activity and will continue to advise the fiscal agent on steps that need to be taken on the provider's enrollment record.

Contact Person:

Kerri L. Coons, Business Systems Analyst II, BEAS Business Systems Unit Manager, 603-271-8362

Status as of February 2011:

Partially Resolved. Upon implementation of the new MMIS, expected third calendar quarter of 2011.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS FOR FISCAL YEARS 2009, 2008, 2007 AND 2006**

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STATE OF NEW HAMPSHIRE – FISCAL YEAR 2010 SINGLE AUDIT**State Agency Listing In Numerical Order****Appendix A-1**

AGENCY NUMBER	AGENCY NAME
0205	Governor's Commission on Disability
0240	Governor's Office of Energy and Planning
0299	Governor's Office of Economic Stimulus
0300	Information Technology, Office of
0400	Legislative Branch
0700	Judicial Council
1000	Judicial Branch
1200	Adjutant General
1300	Pease Development Authority
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
2000	Justice, Department of
2300	Safety, Department of
2400	Insurance Department
2500	Highway Safety Agency
2600	Labor, Department of
2700	Employment Security, Department of
2800	Real Estate Commission
3100	Joint Board of Licensure
3200	Secretary of State
3400	Cultural Resources, Department of
3500	Resources and Economic Development, Department of
3600	Ports and Harbors, NH Division of
3700	Community Development Finance Authority
3800	State Treasury
4300	Veterans Home
4400	Environmental Services, Department of
4600	Corrections, Department of
5000	University of New Hampshire
5100	Accountancy, Board of
5600	Education, Department of
5700	Postsecondary Education Commission
5800	Community College System of New Hampshire
5900	Retirement System
6100	McAuliffe-Shepard Discovery Center
6400	Boards and Commissions, Various
6600	Veterans Council
6800	Electricians, Board of
7200	Bank Commission

STATE AGENCY LISTING IN NUMERICAL ORDER

APPENDIX A-1 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
7300	Public Employees Labor Relations Board
7400	Administrative Attached Boards
7500	Fish and Game, Department of
7600	Human Rights Commission
7700	Liquor Commission
8100	Public Utilities Commission
8300	Lottery Commission
8400	Revenue Administration, Department of
8500	State Council on Aging
8600	NH Racing and Charitable Gaming Commission
8700	Police Standards and Training Council
8900	Tax and Land Appeals, Board of
9500	Health and Human Services, Department of (all divisions combined)
9600	Transportation, Department of
9700	Developmental Disabilities Council

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2

AGENCY NUMBER	AGENCY NAME
5100	Accountancy, Board of
1200	Adjutant General
7400	Administrative Attached Boards
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
7200	Bank Commission
6400	Boards and Commissions, Various
5800	Community College System of New Hampshire
3700	Community Development Finance Authority
4600	Corrections, Department of
3400	Cultural Resources, Department of
9700	Developmental Disabilities Council
5600	Education, Department of
6800	Electricians, Board of
2700	Employment Security, Department of
4400	Environmental Services, Department of
7500	Fish and Game, Department of
0205	Governor's Commission on Disability
0299	Governor's Office of Economic Stimulus
0240	Governor's Office of Energy and Planning
9500	Health and Human Services, Department of (all divisions combined)
2500	Highway Safety Agency
7600	Human Rights Commission
0300	Information Technology, Office of
2400	Insurance Department
3100	Joint Board of Licensure
1000	Judicial Branch
0700	Judicial Council
2000	Justice, Department of
2600	Labor, Department of
0400	Legislative Branch
7700	Liquor Commission
8300	Lottery Commission
6100	McAuliffe-Shepard Discovery Center
8600	NH Racing and Charitable Gaming Commission
1300	Pease Development Authority
8700	Police Standards and Training Council
3600	Ports and Harbors, NH Division of
5700	Postsecondary Education Commission
7300	Public Employees Labor Relations Board

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
8100	Public Utilities Commission
2800	Real Estate Commission
3500	Resources and Economic Development, Department of
5900	Retirement System
8400	Revenue Administration, Department of
2300	Safety, Department of
3200	Secretary of State
8500	State Council on Aging
3800	State Treasury
8900	Tax and Land Appeals, Board of
9600	Transportation, Department of
5000	University of New Hampshire
6600	Veterans Council
4300	Veterans Home