STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2011

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2011

STATE OF NEW HAMPSHIRE
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FOR THE YEAR ENDED JUNE 30, 2011

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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LINDA M. HODGDON
Commissioner
(603) 271-3201

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Assistant Commissioner
(603) 271-3204

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, 2011. 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, 2011, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 29, 2012

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, 2011

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 2011 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 $6,812,809. 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 2011, 26 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2011, the State administered 359 federal programs, with total federal expenditures of approximately $2.3 billion. Of those programs, Type A programs/clusters accounted for 90% of total federal expenditures, with the Medicaid program cluster accounting for 39% of total expenditures. The remainder of this section groups Type A federal programs by the State agency responsible for program administration.

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STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2011

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Adjutant General	12.401	National Guard Operations and Maintenance	$ 17,323,364	$ 17,323,364
		Other Programs		1,410,286
		Total Adjutant General		$ 18,733,650
Administrative Services	Various	Child Nutrition Cluster	3,437	$ 3,437
		Other Programs		5,734,169
		Total Administrative Services		$ 5,737,606
Agriculture		Other Programs		$ 742,228
Commission On Disability		Other Programs		$ 107,402
Community Technical Colleges	Various	Student Financial Aid Cluster	70,401,545	$ 70,401,545
		Other Programs		287,374
		Total Community Technical Colleges		$ 70,688,919
Corrections		Other Programs		$ 436,350
Cultural Resources		Other Programs		$ 2,546,837
Development Disabilities Council		Other Programs		$ 470,012
Education	Various	Child Nutrition Cluster	26,185,537	
	Various	Title I, Part A Cluster	49,031,711	
	Various	Special Education Cluster	63,191,916	
	Various	Vocational Rehabilitation Cluster	12,558,891	
	84.367	Improving Teacher Quality	12,954,003	
	84.410	Education Jobs Fund	21,370,818	$ 185,292,876
		Other Programs		42,710,036
		Total Education		$ 228,002,912
Employment Security	17.225	Unemployment Insurance	289,313,801	
	93.563	Child Support Enforcement	3,811	$ 289,317,612
		Other Programs		8,815,096
		Total Employment Security		$ 298,132,708

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2011

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Energy & Planning	81.041	State Energy Program	8,702,621	
	81.042	Weatherization Assistance for Low-Income Persons	10,353,274	
	93.568	Low-Income Energy Assistance	32,748,929	$ 51,804,824
		Other Programs		4,859,200
		Total Energy & Planning		$ 56,664,024
Environmental Services	66.458	Clean Water Revolving Fund	45,528,151	
	66.468	Drinking Water Revolving Funds	15,624,245	$ 61,152,396
		Other Programs		19,314,064
		Total Environmental Services		$ 80,466,460
Fish & Game Department		Other Programs		$ 7,378,390
Health & Human Services	Various	SNAP Cluster	170,663,756	
	10.557	Supplemental Food Program	11,474,628	
	93.069	Public Health Emergency Preparedness	7,917,878	
	Various	Immunization Cluster	10,696,086	
	Various	TANF Cluster	35,496,433	
	93.563	Child Support Enforcement	11,659,193	
	Various	Child Care and Development Cluster	11,209,613	
	93.658	Foster Care	17,798,045	
	93.767	Children's Insurance Program	13,737,192	
	Various	Medicaid Cluster	875,190,790	$ 1,165,843,614
		Other Programs		78,430,875
		Total Health & Human Services		$ 1,244,274,489
Highway Safety		Other Programs		$ 2,626,860
Human Rights Commission		Other Programs		$ 122,360
Insurance		Other Programs		$ 919
Judicial Branch		Other Programs		$ 327,204
Justice	Various	Medicaid Cluster	415,720	$ 415,720
		Other Programs		9,592,277
		Total Justice		$ 10,007,997
McAuliffe-Shepard Discovery Center		Other Programs		$ 48,420

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2011

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Office of Economic Stimulus		Other Programs		$ 1,923,764
Postsecondary Education Commission		Other Programs		$ 1,007,549
Public Utilities Commission		Other Programs		$ 838,904
Resources & Economic Development	Various	WIA Cluster	10,091,295	
	Various	Highway Planning And Construction Cluster	1,015,602	$ 11,106,897
		Other Programs		2,798,607
		Total Resources & Economic Development		$ 13,905,504
Safety		Other Programs		$ 20,139,669
Secretary Of State		Other Programs		$ 754,684
Transportation	Various	Highway Planning And Construction Cluster	190,071,219	$ 190,071,219
		Other Programs		13,360,761
		Total Transportation		$ 203,431,980
Veterans Home		Other Programs		$ 1,418,558
		TOTAL EXPENDITURES	**$ 2,042,733,504**	**$ 2,270,936,359**

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KPMG LLP
Two Financial Center
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Boston, MA 02111

Independent Auditors' Report

To the Fiscal Committee of the General Court
State of 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, 2011, 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 Turnpike System and the Lottery Commission, which represent 88.6% and 28.0% of the assets and revenues of the business-type activities, respectively, and 100% of the assets and revenues of the Turnpike System and Lottery Commission major funds, respectively. We also did not audit the University System of New Hampshire, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, or Pease Development Authority, which represent 97.2% and 87.4% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement System and the New Hampshire Public Deposit Investment Pool, which represent 4.2% and 12.6% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are 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. The financial statements of the New Hampshire Public Deposit Investment Pool were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. 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

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remaining fund information of the State of New Hampshire, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February, 28 2012, 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.

As described in note 1(R) of the financial statements, the State of New Hampshire adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

The Management's Discussion and Analysis on pages 16 through 22, the budget to actual - budgetary basis - schedules on pages 77 through 82, and the schedules of funding progress on page 83 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors 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.

KPMG LLP

February 28, 2012

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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, 2011. 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, 2011 by $2.3 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, $356.0 million is reported as a deficit in unrestricted net assets, representing a deficiency of unrestricted non-capital assets to liabilities.

Changes in Net Assets: The State's total net assets decreased by $207.2 million, or 8.2%, in fiscal year 2011. Net assets of governmental activities decreased by $324.7 million (15.3%), and net assets of the business-type activities showed a increase of $117.5 million (30.2%). While revenues declined during fiscal year 2011, expenses were also reduced by $282.8 million or 4.3%.

Non-Current Liabilities: The State's total non-current liabilities increased by $268.3 million or 15.3% during the current fiscal year. Long-term bonded debt increased $141.6 million or 12% as new issuances exceeded payments of outstanding debt. Also, an additional $107.7 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 2011, the State's governmental funds reported a combined ending fund balance of $455.1 million, an increase of $2.8 million from the prior year. The State's adoption of Governmental Accounting Standards Board Statement No. 54 changed the presentation of Fund Balances by classifying components differently, as is explained in Note 1(K) to the Basic Financial Statements. This change is made prospectively without restatement of prior financial statements, making most components of Fund Balance not comparable. However, the amount reported as Unassigned Fund Balance, inclusive of Revenue Stabilization and Other, is comparable to previously reported Unreserved, Undesignated Fund Balance. This year, the General Fund ended the year with an Unassigned Fund Balance of $27.0 million (including Revenue Stabilization balance of $9.3 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.

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 economic resources measurement focus and 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.

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 basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts 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 Other Supplementary Information 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 current financial resources measurement focus and 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 89 and 90.

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 economic resources measurement focus and 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 economic resources measurement focus and 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 - which are 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 of funding progress 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 $2.3 billion at the end of 2011, 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 (84.5%) 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 increased $34.8 million from prior year. This increase was the result of a net increase in capital assets of $101.2 million during the year combined with an increase in capital related debt of $66.4 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 (31.0%) represents resources that are subject to external restrictions on how they may be used. State-imposed designations of resources, unless resulting from enabling legislation, are not presented as restricted net assets. Restricted net assets increased $147.8 million from prior year due largely to increases in environmental loans and assets restricted for unemployment benefits. The Revenue Stabilization account previously classified as restricted, has been reclassified as unrestricted to conform with the definition of restrictions as applied to newly adopted GASB 54.

Unrestricted Net Assets: The State's unrestricted net assets are a deficit of $356.0 million, a decrease of $389.8 million from the previous year.

Comparative Net Assets as of June 30, 2011 and 2010

(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010 (1)	2011	2010	2011	2010 (1)
Current assets	$ 1,046,294	$ 1,209,680	$ 306,621	$ 222,279	$ 1,352,915	$ 1,431,959
Capital assets	2,517,388	2,487,350	711,121	639,964	3,228,509	3,127,314
Other assets	526,639	344,285	(45,426)	7,188	481,213	351,473
Total assets	4,090,321	$4,041,315	972,316	869,431	5,062,637	$ 4,910,746
Noncurrent liabilities	1,667,682	1,382,785	353,044	369,670	2,020,726	1,752,455
Current liabilities	623,422	534,581	112,069	110,099	735,491	644,680
Total liabilities	2,291,104	1,917,366	465,113	479,769	2,756,217	2,397,135
Net assets:						
Invested in capital assets, net of related debt	1,674,794	1,685,975	273,365	227,358	1,948,159	1,913,333
Restricted	545,003	463,498	169,264	102,937	714,267	566,435
Unrestricted	(420,580)	(25,524)	64,574	59,367	(356,006)	33,843
Total net assets	$ 1,799,217	$ 2,123,949	$ 507,203	$ 389,662	$ 2,306,420	$ 2,513,611

(1) Note - Certain prior year amounts have been reclassed to conform with current year presentation

Changes in Net Assets

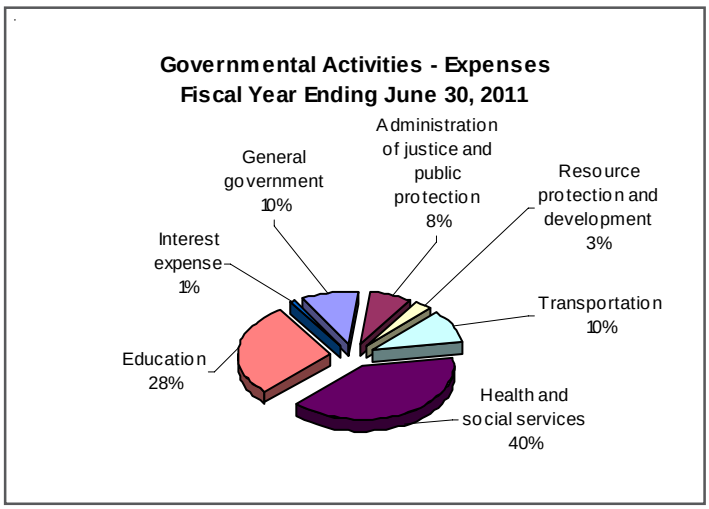
The State's total net assets decreased by $207.2 million, or 8.2%, during the current fiscal year. Total revenues decreased $480.1 million (7.3%) as compared to a decrease in expenses of $282.8 million (4.3%). The unrestricted net assets had a deficit balance of $356.0 million at June 30, 2011 as compared to a balance of $33.8 million, the prior year. The reason for the significant decline in available net assets is attributable to a number of significant individual charges, largely related to an increase in other postemployment benefit liability of $107 million, the accrual of specific litigation charges of $39 million (see footnote 13), and lower Accounts Receivable (net of allowances). Total state-wide current receivables declined $130.3 million (19.5%), largely reflecting a lower estimate of taxes receivable resulting from refinement of methods for estimating currently earned taxes to be collected in subsequent periods.

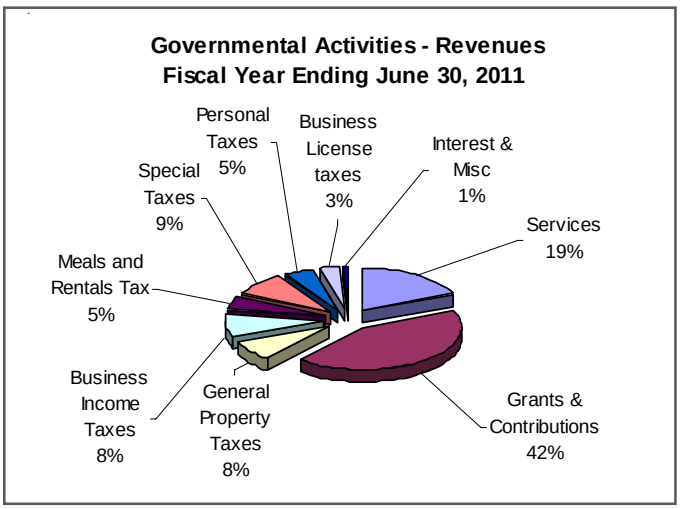
More than half of the State's revenue (69.0%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.6% and 23.6% of total expenses, respectively. As compared to the prior year, total expenses decreased $282.8 million, or 4.3%. Expenses for unemployment compensation was the largest decrease, $173.3 million or 37.8% due to lower unemployment. General Government, Administration of Justice and Public Protection, Resource Protection and Development, and Transportation each declined between $40 to $50 million.

Comparative Changes in Net Assets
For Fiscal Years Ending June 30, 2011 and 2010
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 892,895	$ 1,007,357	$ 1,251,211	$ 1,288,784	$ 2,144,106	$ 2,296,141
Operating grants & contributions	1,828,020	1,948,200			1,828,020	1,948,200
Capital grants & contributions	210,896	223,103	17,717		228,613	223,103
General revenues:						
General Property Taxes	396,272	393,296			396,272	393,296
Business Income Taxes	402,004	565,825			402,004	565,825
Meals and Rentals Tax	234,852	231,663			234,852	231,663
Special taxes	429,628	464,519			429,628	464,519
Personal taxes	226,649	243,499			226,649	243,499
Business License taxes	160,847	146,684			160,847	146,684
Interest	8,552	7,037			8,552	7,037
Miscellaneous	29,926	49,648			29,926	49,648
Total revenues	4,820,541	5,280,831	1,268,928	1,288,784	6,089,469	6,569,615
Expenses						
General government	525,152	568,119			525,152	568,119
Administration of justice and public protection	423,408	474,095			423,408	474,095
Resource protection and development	138,102	178,406			138,102	178,406
Transportation	540,068	587,542			540,068	587,542
Health and social services	2,177,806	2,162,636			2,177,806	2,162,636
Education	1,484,909	1,469,926			1,484,909	1,469,926
Interest Expense	47,334	32,074			47,334	32,074
Turnpike System			91,331	82,237	91,331	82,237
Liquor Commission			415,816	397,490	415,816	397,490
Lottery Commission			167,961	168,853	167,961	168,853
Unemployment Compensation			284,773	458,098	284,773	458,098
Total expenses	5,336,779	5,472,798	959,881	1,106,678	6,296,660	6,579,476
Increase (decrease) in net assets before transfers	(516,238)	(191,967)	309,047	182,106	(207,191)	(9,861)
Transfers & Other Items	191,506	325,613	(191,506)	(325,613)		
Increase (Decrease) in net assets	(324,732)	133,646	117,541	(143,507)	(207,191)	(9,861)
Net assets, beginning of year	2,123,949	1,990,303	389,662	533,169	2,513,611	2,523,472
Net assets, end of year	$ 1,799,217	$ 2,123,949	$ 507,203	$ 389,662	$ 2,306,420	$ 2,513,611



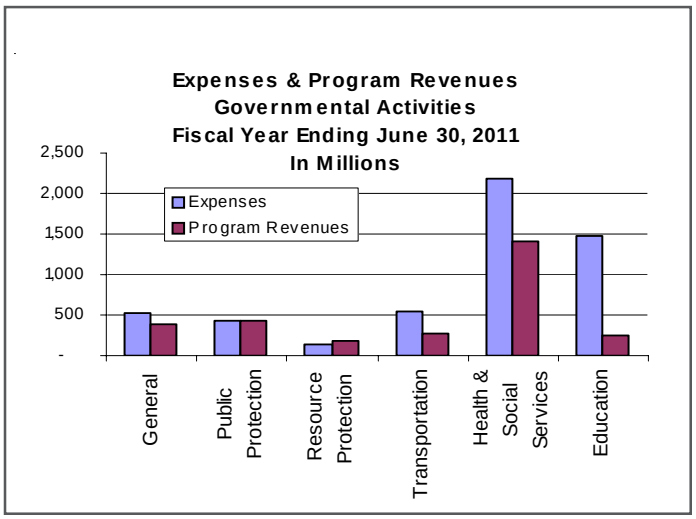


Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2011 Compared to 2010
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	(114.5)	-11.4%	(37.6)	-2.9%	(152.0)	-6.6%
Operating grants & contributions	(120.2)	-6.2%			(120.2)	-6.2%
Capital grants & contributions	(12.2)	-5.5%	17.7	100.0%	5.5	2.5%
General revenues:						
General Property Taxes	3.0	0.8%			3.0	0.8%
Business Income taxes	(163.8)	-29.0%			(163.8)	-29.0%
Meals and Rental Taxes	3.2	1.4%			3.2	1.4%
Special taxes	(34.9)	-7.5%			(34.9)	-7.5%
Personal taxes	(16.9)	-6.9%			(16.9)	-6.9%
Business License taxes	14.2	9.7%			14.2	9.7%
Interest	1.5	21.5%			1.5	21.5%
Miscellaneous	(19.7)	-39.7%			(19.7)	-39.7%
Total revenues	(460.3)	-8.7%	(19.9)	-1.5%	(480.1)	-7.3%
Expenses						
General government	(43.0)	-7.6%			(43.0)	-7.6%
Administration of justice and public protection	(50.7)	-10.7%			(50.7)	-10.7%
Resource protection and development	(40.3)	-22.6%			(40.3)	-22.6%
Transportation	(47.5)	-8.1%			(47.5)	-8.1%
Health and social services	15.2	0.7%			15.2	0.7%
Education	15.0	1.0%			15.0	1.0%
Interest Expense	15.3	47.6%			15.3	47.6%
Turnpike System			9.1	11.1%	9.1	11.1%
Liquor Commission			18.3	4.6%	18.3	4.6%
Lottery Commission			(0.9)	-0.5%	(0.9)	-0.5%
Unemployment Compensation			(173.3)	-37.8%	(173.3)	-37.8%
Total expenses	(136.0)	-2.5%	(146.8)	-13.3%	(282.8)	-4.3%

Governmental Activities
Governmental activities decreased the State's net assets by $516.3 million, before transfers and other items. Revenues decreased by $460.3 million or 8.7% from prior year to total $4.8 billion. Operating grants and contributions, which include federal programs, decreased $120.2 million or 6.2% and business taxes declined $163.8 million or 29.0%. Expenses also declined, by $136.0 million or 2.5%, while not sufficient to offset revenue declines.

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 2011 increased by $137.5 million for Education largely due to the decline in ARRA funding, contributing to an overall increase of the supplement of approximately $100 million.

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 $309.1 million prior to transfers, $127 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 transfers of $142.8 million, approximately equal to prior year, all of which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission had a relatively stable increase in net revenues compared to last year at $64.6 million.

Turnpike System net assets increased by $59.0 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of $56.4 million, an improvement to prior year of $114.8 million, due to a reduction in benefits.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As discussed above, total Governmental Fund Balance increased $2.8 million. A deficiency of revenues over expenditures of $418.4 million was financed by more than $419.2 million of Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

General Fund
The general fund is the chief operating fund of the State. The total fund equity at June 30, 2011 is $314.9 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of $9.3 million and other fund balance of $17.7 million ended the year at $27.0 million, a decrease of $48.0 million from the prior year. No change in the Rainy Day fund has been made for this biennium.

Revenues in the General Fund were $3,531 million, $99.9 million (3%) less than the prior year, the decrease largely realized in business taxes. Expenditures were reduced accordingly by $125.6 million (3.4%) to $3,609 million. Savings were realized relatively evenly throughout functional areas. Debt service was reduced by $28 million due to refinancing initiatives.

Education Fund
The education fund, before year end transfers, had a deficit of $189.6 million, attributable to a revenue decrease of $151.7 million (16.5%) largely due to lower ARRA funding. The general fund made a transfer from unassigned fund balance of $124.0 million to bring the education assigned fund balance to zero at June 30 as required by law.

Highway Fund
The highway fund ended the year with an assigned fund balance of $34.8 million in accordance with GASB Statement 54. Included in this amount is $20.3 million of undesignated highway fund surplus, an increase of $11.4 million from the prior year. See "Footnote 15 Highway" in the Notes to the Basic Financial Statements.

Non-Major Funds
The non-major unassigned other deficit relates to the capital fund. See footnote 9 on page 66.

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 77.

General Fund:
The increase from the original budget of $4,406 million to the final budget of $4,517 million is $111 million and represents additional appropriations issued after July 1, 2010 and are composed of the following (*in millions*):

• Office of Health & Human Services	$66
ARRA - Medical Assistance Programs	
• Dept. of Education	34
ARRA Local Education Agencies	
• Dept. of Resources and Economic Dev	16
Workforce Opportunity Council	
• Office of Energy and Planning	15
ARRA - Energy Efficiency Grants	
ARRA - Weatherization	
• Various Other	20
• Other Appropriation Reduction	(40)
Total	$ 111

The largest variances from the final budget to actual amounts were for grant revenues and education grant expenditures. Grants from Federal, Private and Local Sources had a combined unfavorable variance of $432 million. This was offset by a favorable Department of Education variance of $254 million. These variances are due to timing differences that extend beyond the State's fiscal year where budgeted grant revenue is not drawn down until the budgeted 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, 2011, amounted to $6 billion, with accumulated depreciation amounts of $2.8 billion, leaving a net book value of $3.2 billion, an increase of $101.2 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, representing a $11.9 million decline from the prior year as current year additions of $78.8 million were less than total deletions and depreciation of $90.7 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 $1,428.8 million. Of this amount, $987.4 million are general obligation bonds, which are backed by the full faith and credit of the State and $80.0 million are Federal Highway Grant Anticipation Bonds (GARVEE). 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 July 27, 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 current and advance refund $48.4 million of general obligation debt maturing in fiscal 2011. Debt service on the refunded bonds totaled $50.0 million; new debt service on the refunding bonds total $56.7 million over ten years resulting in an economic loss of $0.8 million. The refunding bonds were issued in order to provide budgetary savings in FY 2011 as part of the State's overall plan to balance the FY 2011 budget.

On September 2, 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 for authorized capital purposes. Of the $107.0 million in proceeds, $91.2 million was used to fund school building aid payments, which had partially been funded with $50 million in bond anticipation notes. Accordingly, the $50.0 million in bond anticipation notes outstanding was paid from the $107.0 million in tax exempt proceeds. Also on September 2, 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 proceeds were used to fund a number of capital projects. The federal government will provide subsidy payments of 35% of the interest on these bonds.

On November 18, 2010, the State issued $80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund 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 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 Basic 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 individuals coupled with a high quality of life and standard of living, New Hampshire is considered a very attractive state to live in as well as a competitive state. As a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's preliminary November 2011 unemployment rate of 5.2% (seasonally adjusted) continues to be below the national averages of 8.6%.

Current forecasts indicate that New Hampshire's recession is over, but the recovery is slow. General and Education Fund revenues for the first seven months of fiscal year 2012 were $936.8 million, which was $27.5 million (2.9%) below plan and $37.2 million (3.8%) below prior year. Business Taxes and Real Estate Transfer Tax receipts have increased versus the prior year by $28.8 million (12.6%) and $1.4 million (2.7%) respectively. However, the Medicaid Enhancement Tax receipts are below Plan and prior year by $41.1 million and $36.9 million, respectively. Additionally, Interest and Dividend tax receipts remain at lower levels ($7.2 million below Plan and $4.3 million below prior year) and the sale of tobacco tax stamps (unit volume) are down approximately 3% versus the prior year.

Going forward, the State will continue to monitor 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, 2011
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 300,118	$ 86,072	$ 386,190	$ 333,908
Cash and Cash Equivalents-Restricted	161,205	124,401	285,606	
Receivables (Net of Allowances for Uncollectibles)	521,586	16,499	538,085	63,258
Other Receivables-Restricted	19,929	62,874	82,803	
Internal Balances Receivable (Payable)	(3,060)	3,060		
Internal Notes Receivable (Payable)	23,317	(23,317)		
Due from Component Units	4,149		4,149	
Inventories	19,050	36,791	55,841	
Other Current Assets		241	241	8,310
Total Current Assets	1,046,294	306,621	1,352,915	405,476
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	7,767		7,767	40,198
Other Receivables-Restricted	374,945		374,945	
Internal Notes Receivable (Payable)	52,461	(52,461)		
Due from Component Units	3,070		3,070	
Investments	19,261		19,261	401,375
Investments-Restricted	69,135		69,135	
Bond Issue Costs		3,056	3,056	
Other Assets		3,979	3,979	27,629
Capital Assets:				
Land & Land Improvements	618,875	111,861	730,736	17,487
Buildings & Building Improvements	814,097	30,502	844,599	1,527,184
Equipment & Computer Software	298,727	42,924	341,651	105,788
Construction in Progress	239,377	120,785	360,162	39,723
Infrastructure	3,032,547	713,456	3,746,003	
Less: Allowance for Depreciation	(2,486,235)	(308,407)	(2,794,642)	(660,082)
Net Capital Assets	2,517,388	711,121	3,228,509	1,030,100
Total Noncurrent Assets	3,044,027	665,695	3,709,722	1,499,302
Total Assets	4,090,321	972,316	5,062,637	1,904,778
LIABILITIES				
Current Liabilities:				
Accounts Payable	303,317	48,246	351,563	60,727
Accrued Payroll	44,702	2,862	47,564	5,744
Due to Primary Government				4,149
Unearned Revenue	92,885	10,927	103,812	49,294
Unclaimed Property & Prizes	20,806	3,575	24,381	
General Obligation Bonds Payable	87,727		87,727	
Claims & Compensated Absences Payable	47,048	1,680	48,728	14,076
Other Liabilities	26,937	27,759	54,696	10,540
Revenue Bonds Payable		17,020	17,020	98,623
Total Current Liabilities	$ 623,422	$ 112,069	$ 735,491	$ 243,153

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES - CONTINUED				
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	$ 899,681		$ 899,681	
Federal Highway Grant Anticipation Bond Payable	80,000		80,000	
Revenue Bonds Payable, Net		$ 344,420	344,420	$ 364,102
Claims & Compensated Absences Payable	70,872	5,630	76,502	32,541
Postemployment Benefits Payable	558,304		558,304	52,535
Due to Primary Government				3,070
Other Noncurrent Liabilities	58,825	2,994	61,819	88,155
Total Noncurrent Liabilities	1,667,682	353,044	2,020,726	540,403
Total Liabilities	2,291,104	465,113	2,756,217	783,556
NET ASSETS				
Invested in Capital Assets, net of related debt	1,674,794	273,365	1,948,159	564,743
Restricted for Debt Repayments		44,885	44,885	
Restricted for Construction		13,434	13,434	
Restricted for Uninsured Risks		3,001	3,001	
Restricted for Unemployment Benefits		103,965	103,965	
Restricted for Permanent Funds-Expendable	8,991		8,991	
Restricted for Permanent Funds-Non-Expendable	6,665		6,665	
Restricted for Prize Awards - MUSL & Tri-State		3,979	3,979	
Restricted for Environmental Loans	529,347		529,347	
Restricted Component Unit Net Assets				321,409
Unrestricted Net Assets	(420,580)	64,574	(356,006)	235,070
Total Net Assets	$ 1,799,217	$ 507,203	$ 2,306,420	$ 1,121,222

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

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	$ 525,152	$ 299,148	$ 75,960	
Administration of Justice & Public Protection	423,408	341,099	92,362	$ 33
Resource Protection and Development	138,102	79,603	103,409	
Transportation	540,068	60,009	13,036	205,784
Health and Social Services	2,177,806	109,034	1,301,632	
Education	1,484,909	4,002	241,621	5,079
Interest Expense	47,334			
Total Governmental Activities	5,336,779	892,895	1,828,020	210,896
Business-type Activities:				
Turnpike System	91,331	118,852		17,717
Liquor Commission	415,816	558,605		
Lottery Commission	167,961	232,597		
Unemployment Compensation	284,773	341,157		
Total Business-type Activities	959,881	1,251,211		17,717
Total Primary Government	$ 6,296,660	$ 2,144,106	$ 1,828,020	$ 228,613
COMPONENT UNITS				
University System of New Hampshire	$ 762,810	$ 496,828	$ 239,488	$ 7,022
Non-Major Component Units	170,448	83,395	45,539	
Total Component Units	$ 933,258	$ 580,223	$ 285,027	$ 7,022

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

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

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
$ (150,044)		$ (150,044)	
10,086		10,086	
44,910		44,910	
(261,239)		(261,239)	
(767,140)		(767,140)	
(1,234,207)		(1,234,207)	
(47,334)		(47,334)	
(2,404,968)		(2,404,968)	
	$ 45,238	45,238	
	142,789	142,789	
	64,636	64,636	
	56,384	56,384	
	309,047	309,047	
$ (2,404,968)	$ 309,047	$ (2,095,921)	
			$ (19,472)
			(41,514)
			$ (60,986)
396,272		396,272	
402,004		402,004	
234,852		234,852	
429,628		429,628	
226,649		226,649	
160,847		160,847	
8,552		8,552	15,661
29,926		29,926	
			160,643
(13,788)	13,788		
205,294	(205,294)		
2,080,236	(191,506)	1,888,730	176,304
(324,732)	117,541	(207,191)	115,318
2,123,949	389,662	2,513,611	1,005,904
$ 1,799,217	$ 507,203	$ 2,306,420	$ 1,121,222

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

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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, lottery funds, and tobacco settlement funds.*

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 395,426	$ 22,335		$ 9,360	$ 427,121
Investments	19,261	57,876		11,259	88,396
Receivables (Net of Allowances for Uncollectibles)	413,708	40,909	$ 60,179	3,836	518,632
Inter-Fund Note Receivable		75,778			75,778
Due from Other Funds	22,830	62,002		2,303	87,135
Due from Component Units	7,219				7,219
Inventories	6,649	11,612		789	19,050
Loans and Notes Receivables	402,641				402,641
Total Assets	$ 1,267,734	$ 270,512	$ 60,179	$ 27,547	$ 1,625,972
LIABILITIES					
Accounts Payable	$ 247,724	$ 30,210	$ 3,700	$ 21,513	$ 303,147
Accrued Payroll	33,990	9,878		834	44,702
Due to Other Funds	66,607		9,978	13,610	90,195
Deferred Revenue	583,677	81,748	46,500	91	712,016
Unclaimed Property	20,806				20,806
Other Liabilities	15				15
Total Liabilities	952,819	121,836	60,178	36,048	1,170,881
FUND BALANCES					
Nonspendable:					
Inventories	6,649	11,612		789	19,050
Permanent Fund Principal				6,665	6,665
Restricted	161,043	100,789		14,659	276,491
Committed	92,883	1,453		16	94,352
Assigned	27,356	34,822	1	2,947	65,126
Unassigned:					
Revenue Stabilization	9,312				9,312
Other	17,672			(33,577)	(15,905)
Total Fund Balances (Deficit)	314,915	148,676	1	(8,501)	455,091
Total Liabilities and Fund Balances	$ 1,267,734	$ 270,512	$ 60,179	$ 27,547	$ 1,625,972

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, 2011
(Expressed in Thousands)

Total fund balances for governmental funds		$ 455,091
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		2,517,388
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	$ 132,847	
Medicaid Hospital Reimbursements	2,637	
Highway Fund Federal and Municipal Billings	3,997	
Highway Fund Note Receivable from Turnpike System	75,778	
Indigent Representation Advances	3,015	
SRF Loans	394,874	
Component Unit Loans	5,983	619,131
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.		18,341
Certain long term liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation	(99,275)	
Other Postemployment Benefits	(558,304)	
Pollution Remediation Obligation	(31,072)	
Capital Lease Obligations	(3,305)	
Bond Payables	(1,067,408)	
Litigation Payable	(39,400)	
Interest Payable	(11,970)	(1,810,734)
Net Assets of Governmental Activities		$ 1,799,217

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

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$ 306		$ 395,966		$ 396,272
Special Taxes	956,599		213,284		1,169,883
Personal Taxes	129,844		96,805		226,649
Business License Taxes	20,888	$ 160,842			181,730
Non-Business License Taxes	87,410	103,794		$ 8,346	199,550
Fees	168,241	21,478		1,183	190,902
Fines, Penalties and Interest	10,412	566		133	11,111
Grants from Federal Government	1,699,481	187,417	21,293	20,819	1,929,010
Grants from Private and Local Sources	115,573	5,416		1,190	122,179
Rents and Leases	2,852	178			3,030
Interest, Premiums and Discounts	14,555			362	14,917
Sale of Commodities	11,951	299		256	12,506
Sale of Service	70,472	19,983		3	90,458
Assessments	66,528				66,528
Grants from Other Agencies	47,002	2,468		5,502	54,972
Miscellaneous	128,591	30,055	40,000	3,257	201,903
Total Revenues	3,530,705	532,496	767,348	41,051	4,871,600
EXPENDITURES					
Current:					
General Government	393,429				393,429
Administration of Justice and Public Protection	374,823	3,042			377,865
Resource Protection and Development	209,457	23		26,912	236,392
Transportation	13,558	510,550			524,108
Health and Social Services	2,113,984			467	2,114,451
Education	418,777		956,929		1,375,706
Debt Service	69,409	7,186		184	76,779
Capital Outlay	15,413	18,546		157,334	191,293
Total Expenditures	3,608,850	539,347	956,929	184,897	5,290,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,145)	(6,851)	(189,581)	(143,846)	(418,423)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,724		124,023	1,512	128,259
Transfers in from Enterprise Funds	141,834		63,460		205,294
Transfers Out	(124,023)	(2,589)		(1,647)	(128,259)
Capital Lease Acquisition	626				626
Payment of BANS				(50,000)	(50,000)
Payments to Refunding Bond Escrow Agent				(49,967)	(49,967)
Refunding Bond Issuance				45,036	45,036
Installments on Sale of Assets		15,349			15,349
Bond Premiums				22,846	22,846
Bond Issuance		80,000		150,000	230,000
Total Other Financing Sources (Uses)	21,161	92,760	187,483	117,780	419,184
Net Change in Fund Balances	(56,984)	85,909	(2,098)	(26,066)	761
Fund Balance - July 1	370,924	61,625	2,099	17,669	452,317
Change in Inventory	975	1,142		(104)	2,013
Fund Balance (Deficit) - June 30	$ 314,915	$ 148,676	$ 1	$ (8,501)	$ 455,091

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, 2011
(Expressed in Thousands)

Net change in fund balances - total governmental funds, including change in inventory		$ 2,774
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		(146,880)
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	$ 18,146	
Buildings & Building Improvements	48,661	
Equipment & Computer Software	9,235	
Construction in Progress	32,175	
Infrastructure	(3,626)	
Accumulated Depreciation, net of Disposals	(74,553)	30,038
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.		(2,106)
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	(297,881)	
Repayment of Bond Principal & Interest	88,252	
Bond Anticipation Note Repayment	50,000	
Accretion of Bonds Payable	(2,085)	
Accrued Interest & Amortization	(6,514)	(168,228)
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	6,699	
Other Postemployment Benefits	(107,702)	
Pollution Remediation Obligation	(1,568)	
Legal Contingency	(38,450)	
Change in Capital Lease Obligation	72	
SRF loan program	100,619	(40,330)
Change in net assets of governmental activities		$ (324,732)

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

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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, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 82,083	$ 744	$ 3,245		$ 86,072	$ 34,202
Cash and Cash Equivalents-Restricted	61,320			$ 63,081	124,401	
Receivables (Net of Allowances for Uncollectibles)	4,561	8,992	2,946		16,499	2,954
Other Receivables-Restricted				62,874	62,874	
Due from Other Funds	18	2,280	1,057		3,355	
Inventories	1,780	34,050	961		36,791	
Other Current Assets	109		132		241	
Total Current Assets	149,871	46,066	8,341	125,955	330,233	37,156
Noncurrent Assets:						
Bond Issue Costs	3,056				3,056	
Capital Assets:						
Land & Land Improvements	108,783	3,078			111,861	
Buildings & Building Improvements	6,994	23,508			30,502	
Equipment & Computer Software	37,372	5,034	518		42,924	
Construction in Progress	120,785				120,785	
Infrastructure	713,456				713,456	
Less: Allowance for Depreciation & Amortization	(290,724)	(17,207)	(476)		(308,407)	
Net Capital Assets	696,666	14,413	42		711,121	
Other Assets - Restricted			3,979		3,979	
Total Noncurrent Assets	699,722	14,413	4,021		718,156	
Total Assets	849,593	60,479	12,362	125,955	1,048,389	37,156
LIABILITIES						
Current Liabilities:						
Accounts Payable	6,926	38,354	2,966		48,246	170
Accrued Payroll	944	1,619	299		2,862	
Due to Other Funds		295			295	
Deferred Revenue	7,814	2,047	1,066		10,927	
Unclaimed Prizes			3,575		3,575	
Revenue Bonds Payable-Current	17,020				17,020	
Note Payable to Highway Fund	23,317				23,317	
Accrued Interest Payable	5,346				5,346	
Claims & Compensated Absences Payable	680	857	143		1,680	18,645
Other Liabilities	309	114		21,990	22,413	
Total Current Liabilities	62,356	43,286	8,049	21,990	135,681	18,815
Noncurrent Liabilities:						
Revenue Bonds Payable	344,420				344,420	
Note Payable to Highway Fund	52,461				52,461	
Claims & Compensated Absences Payable	2,387	2,894	349		5,630	
Other Noncurrent Liabilities	2,570	424			2,994	
Total Noncurrent Liabilities	401,838	3,318	349		405,505	
Total Liabilities	464,194	46,604	8,398	21,990	541,186	18,815
NET ASSETS						
Invested in Capital Assets, net of related debt	259,448	13,875	42		273,365	
Restricted for Debt Repayments	44,885				44,885	
Restricted for Construction	13,434				13,434	
Restricted for Uninsured Risks	3,001				3,001	
Restricted for Prize Awards - MUSL & Tri-State			3,979		3,979	
Restricted for Unemployment Benefits				103,965	103,965	
Unrestricted Net Assets (Deficit)	64,631		(57)		64,574	18,341
Total Net Assets	$ 385,399	$ 13,875	$ 3,964	$ 103,965	$ 507,203	$ 18,341

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, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
OPERATING REVENUES						
Charges for Sales and Services		$ 534,628	$ 232,534	$ 340,441	$ 1,107,603	$ 272,764
Toll Revenue Pledged for Repaying Revenue Bonds	$118,688				118,688	
Total Operating Revenue	118,688	534,628	232,534	340,441	1,226,291	272,764
OPERATING EXPENSES						
Cost of Sales and Services		374,501	19,683		394,184	
Lottery Prize Awards			139,263		139,263	
Unemployment Insurance Benefits				284,773	284,773	
Insurance Claims						263,471
Administration	56,648	40,470	8,960		106,078	11,399
Depreciation	21,004	845	55		21,904	
Total Operating Expenses	77,652	415,816	167,961	284,773	946,202	274,870
Operating Income (Loss)	41,036	118,812	64,573	55,668	280,089	(2,106)
NONOPERATING REVENUES (EXPENSES)						
Licenses		3,862			3,862	
Beer Taxes		12,748			12,748	
Investment Income	164		63	716	943	
Miscellaneous	3,421	5,287			8,708	
Intra-entity Aquisition of Capital Assets	(2,080)	2,080				
Interest on Bonds	(14,792)				(14,792)	
Amortization of Bond Issuance Costs	(228)				(228)	
Total Nonoperating Revenues (Expenses)	(13,515)	23,977	63	716	11,241	
Income (Loss) Before Capital Grant Contributions	27,521	142,789	64,636	56,384	291,330	(2,106)
Capital Grant Contributions	31,505				31,505	
Income (Loss) Before Transfers	59,026	142,789	64,636	56,384	322,835	(2,106)
Transfers Out to Governmental Funds		(140,698)	(64,596)		(205,294)	
Change in Net Assets	59,026	2,091	40	56,384	117,541	(2,106)
Net Assets - July 1	326,373	11,784	3,924	47,581	389,662	20,447
Net Assets - June 30	$385,399	$ 13,875	$ 3,964	$ 103,965	$ 507,203	$ 18,341

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, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies				$ 124,346	$ 124,346	
Receipts from customers	$ 119,776	$ 533,628	$ 133,572	204,033	991,009	$ 43,714
Receipts from interfund charges						228,358
Payments to employees	(16,998)	(23,495)	(2,906)		(43,399)	
Payments to suppliers	(42,409)	(390,781)	(11,335)		(444,525)	(11,266)
Payments to prize winners			(52,014)		(52,014)	
Payments for Insurance Claims				(283,836)	(283,836)	(262,932)
Payments for Interfund Services		(4,354)	(33)		(4,387)	
Net Cash Provided by (Used for) Operating Activities	60,369	114,998	67,284	44,543	287,194	(2,126)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds		(137,783)	(65,578)		(203,361)	
Proceeds from Loan Receipts				56,316	56,316	
Principal Paid on Loan				(56,316)	(56,316)	
Proceeds from Collection of Licenses and Beer Tax		16,610			16,610	
Net Cash Used for Noncapital and Related Financing Activities		(121,173)	(65,578)		(186,751)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal , Sale and Construction of Capital Assets	(70,369)	(883)			(71,252)	
Capital Grant Reimbursement	14,396				14,396	
Interest Paid on Bonds	(13,267)				(13,267)	
Principal Paid on Bonds	(17,384)				(17,384)	
Principal Paid on Notes	(15,349)				(15,349)	
Contributions from Other Funds	(2,082)	2,963			881	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(104,055)	2,080	-		(101,975)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of Investments	139,670				139,670	
Purchase of Investments	(139,670)				(139,670)	
Interest and Other Income	622	2,719	64	716	4,121	
Net Cash Provided by Investing Activities	622	2,719	64	716	4,121	
Net Increase (Decrease) in Cash & Cash Equivalents	(43,064)	(1,376)	1,770	45,259	2,589	(2,126)
Cash and Cash Equivalents - July 1	186,467	2,120	1,475	17,822	207,884	36,328
Cash and Cash Equivalents -June 30	$ 143,403	$ 744	$ 3,245	$ 63,081	$ 210,473	$ 34,202

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, 2011
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss)	$ 41,036	$ 118,812	$ 64,573	$ 55,668	$ 280,089	$ (2,106)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Depreciation	21,004	845	55		21,904	
Change in Operating Assets and Liabilities:						
Change in Receivables	749	(1,131)	(1,924)	(12,142)	(14,448)	(693)
Change in Inventories	(853)	(1,459)	(208)		(2,520)	
Change in Other Current Assets			46		46	
Change in Restricted Deposits-MUSL			(42)		(42)	
Change in Accounts Payable and Other Accruals	(1,906)	(2,200)	1,801	1,017	(1,288)	134
Change in Claims Payable			2,659		2,659	539
Change in Deferred Revenue	339	131	324		794	
Net Cash Provided by (Used In) Operating Activities	$ 60,369	$ 114,998	$ 67,284	$ 44,543	$ 287,194	$ (2,126)

Turnpike Non -Cash Capital and Related Financing Activities:

I93 Exit 13 Replacement Bridge

Transfer of Capital Asset - From Highway Fund recorded at Net Carrying Cost $ 13,788

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, 2011
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 4,047	$ 5,347		$ 13,484
Receivables:				
Due from Employers	32,433			
Due from State	6,995			
Due from Plan Members	16,214			
Due from Brokers for Securities Sold	235,243			
Interest and Dividends	16,772			
Other	2,470		$ 22	
Total Receivables	310,127		22	
Investments	5,891,391	15,082	236,094	1,559
Other Assets	176			
Total Assets	6,205,741	20,429	236,116	15,043
LIABILITIES				
Management Fees and Other Payables	8,072		27	
Due to Brokers for Securities Purchased	267,937			
Custodial Funds Payable				15,043
Other Liabilities			170	
Total Liabilities	276,009		197	15,043
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,929,732	$ 20,429	$ 235,919	$ -

RECONCILIATION OF NET ASSETS HELD IN TRUST:			
Employees' Pension Benefits	$ 5,895,978		
Employees' Postemployment Healthcare Benefits	33,754		
Net Assets for Pool Participants in External Investment Pool			$ 235,919
Other Purposes		$ 20,429	
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,929,732	$ 20,429	$ 235,919

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, 2011
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 265,119		
State Contributions on Behalf of Local Employers	44,269		
Total Employer Contributions	309,388		
Plan Members	153,030		
From Participants		$ 28,020	$ 273,363
Total Contributions	462,418	28,020	273,363
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	1,018,375	287	
Interest Income	50,814	379	
Dividends	67,296		
Alternative Investment Loss	(9)		
Commercial Real Estate Operating Income	17,328		
Net Increase in Joint Value from Investment Income			457
Total Income from Investing Activities	1,153,804	666	457
Less: Investment Activity Expenses:			
Investment Management Fees	17,186		
Custodial Fees	456		
Investment Advisor Fees	812		
Total Investment Activity Expenses	18,454		
Total Net Income from Investing Activities	1,135,350	666	457
From Securities Lending Activities:			
Security Lending Income	414		
Less: Security Lending Borrower (Premiums) Rebates	(2)		
Less: Security Lending Management Fees	83		
Net Income from Securities Lending Activities	333		
Total Net Investment Income	1,135,683	666	457
Other	13,521		
Total Additions	1,611,622	28,686	273,820
DEDUCTIONS			
Benefits/Distributions to Participants	584,285	15,848	457
Refunds of Contributions	22,830		
Administrative Expense	7,604		
Professional Fees	1,438		
Other	750	13,077	323,593
Total Deductions	616,907	28,925	324,050
Change in Net Assets	994,715	(239)	(50,230)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year	4,935,017	20,668	286,149
End of the Year	$ 5,929,732	$ 20,429	$ 235,919

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, 2011
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash, Cash Equivalents, and Operating Investments	$ 294,513	$ 39,395	$ 333,908
Accounts Receivable	45,244	5,906	51,150
Other Receivables		1,018	1,018
Notes Receivable - Current Portion	3,951	8,157	12,108
Prepaid Expenses & Other	6,538	754	7,292
Total Current Assets	350,246	55,230	405,476
Noncurrent Assets:			
Investments	381,713	19,662	401,375
Notes & Other Receivables	20,763	19,435	40,198
Other Assets	26,499	1,130	27,629
Capital Assets:			
Land & Land Improvements	12,397	5,090	17,487
Building & Building Improvements	1,377,185	149,999	1,527,184
Equipment	94,633	11,155	105,788
Construction in Progress	37,735	1,988	39,723
Less: Accumulated Depreciation	(591,031)	(69,051)	(660,082)
Net Capital Assets	930,919	99,181	1,030,100
Total Noncurrent Assets	1,359,894	139,408	1,499,302
Total Assets	1,710,140	194,638	1,904,778
LIABILITIES			
Current Liabilities:			
Accounts Payable	59,976	751	60,727
Accrued Salaries and Wages		5,744	5,744
Accrued Employee Benefits - Current	8,917	5,159	14,076
Other Payables & Accrued Expenses		8,578	8,578
Other Liabilities-Restricted		1,962	1,962
Deposits and Deferred Revenues	42,049	7,245	49,294
Due to Primary Government - Current Portion		4,149	4,149
Long Term Debt - Current Portion	96,370	2,253	98,623
Total Current Liabilities	207,312	35,841	243,153
Noncurrent Liabilities:			
Revenue Bonds Payable	364,102		364,102
Accrued Employee Benefits	32,541		32,541
Postemployment Medical Benefits	52,535		52,535
Due to Primary Government		3,070	3,070
Other Long Term Debt	43,563	44,592	88,155
Total Noncurrent Liabilities	492,741	47,662	540,403
Total Liabilities	700,053	83,503	783,556
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	492,675	72,068	564,743
Restricted for Endowments	308,716		308,716
Restricted for Specific Purposes		12,693	12,693
Unrestricted Net Assets	208,696	26,374	235,070
Total Net Assets	$ 1,010,087	$ 111,135	$ 1,121,222

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

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$ 762,810	$ 170,448	$ 933,258
Program Revenues:			
Charges for Services:			
Tuition & Fees	390,917	56,473	447,390
Student Financial Aid	(120,708)		(120,708)
Sales, Services, & Other Revenue	226,619	26,922	253,541
Operating Grants & Contributions	239,488	45,539	285,027
Capital Grants & Contributions	7,022		7,022
Total Program Revenues	743,338	128,934	872,272
Net Expenses	(19,472)	(41,514)	(60,986)
Interest & Investment Income	9,726	5,935	15,661
Payments from State of New Hampshire	122,907	37,736	160,643
Change in Net Assets	113,161	2,157	115,318
Net Assets - Beginning	896,926	108,978	1,005,904
(Restated Beginning Net Assets-See Note 18)			
Net Assets - Ending	$ 1,010,087	$ 111,135	$ 1,121,222

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, 2011

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, 2011, 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, 2011, 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 55 International 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 Funds, which represent 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 sSate 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 invested in capital assets, net of related debt includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those 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.

Fund Financial Statements

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. 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. Derived tax revenues are recognized as revenues in the period the underlying transaction occurs. 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 the state generally considers revenues to be available if they are collected within 60 days after year end. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. 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 and other long-term obligations including compensated absences, other post-employment benefits, pollution remediation obligations 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 expenses 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, 2011, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2010.

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 where the underlying exchange has occured in the period ending June 30 or prior, and for federal grants, which reimburse the State for expenditures incurred pursuant to federally funded programs. Tax and grant 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 nonspendable fund balance designation that indicates they do not constitute available spendable resources.

H. 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 and in the proprietary fund 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

I. 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 not yet been earned 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.

J. 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.

K. FUND BALANCES

Fund balances for all governmental funds are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific purposes.

The State maintains a stabilization account: Revenue Stabilization Account (the "Rainy Day Fund") in the general fund reported as unassigned fund balance. See Note 14 for additional information about fund balances and the stabilization account.

L. 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 assets.

In the governmental fund financial statements, bond discounts, premiums, and issuance costs are recognized 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.

M. 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.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

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 equipment, real property or infrastructure including the Highway Fund's capital outlays for the 10-year state capital highway construction program.

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 resources in governmental fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. 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.

N. 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 Lottery 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 government-wide Statement of Net Assets, except for the amounts due between governmental and business-type activities.

O. ENCUMBRANCES AND CAPITAL PROJECTS

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded.

The 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.

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, as appropriate in the funds that receive the proceeds.

P. 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 assigned or unassigned 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 restricted, committed or assigned 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.

Q. 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.

R. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

For the fiscal year ended June 30, 2011, the State implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB Statement 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: *nonspendable, committed, restricted, assigned, and unassigned.* The effect of implementation of GASB Statement 54 on the State's financial statements was limited to the use of the new fund balance classifications. Implementation did not result in a change in beginning fund balances nor did it affect the types of governmental funds reported by the State.

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 statement of financial position under the captions "Cash and Cash Equivalents" and "Investments". Cash and investments of the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan are excluded from this footnote and can be obtained from their respective audited financial statements.

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.

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions are effective from December 31, 2010 to December 31, 2012. Therefore, a large portion of State deposits are insured at June 30, 2011.

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, 2011, the State's carrying value for deposits was $615.1 million. The table below details the state's bank balances at June 30, 2011 exposed to custodial credit risk (expressed in thousands):

	Governmental & Business Type			Fiduciary		
Type	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	$ 308,110	$ 167,995	-	$ 5,921	$ 3,263	$ -
Money Market	-	61,077	$ 96,685	-	-	7,817
Savings Accounts	240	-	-	8	3,081	649
CDs	500	5,002	5,587	-	-	54
Total	$ 308,850	$ 234,074	$ 102,272	$ 5,929	$ 6,344	$ 8,520

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, 2011, the State had the following types of investments:

	(Fair values in thousands)	
Investment Type	**Governmental & Business Type**	**Fiduciary**
Stocks	$ 19,960	
Corporate Bonds	967	
US Treasury	448	
US Government Agencies	64,252	
Municipal Bonds	80	
Equity Open Ended Mutual Funds	5,716	$ 5,272
Fixed Income Open Ended Mutual Funds	2,856	11,242
Unemployment Compenation External Pool (special issue bonds guaranteed by US government)	64,297	
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		236,094
Totals	$ 159,077	$ 252,735

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		
		Cash and Cash Equivalents	**Investments**	**Cash and Cash Equivalents**	**Investments**	**Total**
Per Statement of Net Assets	Primary Government	$ 386,190	$ 19,261	$ 285,606	$ 69,135	$ 760,192
Per Statement of Fiduciary Net Assets	Private Purpose	5,347	15,082			20,429
	Investment Trust		236,094			236,094
	Agency Funds	13,484	1,559			15,043
	Total per Financial Statements	**$ 405,021**	**$ 271,996**	**$ 285,606**	**$ 69,135**	**$ 1,031,758**

Per Footnote	
Cash On Hand	$ 4,785
Carrying Amount of Deposits	615,161
Investments	411,812
Total Per Footnote	**$ 1,031,758**

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: 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, 2011, the State did not have any repurchase agreements outstanding.

Stocks:
The State's policy relative to operating funds and mitigation of concentration of credit risk does not permit investing in stocks. 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, 2011 are noted below (expressed in thousands):

	Governmental Activities			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc Com	$ 4,970		$ 4,970	24.9%
Manulife Finl Corp	1,144		1,144	5.7%
Prudential Finl Inc	1,105		1,105	5.5%
Thermo Fisher Scientific Inc	835	$ 23	858	4.3%
A T & T Inc	781	43	824	4.1%
Vodafone Grp Plc Sp Adr	648		648	3.2%
Verizon Communications Inc	319	16	335	1.7%
Exxon Mobil Corp	202	99	301	1.5%
Alcatel-Lucent / France Adr	263		263	1.3%
General Electric Co	210	34	244	1.2%

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 was 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 investment detail and 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. The NHPDIP is rated AAAm by Standard & Poor's Rating Services. The AAAm principal stability rating is the highest assigned to principal stability government investment pools.

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, fixed income 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, 2011 are noted below (expressed in thousands):

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$ 967	-	3.7	-	-	-
US Treasury	448	-	3.4	-	-	-
US Government Agencies	64,252	-	0.9	-	-	-
Fixed Income Open Ended Mutual Funds	-	$ 2,856	6.1	-	$ 11,242	5.4
Municipal Bonds	80	-	7.7	-	-	-
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	64,297	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 corporate issuers at June 30, 2011 are listed below (expressed in thousands):

Issuer	Governmental & Business Type Fair Value	% of Total
AT&T Inc	$ 112	11.6%
Conocophillips	110	11.4%
IBM Intl Group	106	11.0%
BB&T Corp	105	10.9%
Morgan Stanley	104	10.8%
National Rural Utils Coop Fl	103	10.7%
Bank of America Corp	101	10.4%
Illinois Tool Works	55	5.7%
E I Du Pont De Nemours	55	5.7%
Bank New York Inc	52	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:

	2011
Cash & Repurchase agreements	$ 8,337
Money Market Funds	62,228
Other Mutual Funds	202,255
Total Cash & Cash Equivalents	$ 272,820

Included in the cash and repurchase agreements balances at June 30, 2011 were $10,137 in repurchase agreements, $4,601 in cash and a net cash overdraft of $6,401. 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, 2011 are summarized below (expressed in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$ 2,500	6 years
Corporate Bonds & Notes		Not Applicable
Cash and Cash Equivalents	18,379	Not Applicable
Money Market and other Mutual Funds	754	Not Applicable
Other Accounts	60	Not Applicable
Total:	$ 21,693	

Operating investments in mutual funds and commercial paper 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, 2011 total debt proceeds held by others included $7,608 of construction proceeds held by the bond trustee.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2011 (expressed in thousands):

	Balance	Weighted Average Maturity
Cash	$ 7,137	
Money market funds	471	Not Applicable
Total Debt proceeds held by others	$ 7,608	
Long-term portion	$ 7,608	

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, 2011 was $6,594. 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, 2011 (expressed in thousands):

Money Market Funds	$ 14,567
Mutual Funds-Bonds	34,762
Mutual Funds-Stocks	82,167
US Government obligations	3,565
Corporate Bonds and Notes	214
Common/Preferred Stocks	19,264
Alternative Investments	200,351
Investments Held by Others	19,214
Operating amounts invested alongside endowment pool	(6,593)
Total endowment and similar investments	$ 367,511

Alternative investments as shown above include private equity, hedge, natural resource and certain 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 readily 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 may not be 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, 2011 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$ 27,018		$ 27,018	
Business Taxes	190,891		190,891	
Tobacco	9,401		9,401	
Real Estate Transfer	9,594		9,594	
Interest & Dividends	22,468		22,468	
Communications	6,889		6,889	
Nursing Facility Assessments	6,464		6,464	
Utility Property Tax	14,000		14,000	
Gasoline Road Toll	10,328		10,328	
Beer		$ 1,345	1,345	
Subtotal	297,053	1,345	298,398	
Other Receivables:				
Turnpike System		4,561	4,561	
Liquor Commission		7,647	7,647	
Lottery Commission		2,946	2,946	
Unemployment Trust Fund		73,915	73,915	
Internal Service Fund	2,954		2,954	
Board and Care	2,066		2,066	
Federal Grants	223,413		223,413	$ 25,152
Local Grants	8,240		8,240	
Miscellaneous	81,557		81,557	23,886
Short Term Portion Of State Revolving Loan Fund.	19,929		19,929	
Short Term Portion Of Note/Pledge Receivable				3,951
Subtotal	338,159	89,069	427,228	52,989
Total Current Receivables (Gross)	635,212	90,414	725,626	52,989
Long Term Receivables				
State Revolving Loan Fund	374,945		374,945	
Miscellaneous	7,767		7,767	
Note/Pledge Receivable				20,763
Total Long Term Receivables (Gross)	382,712		382,712	20,763
Allowance for Doubtful Accounts	(93,697)	(11,041)	(104,738)	(3,794)
Total Receivables (Net)	$ 924,227	$ 79,373	$ 1,003,600	$ 69,958

State Revolving Loan Fund:

Primary Government: As of June 30, 2011, total water pollution control loans outstanding of $394.9 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 $24.7 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, 2011, the various components of deferred revenue ($712.0 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable	$ 135,863		$ 135,863
Loans receivable	476,635		476,635
Federal/Local receivables	6,633		6,633
Receipts in advance of eligibility requirements		$ 92,885	92,885
Total	$ 619,131	$ 92,885	$ 712,016

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2011, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 501,757	$ 19,418	$ (5,075)	$ 516,100
Construction in Progress	207,202	97,135	(64,960)	239,377
Work in Progress Computer Software	31,727	1,030	(10,727)	22,030
Total Capital Assets not being depreciated	740,686	117,583	(80,762)	777,507
Other Capital Assets:				
Equipment & Computer Software	257,765	28,699	(9,767)	276,697
Buildings & Building Improvements	765,436	54,267	(5,606)	814,097
Land Improvements	98,972	3,803		102,775
Infrastructure	3,036,173	36,189	(39,815)	3,032,547
Total Other Capital Assets	4,158,346	122,958	(55,188)	4,226,116
Less accumulated depreciation for:				
Equipment & Computer Software	(200,308)	(29,890)	9,663	(220,535)
Buildings & Building Improvements	(341,202)	(22,521)	3,449	(360,274)
Land Improvements	(86,583)	(2,180)		(88,763)
Infrastructure	(1,783,589)	(45,458)	12,384	(1,816,663)
Total Accumulated Depreciation	(2,411,682)	(100,049)	25,496	(2,486,235)
Other Capital Assets, Net	1,746,664	22,909	(29,692)	1,739,881
Governmental Activities Capital Assets, Net	$ 2,487,350	$ 140,492	$ (110,454)	$ 2,517,388
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 108,751	$ 35	$ (3)	$ 108,783
Construction in Progress	76,758	71,933	(27,906)	120,785
Capital Assets not being depreciated	185,509	71,968	(27,909)	229,568
Other Capital Assets:				
Equipment	37,167	1,199	(994)	37,372
Buildings & Building Improvements	4,831	2,163		6,994
Infrastructure	671,146	42,623	(313)	713,456
Total Capital Assets	898,653	117,953	(29,216)	987,390
Less accumulated depreciation for:				
Equipment	(26,545)	(3,209)	993	(28,761)
Buildings & Building Improvements	(2,964)	(237)	23	(3,178)
Infrastructure	(241,299)	(17,581)	95	(258,785)
Total Accumulated Depreciation	(270,808)	(21,027)	1,111	(290,724)
Turnpike Capital Assets, Net	$ 627,845	$ 96,926	$ (28,105)	$ 696,666
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 2,077	$ 3		$ 2,080
Other Capital Assets:				
Equipment	5,342	234	$ (542)	5,034
Buildings & Building Improvements	20,515	3,000	(7)	23,508
Land Improvements	998			998
Total Capital Assets	28,932	3,237	(549)	31,620
Less accumulated depreciation for:				
Equipment	(4,766)	(266)	543	(4,489)
Buildings & Building Improvements	(11,453)	(558)	5	(12,006)
Land Improvements	(691)	(21)		(712)
Total Accumulated Depreciation	(16,910)	(845)	548	(17,207)
Liquor Capital Assets, Net	$ 12,022	$ 2,392	$ (1)	$ 14,413
Lottery Commission:				
Equipment	$ 518			$ 518
Less Accumulated Depreciation for Equipment:	(421)	$ (55)		(476)
Lottery's Capital Assets, Net	$ 97	$ (55)	$ -	$ 42

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

Governmental Activities:	
General Government	$ 11,413
Administration of Justice and Public Protection	15,294
Resource Protection and Development	5,068
Transportation	59,911
Health and Social Services	3,615
Education	4,748
Total Governmental Activities Depreciation Expense	$ 100,049

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	$ 12,212	$ 185		$ 12,397
Building and Building Improvements	1,324,096	53,815	$ (726)	1,377,185
Equipment	123,769	11,912	(41,048)	94,633
Construction in Progress	56,077	(18,342)		37,735
Subtotal	$1,516,154	$ 47,570	$ (41,774)	$1,521,950
Less: Accumulated Depreciation	(580,661)	(50,730)	40,360	(591,031)
Total	$ 935,493	$ (3,160)	$ (1,414)	$ 930,919

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $517.0 million at June 30, 2011. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$ 136.0
Federal Highway/Garvees	160.0
Turnpike System	221.0
Total	$ 517.0

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.

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, 2011
Governmental Fund Types (General Obligation Bonds):	
December, 2006	$ 50,360
April 8, 2010	147,505
Subtotal	$ 197,865

Bond Issues:

On July 27, 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 current and advance refund $48.4 million of general obligation debt maturing in fiscal 2011. Debt service on the refunded bonds totaled $50.0 million; new debt service on the refunding bonds total $56.7 million over ten years resulting in an economic loss of $0.8 million. The refunding bonds were issued in order to provide budgetary savings in FY 2011 as part of the State's overall plan to balance the FY 2011 budget.

On September 2, 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 for authorized capital purposes. Of the $107.0 million in proceeds, $91.2 million was used to fund school building aid payments, which had partially been funded with $50 million in bond anticipation notes. Accordingly, the $50.0 million in bond anticipation notes outstanding was paid from the $107.0 million in tax exempt proceeds. Also on September 2, 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 proceeds were used to fund a number of capital projects. The federal government will provide subsidy payments of 35% of the interest on these bonds.

Bond Issues Continued:

On November 18, 2010, the State issued $80.0 million in taxable Federal Highway Grant Anticipation Bonds. The State will use the 2010 Bond proceeds to fund 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.

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities 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	$ 859,400	$ 2,085	$ 217,882	$ 91,959	$ 987,408	$ 87,727	$ 899,681
Federal Highway Grant Anticipation Bonds			80,000		80,000		80,000
Bond Anticipation Notes	50,000			50,000			
Compensated Absences	81,674		57,970	62,675	76,969	22,958	54,011
Claims Payable	42,406		257,455	258,910	40,951	24,090	16,861
Other Postemployment Benefits	450,602		177,140	69,438	558,304		558,304
Pollution Remediation Obligation	29,504		3,721	2,153	31,072	1,331	29,741
Capital Lease	3,377		626	698	3,305	721	2,584
Legal Contingency (See Footnote 13)	950		39,400	950	39,400	12,900	26,500
Total Governmental	$ 1,517,913	$ 2,085	$ 834,194	$ 536,783	$ 1,817,409	$ 149,727	$1,667,682
Business-Type Activities							
Turnpike System							
General Obligation Bonds	$ 584			$ 584			
Revenue Bonds	378,240			16,800	$ 361,440	$ 17,020	$ 344,420
Note Payable	91,127			15,349	75,778	23,317	52,461
Pollution Remediation Obligation	2,579		$ 471	171	2,879	309	2,570
Claims & Compensated Absences Payable	3,003		1,314	1,250	3,067	680	2,387
Total	$ 475,533		$ 1,785	$ 34,154	$ 443,164	$ 41,326	$ 401,838
Liquor Commission							
Capital Lease	$ 237		$ 434	$ 133	$ 538	$ 114	$ 424
Claims & Compensated Absences Payable	3,968		1,751	1,968	3,751	857	2,894
Total	$ 4,205		$ 2,185	$ 2,101	$ 4,289	$ 971	$ 3,318
Lottery Commission							
Claims & Compensated Absences Payable	$ 512		$ 342	$ 362	$ 492	$ 143	$ 349
Total	$ 512		$ 342	$ 362	$ 492	$ 143	$ 349
Total Business-Type	$ 480,250		$ 4,312	$ 36,617	$ 447,945	$ 42,440	$ 405,505

The General Fund and Highway Fund are primarily responsible for financing long-term liabilities other than debt.

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 September 9, 2010, $50.0 million of bond anticipation notes were paid from the proceeds of the September 2, 2010 bond issue. As of June 30, 2011, the State had no bond anticipated notes outstanding.

Capital Appreciation Bonds: Six of the State's general obligation capital improvement bonds issued since November 1991 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. The initial issue in this group had its final maturity in fiscal 2011 leaving only five capital appreciation bonds outstanding. At June 30, 2011, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $153.1 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 $31.1 million and $2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2011. 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 as well as Federal Highway Grant Anticipation 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 including expected federal interest subsidies described earlier are as follows (expressed in thousands):

	SOURCE OF PRINCIPAL PAYMENTS							DEBT SERVICE			
	Governmental Activities					Business-Type Activities		TOTAL ALL FUNDS			
						Turnpike System					
Payable June 30,	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Liquidating	Total	Revenue	Note Payable	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2012	$ 65,031	$ 7,557		$ 15,139	$ 87,727	$ 17,020	$ 23,317	$ 128,064	$ 65,453	$ 6,803	$ 186,714
2013	61,313	7,950		15,518	84,781	19,460	24,261	128,502	60,371	6,803	182,070
2014	57,602	7,667		12,420	77,689	16,460	4,814	98,963	55,391	6,803	147,551
2015	58,654	7,717		12,202	78,573	21,690	5,009	105,272	51,202	6,803	149,671
2016	54,354	7,551		12,094	73,999	18,330	5,213	97,542	46,996	6,803	137,735
2017-2021	228,355	33,527	$ 4,200	53,659	319,741	97,020	13,164	429,925	170,716	33,138	567,503
2022-2026	119,904	20,203	75,800	32,067	247,974	59,960		307,934	85,611	24,001	369,544
2027-2031	32,853	6,414		20,267	59,534	44,955		104,489	32,058	10,589	125,958
2032-2036						34,135		34,135	14,677	5,137	43,675
2037-2041						31,665		31,665	3,902	1,365	34,202
Subtotal	$ 678,066	$ 98,586	$ 80,000	$ 173,366	$ 1,030,018	$ 360,695	$ 75,778	$ 1,466,491	$ 586,377	$ 108,245	$ 1,944,623
Unamortized (Discount) / Premium	52,446	(239)		(388)	51,819	9,612		61,431			61,431
Unamortized Loss on Refunding	(14,429)				(14,429)	(8,867)		(23,296)			(23,296)
Total	$ 716,083	$ 98,347	$ 80,000	$ 172,978	$ 1,067,408	$ 361,440	$ 75,778	$ 1,504,626	$ 586,377	$ 108,245	$ 1,982,758

Revenue Bond Resolutions: Management believes the Turnpike System has complied with all of its material financial bond covenants as set forth in the resolutions.

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of $443.9 million; capital lease obligations of $16.5 million; accrued employee benefits and compensated absences of $41.5 million; other postemployment benefits of $52.5 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	$ 597,957	$ 72,546	$ 72,475	$ 598,028	$ 105,287	$ 492,741

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2012	$ 96,370	$ 20,386	$ 116,756
2013	8,188	19,785	27,973
2014	7,973	19,410	27,383
2015	29,752	18,716	48,468
2016	8,708	17,141	25,849
2017-2021	150,279	68,341	218,620
2022-2026	74,219	33,618	107,837
2027-2031	34,850	17,787	52,637
2032-2036	38,690	6,655	45,345
2037-2041	3,525	176	3,701
Subtotal	452,554	222,015	674,569
Unamortized Discount	7,918		7,918
Total	$ 460,472	$ 222,015	$ 682,487

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.

Principle of self-insurance

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that the provisions of law direct the purchase of commercial insurance. In instances in which a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public, the State may elect to purchase insurance. There are approximately 20 such commercial insurance programs in effect. These 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.

Employee and Retiree Health Benefits

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. Currently, the State retains all of the risk associated with these benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve. In addition, state law prescribes the retention of a reserve comprising 5% of annual claims and administrative costs, for unexpected costs. For FY 2011, this reserve equaled $15.5 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and future estimated loss experience. The process used in estimating claim liabilities may not result in an exact payout amount due to variables such as medical inflation, or changes in law, enrollment or plan design.

Workers Compensation

Since February 2003, the State has been self-insured for its workers compensation exposures, retaining all of the risk associated with workers compensation claims. The state utilizes an actuarial study that provides an updated estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trend and other relevant claim characteristics based on the state's historical loss experience. According to the FY 11 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE) for workers' compensation claims is $7.4 million as of June 30, 2011, which comprises past claims, claim trends and future estimated loss experience.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2010 and 2011 (In Thousands):

Governmental Activities	6/30/2009 Balance	Increases	Decreases	6/30/2010 Balance	Increases	Decreases	6/30/2011 Balance	Current	Long-Term
Workers Compensation Claims Payable....	$ 27,404	$ 2,312	$ 5,416	$ 24,300	$ 4,845	$ 6,839	$ 22,306	$ 5,445	$ 16,861
Health Claims Payable*.....	22,750	241,756	246,400	18,106	252,610	252,071	18,645	18,645	
Total.....	$ 50,154	$ 244,068	$ 251,816	$ 42,406	$ 257,455	$ 258,910	$ 40,951	$ 24,090	$ 16,861
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable....	$ 2,045	$ 36	$ 181	$ 1,900	$ 541	$ 451	$ 1,990	$ 359	$ 1,631
Total.....	$ 2,045	$ 36	$ 181	$ 1,900	$ 541	$ 451	$ 1,990	$ 359	$ 1,631
Liquor Commission									
Workers Compensation Claims Payable....	$ 1,888	$ 201	$ 428	$ 1,661	$ 303	$ 296	$ 1,668	$ 235	$ 1,433
Total.....	$ 1,888	$ 201	$ 428	$ 1,661	$ 303	$ 296	$ 1,668	$ 235	$ 1,433
Lottery Commission									
Workers Compensation Claims Payable....	$ 13	$ 2	$ 1	$ 14	$ -	$ 1	$ 13	$ -	$ 13
Total.....	$ 13	$ 2	$ 1	$ 14	$ -	$ 1	$ 13	$ -	$ 13
Total Business-Type.....	$ 3,946	$ 239	$ 610	$ 3,575	$ 844	$ 748	$ 3,671	$ 594	$ 3,077

* 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 resulting from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made, and consist of the following as of June 30, 2011 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$ 62,002	General Fund	$ 62,002
General Fund	13,610	Non Major Fund	13,610
Non Major Fund	2,303	General Fund	2,303
General Fund	9,220	Education Fund	9,220
Turnpike Fund	18	General Fund	18
Lottery Commission	4	General Fund	4
Lottery Commission	758	Education	758
Lottery Commission	295	Liquor Commission	295
Liquor Commission	2,280	General Fund	2,280
Total	$ 90,490	Total	$ 90,490

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 $3.1 million to business-type activities represents the "internal balances" amount on the statement of net assets. The $87.1 million between governmental funds, and the $0.3 million between enterprise funds has been eliminated on the government-wide financial statements.

Internal Note Receivable: At June 30, 2011, internal note receivable (payable) balances consist of $75.8 million payable to the Highway Fund from the Turnpike System. The balance has been offset by a corresponding amount of deferred revenue in the Highway Fund financial statements. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

Due from Component Units: As of June 30, 2011, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to $6.0 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements. Also, as of June 30, 2011, $1.2 million is due from the Community College System of New Hampshire (CCSNH) for unreimbursed services provided.

8. INTERFUND TRANSFERS

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

	Transferred To			
Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds				
General Fund		$ 124,023		$ 124,023
Highway Fund	$ 1,077		$ 1,512	2,589
Non-Major Funds	1,647			1,647
Total Governmental Funds	* 2,724	124,023	* 1,512	* 128,259
Proprietary - Enterprise Funds				
Liquor Commission	140,698			140,698
Lottery Commission	1,136	63,460		64,596
Total Proprietary - Enterprise Funds	$ 141,834	$ 63,460		$ 205,294

*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 $63.5 million to fund education
- Transfer of Liquor Commission profits of $140.7 million to general fund for government operations
- $124.0 million transfer from the general fund to eliminate education fund deficit

Pursuant to RSA 260:61, $0.7 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. FUND BALANCE (DEFICIT) AND CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2011, unassigned deficit of the Capital Projects Fund was $33.6 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, 2011, bonds authorized and unissued for the Capital Projects Fund amounted to $136.0 million.

Contractual Commitments: The State has estimated its share of contractual obligations for construction contracts to be $82.1 million at June 30, 2011. This represents total obligations of $321.5 million less $239.4 million in estimated federal aid.

Encumbrances: Other encumbrances for the State totaled $300.6 million as of June 30, 2011.

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 (age 65 for members beginning service on or after July 1, 2011) 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 (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested prior to January 1, 2012 and five years for members not vested on January 1, 2012. 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 a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by ¼ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

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 was 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.

In FY 2011, two pieces of legislation passed that impacted the special account. The first required an $89 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other, required the balance remaining in the special account, less funds set aside to comply with, the temporary supplemental allowances required by RSA 100-A:41-d,III, to be transferred to the respective components of the state annuity accumulation fund, effective June 30, 2011. This resulted in an additional transfer from the special account to the State annuity accumulation fund totaling $167.3 million.

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 2011, 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 25% 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, 2011, 2010, and 2009 were $117.9 million, $126.0 million, and $111.5 million, respectively. Included in these contributions for FY 2011 and FY 2010 is an amount for other postemployment benefits of $12.0 million and $12.1 million, respectively. The State's contributions for the fiscal year ended June 30, 2011 decreased over the amounts contributed for the fiscal year ended June 30, 2010, primarily due to the reduction in the percentage the State contributed toward employer costs of political subdivisions.

As of June 30, 2011, 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 $5,741 million. The total pension liability at June 30, 2011 using the entry age normal actuarial cost method was $9,998 million, resulting in a funded ratio of 57.4% and projected pension liability in excess of assets of $4,257 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 defined benefit 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 $14.0 million for the fiscal year ended June 30, 2011.

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 2011 (dollar amounts in thousands):

Annual Required Contribution	$ 156,863
Interest on net OPEB obligation	20,277
Adjustment to annual required contribution	(15,020)
Annual OPEB cost	162,120
Contributions made (pay-as-you-go)	(54,418)
Increase in Net OPEB Obligation	107,702
Net OPEB Obligation - Beginning of Year	450,602
Net OPEB Obligation - End of Year	**$ 558,304**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011, 2010 and 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/11	$ 162,120	$ 54,418	33.57%	$ 558,304
06/30/10	208,151	52,790	25.36%	450,602
06/30/09	195,442	57,011	29.17%	295,241

As of December 31, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $2,257.8 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,257.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $597.8 million during fiscal year 2011, and the ratio of the UAAL to the covered payroll was 378 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 December 31, 2010 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 December 31, 2010, was thirty years.

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. Information and financial reports of the New Hampshire Judicial Retirement Plan can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301.

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, 2010, 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 $44.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was $59.8 million, resulting in a funded ratio of 74% and projected liability in excess of assets of $15.8 million. Annual covered payroll was $7.7 million resulting in an unfunded actuarial liability of 204% of covered payroll. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 8.0% and salary growth of 0.0% for the next two years, and 3.0% thereafter, and amortization using level dollar over a decreasing number of years starting with 20 years. The open period was 16 years as of January 1, 2010. The actuarial value of plan assets is calculated by spreading recognition of gains and losses over five years, plus an additional write-up (or write-down) as necessary so that the final adjusted value is within 20% of market value.

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.

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 annual required contribution (ARC) and the amounts contributed to the plan are as follows (dollar amounts in thousands):

Fiscal Year Ended December 31,	Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2010	$ 1,905	$ 1,905	100.00%
2009	$ 1,754	$ 1,754	100.00%
2008	$ 1,416	$ 1,416	100.00%

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 $136.6 million of contingent liabilities and the statutory limits as of June 30, 2011 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2011 PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds	485-A:7	$ 50,000	$ 45,313	$ 4,190	$ 497	$ 4,687
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	6,603	26,603
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	46,873	338	47,211
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	95,000	* 28,127	66,873	6,941	73,814
School Construction Bonds	195-C:2	95,000	36,982	39,479	18,539	58,018
Solid Waste Bonds	149-M:31	10,000	9,875	115	10	125
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	$ 140,597	$110,657	$ 25,987	$ 136,644

*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, 2011 (expressed in thousands):

	(1) RSA 12-G:31	(2) RSA 12-G:33	(3) RSA 12-G:34	(4) RSA 12-G:35
Legal Limit	$ 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, 2011 relative to the Lonza (Celltech) loans is $6.4 million (representing principal $5.9 million and interest $0.5 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 audits may become the liability of the State. The State estimates that any ultimate disallowance not otherwise disclosed, pertaining to these grants, 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 2011 for governmental activities and business-type activities were approximately $11.2 million and $3.8 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, 2011 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2012	$ 9,507	$ 2,585
2013	5,819	2,374
2014	3,217	1,815
2015	1,711	1,785
2016	1,065	1,737
2017-2021	2,743	3,353
Total	$ 24,062	$ 13,649

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, 2011, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2012	$ 858	$ 222
2013	700	113
2014	521	113
2015	456	113
2016	384	115
2017-2021	864	604
2022-2026	133	
Total	3,916	1,280
Amount Representing Interest	(611)	(742)
Present Value of Minimum Lease Payments	$ 3,305	$ 538

The assets aquired through capital leases and included in capital assets at June 30, 2011 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 6,200	$ 563
Buildings & Building Improvements	10,227	1,563
Total	16,427	2,126
Less: Accumulated Depreciation	(14,207)	(1,121)
Net	$ 2,220	$ 1,005

13. LITIGATION

Dartmouth Hitchcock et. al v. Toumpas

In August 2011, ten of the State's thirteen non-critical access hospitals and one "John Doe" individual Medicaid recipient filed a federal court lawsuit against the Commissioner of the Department of Health and Human Services regarding a number of legislative and departmental actions since 2005 that have reduced the reimbursement rates for Medicaid in-patient and outpatient services, and eliminated disproportionate share payments to non-critical access hospitals in the FY 2012/2013 budget. The claims are brought under the supremacy clause of the United States Constitution related to the Medicaid statute, 42 U.S.C 1396a(a)(30)(A) and 42 U.S.C. 1396a(a)(13)(a), alleging that the changes from these actions are contrary to the intent of the Medicaid statute since the resulting payments are insufficient to ensure access to services for Medicaid clients, and further alleging that the changes cannot be implemented because the State did not give notice or do a state plan amendment regarding each change. A motion for preliminary injunction requesting that the federal court enjoin each of the changes and require the State to revert to prior payments levels was filed at the same time. Pleadings have been filed by the State answering the complaint, moving to dismiss the 42 U.S.C. 1396a(a)(30)(A) claims (Counts I-IV) and briefing the legal and evidentiary issues raised in the plaintiffs' motion for preliminary injunction. On December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss and the preliminary injunction. There was a further evidentiary hearing on the motion for preliminary injunction held on January 10-12, 2012. No decision has been issued. While this suit does not request damages, the potential prospective impact on the state general fund if the state is required to change the rates and reimbursement paid for inpatient and outpatient hospital services could be in excess of $100 million. It is not possible to predict the outcome of this case at this time.

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 made during federal fiscal year 2004. These payments are administered by Centers for Medicare and Medicaid Services ("CMS"). The report found that a portion of the 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. Following DHHS' response to CMS regarding the OIG report, in October 2009 CMS issued a Notice of Disallowance indicating that it concurred with the OIG report findings, and that it was disallowing $35 million in federal funds for federal fiscal year 2004.

DHHS filed a formal Notice of Appeal on December 18, 2009, electing to retain the funds, pending an outcome. To provide the parties an opportunity to explore the possibility of resolution of the matter through settlement, the DAB temporarily stayed a decision in the appeal which it lifted on July 13, 2011, and a decision was issued upholding the disallowance. Within the allotted time following the DAB decision, the State filed a motion for reconsideration. On October 14, 2011, the DAB responded to this request by denying the request and affirming its decision to uphold the determination by CMS of disallowance. As a result, CMS has issued a claim for repayment in the total amount of $35.4 million (including interest). CMS has agreed with the state on an arrangement to pay in eight quarterly installments beginning in January 2012, with final installment payable in the quarter beginning October 2013. A liability has been recorded in the government-wide statement of net assets for the full amount of repayment due as of June 30, 2011.

American Federation of Teachers - New Hampshire, et al v. State, Retirement System and Lisa Shapiro, Individually

A group of twelve plaintiffs filed suit on August 7, 2009 challenging the changes to the retirement system made pursuant to Chapter 300, Laws of 2008 that affect (1) earnable compensation; (2) COLA payments; and (3) medical subsidies. The plaintiffs have also sought class certification for all other New Hampshire retirees eligible for state retirement benefits. The State answered the complaint on November 4, 2009, and on May 18, 2010 the plaintiffs filed a motion to amend their petition. This motion was granted on July 20, 2010 and the State filed an amended answer. The parties filed cross motions for summary judgment on December 5, 2010, and in January 2011 the court issued an order indicating that it would defer ruling on the parties' summary judgment motions until the class certification process was complete. Discovery on issues relating to class certification has closed. It is anticipated that the issue of class certification will be resolved by pleadings to be filed in early 2012. It is not possible to predict the outcome of this case at this time.

Professional Firefighters et al v. State of New Hampshire

On June 29, 2011, the Professional Firefighters, Police Association, National Education Association and State Employees Association filed a Motion of Temporary Restraining Order in Merrimack County Superior Court seeking status quo on member contribution rates and recertification of fiscal year 2012 and 2013 employer contribution rates until such time as the Court can rule on the Petition for Declaratory and Injunctive Relief filed by the same Petitioners the same day. The State filed a motion to dismiss the petition. On January 6, 2012 (issued January 31, 2012), the Court ruled that the increase in employee contributions is unconstitutional as to those employees who are "vested" as that term is defined in the retirement statute (10 years in the retirement system). The Court dismissed the lawsuit, however, on the grounds that the plaintiffs did not allege they are "vested employees." The Court's dismissal was without prejudice to the plaintiffs to file an amended petition by March 1, 2012. The Court also dismissed the request to enjoin the recertification of employer contribution rates, stating that employees do not have standing to challenge the employer contribution rate. If the plaintiffs amend their petition by March 1, 2012, the Court will likely issue an injunction regarding the increase in employee contribution for vested employees consistent with its order.

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 filed cross motions for summary judgment, however the trial court granted summary judgment in favor of the state. The Petitioners appealed the decision to the New Hampshire Supreme Court. Oral argument is scheduled for March 13, 2012. It is not possible to predict the outcome of this matter.

Litigation related to Financial Resources Mortgage, Inc.

A lawsuit, *Marino v. Commissioner of Banking*, was filed in Merrimack County Superior Court 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 claimed $265,000 in damages. The State received an additional 35 notices of claim alerting the State that these individuals may file lawsuits claiming that the State failed to appropriately regulate FRM. Some reports calculated the total losses to all investors at approximately $80 million.

The State filed a motion to dismiss this matter, which was granted by the Court on January 27, 2011, with the Court finding that the State is not a guarantor of individuals' investment decisions. The petitioners, however, appealed the decision to the New Hampshire Supreme Court. On October 17, 2011, the Supreme Court issued an order affirming the trial court's order. The matter is now closed.

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

This case was originally filed by the state 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 participating states, including the State of New Hampshire. 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 in 2003, 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 tobacco companies are seeking recovery of up to an entire annual payment of approximately $50 million made to the State of New Hampshire under the MSA.

The tobacco companies have identified thirty-five states they claim failed to "diligent enforce" their obligations under the MSA, including New Hampshire. The arbitration will begin April 23, 2012 with a presentation of facts and issues common to all the individual state cases. Individual state hearings are scheduled to begin May 21, 2012 and will continue at least through 2012. New Hampshire's hearing is scheduled for the week of November 5, 2012. The State is unable to predict the outcome at this time.

USDOJ's Findings Letter Relating to New Hampshire's Mental Health Services System

On April 7, 2011, the United States Department of Justice ("USDOJ") issued a letter finding that the State failed to comply with aspects of the Americans with Disabilities Act, 42 U.S.C. secs. 12131-12134 (Part A), by not providing services for individuals with mental illness that allow them to live in the most integrated community–based settings appropriate for their needs. The USDOJ's findings were based on an investigation it performed of New Hampshire's mental health services system over a four month period. On December 6, 2011, the State issued a formal response to the USDOJ findings. The response describes the basis for the State's disagreement with the USDOJ's findings, and asks the USDOJ to withdraw its findings. On February 9, 2012, a class action lawsuit was filed in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services. The State will defend the action. It is not possible to predict the outcome of this matter at this time.

Estate of Michele Walker et al V. Administrative Office of the Courts et al

Plaintiffs have brought this wrongful death lawsuit in federal court alleging the decedent was subjected to severe and/or pervasive sexual harassment, creating a hostile work environment. As a result, the Plaintiffs allege the decedent went on medical leave, Defendants (Administrative Office of the Courts et al) denied her reasonable accommodations to return to work, retaliated against her and continued to harass her while she was on leave. The Plaintiffs allege that the events described in the lawsuit, lead to the eventual suicide of the decedent in May 2010. The Plaintiffs seek damages arising out of claims of discrimination, sexual harassment, hostile work environment, retaliation and violation of the Americans with Disabilities Act. The State has filed an Answer and discovery is ongoing. Trial is scheduled for January 2013. On January 17, 2012, the State filed a motion to dismiss five of the eight counts based on the litigation bar contained in the workers' compensation law. No decision has been made by the Court on the State's motion. It is not possible to predict an outcome.

Catholic Medical Center (CMC) et al v. Department of Revenue (MET Tax)

CMC, Exeter Hospital and St. Joseph's Hospital have filed three separate lawsuits challenging the constitutionality, both facially and as applied, of RSA 84-A, the Medicaid Enhancement Tax ("MET"). The hospitals claim the MET tax is unconstitutional under both state and federal law because: (1) it taxes hospitals for net patient services revenue (NPSR) but does not tax other medical entities for the same revenue; and (2) there is an alleged different rate of taxation assessed between the hospitals and rehabilitation hospitals. Each hospital seeks full reimbursement of the tax it paid in 2011 totaling $31.5 million. Answers have not yet been filed, and the three cases are still in their preliminary stages. It is not possible to predict the outcome of these cases at this time.

Chase Home et al v. DCYF

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against the Division for Children, Youth, and Families (DCYF) on a variety of claims, including DCYF's statutory obligation to pay for residential childcare services provided under certain provisions of State law.

DCYF 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.

The Court denied the motion for summary judgment and, after trial, in May 2010, the 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 attorney fees. The State's Motion to Reconsider was denied, an appeal was filed and the Supreme Court issued a decision upholding the trial court's determination that there were valid contracts, holding the state liable for a judgment of approximately $3.5 million regarding the FY2004-FY2006 claims. Calculation of allowable interest will add approximately $.3 million to the judgment. The Department has determined that it does not have an appropriation from which the judgment can be paid. The judgment, therefore, will need to be submitted to the legislature under RSA 491:8, unless a settlement for the judgment and the outstanding years (below) can be reached. A liability of $2.9 million, representing the net of state cost after federal share, has been recorded for this judgment in the government wide statement of net assets as of June 30, 2011.

There are similar claims for some of the same providers pending in DHHS administrative appeals unit for FY2007-FY2010. DHHS is in the process of trying to calculate the potential liability for the outstanding additional years. Since the outstanding claims are complex due to several undecided legal issues, it is difficult to predict a range of the potential outcome. However, it is unlikely that an unfavorable outcome to the outstanding years matter will be material.

Review of NH's Medicaid Payments for Skilled Professional Medical Personnel

In 2008, the DHHS received a confidential draft report from the OIG regarding an audit of DHHS's Medicaid payments for skilled professional medical personnel at the enhanced rate for the period from October 1, 2004 through September 30, 2006. The draft report found that $1.1 million was unallowable on grounds that DHHS should have claimed these costs at the standard 50-percent rate rather than at the enhanced 75-percent rate. The draft report recommended that this amount be refunded to the Federal Government and that DHHS develop an approved methodology to allocate costs for personnel whose time and effort are split between different functions. DHHS responded to the confidential draft report on September 24, 2008, stating its disagreement with the draft findings and recommendation. OIG issued a final report reiterating its findings and recommended that DHHS refund personnel costs claimed at the enhanced rate in the amount of $1.1 million. At this time it is not possible to predict whether or to what extent CMS will take action with regard to disallowance of any federal financial participation. DHHS is currently working with CMS to resolve CMS' concerns and reduce any potential disallowance. A liability has been recorded for this disallowance in the government-wide statement of net assets as of June 30, 2011.

The Sunapee Difference, LLC v. State of NH

The plaintiff sued the State for mandamus, breach of contract, promissory estoppel, breach of covenant of good faith and fair dealing and inverse condemnation arising out of the plaintiff's lease with the State to operate the Mt. Sunapee ski area.

The plaintiff amended its complaint to add a claim for contract reformation. Specifically the plaintiff alleged that the State breached its promises to amend the leasehold description and/or to amend the lease and operating agreement to permit expansion of the ski area, upon transfer of the lease to a third party. The plaintiff claimed over $14 million in damages.

A hearing was held on the State's Motion to Dismiss, and the order was denied by an order dated November 17, 2008. On or about December 30, 2008, the State filed a Motion for Summary Judgment on all of the plaintiff's claims. On April 17, 2009, the Court issued an order granting the State's Motion for Summary Judgment in full, and entered judgment in favor of the State. The plaintiff filed an appeal with the New Hampshire Supreme Court which by interim order on June 25, 2010 remanded the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. A hearing was held on the issue of whether the parties intended to release Sunapee Difference's claims when Sunapee Difference assigned the lease to a third party. The trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease. The State has appealed that decision to the Supreme Court. Briefs will be filed by May 8, 2012, after which the Court will schedule oral argument. The issues raised in this 2011 appeal will be combined with the Plaintiff's 2009 appeal. It is not possible to predict the outcome at this time.

Woodland Management Associates, LLC and The Lyme Timber Co. v. State of New Hampshire

The Petitioners allege that the Department of Revenue Administration ("DRA") improperly assessed and collected an additional $4.6 million in business profits taxes, interest, and penalties against Woodland and Lyme for the tax year ending December 31, 2003 and has improperly denied a request filed by Woodland for refund of this amount. The total amount in controversy including interest is $5.3 million. In May 2010, the trial court granted summary judgment on Count II in favor of the DRA, thereby denying Petitioners' request for a remand to the Commissioner. Trial is scheduled for February 18, 2013. It is not possible to predict the outcome of this matter at this time.

Leighton et al v. State of New Hampshire

Plaintiffs challenged the constitutionality of the State's 10% tax on gambling winnings. Plaintiffs brought this as a class action, but the State has objected to it being certified as a class action, and the court has not yet ruled on that issue. The parties filed a joint interlocutory transfer without ruling in the Supreme Court, which was denied on February 23, 2011. The case returned to superior court where the parties agreed that the case could be decided on cross-motions for summary judgment. After the State settled Plaintiff Leighton's claims for $0.3 million, a new lottery winner joined the case as a plaintiff. The plaintiff gambler's claims also remain. Motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment. The court granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. Trial is scheduled for the week of April 30, 2012. It is not possible to predict the likely outcome of the case 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. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

Governmental Fund Balances - Restricted, Committed and Assigned

A summary of the nature and purpose of these constraints and related amounts by fund at June 30, 2011, follows:

Governmental Fund Balances
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	$ 1,329	$ 21,354	$ 6,218
Administration of Justice & Public Protection	7,335	37,863	4,583
Resource Protection & Development	149,756	25,072	387
Transportation	258	679	868
Health & Human Services	1,461	6,895	12,885
Education	904	1,020	2,415
Total	$ 161,043	$ 92,883	$ 27,356
Highway Fund:			
Administration of Justice & Public Protection	$ 1,636	$ 430	
Transportation	99,153	1,023	$ 34,822
Total	$ 100,789	$ 1,453	$ 34,822
Education Fund:			
Education Grants			$ 1
Non-major Governmental Funds:			
Resource Protection & Development	$ 5,668	$ 16	$ 2,947
Other Purposes	8,991		
Total	$ 14,659	$ 16	$ 2,947

Stabilization Account

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e, for the purpose of deficit reduction and reported as unassigned fund balance in the General Fund. Any General Fund unassigned 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 unassigned fund balance deficit at the close of a fiscal biennium, a transfer from the 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 unassigned fund balance deficit or the unrestricted revenue shortfall.

The balance at June 30, 2011 remained at $9.3 million, the same as at June 30, 2010.

15. 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 undesignated surplus (deficit) portion of assigned fund balance for the capital and operating accounts and the total highway fund, at June 30, 2011 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Undesignated Surplus/(Deficit)	$ (10.9)	$ 31.2	$ 20.3

The deficit in the capital account at June 30, 2011 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 surplus in the operating account at June 30, 2011 was $31.2 million. Future projects, where no contract has been approved and appropriated, are not yet a charge against surplus. 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.

16. 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, 2011, the Lottery recognized $9.5 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, 2011. 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 33 member state lotteries and administers the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions 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, 2011, the Lottery recognized $18.0 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, 2011. 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.

17. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

Land associated with the Hooksett Rest Area of Interstate 93

In fiscal year 2010, 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 $0.3 million, and the rest of the proceeds paid were recognized as an intra-entity transfer out on the acquisition of assets.

In fiscal year 2011, under the terms of new legislation, an additional $2.08 million was paid and reflected as an intra-entity acquisition of assets between Turnpike and SLC, and a transfer from SLC to the general fund, in the accompanying financial statements.

Transfer of Capital Assets

In fiscal year 2011, a replacement bridge completed in fiscal year 2001 located at exit 13 of the Turnpike System in Concord, previously recorded to the Highway Fund, was transferred to the Turnpike System at a value of $17.2 million less accumulated depreciation of $3.4 million. In the Turnpike Fund, the $13.8 million net carrying value of the bridge is reported as a capital contribution. In the government-wide financial statements, the transaction is reported as a transfer of capital assets between governmental and business-type activities.

18. RESTATEMENT OF JUNE 30, 2010 COMPONENT UNIT NET ASSETS

Community Development Finance Authority

The net assets of the Community Development Finance Authority (CDFA) at June 30, 2010 have been increased by $22,000 as a result of an adjustment for income from investment in related party.

Business Finance Authority

The net assets of the Business Finance Authority (BFA) at June 30, 2010 have been increased by $1.9 million as a result of a reclassification. In FY 2010, the BFA received $1.9 million from the NH Public Utilities Commission, however, upon further consideration of the award documentation and program objectives, the award has been reclassified as pass through grant revenue.

(Expressed in Thousands)	CDFA	BFA
Net Assets at June 30, 2010	$ 7,860	$ 8,036
Adjustment	$ 22	$ 1,900
Net Assets at June 30, 2010 - restated	$ 7,882	$ 9,936

19. SUBSEQUENT EVENTS

Debt Issuance

On July 27, 2011, the State issued $42.1 million of Turnpike System revenue refunding bonds. The interest rates on these new bonds is 4% and 5%. The closing date for this bond issue is January 5, 2012. At closing, the $47.5 million in net proceeds from the issuance will be placed in an irrevocable trust to provide for all future debt service payments on the old bonds. This refunding transaction will result in a cash savings of $5.4 million over the next 9 years and a 8.14% net present value savings of $3.7 million.

On October 20, 2011, the State issued $100.0 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

Claims for refunds - MET

Since enactment of the operating budget for fiscal years 2012 and 2013, between the middle of June 2011 and the end of November 2011, the Department of Revenue Administration ("DRA") received amended returns of Medicaid Enhancement Tax ("MET") from hospital taxpayers for fiscal periods ending 2008 through 2011, which requested refunds or credits totaling $89 million. Soon after receipt, the DRA denied $20 million of requests as being outside the statute of limitations period. The appeal period for these denials has expired and no hospital has appealed.

The DRA has reviewed records for open years for many of the taxpayers making the remaining $69 million of requests, and has issued determinations. On a case by case basis, these may have resulted in refunds for some open years and assessment of additional taxes for other open years, the net of which did not result in a material amount. While further reviews are being performed which could yield unexpected results, based on the determinations made on taxpayer reviews thus far, the state does not believe that a material net obligation to taxpayers will result from all refund requests.

Every determination issued results in 60 days for an aggrieved taxpayer to file an appeal with the DRA's Hearings Bureau. The statutory process for appeal requires a minimum of 180 days before a hearing can be scheduled. The Hearing Officer's decision may be further appealed to the Superior Court.

Multi-State Mortgage Bank Settlement

On February 9, 2012, New Hampshire joined a multi-state settlement with the nation's five largest mortgage servicers over foreclosure abuses and fraud, and unacceptable nationwide mortgage servicing practices. The agreement provides an estimated $43.6 million in relief to New Hampshire homeowners and which addresses future mortgage loan servicing practices. As part of the total relief, the state will receive a direct payment of $11 million, which is expected to be constrained to spending for consumer protection purposes at the discretion of the Attorney General.

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, 2011
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
REVENUES				
General Property Taxes	$ 430	$ 430	$ 306	$ (124)
Special Taxes	1,087,617	1,068,329	958,006	(110,323)
Personal Taxes	115,365	115,365	129,844	14,479
Business License Taxes	35,771	35,741	20,888	(14,853)
Non-Business License Taxes	85,187	85,188	87,410	2,222
Fees	179,841	184,519	167,740	(16,779)
Fines, Penalties and Interest	12,337	13,040	10,412	(2,628)
Grants from Federal Government	1,699,192	1,926,986	1,527,304	(399,682)
Grants from Private and Local Sources	166,323	149,379	117,302	(32,077)
Rents and Leases	10,269	10,366	10,262	(104)
Interest Premiums and Discounts	4,786	4,788	14,555	9,767
Sale of Commodities	5,681	8,961	11,731	2,770
Sale of Services	116,621	117,030	111,618	(5,412)
Assessments	130,060	131,197	73,119	(58,078)
Grants from Other Agencies	154,090	153,858	182,589	28,731
Miscellaneous	274,141	283,106	123,190	(159,916)
Total Revenue	4,077,711	4,288,283	3,546,276	(742,007)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	19,847	20,130	16,385	3,745
Executive	65,401	79,644	65,878	13,766
Information Technology	65,522	60,075	53,306	6,769
Executive Couincil	234	220	218	2
Off. Of Economic Stimulus	1,461	1,681	1,681	0
Administrative Services	146,083	154,249	118,266	35,983
Sec of State	27,865	27,647	7,743	19,904
Cultural Affairs	8,279	7,674	6,236	1,438
Revenue Administration	19,068	16,185	15,437	748
State Treasury	117,739	131,551	80,472	51,079
NH Retirement System	55,895	55,895	52,210	3,685
Boards and Commissions	3,102	2,912	2,532	380
Total	530,496	557,863	420,364	137,499
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	80,160	80,975	74,234	6,741
Adjutant General	25,783	25,327	17,560	7,767
Agriculture	4,764	4,902	4,548	354
Justice Department	37,769	44,617	26,748	17,869

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, 2011
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
Bank Commission	5,596	6,362	5,380	982
Racing and Charitable Gaming	1,021	863	724	139
Highw ay Safety	6,191	6,194	3,067	3,127
Insurance	10,559	11,934	8,863	3,071
Labor	35,123	21,894	19,468	2,426
Public Utilities Commission	72,931	73,877	18,129	55,748
Safety	225,117	244,232	150,512	93,720
Corrections Department	113,565	108,427	103,535	4,892
Employment Security	40,090	40,845	40,845	0
Judicial Council	28,379	29,328	28,382	946
Human Rights Commission	750	698	644	54
Boards and Commissions	595	502	471	31
Total	688,393	700,977	503,110	197,867
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	46,731	74,128	52,085	22,043
Pease Development Authority	15,028	15,028	670	14,358
Environmental Services	170,629	177,450	116,666	60,784
Development Finance Authority	180	180	180	-
Boards and Commissions	(11)	(2)	(2)	0
Total	232,557	266,784	169,599	97,185
TRANSPORTATION				
Transportation	21,135	22,788	10,219	12,569
Total	21,135	22,788	10,219	12,569
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	836,308	810,750	770,188	40,562
Office of Health Management	101,475	108,540	78,096	30,444
Children and Youth	143,462	137,708	114,640	23,068
Transitional Assistance	108,330	112,985	103,719	9,266
Behavioral Health	114,931	115,893	113,372	2,521
Developmental Services	257,694	262,050	251,568	10,482
Developmental Disabilities Council	609	609	501	108
N H Hospital	77,683	72,693	63,346	9,347
Home for Elderly	14,877	13,785	12,932	853
N H Veterans Home	30,424	29,255	27,229	2,026
Veterans Council	488	459	419	40
Youth Development Services	28,149	28,543	25,302	3,241
Elderly and Adult Services	432,682	450,426	425,524	24,902
Admin and Support	971	941	841	100
Boards and Commissions	3,758	3,616	3,036	580
Total	2,151,841	2,148,253	1,990,713	157,540

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, 2011
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
EDUCATION				
Post Secondary Education Commission	4,948	6,196	5,486	710
Department of Education	481,126	517,802	263,483	254,319
NH Comm. Tech. College System	110,997	110,962	81,585	29,377
Planetarium	1,539	1,564	1,537	27
Police Standards and Training Council	3,923	3,956	3,019	937
University of New Hampshire	100,000	100,000	100,000	-
Total	702,533	740,480	455,110	285,370
Debt Service	63,519	63,519	63,519	0
Capital Outlays	15,413	15,413	15,413	-
Total	4,405,887	4,516,077	3,628,047	888,030
Deficiency of Revenues Under Expenditures	(328,176)	(227,794)	(81,771)	146,023
Other Financing Sources (Uses)				
Transfers In	174,912	174,912	174,912	-
Transfers Out	-	(50)	(50)	-
Miscellaneous	-	979	6,952	5,973
Total Other Financing Sources Uses	174,912	175,841	181,814	5,973
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses	(153,264)	(51,953)	100,043	151,996
Fund Balance - July 1	428,667	428,667	428,667	-
Fund Balance - June 30	$ 275,403	$ 376,714	$ 528,710	$ 151,996

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, 2011
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 151,091	$ 151,091	$ 160,842	$ 9,751
Non-Business License Taxes	103,125	103,125	103,794	669
Fees	23,965	24,115	21,478	(2,637)
Fines, Penalties and Interest	600	600	566	(34)
Grants from Federal Government	336,398	336,495	210,649	(125,846)
Grants from Private and Local Sources	14,533	20,144	5,416	(14,728)
Rents and Leases	222	223	178	(45)
Interest Premiums and Discounts	750	750	-	(750)
Sale of Commodities	1,160	1,160	299	(861)
Sale of Services	33,967	33,967	35,093	1,126
Assessments	-	-	-	-
Grants from Other Agencies	2,297	2,297	2,468	171
Miscellaneous	53,515	53,805	94,668	40,863
Total Revenues	721,623	727,772	635,451	(92,321)
EXPENDITURES				
Justice and Public Protection	1,586	1,591	1,384	207
Transportation	771,262	782,167	603,134	179,033
Debt Service	7,186	7,186	7,186	-
Capital Outlays	18,546	18,546	18,546	-
Total Expenditures	798,580	809,490	630,250	179,240
Deficiency of Revenues Under Expenditures	(76,957)	(81,718)	5,201	86,919
OTHER FINANCING SOURCES (USES)				
Transfers In	-			-
Transfers Out	-	(2,590)	(2,590)	-
Miscellaneous	-	1,142	1,142	-
Total Other Financing Sources (Uses)		(1,448)	(1,448)	
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses	(76,957)	(83,166)	3,753	86,919
Fund Balance - July 1	316,334	316,334	316,334	-
Fund Balance - June 30	$ 239,377	$ 233,168	$ 320,087	$ 86,919

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)
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 391,000	$ 391,000	$ 395,966	$ 4,966
Special Taxes	301,300	301,300	276,744	(24,556)
Personal Taxes	90,600	90,600	96,805	6,205
Fines, Penalties and Interest	-	-		
Grants from Federal Government	80,078	41,144	21,371	(19,773)
Miscellaneous	40,000	40,000	40,000	-
Total Revenues	902,978	864,044	830,886	(33,158)
EXPENDITURES				
General Government	-	-		
Education	974,908	995,480	956,023	39,457
Total Expenditures	974,908	995,480	956,023	39,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,930)	(131,436)	(125,137)	6,299
OTHER FINANCING SOURCES (USES)				
Transfers In	-	(31,490)	(31,490)	-
Total Other Financing Sources (Uses)		(31,490)	(31,490)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(71,930)	(162,926)	(156,627)	6,299
Fund Balance - July 1	36,411	36,411	36,411	-
Fund Balance - June 30	$ (35,519)	$ (126,515)	$ (120,216)	$ 6,299

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 schedules 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, 2011 (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)	$ 100,043	$ 3,753	$ (156,627)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(164,210)	(52,520)	(906)
To Record change in Encumbrances	(55,377)	76,215	-
To Record change in Accounts Receivable	255,982	(20,397)	(63,537)
To Record Other Financing Sources (Uses)	(192,447)	80,000	218,972
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses* (GAAP Basis)	$ (56,009)	$ 87,051	$ (2,098)

*****Includes Change in Inventory for General and Highway of $975, $1,142 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 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
12/31/10	$ -	$ 2,257,820	$ 2,257,820	0%	$ 597,821	377.67%
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%

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedules present the New Hampshire Judicial Retirement Plan's actuarially determined funding progress 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
01/01/10	$ 44,014	$ 59,826	$ 15,812	74%	$ 7,760	203.76%
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%

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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, 2011, which collectively comprise the State's basic financial statements, and have issued our report thereon dated February 28, 2012. Our report was modified to include a reference to the reports of other auditors and an explanatory paragraph regarding the State's implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 State's Turnpike System and Lottery Commission, the University System of New Hampshire, the Business Finance Authority of the State of New Hampshire, the Community Development Finance Authority, the Pease Development Authority, the New Hampshire Public Deposit Investment Pool and the New Hampshire Judicial Retirement Plan as described in our report on the State's financial statements. The financial statements of the New Hampshire Public Deposit Investment Pool were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 New Hampshire Retirement System. We have issued a separate report 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

Management of the State is responsible for establishing and maintaining effective 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.

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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.

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 2011-1 and 2011-2, in the accompanying schedule of current year findings and questioned costs to be material weaknesses.

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 February 28, 2012.

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

February 28, 2012

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on 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, 2011, except the requirements discussed in the second paragraph of this report. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of current year 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, 2011 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 System of New Hampshire (UNH), Pease Development Authority (PDA), the Community Development Finance Authority (CDFA) and the Business Finance Authority (BFA), which received federal awards which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2011. 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 2011-12, 2011-15, 2011-16, 2011-22, 2011-27, 2011-39, 2011-44, 2011-49, 2011-50, and 2011-54 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
2011-12	93.283	Center for Disease Control and Prevention – Investigations and Technical Assistance	Matching
2011-15/ 2011-16	93.568	Low-Income Home Energy Assistance Program	Subrecipient Monitoring
2011-22	81.042	Weatherization Assistance for Low-Income Persons – ARRA	Davis-Bacon
2011-27	17.258/17.259/ 17.260/17.278	Workforce Investment Act Cluster (ARRA and Non-ARRA)	Subrecipient Monitoring
2011-39	84.027/84.173/ 84.391/84.392	Special Education Cluster (ARRA and Non-ARRA)	Subrecipient Monitoring
2011-44	84.410	Education Jobs Fund	Subrecipient Monitoring
2011-50	66.458	Capitalization Grants for Clean Water State Revolving Funds (ARRA)	Reporting
2011-49/ 2011-50/ 2011-54	66.468	Capitalization Grants for Drinking Water State Revolving Funds (ARRA and Non-ARRA)	Reporting

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 major federal programs for the year ended June 30, 2011. However, 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 2011-3, 2011-4, 2011-5, 2011-6, 2011-7, 2011-9, 2011-13, 2011-14, 2011-18, 2011-19, 2011-21, 2011-23, 2011-24, 2011-25, 2011-26, 2011-30, 2011-31, 2011-32, 2011-33, 2011-34, 2011-35, 2011-36, 2011-37, 2011-38, 2011-40, 2011-41, 2011-42, 2011-45, 2011-46, 2011-47, 2011-48, 2011-51, 2011-53 and 2011-55.

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, 2011 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 other deficiencies that we consider to be significant deficiencies.

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 Findings 2011-3, 2011-4, 2011-12, 2011-15, 2011-16, 2011-22, 2011-27, 2011-29, 2011-39, 2011-44, 2011-49, 2011-50, and 2011-54 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of 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 2011-5, 2011-7, 2011-8, 2011-9, 2011-10, 2011-11, 2011-13, 2011-14, 2011-17, 2011-18, 2011-19, 2011-20, 2011-21, 2011-24, 2011-25, 2011-26, 2011-28, 2011-30, 2011-31, 2011-32, 2011-33, 2011-34, 2011-35, 2011-36, 2011-37, 2011-38, 2011-40, 2011-41, 2011-42, 2011-43, 2011-45, 2011-46, 2011-47, 2011-48, 2011-51, 2011-52, 2011-53 and 2011-55 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, 2011, and have issued our report thereon dated February 28, 2012. Our report was modified to include a reference to the reports of other auditors and an explanatory paragraph regarding the State's implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 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 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 29, 2012
(except as to the paragraph relating to the schedule of expenditures of federal awards
which is as of February 28, 2012)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	10.001	Agricultural Research - Basic And Applied Research			
		Flood 2008	12/9/2009 - 6/30/2012	$130,000	0 %
			CFDA Total:	$130,000	
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care			
		08-9633-0670CA	4/1/2009 - 3/31/2010	$1,750	0 %
		10-8233-0318-CA	1/1/2010 - 12/31/2010	$48,084	0 %
		10-8233-0663-CA	6/1/2010 - 5/31/2011	$62,694	0 %
7500		10-9633-0174CA USDA CWD	8/1/2010 - 7/31/2011	$701	0 %
7500		10-9633-0174CA USDA CWD	8/1/2010 - 7/31/2010	$20,035	0 %
7500		10-9633-0174CA USDA CWD	8/1/2010 - 7/31/2011	$1,959	0 %
		10-9633-1009CA	4/1/2010 - 3/31/2011	$6,988	0 %
		11-8233-0318	1/1/2011 - 12/31/2011	$60,020	0 %
			CFDA Total:	$202,231	
7500	10.072	Wetlands Reserve Program			
		USDA Marsh Soils	7/1/2010 - 6/30/2011	$45,523	0 %
			CFDA Total:	$45,523	
1800	10.162	Inspection Grading And Standardization			
		12-25-A-4950	10/1/2010 - 9/30/2011	$11,002	0 %
		12-25-A-5131	9/30/2009 - 9/29/2010	$6,308	0 %
		12-25-A-5147	10/1/2009 - 9/30/2010	$891	0 %
		12-25-A-5323	10/1/2010 - 9/30/2011	$9,429	0 %
			CFDA Total:	$27,630	
9500	10.477	Meat, Poultry, And Egg Products Inspection			
		FSISC16/2010	9/30/2010 - 9/29/2012	$118,121	0 %
			CFDA Total:	$118,121	
9500	10.479	Food Safety Cooperative Agreements			
		FSISC262005A	9/30/2009 - 9/29/2010	$12,769	0 %
			CFDA Total:	$12,769	
1400	10.550	Food Donation (Note 3)			
		133 (Q1 - Q4)	7/1/2010 - 6/30/2011	$3,940,864	100 %
			CFDA Total:	$3,940,864	
9500	**10.551**	**Supplemental Nutrition Assistance Program (Notes 3,8)**			
		4NH400403	**10/1/2009 - 9/30/2010**	**$39,872,233**	**0 %**
		4NH400403	**10/1/2010 - 9/30/2011**	**$122,015,924**	**0 %**
			CFDA Total:	**$161,888,157**	
5600	**10.553**	**School Breakfast Program (Note 8)**			
		4NH300304 075-05	**10/1/2009 - 9/30/2010**	**$887,735**	**100 %**
		4NH300304 175-05	**10/1/2010 - 9/30/2011**	**$3,553,564**	**100 %**
			CFDA Total:	**$4,441,299**	

(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 6/30/2011
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	**10/1/2009 - 9/30/2010**	**$3,293,618**	**100 %**
		4NH300304 075-02 3004	**10/1/2009 - 9/30/2010**	**$954,239**	**100 %**
		4NH300304 075-02 3004	**10/1/2010 - 9/30/2011**	**$3,804,353**	**100 %**
		4NH300304 175-02 3002	**10/1/2010 - 9/30/2011**	**$12,808,462**	**100 %**
			CFDA Total:	**$20,860,672**	
5600	**10.556**	**Special Milk Program For Children (Note 8)**			
		4NH300304 075-68 3002	**10/1/2009 - 9/30/2010**	**$129,500**	**100 %**
		4NH300304 175-68 3002	**10/1/2010 - 9/30/2011**	**$51,681**	**100 %**
			CFDA Total:	**$181,181**	
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**			
		IW100344	**10/1/2009 - 9/30/2010**	**$1,659,915**	**0 %**
		IW100344	**10/1/2010 - 9/30/2011**	**$2,668,972**	**0 %**
		IW100644	**10/1/2008 - 9/30/2009**	**$2,279,416**	**0 %**
		IW100644	**10/1/2009 - 9/30/2010**	**$4,606,074**	**0 %**
		IW101113	**10/1/2006 - 9/30/2007**	**$60,792**	**0 %**
		IW101144	**7/6/2009 - 9/30/2010**	**$52,669**	**0 %**
		IW500344	**10/1/2008 - 9/30/2010**	**$19,038**	**0 %**
		IW500344	**10/2/2009 - 9/30/2011**	**$127,752**	**0 %**
			CFDA Total:	**$11,474,628**	
1400	10.558	Child And Adult Care Food Program (Note 3)			
		133 (Q1-Q4)	7/1/2010 - 6/30/2011	$99,963	100 %
5600		4NH300335 075-16/21/22 3949	10/1/2009 - 9/30/2010	$1,252,357	100 %
5600		4NH300335 075-18 3002	10/1/2009 - 9/30/2010	$4,691	0 %
5600		4NH300335 175-16/21/22 3949	10/1/2010 - 9/30/2011	$2,457,204	100 %
5600		4NH300335 175-18 3002	10/1/2010 - 9/30/2011	$34,002	0 %
			CFDA Total:	$3,848,217	
1400	**10.559**	**Summer Food Service Program For Children (Note 8)**			
		133	**10/1/2010 - 9/30/2011**	**$3,437**	**100 %**
5600		**4NH300304 075 14/23/24 3941**	**10/1/2009 - 9/30/2010**	**$662,416**	**100 %**
5600		**4NH300304 075-14 3002**	**10/1/2009 - 9/30/2010**	**$30,450**	**0 %**
5600		**4NH300304 175-14 3002**	**10/1/2010 - 9/30/2011**	**$9,519**	**0 %**
			CFDA Total:	**$705,822**	
1400	10.560	State Administrative Expenses For Child Nutrition			
		300317	10/1/2009 - 9/30/2010	$88,822	100 %
		300317	10/1/2010 - 9/30/2011	$23,255	100 %
5600		4NH300312 075-01 3002	10/1/2009 - 9/30/2011	$144,269	0 %
5600		4NH300312 175-01 3002	10/1/2010 - 9/30/2012	$303,749	0 %
			CFDA Total:	$560,095	
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 8)**			
		4NH400403	**10/1/2008 - 9/30/2009**	**$891,676**	**0 %**
		4NH400403	**10/1/2009 - 9/30/2010**	**$4,598,074**	**0 %**
		4NH400403	**10/1/2010 - 9/30/2011**	**$3,170,444**	**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 6/30/2011
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
	ARRA	**ARRA4NH440403**	**10/1/2009 - 9/30/2010**	**$115,405**	**0 %**
			CFDA Total:	**$8,775,599**	
9500	10.565	Commodity Supplemental Food Program (Note 3)			
		IY800544	10/1/2009 - 9/30/2010	$496,736	0 %
		n/a	10/1/2009 - 9/30/2010	$1,624,094	100 %
			CFDA Total:	$2,120,830	
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 8)			
		810808	10/1/2009 - 9/30/2010	$13,052	0 %
		810808	10/1/2010 - 9/30/2011	$125,114	100 %
	ARRA	ARRA	7/1/2010 - 6/30/2011	$149,891	100 %
			CFDA Total:	$288,057	
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3,8)			
		133 (Q1-Q4)	1/1/2010 - 12/31/2010	$890,417	100 %
		133 (Q1-Q4)	1/1/2011 - 12/31/2011	$284,628	100 %
	ARRA	133 (Q1-Q4) SKFB	1/1/2010 - 12/31/2010	$67,798	100 %
			CFDA Total:	$1,242,843	
9500	10.572	WIC Farmers' Market Nutrition Program (FMNP)			
		CY860744	10/1/2009 - 9/30/2010	$7,381	0 %
		IY860444	10/1/2009 - 9/30/2010	$5,172	0 %
		IY860744	10/1/2009 - 9/30/2010	$33,355	0 %
			CFDA Total:	$45,908	
9500	10.576	Senior Farmers Market Nutrition Program			
		IY830344	10/1/2009 - 9/30/2010	$48,486	0 %
		IY830444	10/1/2009 - 9/30/2010	$2,526	0 %
			CFDA Total:	$51,012	
9500	10.578	WIC Grants To States(WGS)			
		IR500344	10/1/2009 - 9/30/2010	$46,898	0 %
			CFDA Total:	$46,898	
5600	10.579	Child Nutrition Discretionary Grants Limited Availability			
		4NH310313 067 3002	10/1/2009 - 9/30/2010	$22,279	100 %
			CFDA Total:	$22,279	
9500	10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program			
		IA-FSPA-09-NH-01	9/21/2009 - 8/31/2012	$554,522	0 %
			CFDA Total:	$554,522	
5600	10.582	Fresh Fruit And Vegetable Program			
		4NH300304 087 3002	10/1/2009 - 9/30/2010	$252,983	90 %
		4NH300304 187 3002	10/1/2010 - 9/30/2011	$963,920	97 %

(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 6/30/2011
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$1,216,903	
3500	10.664	Cooperative Forestry Assistance			
		07-DG-11420004-034	5/4/2007 - 9/30/2010	$1,115	0 %
		07-DG-11420004-035	5/7/2007 - 9/30/2010	$30,868	0 %
		08-DG-11420004-073	5/22/2008 - 9/30/2010	$41,384	0 %
		08-DG-11420004-116	6/2/2008 - 9/30/2010	$42,465	0 %
		08-DG-11420004-116	6/2/2008 - 9/30/2010	$38,874	100 %
		08-DG-11420004-116	6/2/2008 - 9/30/2011	$65,569	0 %
		09-DG-11420004-158	6/15/2009 - 9/30/2010	$23,290	0 %
		09-DG-11420004-174	10/1/2008 - 9/30/2010	$80,871	0 %
		09-DG-11420004-176	7/9/2009 - 9/30/2011	$307,897	0 %
		09-DG-11420004-176	7/9/2009 - 9/30/2011	$93,406	100 %
		09-DG-11420004-310	8/13/2009 - 9/30/2011	$2,724	0 %
		10-DG-11244225-117	6/15/2010 - 9/30/2011	$2,743	0 %
		10-DG-11420004-233	9/1/2010 - 7/31/2012	$5	0 %
			CFDA Total:	$731,211	
5600	10.665	Schools And Roads - Grants To States			
		RSA227H:21-23 4060	9/4/1999 - 12/31/2009	$597,317	100 %
			CFDA Total:	$597,317	
7500	10.914	Wildlife Habitat Incentive Program			
		USDA Marsh Soils	7/1/2010 - 6/30/2011	$53,691	0 %
			CFDA Total:	$53,691	
1800	10.917	Agricultural Management Assistance			
		12-25-A-4901	5/21/2008 - 6/30/2010	$3,061	0 %
		12-25-B-0876	4/1/2009 - 1/2/2012	$261,184	0 %
			CFDA Total:	$264,245	
			Department of Agriculture Total:	**$224,448,524**	

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 6/30/2011
Department of Commerce

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	11.004	Census Intergovernmental Services			
		YA132310SE0048	7/6/2009 - 8/31/2010	$4,282	0 %
			CFDA Total:	$4,282	
3500	11.307	Economic Adjustment Assistance			
		01-79-08811	9/18/2009 - 6/30/2011	$311,846	0 %
			CFDA Total:	$311,846	
7500	11.407	Interjurisdictional Fisheries Act Of 1986			
		NA05NMF4071056	1/1/2006 - 12/31/2010	$13,021	0 %
			CFDA Total:	$13,021	
4400	11.417	Sea Grant Support			
		NA08OAR4170918	10/1/2008 - 12/31/2010	$25,477	0 %
			CFDA Total:	$25,477	
4400	11.419	Coastal Zone Management Administration Awards			
		NA07NOS4190081	7/1/2007 - 6/30/2010	$(5,137)	0 %
		NA08NOS4190433	7/1/2008 - 6/30/2011	$561,190	0 %
		NA09NOS4190112	7/1/2009 - 6/30/2011	$268,873	0 %
		NA10NOS4190170	7/1/2010 - 12/31/2011	$286,494	0 %
		NA11NOS4190079	7/1/2011 - 12/31/2012	$205	0 %
			CFDA Total:	$1,111,625	
7500	11.420	Coastal Zone Management Estuarine Research Reserves			
		NA09NOS4200095	7/1/2010 - 6/30/2011	$59,598	0 %
		NA09NOS4200129	7/1/2009 - 6/30/2010	$41,521	0 %
		NA09NOS4200129	7/1/2009 - 12/31/2010	$4,313	0 %
		NA10NOS4200117	7/1/2010 - 12/31/2011	$338,332	0 %
			CFDA Total:	$443,764	
4400	11.452	Unallied Industry Projects			
		NA09NMF4520026	4/1/2009 - 6/30/2012	$266,041	0 %
			CFDA Total:	$266,041	
4400	11.454	Unallied Management Projects			
		NA04NMF4540382	10/1/2004 - 9/30/2010	$147,000	0 %
7500		NA10NMF4540075	5/1/2010 - 6/30/2011	$824,175	0 %
			CFDA Total:	$971,175	
4400	11.463	Habitat Conservation			
	ARRA	ARRA NA09NMF4630284	7/1/2009 - 12/31/2010	$49,081	0 %
			CFDA Total:	$49,081	
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act			
		NA05NMF4741119	7/1/2005 - 6/30/2010	$2,030	0 %
		NA05NMF4741209	4/1/2006 - 3/31/2011	$87,682	0 %
		NA10NMF4740333	7/1/2010 - 6/30/2011	$21,918	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 6/30/2011
Department of Commerce

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		NA10NMF4740359	4/1/2011 - 3/31/2012	$1,853	0 %
			CFDA Total:	$113,483	
2300	11.555	Public Safety Interoperable Communications Grant Program			
		2007GSH70057	10/1/2007 - 9/30/2011	$367,827	0 %
			CFDA Total:	$367,827	
7500	11.999	No Program Title			
		JEA	8/1/2008 - 7/31/2010	$44,860	0 %
			CFDA Total:	$44,860	
			Department of Commerce Total:	**$3,722,482**	

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 6/30/2011
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	3/1/2010 - 2/28/2011	$169,932	0 %
		SP4800-11-2-1168	3/1/2011 - 2/29/2012	$66,782	0 %
			CFDA Total:	$236,714	
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services			
		NH10-1	7/1/2010 - 6/30/2012	$208,380	0 %
			CFDA Total:	$208,380	
1200	12.400	Military Construction, National Guard			
		W912TF-09-2-2001	4/27/2009 - 12/14/2012	$1,196,893	0 %
			CFDA Total:	$1,196,893	
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**			
	ARRA	**ARRAW912TF-09-2-9008**	**5/29/2009 - 9/30/2011**	**$2,963,200**	**0 %**
		W912TF-07-2-3062	**10/1/2007 - 9/30/2012**	**$2,294,602**	**0 %**
		W912TF-09-2-1001	**10/1/2007 - 9/30/2012**	**$4,222,908**	**0 %**
		W912TF-09-2-1002	**10/1/2007 - 9/30/2012**	**$561,999**	**0 %**
		W912TF-09-2-1003	**10/1/2007 - 9/30/2012**	**$610,934**	**0 %**
		W912TF-09-2-1004	**10/1/2007 - 9/30/2012**	**$179,553**	**0 %**
		W912TF-09-2-1007	**10/1/2007 - 9/30/2012**	**$31,944**	**0 %**
		W912TF-09-2-1010	**10/1/2009 - 9/30/2012**	**$100,324**	**0 %**
		W912TF-09-2-1014	**10/1/2007 - 9/30/2012**	**$62,404**	**0 %**
		W912TF-09-2-1015	**10/1/2007 - 9/30/2012**	**$71,205**	**0 %**
		W912TF-09-2-1021	**10/1/2007 - 9/30/2012**	**$2,407,825**	**0 %**
		W912TF-09-2-1023	**10/1/2007 - 9/30/2012**	**$552,733**	**0 %**
		W912TF-09-2-1024	**10/1/2007 - 9/30/2012**	**$3,259,387**	**0 %**
		W912TF-9-2-1001	**10/1/2007 - 9/30/2012**	**$4,346**	**0 %**
			CFDA Total:	**$17,323,364**	
1200	12.999	NH State Veterans Cemetery			
		None	10/1/2008 - 9/30/2011	$5,793	0 %
			CFDA Total:	$5,793	
			Department of Defense Total:	**$18,971,144**	

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 6/30/2011
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-10-DC-33-0001	1/1/2010 - 12/31/2010	$494,696	95 %
			CFDA Total:	$494,696	
9500	14.235	Supportive Housing Program			
		NH0002B1T000800	2/1/2010 - 1/31/2011	$34,732	98 %
		NH0002B1T000801	2/1/2011 - 1/31/2012	$5,246	93 %
		NH0003B1T000801	7/1/2009 - 6/30/2010	$20,232	100 %
		NH0003B1T000802	7/1/2010 - 6/30/2011	$228,485	98 %
		NH0004B1T000801	12/1/2009 - 11/30/2010	$36,912	98 %
		NH0004B1T000802	12/1/2010 - 11/30/2011	$49,606	98 %
		NH0006B1T000801	10/1/2009 - 9/30/2010	$38,029	98 %
		NH0006B1T000802	10/1/2010 - 9/30/2011	$67,367	98 %
		NH0007B1T000801	7/1/2009 - 6/30/2010	$20,226	100 %
		NH0007B1T000802	7/1/2010 - 6/30/2011	$65,746	98 %
		NH0008B1T000801	7/1/2009 - 6/30/2010	$11,115	100 %
		NH0008B1T000802	7/1/2010 - 6/30/2011	$97,714	98 %
		NH0011B1T000801	8/1/2009 - 7/31/2010	$12,689	98 %
		NH0011B1T000802	8/1/2010 - 7/31/2011	$56,880	98 %
		NH0012B1T000801	7/1/2009 - 6/30/2010	$35,404	100 %
		NH0012B1T000802	7/1/2010 - 6/30/2011	$321,292	95 %
		NH0013B1T000801	7/1/2009 - 6/30/2010	$6,664	100 %
		NH0013B1T000802	7/1/2010 - 6/30/2011	$84,733	98 %
		NH0014B1T000802	7/1/2010 - 6/30/2011	$28,241	94 %
		NH0015B1T000802	4/1/2010 - 3/31/2011	$88,497	98 %
		NH0019B1T000801	7/1/2009 - 6/30/2010	$15,423	100 %
		NH0019B1T000802	7/1/2010 - 6/30/2011	$67,583	98 %
		NH0020B1T000802	7/1/2010 - 6/30/2011	$14,154	98 %
		NH0021B1T000801	11/1/2009 - 10/31/2010	$48,806	98 %
		NH0021B1T000802	11/1/2010 - 10/31/2011	$33,623	96 %
		NH0022B1T000801	7/1/2009 - 6/30/2010	$8,454	100 %
		NH0022B1T000802	7/1/2010 - 6/30/2011	$36,508	98 %
		NH0023B1T010801	8/1/2009 - 7/31/2010	$8,481	98 %
		NH0023B1T010802	8/1/2010 - 7/31/2011	$38,021	98 %
		NH0026B1T010802	1/2/2010 - 8/31/2011	$35,452	98 %
		NH0035B1T020801	8/1/2009 - 7/31/2010	$2,052	98 %
		NH0035B1T020802	8/1/2010 - 7/31/2011	$9,195	98 %
		NH0043B1T020801	7/1/2009 - 6/30/2010	$33,446	100 %
		NH0043B1T020802	7/1/2010 - 6/30/2011	$180,466	98 %
		NH0053B1T000900	11/22/2010 - 11/21/2012	$14,558	97 %
			CFDA Total:	$1,856,032	
9500	14.238	Shelter Plus Care			
		NH0001C1T000800	12/10/2009 - 12/9/2014	$8,187	100 %
		NH0005C1T000801	8/26/2009 - 8/25/2010	$47,027	100 %
		NH0005C1T000802	8/26/2010 - 8/25/2011	$229,659	100 %
		NH01C400001	9/13/2006 - 6/27/2011	$145,810	100 %
			CFDA Total:	$430,683	
9500	14.241	Housing Opportunities For Persons With AIDS			
		NH-H08-0012	3/1/2009 - 2/29/2012	$341,582	98 %
		NH-H09-0023	3/1/2010 - 2/28/2013	$210,163	98 %

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Housing and Urban Development

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$551,745	
3400	14.246	Community Development Block Grants/Brownfields Economic Development Initiative			
5800		B-06-SP-NH-0637-WMCC Conway Lab Grant	6/1/2006 - 9/30/2013	$8	0 %
5800		B-06-SP-NH-0640-WMCC Conway ALC	11/1/2006 - 9/30/2013	$76	0 %
		BP-05-SP-NH-0171	6/1/2006 - 11/18/2013	$5,917	100 %
			CFDA Total:	$6,001	
9500	14.262	Homelessness Prevention and Rapid Re-Housing Program			
	ARRA	ARRAS09DY330001	7/30/2009 - 7/29/2012	$2,097,155	100 %
			CFDA Total:	$2,097,155	
		Department of Housing and Urban Development Total:		**$5,436,312**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
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)			
		F100R27	10/1/2009 - 9/30/2010	$3,150	0 %
		F50R26F	7/1/2009 - 6/30/2010	$30,305	0 %
		F50R26M	7/1/2009 - 6/30/2010	$8,711	0 %
		F50R27F	7/1/2010 - 6/30/2011	$373,236	0 %
		F50R27M	7/1/2010 - 6/30/2011	$44,845	0 %
		F53E23A	7/1/2009 - 6/30/2010	$14,292	0 %
		F53E23S	7/1/2009 - 6/30/2010	$4,031	0 %
		F53E24A	7/1/2010 - 6/30/2011	$151,779	0 %
		F53E24S	7/1/2010 - 6/30/2011	$42,810	0 %
		F60D18F	7/1/2010 - 6/30/2011	$1,534,149	0 %
		F60D18M	7/1/2010 - 6/30/2011	$31,311	0 %
		F61R15	1/1/2010 - 12/31/2010	$226,611	0 %
		F61R16	7/1/2010 - 6/30/2011	$114,240	0 %
		FW17C35B	7/1/2009 - 6/30/2010	$1	0 %
		FW17C35F	7/1/2009 - 6/30/2010	$2,805	0 %
		FW17C35M	7/1/2009 - 6/30/2010	$791	0 %
		FW17C36B	7/1/2010 - 6/30/2011	$5,394	0 %
		FW17C36F	7/1/2010 - 6/30/2011	$23,941	0 %
		FW17C36M	7/1/2010 - 6/30/2011	$6,751	0 %
		FW25T16F	7/1/2009 - 12/31/2010	$8,089	0 %
		FW25T17F	7/1/2010 - 6/30/2011	$21,593	0 %
		FW28D15B	7/1/2009 - 6/30/2010	$44,837	0 %
		FW28D15F	7/1/2009 - 6/30/2010	$(2,802)	0 %
		FW28D16B	7/1/2010 - 6/30/2011	$261,248	0 %
		FW28D16F	7/1/2010 - 6/30/2011	$1,607	0 %
		FW28D16X	7/1/2010 - 6/30/2011	$4,172	0 %
		FW30T11F	7/1/2009 - 6/30/2010	$3,551	0 %
		FW30T11M	7/1/2009 - 6/30/2010	$394	0 %
		FW30T12F	7/1/2010 - 6/30/2011	$43,921	0 %
		FW30T12M	7/1/2010 - 6/30/2011	$4,901	0 %
		FW32O1F	7/1/2009 - 6/30/2010	$952	0 %
		FW32O1M	7/1/2009 - 6/30/2010	$794	0 %
		FW32O2F	7/1/2010 - 6/30/2011	$20,819	0 %
		FW32O2M	7/1/2010 - 6/30/2011	$6,222	0 %
			CFDA Total:	$3,039,451	
7500	15.608	Fish And Wildlife Management Assistance			
		53310-9-G081	8/1/2009 - 12/31/2011	$28,248	0 %
			CFDA Total:	$28,248	
3500	15.611	Wildlife Restoration And Basic Hunter Education (Note 8)			
7500		FW17C35W	7/1/2009 - 6/30/2010	$3,602	0 %
7500		FW17C36W	7/1/2010 - 6/30/2011	$26,130	0 %
7500		FW25T16W	7/1/2009 - 12/31/2010	$84,805	0 %
7500		FW25T17W	7/1/2010 - 6/30/2011	$206,081	0 %
7500		FW30T11W	7/1/2009 - 6/30/2010	$1,877	0 %
7500		FW30T12W	7/1/2010 - 6/30/2011	$19,628	0 %
7500		FW32O1W	7/1/2009 - 6/30/2010	$637	0 %
7500		FW32O2W	7/1/2010 - 6/30/2011	$24,555	0 %
		MOA W/NRC	4/1/1999 - 8/30/2012	$4,786	0 %
7500		W11D69	7/1/2009 - 12/31/2010	$46,459	0 %
7500		W11D70	7/1/2010 - 6/30/2011	$228,042	0 %

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7500		W66S38H	7/1/2009 - 6/30/2010	$31,757	0 %
7500		W66S39H	7/1/2010 - 6/30/2011	$249,523	0 %
7500		W66S39J	7/1/2010 - 6/30/2011	$80,000	0 %
7500		W89R10	7/1/2009 - 12/31/2010	$87,364	0 %
7500		W89R11	7/1/2010 - 6/30/2011	$526,532	0 %
7500		W90R1	11/1/2008 - 6/30/2012	$52,378	0 %
7500		W91D1	7/1/2010 - 6/30/2011	$5,829	0 %
7500		W92L1	5/17/2010 - 6/30/2011	$135,000	0 %
7500		W93L1	7/1/2010 - 6/30/2011	$8,087	0 %
7500		W94T1	7/1/2010 - 6/30/2011	$32,933	0 %
7500		W96R1	7/1/2010 - 6/30/2011	$11,384	0 %
7500		WHIP	7/1/2010 - 6/30/2011	$3,871	0 %
			CFDA Total:	$1,871,260	
3500	15.615	Cooperative Endangered Species Conservation Fund			
		CD-97193901-0	9/23/2008 - 6/30/2011	$40,280	0 %
		EP-1-20	4/7/2011 - 6/2/2011	$14,900	0 %
7500		EW1-29	7/1/2010 - 6/30/2011	$27,521	0 %
			CFDA Total:	$82,701	
4400	15.616	Clean Vessel Act			
		V-6-D-1	1/1/2010 - 12/31/2011	$148,571	0 %
			CFDA Total:	$148,571	
7500	15.625	Wildlife Conservation And Restoration			
		R-3-1	9/1/2003 - 6/30/2011	$11,370	0 %
			CFDA Total:	$11,370	
4400	15.631	Partners For Fish And Wildlife			
		53410 B J026	7/30/2010 - 6/30/2011	$10,000	0 %
		NA09NMF4630356	7/1/2009 - 6/30/2011	$318,209	0 %
			CFDA Total:	$328,209	
7500	15.633	Landowner Incentive Program			
		I-1-4	7/1/2006 - 6/30/2011	$19,806	0 %
		I-2-L1	4/6/2007 - 6/30/2011	$46,832	0 %
			CFDA Total:	$66,638	
7500	15.634	State Wildlife Grants			
		T-7-R-1	4/1/2007 - 3/31/2012	$255,099	0 %
		T-8-R-1	9/1/2007 - 8/31/2011	$12,778	0 %
		T-9-T-1	1/15/2008 - 12/31/2012	$217,325	0 %
		T2-1-R-1	6/1/2010 - 3/31/2013	$54,589	0 %
		U21R	5/1/2009 - 4/30/2012	$6,678	0 %
		U23R1	5/20/2009 - 3/31/2012	$79,930	0 %
		U24R1	5/20/2009 - 4/30/2012	$119,480	0 %
			CFDA Total:	$745,879	
7500	15.644	Federal Junior Duck Stamp Conservation And Design			

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		50154-0-G008A	7/1/2010 - 6/30/2011	$1,748	0 %
			CFDA Total:	$1,748	
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds			
		53410-A-G017	7/1/2010 - 6/30/2011	$15,000	0 %
		E2-TW-1	7/1/2010 - 6/30/2011	$14,849	0 %
			CFDA Total:	$29,849	
4400	15.808	U.S. Geological Survey - Research And Data Collection			
		G09AP00110	7/1/2009 - 6/30/2010	$2,011	0 %
		G10AC00645	7/1/2010 - 6/30/2011	$949	0 %
		G10AP00123	7/1/2010 - 6/30/2011	$25,915	0 %
			CFDA Total:	$28,875	
4400	15.810	National Cooperative Geologic Mapping Program			
		G09AC00202	9/16/2009 - 9/15/2010	$64,094	0 %
		G10AC00427	9/15/2010 - 9/15/2011	$12	0 %
			CFDA Total:	$64,106	
3400	15.904	Historic Preservation Fund Grants-In-Aid			
		33-09-21835	10/1/2008 - 9/30/2010	$55,362	100 %
		33-10-21936	10/1/2009 - 9/30/2011	$388,820	100 %
		33-11-31936	10/1/2010 - 9/30/2012	$251,769	100 %
			CFDA Total:	$695,951	
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning			
		33-00670	3/24/2010 - 12/31/2013	$16,175	100 %
		33-00676	4/10/2010 - 12/31/2013	$21,924	100 %
		33-00677	3/24/2010 - 12/31/2013	$21,924	100 %
		33-00678	9/14/2009 - 12/31/2012	$218,678	0 %
		33-00680	3/24/2010 - 12/31/2013	$21,924	100 %
		Town of Belmont	7/1/2010 - 6/30/2011	$44	0 %
			CFDA Total:	$300,669	
			Department of the Interior Total:	**$7,443,525**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
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	8/1/2009 - 7/31/2011	$5,009	0 %
		2009KFAX0033	8/1/2009 - 7/31/2011	$116,288	100 %
		2010KFAX0024	8/1/2010 - 7/31/2012	$9,759	100 %
			CFDA Total:	$131,056	
4600	16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)			
		2009-CZ-BX-0053	5/26/2010 - 3/31/2012	$56,939	0 %
			CFDA Total:	$56,939	
9500	16.523	Juvenile Accountability Block Grants			
		08JBFX0059	6/1/2008 - 5/31/2011	$12,446	0 %
		09JBFX0037	6/1/2009 - 5/31/2012	$38,627	0 %
		10JBFX0044	7/1/2010 - 6/30/2012	$6,317	0 %
			CFDA Total:	$57,390	
2000	16.527	Supervised Visitation, Safe Havens For Children			
		2006CWAX0022	10/1/2006 - 9/30/2011	$5,918	0 %
		2006CWAX0022	10/1/2006 - 9/30/2011	$183,328	100 %
		2010CWAXK001	10/1/2010 - 9/30/2011	$32,602	100 %
		2010CWAXK001	10/1/2010 - 9/30/2013	$4,407	0 %
			CFDA Total:	$226,255	
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life			
		2009EWAXK003	10/1/2009 - 9/30/2012	$6,473	0 %
		2009EWAXK003	10/1/2009 - 9/30/2012	$57,214	0 %
			CFDA Total:	$63,687	
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States			
		07JFFX0046	10/1/2006 - 9/30/2010	$79,075	0 %
		08JFFX0066	10/1/2007 - 9/30/2010	$316,085	0 %
		09JFFX0015	10/1/2008 - 9/30/2012	$203,955	0 %
		10JFFX0049	10/2/2009 - 9/30/2012	$27,660	0 %
			CFDA Total:	$626,775	
2000	16.542	Part D - Research, Evaluation, Technical Assistance And Training			
		2006AHFX0019	6/1/2008 - 5/31/2009	$12,171	100 %
		2007AHFX0023	6/1/2007 - 3/31/2010	$8,443	100 %
			CFDA Total:	$20,614	
9500	16.548	Title V - Delinquency Prevention Program			
		07JPFX0056	10/1/2006 - 9/30/2010	$37,929	0 %
		08JPFX0009	10/1/2007 - 9/30/2010	$10,880	0 %
		09JPFX0034	10/1/2008 - 9/30/2011	$33,486	0 %
		10JPFX0003	10/1/2009 - 9/30/2012	$16,038	0 %
			CFDA Total:	$98,333	
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers			

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2008BJCXK055	10/1/2008 - 9/30/2011	$19,942	100 %
		2008BJCXK055	10/1/2008 - 9/30/2012	$49,950	100 %
			CFDA Total:	$69,892	
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants			
		2007CDBX0020	10/1/2007 - 9/30/2010	$20,250	100 %
		2007CDBX0020	10/1/2007 - 9/30/2011	$2,692	0 %
		2007CDBX0020	10/1/2007 - 9/30/2011	$17,681	50 %
		2008CDBX0034	10/1/2008 - 9/30/2011	$4,192	0 %
		2008CDBX0034	10/1/2008 - 9/30/2011	$28,905	100 %
		2009CDBX0026	10/1/2009 - 9/30/2010	$25,904	100 %
		2009CDBX0026	10/1/2009 - 9/30/2012	$2,007	0 %
		2009CDBX0026	10/1/2009 - 9/30/2012	$7,375	100 %
		2010CDBX0042	10/1/2010 - 9/30/2012	$7,216	100 %
			CFDA Total:	$116,222	
2000	16.575	Crime Victim Assistance			
		2006VAGX0001	10/1/2005 - 9/30/2009	$729,517	100 %
		2007VAGX0001	10/1/2006 - 9/30/2010	$42,774	100 %
		2008VAGX0002	10/1/2007 - 9/30/2011	$68,735	100 %
4600		2009-VA-GX-0020	7/1/2010 - 6/30/2011	$146,198	0 %
		2009VAGX0020	10/1/2008 - 9/30/2012	$56,596	0 %
		2009VAGX0020	10/1/2009 - 9/30/2012	$1,293,083	100 %
		2010VAGX0062	10/1/2009 - 9/30/2013	$6,818	0 %
			CFDA Total:	$2,343,721	
2000	16.576	Crime Victim Compensation			
		2009VCGX0027	10/1/2009 - 9/30/2012	$75,424	100 %
		2010VCGX0024	10/1/2009 - 9/30/2013	$346,607	100 %
			CFDA Total:	$422,031	
2000	16.579	Edward Byrne Memorial Formula Grant Program			
		2006DJBX0014	10/1/2005 - 9/30/2010	$72,518	50 %
		2007DJBX0097	10/1/2006 - 9/30/2011	$65,232	50 %
		2008DBBX0037	10/1/2007 - 9/30/2012	$52,303	0 %
		2008DJBX0097	10/1/2007 - 9/30/2012	$435,869	50 %
		2009DJBX0799	10/1/2008 - 9/30/2012	$140,601	0 %
		2009DJBX0799	10/1/2009 - 9/30/2012	$700,247	50 %
			CFDA Total:	$1,466,770	
2000	16.582	Crime Victim Assistance/Discretionary Grants			
		2009VFGXK008	9/1/2009 - 8/31/2011	$126,037	100 %
		2009VFGXK008	9/1/2009 - 10/31/2011	$6,678	0 %
			CFDA Total:	$132,715	
2000	16.585	Drug Court Discretionary Grant Program			
		2010DCBX0065	9/1/2010 - 8/31/2013	$10,607	0 %
		2010DCBX0065	9/1/2010 - 8/31/2013	$28,063	100 %

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$38,670	
2000	16.588	Violence Against Women Formula Grants			
		2008WFAX0024	5/1/2008 - 4/30/2011	$15,170	0 %
		2008WFAX0024	5/1/2008 - 4/30/2011	$90,026	90 %
		2009WFAX0018	6/1/2009 - 5/31/2011	$44,325	0 %
		2009WFAX0018	6/1/2009 - 5/31/2011	$598,783	90 %
		2010WFAX0042	7/1/2010 - 6/30/2012	$23,499	0 %
		2010WFAX0042	7/1/2010 - 6/30/2012	$123,261	90 %
	ARRA	ARRA2009EFS60019	5/1/2009 - 4/30/2012	$15,518	0 %
	ARRA	ARRA2009EFS60019	5/1/2009 - 4/30/2012	$437,414	90 %
			CFDA Total:	$1,347,996	
2000	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, And Stalking Assistance Program			
		2004WRAX0067	1/1/2005 - 12/31/2010	$12,077	100 %
			CFDA Total:	$12,077	
2000	16.593	Residential Substance Abuse Treatment For State Prisoners			
		2006RTBX0006	10/1/2005 - 9/30/2010	$18,787	100 %
		2007RTBX0033	10/1/2006 - 9/30/2010	$2,127	100 %
		2008RTBX0009	10/1/2007 - 9/30/2011	$10,000	100 %
		2009RTBX0029	10/1/2009 - 9/30/2012	$22,943	100 %
		2010RTBX0039	10/1/2009 - 9/30/2013	$7,804	0 %
			CFDA Total:	$61,661	
2000	16.607	Bulletproof Vest Partnership Program			
		NH 2008 BVP Award	10/28/2008 - 8/31/2012	$12,242	100 %
			CFDA Total:	$12,242	
2000	16.609	Project Safe Neighborhoods			
		2006PGBX0034	1/1/2006 - 12/31/2009	$4,095	100 %
		2007GPCX0004	10/1/2007 - 9/30/2010	$9,995	100 %
		2007PGBX0075	10/1/2007 - 9/30/2010	$723	0 %
		2007PGBX0075	10/1/2007 - 9/30/2010	$9,263	100 %
		2008GPCX0075	8/1/2008 - 7/31/2011	$7,742	0 %
		2008GPCX0075	8/1/2008 - 7/31/2011	$70,391	100 %
		2009-GP-BX-0086	10/1/2009 - 9/30/2012	$55,108	100 %
		2009GPBX0086	10/1/2009 - 9/30/2011	$356	0 %
			CFDA Total:	$157,673	
2300	16.710	Public Safety Partnership And Community Policing Grants			
		2005CKWX0425	12/8/2004 - 12/7/2011	$1,018,161	0 %
		2006CKWX0234	11/22/2005 - 5/21/2010	$475,666	0 %
		2008CKWX0079	12/26/2007 - 6/30/2012	$58,651	0 %
4600		2009-CS-WX-0015	9/1/2009 - 8/31/2011	$8,392	0 %
			CFDA Total:	$1,560,870	
2000	16.727	Enforcing Underage Drinking Laws Program			

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2008AHFX0019	6/1/2008 - 5/31/2011	$153,116	100 %
		2009AHFX0066	6/1/2010 - 5/31/2011	$4,628	0 %
		2009AHFX0066	6/1/2010 - 5/31/2011	$238,698	100 %
		2010AHFX0058	6/1/2010 - 5/31/2012	$11,991	0 %
			CFDA Total:	$408,433	
4600	16.735	Protecting Inmates And Safeguarding Communities Discretionary Grant Program			
		2006-RP-BX-0041	6/1/2006 - 12/31/2011	$192,506	0 %
			CFDA Total:	$192,506	
2300	16.741	Forensic DNA Backlog Reduction Program			
		2009DNBXK124	10/1/2009 - 3/31/2011	$42,527	0 %
		2010-DN-BX-K060	10/1/2010 - 3/31/2011	$66,750	0 %
			CFDA Total:	$109,277	
2300	16.748	Convicted Offender And/Or Arrestee DNA Backlog Reduction Program			
		2010-DN-BX-K024	10/1/2010 - 3/31/2012	$12,045	0 %
			CFDA Total:	$12,045	
2300	16.750	Support For Adam Walsh Act Implementation Grant Program			
		2008-AW-BX-0010	10/1/2008 - 9/30/2011	$32,436	0 %
			CFDA Total:	$32,436	
2000	16.753	Congressionally Recommended Awards			
2300		2009D1BX0249	10/1/2009 - 9/30/2011	$778,085	0 %
		2009D1BX0280	7/1/2009 - 6/30/2012	$600,499	100 %
			CFDA Total:	$1,378,584	
2000	16.801	Recovery Act - State Victim Assistance Formula Grant Program			
	ARRA	ARRA2009SGB90113	10/1/2009 - 9/30/2012	$9,541	0 %
	ARRA	ARRA2009SGB90113	10/1/2009 - 9/30/2012	$219,006	95 %
			CFDA Total:	$228,547	
2000	16.802	Recovery Act - State Victim Compensation Formula Grant Program			
	ARRA	ARRA2009SFB90087	10/1/2009 - 9/30/2012	$1,317	100 %
			CFDA Total:	$1,317	
2000	16.803	Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To States And Territories			
	ARRA	ARRA2009SUB90019	3/1/2009 - 2/28/2012	$24,503	0 %
	ARRA	ARRA2009SUB90019	3/1/2009 - 2/28/2013	$168,087	0 %
	ARRA	ARRA2009SUB90019	3/1/2009 - 2/28/2013	$1,356,490	60 %
			CFDA Total:	$1,549,080	
2000	16.812	Second Chance Act Prisoner Reentry Initiative			
		2009CZBX0053	4/1/2009 - 3/31/2011	$174,479	0 %
		2009CZBX0053	4/1/2009 - 3/31/2012	$12,465	0 %
		2010RNBX0015	10/1/2010 - 9/30/2012	$6,354	0 %

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2011
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2010RNBX0015	10/1/2010 - 9/30/2012	$33,350	100 %
			CFDA Total:	$226,648	
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act			
		2010RJBX0042	10/1/2010 - 9/30/2012	$2,288	0 %
			CFDA Total:	$2,288	
2300	16.999	No Program Title			
		2010-97	1/1/2011 - 12/31/2011	$24,878	0 %
		Federal Forfeiture	7/1/2008 - 6/30/2011	$143,139	0 %
			CFDA Total:	$168,017	
			Department of Justice Total:	**$13,332,767**	

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2011
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	10/1/2009 - 9/30/2010	$207,967	0 %
		LM-20315-11-75-J-33	10/1/2010 - 9/30/2011	$694,904	0 %
			CFDA Total:	$902,871	
3200	17.005	Compensation And Working Conditions			
		0S-21508-1275-J-33	7/1/2010 - 6/30/2011	$15,075	0 %
			CFDA Total:	$15,075	
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 8)			
	ARRA	ARRA ES-17576-08-55-A-33	2/17/2009 - 6/30/2011	$640,817	0 %
		ES-19217-09-55-A-33	7/1/2009 - 6/30/2010	$207,292	0 %
		ES-20765-10-55-A-33	7/1/2010 - 6/30/2011	$3,267,486	0 %
			CFDA Total:	$4,115,595	
2700	**17.225**	**Unemployment Insurance (Note 5)**			
	ARRA	**ARRA NONE**	**10/1/2009 - 9/30/2010**	**$12,810,087**	**0 %**
	ARRA	**ARRA NONE**	**10/1/2010 - 6/30/2011**	**$30,486,590**	**0 %**
	ARRA	**ARRA UI-19597-10-55-A-33**	**2/17/2009 - 9/30/2011**	**$413,558**	**0 %**
		NONE	**10/1/2009 - 9/30/2010**	**$32,083,834**	**0 %**
		NONE	**7/1/2010 - 6/30/2011**	**$144,996,557**	**0 %**
		NONE	**10/1/2010 - 6/30/2011**	**$45,266,253**	**0 %**
		UI-15813-07-55	**10/1/2006 - 9/30/2010**	**$35,311**	**0 %**
		UI-18035-09-55	**10/1/2008 - 9/30/2009**	**$18**	**0 %**
		UI-18035-09-55	**10/1/2008 - 9/30/2011**	**$32,950**	**0 %**
		UI-19597-10-55-A-33	**7/1/2009 - 6/30/2010**	**$83,239**	**0 %**
		UI-19597-10-55-A-33	**10/1/2009 - 9/30/2010**	**$2,186,917**	**0 %**
		UI-19597-10-55-A-33	**10/1/2009 - 9/7/2011**	**$1,176,706**	**0 %**
		UI-19597-10-55-A-33	**10/1/2009 - 9/30/2012**	**$90,667**	**0 %**
		UI-19597-10-55-A-33	**10/1/2010 - 9/30/2011**	**$18,983,980**	**0 %**
		UI-21114-11-55-A-33	**10/1/2010 - 6/30/2011**	**$667,134**	**0 %**
			CFDA Total:	**$289,313,801**	
3500	17.235	Senior Community Service Employment Program			
	ARRA	AD-183805T	2/17/2009 - 6/30/2010	$12,316	0 %
		AD-199889ZO	1/29/2010 - 12/31/2011	$213,749	0 %
		AD-19988BS	1/29/2010 - 12/31/2011	$535,967	0 %
		SCSEP-AD187227R	7/1/2009 - 6/30/2010	$171,033	0 %
			CFDA Total:	$933,065	
2700	17.245	Trade Adjustment Assistance			
		NONE	7/1/2008 - 12/31/2010	$5,097	0 %
		TA-17866-09-55-A-33	10/1/2008 - 9/30/2011	$49,088	0 %
		TA-19721-10-55-A-33	10/1/2009 - 9/30/2012	$2,527,774	0 %
		TA-21233-11-55-A-33	10/1/2010 - 9/30/2013	$146,507	0 %
		TA-21247-11-55-A-50	10/1/2010 - 9/30/2013	$10,663	0 %
			CFDA Total:	$2,739,129	
3500	**17.258**	**WIA Adult Program (Note 8)**			
		AA-171363Y	**4/1/2008 - 6/30/2011**	**$38,312**	**85 %**

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2011
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
	ARRA	**AA-171365J**	**4/1/2008 - 6/11/2011**	**$469,825**	**95 %**
		AA-186566X	**4/1/2008 - 6/30/2011**	**$6,514**	**85 %**
		AA-186568D	**4/1/2008 - 6/30/2011**	**$663,640**	**85 %**
		AA-20208AS	**4/1/2010 - 6/30/2013**	**$335,624**	**85 %**
		AA-20208CX	**4/1/2010 - 6/30/2013**	**$597,135**	**85 %**
			CFDA Total:	**$2,111,050**	
3500	**17.259**	**WIA Youth Activities (Note 8)**			
	ARRA	**AA-171365L**	**4/1/2008 - 6/11/2011**	**$761,648**	**95 %**
		AA-186566E	**4/1/2008 - 6/30/2011**	**$232,034**	**85 %**
		AA-20208AF	**4/1/2010 - 6/30/2013**	**$1,802,147**	**85 %**
			CFDA Total:	**$2,795,829**	
3500	**17.260**	**WIA Dislocated Workers (Note 8)**			
		AA-171364A	**4/1/2008 - 6/30/2011**	**$170,271**	**60 %**
	ARRA	**AA-171365P**	**4/1/2008 - 6/30/2011**	**$843,658**	**95 %**
		AA-186566Z	**4/1/2008 - 6/30/2011**	**$32,582**	**60 %**
		AA-186568F	**4/1/2008 - 6/30/2011**	**$920,161**	**60 %**
	ARRA	**EM-193066B**	**4/1/2009 - 3/31/2011**	**$123,190**	**95 %**
	ARRA	**EM-205286B**	**6/30/2010 - 6/30/2012**	**$334,626**	**95 %**
		MI-175201T	**7/1/2008 - 12/30/2011**	**$1,067,584**	**60 %**
			CFDA Total:	**$3,492,072**	
2700	17.271	Work Opportunities Tax Credit Program (WOTC)			
		ES-20765-10-55-A-33	10/1/2010 - 9/30/2011	$109,308	0 %
			CFDA Total:	$109,308	
2700	17.273	Temporary Labor Certification For Foreign Workers			
		ES-16227-07-55-A-33	10/1/2007 - 9/30/2008	$1,395	0 %
		ES-17576-08-55-A-33	10/1/2008 - 9/30/2009	$14,310	0 %
		ES-19217-09-55-A-33	10/1/2009 - 9/30/2010	$16,693	0 %
			CFDA Total:	$32,398	
2700	17.275	Program Of Competitive Grants For Worker Training And Placement In High Growth And Emerging Industry Sectors			
	ARRA	ARRA 1083-LMG-03	1/1/2010 - 12/31/2011	$186,445	0 %
			CFDA Total:	$186,445	
3500	17.276	Health Care Tax Credit (HCTC) National Emergency Grants (NEGs)			
		EM-21292-11-60-A-33	10/1/2010 - 9/30/2012	$74,140	0 %
			CFDA Total:	$74,140	
3500	**17.278**	**WIA Dislocated Workers Formula Grants (Note 8)**			
		AA-20208AU	**4/1/2010 - 6/30/2013**	**$672,628**	**0 %**
		AA-20208CZ	**4/1/2010 - 6/30/2013**	**$1,019,716**	**0 %**
			CFDA Total:	**$1,692,344**	
4400	17.504	Consultation Agreements			
		CS17708-CS10	10/1/2009 - 9/30/2010	$108,359	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		CS20921-CS1	10/1/2010 - 9/30/2011	$340,682	0 %
			CFDA Total:	$449,041	
3500	17.600	Mine Health And Safety Grants			
		MS-20260M10	10/1/2009 - 9/30/2010	$1,015	0 %
		MS-21374M11	10/1/2010 - 9/30/2011	$19,981	0 %
			CFDA Total:	$20,996	
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 8)			
		DV-19658-10-55-5-33	10/1/2009 - 9/30/2010	$79,873	0 %
		DV-19658-10-55-5-33	10/1/2010 - 9/30/2011	$224,202	0 %
			CFDA Total:	$304,075	
2700	17.804	Local Veterans` Employment Representative Program (Note 8)			
		DV-19658-10-55-5-33	10/1/2009 - 9/30/2010	$176,824	0 %
		DV-19658-10-55-5-33	10/1/2010 - 9/30/2011	$248,451	0 %
			CFDA Total:	$425,275	
			Department of Labor Total:	**$309,712,509**	

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Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9600	20.106	Airport Improvement Program (Note 7)			
	ARRA	ARRA	7/1/2010 - 6/30/2011	$221,539	100 %
		Various	7/1/2010 - 6/30/2011	$3,109,239	100 %
			CFDA Total:	$3,330,778	
9600	**20.205**	**Highway Planning And Construction (Note 8)**			
	ARRA	**ARRA**	**7/1/2010 - 6/30/2011**	**$42,455,849**	**0 %**
		Various	**7/1/2010 - 6/30/2011**	**$147,615,370**	**14 %**
			CFDA Total:	**$190,071,219**	
2300	20.218	National Motor Carrier Safety			
		MC093310000000	10/1/2008 - 9/30/2010	$94,635	0 %
		MC103310000000	10/1/2009 - 9/30/2011	$573,274	0 %
		MH-10-33-1	10/1/2009 - 9/30/2011	$18,187	0 %
		MH093310000000	10/1/2008 - 9/30/2010	$13,576	0 %
		MN093310000000	10/1/2008 - 9/30/2010	$29,835	0 %
		MN103310000000	10/1/2009 - 9/30/2011	$543,518	0 %
		PZ09331	8/26/2009 - 9/30/2011	$35,594	0 %
			CFDA Total:	$1,308,619	
3500	**20.219**	**Recreational Trails Program (Note 8)**			
		NRT-OONH (007)	**10/1/2006 - 10/1/2012**	**$1,015,602**	**0 %**
			CFDA Total:	**$1,015,602**	
2300	20.232	Commercial Driver`s License Program Improvement Grant			
		CD103310000000	4/1/2010 - 9/30/2011	$9,922	0 %
			CFDA Total:	$9,922	
2300	20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant			
		27XX33CM08331NHCM	9/15/2008 - 3/31/2011	$49,750	0 %
		CM103310000000	4/1/2010 - 7/31/2012	$16,753	0 %
			CFDA Total:	$66,503	
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort			
		TCP1 (003)	10/1/2007 - 10/1/2011	$613	0 %
			CFDA Total:	$613	
9600	20.314	Railroad Development			
		DTFR53	7/1/2010 - 6/30/2011	$70,500	100 %
			CFDA Total:	$70,500	
9600	20.320	Rail Line Relocation And Improvement			
		FR-LRI-0002-10-01-00	7/1/2010 - 6/30/2011	$421,145	100 %
			CFDA Total:	$421,145	
9600	20.500	Federal Transit - Capital Investment Grants (Note 8)			
		Various	7/1/2010 - 6/30/2011	$1,303,823	100 %

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Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$1,303,823	
9600	20.507	Federal Transit - Formula Grants (Note 8)			
		Various	7/1/2010 - 6/30/2011	$2,200,628	100 %
			CFDA Total:	$2,200,628	
9600	20.509	Formula Grants For Other Than Urbanized Areas			
	ARRA	ARRA NH-86-X001	7/1/2010 - 6/30/2011	$1,519,228	100 %
		Various	7/1/2010 - 6/30/2011	$3,676,244	94 %
			CFDA Total:	$5,195,472	
9600	20.513	Capital Assistance Program For Elderly Persons And Persons With Disabilities (Note 8)			
		Various	7/1/2010 - 6/30/2011	$337,629	77 %
			CFDA Total:	$337,629	
9600	20.515	State Planning And Research			
		NH-80-0014	7/1/2010 - 6/30/2011	$14,958	100 %
			CFDA Total:	$14,958	
9600	20.516	Job Access - Reverse Commute (Note 8)			
		Various	7/1/2010 - 6/30/2011	$212,370	100 %
			CFDA Total:	$212,370	
9600	20.521	New Freedom Program (Note 8)			
		various	7/1/2010 - 6/30/2011	$273,458	100 %
			CFDA Total:	$273,458	
2300	20.600	State And Community Highway Safety (Note 8)			
2500		18X9204020NH11	7/1/2010 - 9/30/2010	$37,500	0 %
2500		18X9204020NH11	7/1/2010 - 9/30/2010	$443,774	81 %
2500		18X9204020NH11	10/1/2010 - 9/30/2011	$131,153	0 %
2500		18X9204020NH11	10/1/2010 - 9/30/2011	$1,055,309	81 %
		DTNH2207H00104	2/1/2007 - 1/31/2012	$28,166	0 %
			CFDA Total:	$1,695,902	
2500	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants (Note 8)			
		none	7/1/2010 - 9/30/2010	$111,076	100 %
		none	10/1/2010 - 9/30/2011	$374,376	100 %
			CFDA Total:	$485,452	
2500	20.610	State Traffic Safety Information System Improvement Grants (Note 8)			
		None	10/1/2010 - 9/30/2011	$402,180	91 %
			CFDA Total:	$402,180	
2500	20.612	Incentive Grant Program To Increase Motorcyclist Safety (Note 8)			
		none	7/1/2010 - 9/30/2010	$26,472	100 %
		none	10/1/2010 - 9/30/2011	$45,020	100 %

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Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$71,492	
2300	20.615	Enchance 911 Act			
		NHTSA20080142	9/30/2009 - 9/30/2012	$84,621	0 %
			CFDA Total:	$84,621	
8100	20.700	Pipeline Safety Program Base Grants			
		DTPH56-10-G-PHPG27	1/1/2010 - 12/31/2010	$275,764	0 %
		DTPH56-11-G-PHPG27	1/1/2011 - 12/31/2011	$270,518	0 %
			CFDA Total:	$546,282	
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants			
		HMHMP0046090100	10/1/2009 - 9/30/2010	$118,155	91 %
		HMHMP0201100100	10/1/2010 - 9/30/2011	$48,336	100 %
			CFDA Total:	$166,491	
2300	20.999	No Program Title			
		TCP-0001(003)	10/1/2008 - 9/30/2011	$7,409	0 %
			CFDA Total:	$7,409	
			Department of Transportation Total:	**$209,293,068**	

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 6/30/2011
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	7/1/2010 - 6/30/2011	$122,360	17 %
			CFDA Total:	$122,360	
			Equal Employment Opportunity Commission Total:	**$122,360**	

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 6/30/2011
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	7/1/2010 - 6/30/2011	$50,365	100 %
			CFDA Total:	$50,365	
3200	39.011	Election Reform Payments (Note 6)			
		Title I, 101	7/1/2010 - 6/30/2011	$88,679	0 %
			CFDA Total:	$88,679	
			General Services Administration Total:	**$139,044**	

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 6/30/2011
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			
		PZ01528	1/1/2001 - 6/30/2011	$9,652	0 %
		PZ05010	3/15/2005 - 3/14/2011	$8,700	0 %
		PZ11020	6/8/2010 - 6/7/2015	$30,068	0 %
			CFDA Total:	$48,420	
		National Aeronautics and Space Administration Total:		**$48,420**	

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 6/30/2011
National Endowment for the Arts & Institute of Museum and Library Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3400	45.025	Promotion of The Arts - Partnership Agreements			
		09-6100-2024	7/1/2009 - 9/30/2010	$125,989	100 %
		10-6100-2017	7/1/2010 - 9/30/2011	$477,494	100 %
	ARRA	ARRA09-6188-2085	7/1/2009 - 6/30/2011	$37,991	100 %
			CFDA Total:	$641,474	
3400	45.149	Promotion Of The Humanities-Division of Preservation			
		PG-50766-10	1/1/2010 - 6/30/2011	$5,021	100 %
			CFDA Total:	$5,021	
3400	45.310	Grants To States			
		LS-00-10-0030-10	10/1/2009 - 9/30/2011	$1,120,935	100 %
		LS-00-11-0030-11	10/1/2010 - 9/30/2012	$67,892	100 %
			CFDA Total:	$1,188,827	
3400	45.312	National Leadership Grants			
		LG-41-09-0013-09	3/1/2009 - 10/31/2012	$9,647	100 %
			CFDA Total:	$9,647	
National Endowment for the Arts & Institute of Museum and Library Services Total:				**$1,844,969**	

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 6/30/2011
National Science Foundation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5800	47.041	Engineering Grants			
		EEC-0648161-WMCC PROJECT IVEHOL	3/1/2007 - 8/31/2010	$40,900	0 %
			CFDA Total:	$40,900	
5800	47.076	Education And Human Resources			
		DUE0324204-NCC COMMUNITIES OF SCHP	10/1/2003 - 9/30/2010	$21,875	0 %
		DUE0603277-WMCC PROJECT SIMBELT	7/1/2006 - 12/31/2010	$92,089	0 %
		DUE0934055-RVCC FACULTY IN NSF	2/12/2009 - 9/30/2010	$11,573	0 %
			CFDA Total:	$125,537	
			National Science Foundation Total:	**$166,437**	

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 6/30/2011
Veterans Administration

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4300	64.005	Grants To States For Construction Of State Home Facilities			
	ARRA	ARRA-FAI33-008	7/1/2009 - 6/30/2011	$1,155,314	0 %
		FAI33-007	7/1/2008 - 6/30/2011	$263,244	0 %
			CFDA Total:	$1,418,558	
1200	64.101	Burial Expenses Allowance For Veterans			
		None	10/1/2007 - 9/30/2012	$207,600	0 %
			CFDA Total:	$207,600	
5700	64.124	All-Volunteer Force Educational Assistance			
		V101 (223C) P-5086	10/1/2009 - 9/30/2010	$36,586	0 %
		V101 (223C) P-5186	10/1/2010 - 9/30/2011	$89,988	0 %
			CFDA Total:	$126,574	
			Veterans Administration Total:	**$1,752,732**	

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 6/30/2011
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.032	State Indoor Radon Grants			
		K100162320	7/1/2009 - 6/30/2010	$2,525	0 %
		K100162321	7/1/2010 - 6/30/2011	$48,165	0 %
			CFDA Total:	$50,690	
4400	66.040	State Clean Diesel Grant Program			
	ARRA	ARRA 2D-96102101	4/17/2009 - 9/30/2010	$461,751	0 %
		DS97191001	10/1/2008 - 9/30/2010	$17,683	0 %
			CFDA Total:	$479,434	
4400	66.424	Surveys, Studies, Investigations, Demonstrations, and Training Grants Section 1442 of the Safe Drinking Water Act			
		X696139101	9/30/2010 - 9/30/2013	$1,665	0 %
		X698190202	11/1/2003 - 11/1/2010	$19,788	0 %
			CFDA Total:	$21,453	
4400	66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants And Cooperative Agreements - Section 104 (B)(3) Of The Clean Water Act			
		CD96137701	10/1/2010 - 9/30/2012	$20,567	0 %
		X796100701	5/1/2009 - 9/15/2012	$15,160	0 %
		X96100301	7/1/2009 - 9/30/2011	$17,201	0 %
			CFDA Total:	$52,928	
4400	66.454	Water Quality Management Planning			
	ARRA	ARRA 2P-96102901	5/1/2009 - 8/17/2011	$179,685	0 %
		C600100209	10/1/2008 - 9/30/2011	$70,296	0 %
		C600100210	10/1/2009 - 9/30/2012	$25,877	0 %
			CFDA Total:	$275,858	
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Funds**			
	ARRA	**ARRA 2W-33000209**	**10/1/2008 - 12/31/2013**	**$21,426,753**	**100 %**
		CS33000104	**3/1/2005 - 3/1/2012**	**$5,641,597**	**100 %**
		CS33000105	**4/1/2006 - 4/1/2016**	**$76,332**	**0 %**
		CS33000105	**4/1/2006 - 4/1/2016**	**$10,366,354**	**100 %**
		CS33000106	**4/1/2007 - 4/1/2017**	**$7,938,998**	**0 %**
		CS33000107	**4/1/2008 - 4/1/2018**	**$78,117**	**0 %**
			CFDA Total:	**$45,528,151**	
4400	66.460	Nonpoint Source Implementation Grants			
		C998132405	9/30/2004 - 9/30/2010	$114,021	0 %
		C998132406	9/30/2005 - 9/30/2010	$67,128	0 %
		C998132407	9/15/2006 - 9/30/2011	$196,687	0 %
		C998132408	7/1/2007 - 9/30/2012	$96,681	0 %
		C998132409	4/1/2008 - 9/30/2012	$243,499	0 %
		C998132410	4/8/2009 - 9/30/2012	$114,183	0 %
		C998132411	3/1/2010 - 9/30/2015	$45,791	0 %
			CFDA Total:	$877,990	
4400	66.461	Regional Wetland Program Development Grants			

(Continued)

The accompanying notes are an integral part of this schedule.

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		CD97184501	5/1/2008 - 9/30/2010	$2,122	0 %
			CFDA Total:	$2,122	
4400	66.467	Wastewater Operator Training Grant Program			
		T97117801	10/1/2004 - 9/30/2012	$29,858	0 %
		T97144901	10/1/2005 - 9/30/2010	$34,912	0 %
		T98199301	10/1/2007 - 9/30/2010	$8,870	0 %
			CFDA Total:	$73,640	
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund**			
	ARRA	**ARRA 2F-96102301**	**10/1/2008 - 10/1/2015**	**$6,093,753**	**96 %**
		FS99115006	**10/1/2006 - 10/1/2012**	**$1,901,376**	**100 %**
		FS99115007	**10/1/2007 - 10/1/2017**	**$4,253,699**	**100 %**
		FS99115009	**5/1/2010 - 5/1/2012**	**$479,433**	**4 %**
		FS99115010	**5/1/2011 - 5/1/2012**	**$2,895,984**	**0 %**
			CFDA Total:	**$15,624,245**	
4400	66.471	State Grants To Reimburse Operators Of Small Water Systems For Training And Certification Costs			
		CT-98149601	9/30/2002 - 9/30/2012	$191,441	0 %
			CFDA Total:	$191,441	
4400	66.472	Beach Monitoring And Notification Program Implementation Grants			
		CU96103601	10/1/2009 - 2/1/2011	$99,337	0 %
		CU96124101	10/1/2010 - 4/1/2012	$139,491	0 %
		CU97123901	10/1/2008 - 2/1/2010	$402	0 %
			CFDA Total:	$239,230	
4400	66.474	Water Protection Grants To The States			
		WP96120101	10/1/2009 - 9/30/2012	$31,617	0 %
		WP97172301	10/1/2007 - 6/23/2011	$10,071	0 %
			CFDA Total:	$41,688	
4400	66.605	Performance Partnership Grants			
		BG99127304	10/1/2004 - 9/30/2010	$(4,502)	0 %
		BG99127307	10/1/2006 - 9/30/2011	$546,909	0 %
		BG99127308	10/1/2008 - 9/30/2012	$1,821,785	0 %
		BG99127308	10/1/2008 - 9/30/2013	$29,017	0 %
		BG99127309	10/1/2010 - 9/30/2015	$3,003,414	0 %
		CD96119701	10/1/2009 - 9/30/2010	$253,652	0 %
			CFDA Total:	$5,650,275	
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants			
		PM99129403	4/1/2008 - 3/31/2010	$402,219	0 %
		PM99129404	4/1/2008 - 3/31/2012	$32,048	0 %
			CFDA Total:	$434,267	
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance			
		OS83260901	10/1/2005 - 4/30/2011	$4,286	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		OS83307601	9/1/2006 - 9/30/2011	$83,081	0 %
		OS83347801	8/1/2007 - 7/30/2010	$122,403	0 %
		OS83408001	9/1/2008 - 8/31/2010	$83,346	0 %
		OS83437801	9/1/2009 - 8/31/2011	$73,356	0 %
		OS88348301	8/1/2007 - 3/30/2012	$26,165	0 %
			CFDA Total:	$392,637	
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements			
		BG-97198302-0	10/1/2009 - 9/30/2011	$267,083	0 %
			CFDA Total:	$267,083	
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements			
		K99144808-0	10/1/2008 - 9/30/2010	$101,392	0 %
		K99144808-0	10/1/2010 - 9/30/2012	$38,314	0 %
			CFDA Total:	$139,706	
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals			
		PB961031	6/1/2009 - 5/31/2012	$39,075	0 %
		PB991512	10/1/2008 - 5/31/2011	$129,022	0 %
			CFDA Total:	$168,097	
4400	66.708	Pollution Prevention Grants Program			
		NP96118001	10/1/2009 - 9/30/2011	$50,883	0 %
		NP96119001	10/1/2009 - 9/30/2011	$67,340	0 %
		NP96136401	10/1/2010 - 9/30/2012	$31,933	0 %
		NP97190001	10/1/2008 - 12/30/2010	$29,174	0 %
			CFDA Total:	$179,330	
1800	66.714	Regional Agricultural IPM Grants			
		PE-96119501-1	2/1/2010 - 1/31/2012	$3,734	0 %
			CFDA Total:	$3,734	
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements			
		V96115301	8/1/2009 - 12/31/2012	$91,861	0 %
		V96121901	11/10/2009 - 12/31/2011	$719,915	0 %
		V96122601	1/25/2010 - 10/30/2010	$48,935	0 %
		V96128101	8/1/2010 - 6/30/2012	$322,428	0 %
		V96140701	5/3/2011 - 12/31/2012	$350	0 %
		V96141001	11/22/2010 - 12/31/2011	$284,910	0 %
		V96141401	1/10/2011 - 9/30/2011	$52,024	0 %
		V97139301	7/1/2008 - 6/30/2012	$96,027	0 %
		V97140401	7/1/2008 - 6/30/2011	$164,490	0 %
		V97148901	8/10/2006 - 6/30/2012	$228,209	0 %
		V97150401	10/1/2006 - 9/30/2012	$50,642	0 %
		V97167901	7/1/2007 - 9/30/2012	$311,224	0 %
		VC00173321	9/1/2009 - 8/31/2010	$42,852	0 %
		VC00173322	9/1/2010 - 8/31/2011	$264,615	0 %

(Continued)

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$2,678,482	
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program			
		L98138007	7/1/2010 - 12/31/2011	$142,097	0 %
		L98738006	7/1/2009 - 12/31/2010	$186,139	0 %
			CFDA Total:	$328,236	
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			
	ARRA	ARRA 2L-96100101	3/1/2009 - 9/30/2011	$408,526	0 %
		LS97199801	4/1/2009 - 3/31/2011	$749,732	0 %
		LS97199803	4/1/2011 - 3/31/2013	$97,900	0 %
			CFDA Total:	$1,256,158	
4400	66.817	State And Tribal Response Program Grants			
		RP96105901	10/1/2009 - 9/30/2010	$444,035	0 %
		RP96128501	10/1/2010 - 9/30/2011	$833,759	0 %
			CFDA Total:	$1,277,794	
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements			
	ARRA	ARRA 2B-96120301	10/1/2009 - 9/30/2012	$639,124	97 %
		BF96112501	8/3/2009 - 8/2/2012	$312,592	0 %
		BF97130701	7/1/2005 - 9/30/2012	$12,406	0 %
		BF97130701	7/1/2005 - 9/30/2012	$371,546	100 %
		BF97173201	10/1/2008 - 9/30/2011	$125,621	0 %
			CFDA Total:	$1,461,289	
4400	66.940	Environmental Policy And State Sustainability Grants			
		E197188001	10/1/2008 - 9/30/2012	$102,297	0 %
			CFDA Total:	$102,297	
			Environmental Protection Agency Total:	**$77,798,255**	

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 6/30/2011
Department of Energy

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	81.039	National Energy Information Center (NEIC)			
		DE-FC01-06EI38102	8/8/2009 - 8/7/2010	$2	0 %
		DE-FC01-06EI38102	8/8/2010 - 8/7/2011	$13,025	0 %
			CFDA Total:	$13,027	
0240	**81.041**	**State Energy Program**			
	ARRA	**ARRADE-EE0000228**	**4/17/2009 - 4/30/2012**	**$8,526,587**	**96 %**
		DE-FG41-01R130472	**7/1/2009 - 6/30/2010**	**$12,706**	**0 %**
		DE-FG41-01R130472	**7/1/2010 - 6/30/2011**	**$163,328**	**0 %**
			CFDA Total:	**$8,702,621**	
0240	**81.042**	**Weatherization Assistance For Low-Income Persons**			
	ARRA	**ARRAEE00161**	**4/1/2009 - 3/31/2012**	**$9,112,436**	**97 %**
		EE00060	**4/1/2009 - 3/31/2010**	**$330,184**	**100 %**
		EE00060	**4/1/2010 - 3/31/2011**	**$899,513**	**97 %**
		EE00060	**4/1/2011 - 3/31/2012**	**$11,141**	**0 %**
			CFDA Total:	**$10,353,274**	
5800	81.087	Renewable Energy Research And Development			
	ARRA	DEEE-002087-LRCC Hudson Valley	1/1/2010 - 12/31/2014	$36,398	0 %
			CFDA Total:	$36,398	
0240	81.122	Electricity Delivery And Energy Reliability, Research, Development And Analysis			
8100	ARRA	ARRA DE-EE0000163	1/1/2010 - 12/31/2012	$292,622	0 %
	ARRA	ARRADE-EE0000100	8/12/2009 - 8/14/2012	$63,220	33 %
			CFDA Total:	$355,842	
0240	81.127	Energy Efficient Appliance Rebate Program (EEARP)			
	ARRA	ARRADE-EE0001569	8/24/2009 - 2/17/2012	$871,156	99 %
			CFDA Total:	$871,156	
0240	81.128	Energy Efficiency and Conservation Block Grant Program			
	ARRA	ARRADE-EE0003576	6/1/2010 - 5/31/2012	$439,167	77 %
	ARRA	ARRAEE0000668	9/10/2009 - 9/9/2012	$2,971,254	95 %
			CFDA Total:	$3,410,421	
			Department of Energy Total:	**$23,742,739**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4600	84.002	Adult Education - Basic Grants To States			
		17018	7/1/2010 - 6/30/2011	$7,483	0 %
5600		V002A080029 916 7004	7/1/2008 - 9/30/2009	$55,974	55 %
5600		V002A090029 016 7004	7/1/2009 - 9/30/2010	$888,022	100 %
5600		V002A100029 116 7004	7/1/2010 - 9/30/2011	$498,382	50 %
			CFDA Total:	$1,449,861	
5800	**84.007**	**Federal Supplemental Educational Opportunity Grants (Note 8)**			
		P007A102513-NHTI SEOG	**7/1/2010 - 6/30/2011**	**$59,346**	**0 %**
		P007A102514-WMCC SEOG	**7/1/2010 - 6/30/2011**	**$22,613**	**0 %**
		P007A102515-RVCC SEOG	**7/1/2010 - 6/30/2011**	**$15,499**	**0 %**
		P007A102516-LRCC SEOG	**7/1/2010 - 6/30/2011**	**$19,974**	**0 %**
		P007A102517-MCC SEOG	**7/1/2010 - 6/30/2011**	**$28,205**	**0 %**
		P007A102518-NCC SEOG	**7/1/2010 - 6/30/2011**	**$27,052**	**0 %**
		P007A102519-GBCC SEOG	**7/1/2010 - 6/30/2011**	**$22,463**	**0 %**
			CFDA Total:	**$195,152**	
5600	**84.010**	**Title I Grants To Local Educational Agencies (Note 8)**			
		S010A080029 919 3261	**7/1/2008 - 9/30/2009**	**$1,197,522**	**100 %**
		S010A090029 019 3261	**7/1/2009 - 9/30/2010**	**$15,308,078**	**98 %**
		S010A100029 119 1131	**7/1/2009 - 9/30/2010**	**$53,748**	**0 %**
		S010A100029 119 2183	**7/1/2009 - 9/30/2010**	**$40,545**	**0 %**
		S010A100029 119 3261	**7/1/2010 - 9/30/2011**	**$18,747,629**	**99 %**
		S010A100029 119 6114	**7/1/2010 - 9/30/2011**	**$15,848**	**0 %**
			CFDA Total:	**$35,363,370**	
5600	84.011	Migrant Education - State Grant Program			
		S011A080029 925 3266	7/1/2008 - 9/30/2009	$12,206	74 %
		S011A090029 025 3266	7/1/2009 - 9/30/2010	$115,351	14 %
		S011A100029 125 3266	7/1/2010 - 9/30/2011	$36,588	94 %
			CFDA Total:	$164,145	
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children			
		S013A080029 921 3261	7/1/2008 - 9/30/2009	$130,223	100 %
		S013A090029 021 3261	7/1/2009 - 9/30/2010	$178,308	100 %
		S013A100029	7/1/2010 - 9/30/2011	$75,802	74 %
			CFDA Total:	$384,333	
5600	**84.027**	**Special Education - Grants To States (Note 8)**			
		H027A070103 823 4110	**7/1/2007 - 9/30/2008**	**$(3,630)**	**100 %**
		H027A080103 923 4110	**7/1/2008 - 9/30/2009**	**$3,710,482**	**88 %**
		H027A090103 023 4110	**7/1/2009 - 9/30/2010**	**$9,211,206**	**84 %**
		H027A1000103 123 2184	**7/1/2010 - 9/30/2011**	**$125,520**	**0 %**
		H027A100103 123 4107	**7/1/2010 - 9/30/2011**	**$50,033**	**0 %**
		H027A100103 123 4108	**7/1/2010 - 9/30/2011**	**$64,812**	**0 %**
		H027A100103 123 4110	**7/1/2010 - 9/30/2011**	**$26,208,950**	**92 %**
		H027A100103 123 6422	**7/1/2010 - 9/30/2011**	**$43,787**	**0 %**
			CFDA Total:	**$39,411,160**	
5800	**84.033**	**Federal Work-Study Program (Note 8)**			

(Continued)

The accompanying notes are an integral part of this schedule.

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		P033A082516-LRCC CWS 11	**7/1/2010 - 6/30/2011**	**$23,425**	**0 %**
		P033A082517-MCC CWS 11	**7/1/2010 - 6/30/2011**	**$29,586**	**0 %**
		P033A092513-NHTI CWS 10	**7/1/2009 - 6/30/2010**	**$10,000**	**0 %**
		P033A092514-WMCC CWS 10	**7/1/2009 - 6/30/2010**	**$184**	**0 %**
		P033A092517-MCC CWS 10	**7/1/2009 - 6/30/2010**	**$5,654**	**0 %**
		P033A092518-NCC CWS 10	**7/1/2009 - 6/30/2010**	**$1,456**	**0 %**
		P033A092519-GBCC CWS 10	**7/1/2009 - 6/30/2010**	**$3,325**	**0 %**
		P033A102513-NHTI CWS 11	**7/1/2010 - 6/30/2011**	**$72,611**	**0 %**
		P033A102514-WMCC CWS 11	**7/1/2010 - 6/30/2011**	**$27,596**	**0 %**
		P033A102515-RVCC CWS 11	**7/1/2010 - 6/30/2011**	**$14,149**	**0 %**
		P033A102518-NCC CWS 11	**7/1/2010 - 6/30/2011**	**$28,538**	**0 %**
		P033A102519-GBCC CWS 11	**7/1/2010 - 6/30/2011**	**$30,375**	**0 %**
		P033A112513 NHTI CWS 12	**7/1/2011 - 6/30/2012**	**$6,743**	**0 %**
			CFDA Total:	**$253,642**	
5800	**84.038**	**Federal Perkins Loan Program - Federal Capital Contributions (Notes 4,8)**			
		GBCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$26,398**	**0 %**
		LRCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$28,500**	**0 %**
		MCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$33,176**	**0 %**
		NCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$34,196**	**0 %**
		NHTI PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$53,995**	**0 %**
		RVCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$36,500**	**0 %**
		WMCC PERKINS LOANS	**7/1/2010 - 6/30/2011**	**$19,109**	**0 %**
			CFDA Total:	**$231,874**	
5800	84.042	TRIO - Student Support Services			
		P042A050349-MCC TRIO	9/1/2009 - 1/30/2011	$23,005	0 %
			CFDA Total:	$23,005	
4600	84.048	Career And Technical Education - Basic Grants To States			
5600		V048A070029 815 6032	7/1/2007 - 9/30/2008	$5,550	100 %
5600		V048A080029 915 6032	7/1/2008 - 9/30/2009	$45,714	100 %
5600		V048A090029 015 6032	7/1/2009 - 9/30/2010	$1,662,240	96 %
5600		V048A100029 115 6032	7/1/2010 - 9/30/2011	$3,451,521	85 %
		V048A10029	10/1/2009 - 8/17/2011	$24,832	0 %
			CFDA Total:	$5,189,857	
5600	84.051	Career and Technical Education - National Programs			
		V051C080016 014 4038	10/1/2009 - 9/30/2011	$44,216	100 %
		V051C080016 914 4038	10/1/2008 - 9/30/2010	$2,437	100 %
			CFDA Total:	$46,653	
5800	**84.063**	**Federal Pell Grant Program (Note 8)**			
		P063P085848-GBCC PELL 09	**7/1/2008 - 6/30/2009**	**$(1,191)**	**0 %**
		P063P091796-MCC PELL 10	**7/1/2009 - 6/30/2010**	**$(4,162)**	**0 %**
		P063P092631-WMCC PELL 10	**7/1/2009 - 6/30/2010**	**$(2)**	**0 %**
		P063P093167-NCC PELL 10	**7/1/2009 - 6/30/2010**	**$(2,678)**	**0 %**
		P063P095845-LRCC PELL 10	**7/1/2009 - 6/30/2010**	**$(1)**	**0 %**
		P063P095848-GBCC PELL 10	**7/1/2009 - 6/30/2010**	**$(4,682)**	**0 %**
		P063P095850-RVCC PELL 10	**7/1/2009 - 6/30/2010**	**$(488)**	**0 %**
		P063P101795-NHTI PELL 11	**7/1/2010 - 6/30/2011**	**$5,231,795**	**0 %**

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		P063P101796-MCC PELL 11	**7/1/2010 - 6/30/2011**	**$3,197,631**	**0 %**
		P063P102631-WMCC PELL 11	**7/1/2010 - 6/30/2011**	**$2,068,832**	**0 %**
		P063P103167-NCC PELL 11	**7/1/2010 - 6/30/2011**	**$2,441,077**	**0 %**
		P063P105845-LRCC PELL 11	**7/1/2010 - 6/30/2011**	**$1,941,124**	**0 %**
		P063P105848-GBCC PELL 11	**7/1/2010 - 6/30/2011**	**$2,109,303**	**0 %**
		P063P105850-RVCC PELL 11	**7/1/2010 - 6/30/2011**	**$1,534,840**	**0 %**
		P063Q091795-NHTI PELL-A 10	**7/1/2009 - 6/30/2010**	**$170**	**0 %**
		P063Q091796-MCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$110**	**0 %**
		P063Q092631-WMCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$55**	**0 %**
		P063Q093167-NCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$50**	**0 %**
		P063Q095845-LRCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$15**	**0 %**
		P063Q095848-GBCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$85**	**0 %**
		P063Q095850-RVCC PELL-A 10	**7/1/2009 - 6/30/2010**	**$60**	**0 %**
		P063Q101795-NHTI PELL-A 11	**7/1/2010 - 6/30/2011**	**$2,993**	**0 %**
		P063Q101796-MCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$3,266**	**0 %**
		P063Q102631-WMCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$1,206**	**0 %**
		P063Q103167-NCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$2,511**	**0 %**
		P063Q105845-LRCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$1,985**	**0 %**
		P063Q105848-GBCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$2,181**	**0 %**
		P063Q105850-RVCC PELL-A 11	**7/1/2010 - 6/30/2011**	**$859**	**0 %**
			CFDA Total:	**$18,526,944**	
5700	84.069	Leveraging Educational Assistance Partnership			
		N069A090030	7/1/2010 - 6/30/2011	$117,913	0 %
			CFDA Total:	$117,913	
5800	84.116	Fund For The Improvement Of Postsecondary Education			
		P116B060322-FIPSE Online Degree	10/1/2006 - 9/20/2010	$5,257	0 %
		P116Z080247-FIPSE ST. TECH	6/30/2008 - 10/29/2010	$3,623	0 %
		P116Z090236-LRCC FIPSE ES&T	8/1/2009 - 9/30/2011	$52,570	0 %
			CFDA Total:	$61,450	
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States (Note 8)**			
		H126A100042 090 4020	**10/1/2009 - 9/30/2011**	**$8,475,428**	**42 %**
		H126A100042 090 4031	**10/1/2009 - 9/30/2011**	**$356,674**	**0 %**
		H126A100042 090 4033	**10/1/2009 - 9/30/2011**	**$303,485**	**0 %**
		H126A100042 090 4080	**10/1/2009 - 9/30/2011**	**$1,055,445**	**0 %**
		H126A110042 190 4020	**10/1/2010 - 9/30/2012**	**$1,386,459**	**46 %**
		H126A110042 190 4031	**10/1/2010 - 9/30/2012**	**$40,906**	**0 %**
		H126A110042 190 4033	**10/1/2010 - 9/30/2012**	**$32,993**	**0 %**
		H126A110042 190 4080	**10/1/2010 - 9/30/2012**	**$104,548**	**0 %**
			CFDA Total:	**$11,755,938**	
5600	84.144	Migrant Education - Coordination Program			
		S144F080029 926 3266	7/1/2008 - 9/30/2009	$21,682	0 %
		S144F080029 926 3268	7/1/2008 - 9/30/2009	$33,501	100 %
		S144F0900029 026 2183	7/1/2009 - 9/30/2010	$1,140	0 %
		S144F090029 026 3261	7/1/2009 - 9/30/2010	$15,732	0 %
		S144F090029 026 3266	7/1/2009 - 9/30/2010	$25,807	0 %
		S144F090029 026 3268	7/1/2008 - 9/30/2010	$23,982	0 %
		S144G090029 029 3266	7/1/2009 - 9/30/2010	$15,167	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$137,011	
0205	84.161	Rehabilitation Services - Client Assistance Program			
		H161A100030B	10/1/2009 - 9/30/2010	$107,402	0 %
			CFDA Total:	$107,402	
5600	84.169	Independent Living - State Grants (Note 8)			
		H169A100043 089 6485	10/1/2009 - 9/30/2011	$170,161	0 %
		H169A110043 189 6485	10/1/2010 - 9/30/2012	$144,057	0 %
			CFDA Total:	$314,218	
5600	**84.173**	**Special Education - Preschool Grants (Note 8)**			
		H173A080109 924 2184	**7/1/2008 - 9/30/2009**	**$93,187**	**100 %**
		H173A090109 024 2184	**7/1/2009 - 9/30/2010**	**$225,699**	**55 %**
		H173A100109 124 2184	**7/1/2010 - 9/30/2011**	**$864,935**	**73 %**
			CFDA Total:	**$1,183,821**	
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind (Note 8)			
		H177B100029A 093 4092	10/1/2009 - 9/30/2011	$101,504	0 %
		H177B110029A 193 4092	10/1/2010 - 9/30/2012	$106,494	0 %
			CFDA Total:	$207,998	
9500	84.181	Special Education-Grants For Infants And Families (Note 8)			
		H181A090127	7/1/2009 - 9/30/2010	$314,044	67 %
		H181A100127	7/1/2010 - 9/30/2011	$1,724,942	81 %
			CFDA Total:	$2,038,986	
5600	84.185	Byrd Honors Scholarships			
		P185A100031 103 6013	7/1/2010 - 6/30/2011	$169,500	0 %
			CFDA Total:	$169,500	
5600	84.186	Safe And Drug-Free Schools And Communities - State Grants			
		Q184W100036 111 3095	7/1/2010 - 9/30/2011	$50,613	0 %
		Q186A080030 910 3095	7/1/2008 - 9/30/2009	$306,296	100 %
		Q186A090030 010 3095	7/1/2009 - 9/30/2010	$320,957	84 %
9500		Q186B090031	7/1/2009 - 9/30/2011	$5,455	0 %
			CFDA Total:	$683,321	
5600	84.187	Supported Employment Services For Individuals With The Most Significant Disabilities			
		H187A090043 998 4029	10/1/2008 - 9/30/2010	$58,009	0 %
		H187A100043 098 4029	10/1/2009 - 9/30/2011	$291,555	0 %
		H187A110043 198 4029	10/1/2010 - 9/30/2012	$56,141	0 %
			CFDA Total:	$405,705	
5600	84.196	Education For Homeless Children And Youth (Note 8)			
		S196A070030 145 3270	7/1/2010 - 9/30/2011	$54,739	99 %
		S196A090030 045 3261	7/1/2009 - 9/30/2010	$28,052	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		S196A090030 045 3270	7/1/2009 - 9/30/2010	$63,109	88 %
		S196A100030 145 3261	7/1/2010 - 9/30/2011	$3,401	0 %
			CFDA Total:	$149,301	
5600	84.213	Even Start - State Educational Agencies			
		S213C080030 938 3267	7/1/2008 - 9/30/2009	$32,307	100 %
		S213C090030 038 3266	7/1/2009 - 9/30/2010	$16,082	0 %
		S213C100030 138 3266	7/1/2010 - 9/30/2011	$1,144	0 %
		S213C100030 138 3267	7/1/2010 - 9/30/2011	$229,999	99 %
		S231C090030 038 3267	7/1/2009 - 9/30/2010	$16,236	99 %
			CFDA Total:	$295,768	
5600	84.243	Tech-Prep Education			
		V243A080029 912 6032	7/1/2008 - 9/30/2009	$1,266	100 %
		V243A090029 012 6032	7/1/2009 - 9/30/2010	$155,677	96 %
		V243A100029 112 6032	7/1/2010 - 9/30/2011	$257,411	100 %
			CFDA Total:	$414,354	
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training			
		H265A050108-09 095 4081	10/1/2009 - 9/30/2010	$1,227	0 %
		H265A100050 195 4081	10/1/2010 - 9/30/2011	$19,167	0 %
		H265B100015 191 4081	10/1/2010 - 9/30/2011	$15,627	0 %
			CFDA Total:	$36,021	
5800	**84.268**	**Federal Direct Student Loans (Note 4, 8)**			
		P268K111795-NHTI DL LOANS 11	**7/1/2010 - 6/30/2011**	**$17,098,540**	**0 %**
		P268K111796-MCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$8,632,419**	**0 %**
		P268K112631-WMCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$4,216,739**	**0 %**
		P268K113167-NCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$6,728,183**	**0 %**
		P268K115845-LRCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$4,595,084**	**0 %**
		P268K115848-GBCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$5,523,642**	**0 %**
		P268K115850-RVCC DL LOANS 11	**7/1/2010 - 6/30/2011**	**$4,169,894**	**0 %**
			CFDA Total:	**$50,964,501**	
5600	84.282	Charter Schools			
		U282A100001 154 6422	8/1/2010 - 7/31/2011	$25,362	0 %
		U282A100001 154 6424	8/1/2010 - 7/31/2011	$109,321	43 %
			CFDA Total:	$134,683	
5600	84.287	Twenty-First Century Community Learning Centers			
		S287C080029 943 3277	7/1/2008 - 9/30/2009	$592,340	100 %
		S287C090029 043 3095	7/1/2009 - 9/30/2010	$12,470	0 %
		S287C090029 043 3277	7/1/2009 - 9/30/2010	$2,101,370	98 %
		S287C100029 143 2183	7/1/2010 - 9/30/2011	$4,496	0 %
		S287C100029 143 3277	7/1/2010 - 9/30/2011	$2,384,790	94 %
			CFDA Total:	$5,095,466	
5600	84.318	Education Technology State Grants (Note 8)			
		S318X080029 905 6101	7/1/2008 - 9/30/2009	$116,357	100 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		S318X090029 005 6101	7/1/2009 - 9/30/2010	$530,098	100 %
		S318X100029 105 6101	7/1/2010 - 9/30/2011	$24,171	0 %
			CFDA Total:	$670,626	
5600	84.323	Special Education - State Personnel Development			
		H323A070028-09 033 4107	9/1/2009 - 8/31/2010	$488,185	85 %
		H323A070028-10 133	9/1/2010 - 8/31/2011	$217,536	81 %
			CFDA Total:	$705,721	
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)			
		S330B100020 035 3273	3/1/2009 - 2/28/2010	$21,908	0 %
			CFDA Total:	$21,908	
5600	84.357	Reading First State Grants			
		S357A080030 944 3274	7/1/2008 - 9/30/2009	$158,393	100 %
			CFDA Total:	$158,393	
5600	84.358	Rural Education			
		S358B070029 049 3278	7/1/2009 - 9/30/2010	$453,899	100 %
		S358B080029 949 3278	7/1/2008 - 9/30/2009	$99,439	100 %
		S358B090029 049 2183	7/1/2009 - 9/30/2010	$8,971	0 %
		S358B100029 149 2183	7/1/2010 - 9/30/2011	$42,982	0 %
		S358B100029 149 3278	7/1/2010 - 9/30/2011	$277,564	100 %
			CFDA Total:	$882,855	
5600	84.365	English Language Acquisition Grants			
		T365A080029 965 6114	7/1/2008 - 9/30/2009	$163,091	97 %
		T365A090029 065 2183	7/1/2009 - 9/30/2010	$4,116	0 %
		T365A090029 065 6114	7/1/2009 - 9/30/2010	$329,316	76 %
		T365A100029 165 2183	7/1/2010 - 9/30/2011	$1,984	0 %
		T365A100029 165 6114	7/1/2010 - 9/30/2011	$127,023	56 %
			CFDA Total:	$625,530	
5600	84.366	Mathematics And Science Partnerships			
		S366B090030 048 3279	7/1/2009 - 9/30/2010	$488,860	22 %
		S366B100030 148 3279	7/1/2009 - 9/30/2010	$205,857	67 %
		S366B100030 148 6424	7/1/2009 - 9/30/2010	$8,822	0 %
			CFDA Total:	$703,539	
5600	**84.367**	**Improving Teacher Quality State Grants**			
		S367A080028 962 2183	**7/1/2008 - 9/30/2009**	**$2,401,694**	**96 %**
		S367A090026 061 2183	**7/1/2009 - 9/30/2010**	**$53,976**	**0 %**
		S367A090028 062 2183	**7/1/2009 - 9/30/2010**	**$4,114,172**	**99 %**
		S367A090028 062 3261	**7/1/2009 - 9/29/2010**	**$9,393**	**0 %**
		S367A100026 161 2183	**7/1/2010 - 9/30/2011**	**$11,487**	**0 %**
		S367A100028 162 2183	**7/1/2010 - 9/30/2011**	**$6,311,890**	**96 %**
		S367A100028 162 3095	**7/1/2010 - 9/30/2011**	**$19,695**	**0 %**
		S367A100028 162 6114	**7/1/2010 - 9/30/2011**	**$31,696**	**0 %**

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$12,954,003**	
5600	84.368	Grants For Enhanced Assessment Instruments			
		S368A080002 931 5067	10/1/2008 - 5/31/2010	$794,104	0 %
		S368A100008 5067 131	9/1/2010 - 8/31/2012	$21	0 %
			CFDA Total:	$794,125	
5600	84.369	Grants For State Assessments And Related Activities			
		S369A090030 059 6422	7/1/2009 - 9/30/2010	$1,339,228	35 %
		S369A100030 159 3261	7/1/2010 - 9/30/2011	$29,517	0 %
		S369A100030 159 6422	7/1/2010 - 9/30/2011	$2,509,975	100 %
			CFDA Total:	$3,878,720	
5600	84.371	Striving Readers			
		S371B100026 151 2183	10/1/2010 - 9/30/2011	$2,638	0 %
		S371B100026 151 3274	10/1/2010 - 9/30/2011	$15,833	0 %
			CFDA Total:	$18,471	
5600	84.372	Statewide Data Systems			
		R372A080019-08 930 6156	8/1/2008 - 7/31/2010	$676,907	3 %
			CFDA Total:	$676,907	
5800	**84.375**	**Academic Competitiveness Grants (Note 8)**			
		P375A091795-NHTI ACG	**7/1/2010 - 6/30/2011**	**$110,211**	**0 %**
		P375A091796-MCC ACG	**7/1/2010 - 6/30/2011**	**$21,407**	**0 %**
		P375A093167-NCC ACG	**7/1/2010 - 6/30/2011**	**$34,833**	**0 %**
		P375A095845-LRCC ACG	**7/1/2010 - 6/30/2011**	**$11,026**	**0 %**
		P375A095848-GBCC ACG	**7/1/2010 - 6/30/2011**	**$10,782**	**0 %**
		P375A095850-RVCC ACG	**7/1/2010 - 6/30/2011**	**$12,538**	**0 %**
		P375A102631-WMCC ACG	**7/1/2010 - 6/30/2011**	**$28,635**	**0 %**
			CFDA Total:	**$229,432**	
5600	84.377	School Improvement Grants (Note 8)			
		S377A080030 917 1131	7/1/2008 - 9/30/2009	$583,816	100 %
		S377A090030 017 3261	7/1/2009 - 9/30/2010	$15,968	0 %
		S377A090031 017 1131	7/1/2009 - 9/30/2010	$41,153	0 %
			CFDA Total:	$640,937	
5700	84.378	College Access Challenge Grant Program			
		P378A090050	8/15/2009 - 8/14/2011	$203,087	100 %
		P378A100050	8/15/2010 - 8/14/2012	$559,975	93 %
			CFDA Total:	$763,062	
5600	84.386	Education Technology State Grants, Recovery Act (Note 8)			
	ARRA	ARRA S386A090029 R99 807	2/17/2009 - 9/30/2010	$1,711,234	93 %
			CFDA Total:	$1,711,234	
5600	84.387	Education For Homeless Children And Youth, Recovery Act (Note 8)			

(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 6/30/2011
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
	ARRA	ARRA S387A090030 R95 811	2/17/2009 - 9/30/2010	$68,025	100 %
			CFDA Total:	$68,025	
5600	84.388	School Improvement Grants-Recovery Act (Note 8)			
	ARRA	ARRA S388A090030A R100 810	2/17/2009 - 1/3/2012	$1,079,456	95 %
			CFDA Total:	$1,079,456	
5600	**84.389**	**Title I Grants To Local Educational Agencies, Recovery Act (Note 8)**			
	ARRA	**ARRA S389A090029A R93 806**	**2/18/2009 - 9/30/2010**	**$13,668,341**	**99 %**
			CFDA Total:	**$13,668,341**	
5600	**84.390**	**Rehabilitation Services - Vocational Rehabilitation Grants To States, Recovery Act (Note 8)**			
	ARRA	**ARRA H391A090042 R98 817**	**2/17/2009 - 9/30/2010**	**$802,953**	**100 %**
			CFDA Total:	**$802,953**	
5600	**84.391**	**Special Education-Grants To States, Recovery Act (Note 8)**			
	ARRA	**ARRA H391A090103A R90 814**	**2/17/2009 - 9/30/2010**	**$22,015,554**	**100 %**
			CFDA Total:	**$22,015,554**	
5600	**84.392**	**Special Education - Preschool Grants, Recovery Act (Note 8)**			
	ARRA	**ARRA H392A090109 R91 815**	**2/17/2009 - 9/30/2010**	**$581,381**	**100 %**
			CFDA Total:	**$581,381**	
9500	84.393	Special Education - Grants For Infants And Families, Recovery Act (Note 8)			
	ARRA	ARRAH393A090127	2/17/2009 - 9/30/2010	$696,592	100 %
			CFDA Total:	$696,592	
0699	84.397	State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act			
	ARRA	ARRAS397A090030-09	6/10/2009 - 9/30/2011	$1,923,764	0 %
			CFDA Total:	$1,923,764	
5600	84.398	Independent Living-State Grants, Recovery Act (Note 8)			
	ARRA	ARRA H398A090043 R96 818	2/17/2009 - 9/30/2010	$151,737	100 %
			CFDA Total:	$151,737	
5600	84.399	Independent Living Services For Older Individuals Who Are Blind, Recovery Act (Note 8)			
	ARRA	ARRA H399A090029 R97 819	2/17/2009 - 9/30/2010	$38,589	100 %
			CFDA Total:	$38,589	
5600	**84.410**	**Education Jobs Fund**			
		S410A100030 127 7550	**8/10/2010 - 9/30/2012**	**$21,370,818**	**100 %**
			CFDA Total:	**$21,370,818**	
5600	84.999	No Program Title			
		ED-03-CO-0067 6145	1/22/2008 - 9/30/2008	$20,024	0 %

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		ED-03-CO-0067 6421	1/22/2008 - 9/30/2008	$162,699	0 %
		ED-08-CO-0078 6156 Can 932	7/8/2009 - 6/30/2010	$71,061	0 %
			CFDA Total:	$253,784	
			Department of Education Total:	**$263,599,810**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
U.S. 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	7/1/2010 - 6/30/2011	$650,036	0 %
			CFDA Total:	$650,036	
			U.S. Election Assistance Commission Total:	**$650,036**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.000	Interim Assistance			
		None	10/1/2008 - 9/30/2009	$45,963	0 %
		None	10/1/2009 - 9/30/2010	$137,888	0 %
			CFDA Total:	$183,851	
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			
		STT051012A gyr to 2009	9/1/2008 - 8/31/2009	$37,539	0 %
		STT051012B gyr 2010	9/1/2009 - 8/31/2010	$112,617	0 %
			CFDA Total:	$150,156	
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
		10AANHT7SP	10/1/2009 - 9/30/2010	$25,224	0 %
			CFDA Total:	$25,224	
9500	93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals			
		09AANHT7SP	10/1/2008 - 9/30/2009	$52,293	0 %
		10AANHT7SP	10/1/2009 - 9/30/2010	$79,965	0 %
			CFDA Total:	$132,258	
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services			
		10AANHTS3P	10/1/2009 - 9/30/2010	$69,427	0 %
		11AANHTS3P	10/1/2010 - 9/30/2011	$3,309	0 %
			CFDA Total:	$72,736	
9500	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Note 8)			
		10AANHT3SP	10/1/2009 - 9/30/2010	$213,866	0 %
		11AANHT3SP	10/1/2010 - 9/30/2011	$1,296,078	0 %
			CFDA Total:	$1,509,944	
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 8)			
		10AANHT3SP	10/1/2009 - 9/30/2010	$1,768,754	0 %
		11AANHT3SP	10/1/2010 - 9/30/2011	$826,280	0 %
			CFDA Total:	$2,595,034	
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects			
		90CD1186	9/30/2008 - 9/30/2010	$332,826	0 %
		90CD1202	9/30/2009 - 9/29/2011	$525,838	0 %
		90MP0022	6/1/2009 - 5/31/2012	$180,468	0 %
		90MP0073	9/30/2010 - 9/29/2011	$54,300	0 %
			CFDA Total:	$1,093,432	
9500	93.051	Alzheimer's Disease Demonstration Grants to States			
		90AI0023	9/30/2009 - 9/30/2011	$191,731	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$191,731	
9500	93.052	National Family Caregiver Support, Title III, Part E			
		09AANHT3SP	10/1/2008 - 9/30/2009	$64,260	0 %
		10AANHT3SP	10/1/2009 - 9/30/2010	$584,263	0 %
			CFDA Total:	$648,523	
9500	93.053	Nutrition Services Incentive Program (Note 8)			
		10AANHNSIP	10/1/2009 - 9/30/2010	$741,101	100 %
		11AANHNSIP	10/1/2010 - 9/30/2011	$431,659	100 %
			CFDA Total:	$1,172,760	
9500	**93.069**	**Public Health Emergency Preparedness**			
		CCU117011	**8/31/2007 - 8/9/2008**	**$69,641**	**0 %**
		HTP000375	**7/31/2009 - 7/30/2011**	**$2,278,563**	**0 %**
		TP000266	**9/30/2008 - 9/29/2010**	**$135,744**	**0 %**
		TP117011BIOT	**8/10/2009 - 8/9/2011**	**$5,433,930**	**0 %**
			CFDA Total:	**$7,917,878**	
9500	93.070	Environmental Public Health And Emergency Response			
		EH000509	9/1/2009 - 8/31/2010	$90,801	0 %
		EH000509	9/1/2010 - 8/31/2011	$289,463	0 %
			CFDA Total:	$380,264	
9500	93.071	Medicare Enrollment Assistance			
		09AANHMIPP	6/1/2009 - 5/31/2011	$41,181	0 %
			CFDA Total:	$41,181	
9500	93.072	NH Lifespan Respite Care Project			
		90LR0009/01	9/30/2009 - 9/29/2012	$8,711	0 %
			CFDA Total:	$8,711	
9500	93.089	Emergency System For Advance Registration of Volunteer Health Professionals			
		REP090445	9/30/2009 - 9/29/2011	$64,831	0 %
			CFDA Total:	$64,831	
9500	93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants			
		90FX000301	9/30/2010 - 9/29/2015	$121,183	0 %
			CFDA Total:	$121,183	
9500	93.103	Food And Drug Administration - Research			
		FD003773	8/1/2009 - 7/31/2010	$1,865	0 %
		UFD003822	7/1/2010 - 6/30/2011	$206,785	0 %
			CFDA Total:	$208,650	
9500	93.110	Maternal And Child Health Federal Consolidated Programs			
		H18MC00033	12/1/2009 - 11/30/2010	$33,416	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		H18MC00033	12/1/2010 - 11/30/2011	$50,796	0 %
		H25MC00249	6/1/2009 - 5/31/2010	$1,180	0 %
		H25MC00249	6/1/2010 - 5/31/2011	$110,888	0 %
		H98MC21589	2/1/2011 - 8/31/2013	$36,934	87 %
			CFDA Total:	$233,214	
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program			
		UPS1078689	1/1/2010 - 12/31/2010	$104,214	0 %
		UPS1078689	1/1/2011 - 12/31/2011	$139,906	0 %
			CFDA Total:	$244,120	
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices			
		U68HP11508	4/1/2010 - 3/31/2011	$104,640	0 %
		U68HP11508	4/1/2011 - 3/31/2012	$40,876	0 %
			CFDA Total:	$145,516	
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs			
		VCE001133	11/1/2009 - 10/31/2010	$76,747	0 %
		VCE001133	11/1/2010 - 10/31/2011	$58,786	0 %
			CFDA Total:	$135,533	
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)			
		2X06SM060030-10	7/1/2010 - 6/30/2011	$299,537	17 %
			CFDA Total:	$299,537	
9500	93.165	Grants To States For Loan Repayment Program			
		HP15668	9/1/2009 - 8/31/2011	$20,029	0 %
			CFDA Total:	$20,029	
9500	93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			
		211-2009-M-30317	6/17/2009 - 10/31/2010	$2,592	0 %
		211-2010-M-30317	6/17/2010 - 10/31/2011	$6,000	0 %
		HEH000136	7/1/2009 - 6/30/2010	$36,694	0 %
		HEH000136	7/1/2010 - 6/30/2011	$369,317	0 %
			CFDA Total:	$414,603	
4400	93.204	Surveillance of Hazardous Substance Emergency Events			
		1U61/TS00017601	4/1/2011 - 3/31/2012	$64,437	0 %
		U61/ATU17520906	4/1/2010 - 3/31/2011	$216,276	0 %
			CFDA Total:	$280,713	
9500	93.217	Family Planning - Services			
		01H000036	12/31/2009 - 12/30/2010	$1,082,422	0 %
		01H000036	12/31/2010 - 12/30/2011	$580,787	0 %
			CFDA Total:	$1,663,209	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.235	Abstinence Education Program			
		01NHAEGP	8/2/2010 - 9/30/2011	$38,409	0 %
			CFDA Total:	$38,409	
9500	93.236	Grants for Dental Public Health Residency Training			
		HP10743	9/1/2008 - 6/30/2010	$55,967	0 %
			CFDA Total:	$55,967	
9500	93.241	State Rural Hospital Flexibility Program			
		H54RH00022	9/1/2008 - 8/31/2009	$244,002	0 %
		H54RH00022	9/1/2009 - 8/31/2010	$130,345	0 %
			CFDA Total:	$374,347	
9500	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
		5U79SP011217-05	9/30/2008 - 9/29/2010	$3,179,027	0 %
		HR1SM058105	9/30/2007 - 9/29/2011	$132,113	100 %
			CFDA Total:	$3,311,140	
9500	93.251	Universal Newborn Hearing Screening			
		H61MC00034	4/1/2010 - 3/31/2011	$103,229	0 %
		H61MC00034	4/1/2011 - 3/31/2012	$45,222	0 %
			CFDA Total:	$148,451	
9500	93.262	Occupational Safety And Health Program			
		OH009853	7/1/2010 - 6/30/2011	$104,191	0 %
			CFDA Total:	$104,191	
9500	**93.268**	**Immunization Grants (Note 3, 8)**			
		CCH122555	**7/6/2009 - 6/30/2010**	**$8,610,806**	**100 %**
		CCH122555	**1/1/2010 - 12/31/2010**	**$836,065**	**0 %**
		CCH122555	**1/1/2011 - 12/31/2011**	**$834,824**	**0 %**
			CFDA Total:	**$10,281,695**	
9500	93.270	Adult Viral Hepatitis Prevention And Control			
		UPS000887A	11/1/2010 - 10/31/2011	$49,911	0 %
			CFDA Total:	$49,911	
9500	93.275	Substance Abuse And Mental Health Services - Access To Recovery			
		1H79T102311701	9/30/2010 - 9/29/2014	$127,084	0 %
			CFDA Total:	$127,084	
9500	93.283	Centers For Disease Control And Prevention - Investigations And Technical Assistance			
		CI000498	1/1/2009 - 12/31/2011	$655,647	0 %
		DP000798	6/30/2009 - 6/29/2010	$144,059	0 %
		DP000798	6/30/2010 - 6/29/2011	$2,347,629	0 %
		DP001471	6/30/2010 - 6/29/2011	$447,617	0 %
		DP001979	3/29/2010 - 3/28/2011	$1,405,825	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		DP001979	3/29/2011 - 3/28/2012	$163,547	0 %
		EH000174	8/2/2009 - 8/1/2010	$51,846	0 %
		EH000174	8/2/2010 - 8/1/2011	$467,194	0 %
		UDD000426	7/1/2009 - 6/30/2010	$33,917	0 %
		UDD000426	7/1/2010 - 6/30/2011	$100,912	0 %
		UPS000887A	11/1/2008 - 10/31/2009	$48,788	0 %
			CFDA Total:	$5,866,981	
9500	93.301	Small Rural Hospital Improvement Grant Program			
		H3HRH00028	9/1/2009 - 8/31/2010	$34	0 %
		H3HRH00028	9/1/2010 - 8/31/2011	$108,074	0 %
			CFDA Total:	$108,108	
9500	93.448	Food Safety And Security Monitoring Project			
		FD003164	7/1/2009 - 8/31/2010	$34,249	0 %
		FD003164	9/1/2010 - 6/30/2011	$323,172	0 %
			CFDA Total:	$357,421	
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program			
		MC19420	7/15/2010 - 9/30/2012	$115,681	0 %
			CFDA Total:	$115,681	
9500	93.518	Affordable Care Act - Medicare Improvements For Patients And Providers			
		10AANHMAAA	9/30/2010 - 9/29/2012	$19,282	0 %
		10AANHMADR	9/30/2010 - 9/29/2012	$21,872	0 %
			CFDA Total:	$41,154	
2400	93.525	State Planning And Establishment Grants For The Affordable Care Act (ACA)s Exchanges			
		HBEIE100025-01-00	7/29/2010 - 9/1/2010	$919	100 %
			CFDA Total:	$919	
9500	93.556	Promoting Safe And Stable Families			
		0901NHFPSS	10/1/2008 - 9/30/2010	$139,217	0 %
		1001NHFPSS	10/1/2009 - 9/30/2011	$435,788	0 %
		1101NHFPSS	10/1/2010 - 9/30/2012	$54,411	0 %
			CFDA Total:	$629,416	
9500	**93.558**	**Temporary Assistance For Needy Families (TANF) (Note 8)**			
		0901NHTANF	**10/1/2008 - 9/30/2010**	**$1,901,749**	**0 %**
		1001NHTANF	**10/1/2009 - 9/30/2010**	**$5,062,914**	**0 %**
		1001NHTANF	**10/1/2009 - 9/30/2011**	**$5,705,246**	**0 %**
		1101NHTANF	**10/1/2010 - 9/30/2011**	**$17,362,567**	**0 %**
			CFDA Total:	**$30,032,476**	
2700	**93.563**	**Child Support Enforcement**			
9500		**0904NH4004**	**10/1/2008 - 9/30/2009**	**$2,247,182**	**0 %**
9500		**0904NH4004**	**10/1/2008 - 9/30/2010**	**$39**	**0 %**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500		**1004NH4004**	**10/1/2008 - 9/30/2009**	**$6,744,977**	**0 %**
9500		**1004NH4004**	**10/1/2009 - 9/30/2010**	**$48,564**	**0 %**
9500		**1004NH4004**	**10/1/2009 - 9/30/2011**	**$117**	**0 %**
9500		**1104NH4004**	**10/1/2010 - 9/30/2011**	**$145,693**	**0 %**
9500	**ARRA**	**ARRA 1004NH4002**	**10/1/2008 - 9/30/2009**	**$2,472,621**	**0 %**
		NONE	**7/1/2009 - 6/30/2010**	**$973**	**0 %**
		NONE	**7/1/2010 - 6/30/2011**	**$2,838**	**0 %**
			CFDA Total:	**$11,663,004**	
0240	93.566	Refugee And Entrant Assistance - State Administered Programs			
9500		1001NHCMAR	10/1/2009 - 9/30/2010	$104,091	0 %
9500		10AANH1110	10/1/2009 - 9/30/2011	$63,206	0 %
9500		1101NHCMAR	10/1/2010 - 9/30/2011	$312,272	0 %
9500		1101NHRRSS	10/1/2010 - 9/30/2012	$189,617	0 %
9500		910RX015905	7/1/2006 - 6/30/2011	$70,549	0 %
		G-09AANH1100	10/1/2008 - 9/30/2010	$97	0 %
		G-09AANH1110	10/1/2008 - 9/30/2009	$85,943	100 %
		G-10AANH1100	10/1/2009 - 9/30/2010	$97,137	66 %
		G-10AANH1110	10/1/2009 - 9/30/2010	$24,802	100 %
			CFDA Total:	$947,714	
0240	**93.568**	**Low-Income Home Energy Assistance**			
		G-08B1NHLIEA	**10/1/2007 - 9/30/2009**	**$11,225**	**100 %**
		G-09B1NHLIEA	**10/1/2008 - 9/30/2010**	**$1,321,947**	**99 %**
		G-10B1NHLIEA	**10/1/2009 - 9/30/2011**	**$2,113,840**	**100 %**
		G-11B1NHLIEA	**10/1/2010 - 9/30/2012**	**$29,301,917**	**100 %**
			CFDA Total:	**$32,748,929**	
9500	93.569	Community Services Block Grant (Note 8)			
		10B1NHCOSR	10/1/2009 - 9/30/2010	$925,548	0 %
		10B1NHCOSR	10/1/2009 - 9/30/2011	$11	0 %
		11B1NHCOSR	10/1/2010 - 9/30/2011	$2,776,645	0 %
		11B1NHCOSR	10/1/2010 - 9/30/2012	$33	0 %
			CFDA Total:	$3,702,237	
0240	93.576	Refugee And Entrant Assistance - Discretionary Grants			
		90RX0159/04	7/1/2009 - 6/30/2010	$4,610	100 %
		90ZE0090/05	8/15/2009 - 8/14/2010	$86,710	100 %
9500		90ZE012501	8/15/2010 - 8/14/2012	$73,915	0 %
			CFDA Total:	$165,235	
0240	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants			
		0901NHRRTA	10/1/2009 - 9/30/2011	$43,966	100 %
9500		1001NHRRTA	10/1/2009 - 9/30/2011	$84,345	0 %
			CFDA Total:	$128,311	
1000	93.586	State Court Improvement Program			
		2008G991512	10/1/2008 - 9/30/2010	$7,078	0 %
		2008G991513	10/1/2008 - 9/30/2010	$17,970	0 %
		2008G996437	10/1/2008 - 9/30/2010	$25,730	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2009G991512	10/1/2009 - 9/30/2011	$55,204	0 %
		2009G991513	10/1/2009 - 9/30/2011	$24,528	0 %
		2009G996437	10/1/2009 - 9/30/2011	$68,592	0 %
		2010G991512	10/1/2009 - 9/30/2011	$21,021	0 %
		2010G991513	10/1/2009 - 9/30/2011	$64,737	0 %
		2010G996437	10/1/2009 - 9/30/2011	$42,344	0 %
			CFDA Total:	$327,204	
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 8)**			
		0901NHCCDF	**10/1/2008 - 9/30/2010**	**$1,986,175**	**0 %**
		1001NHCCDF	**10/1/2009 - 9/30/2010**	**$712,260**	**0 %**
		1001NHCCDF	**10/1/2009 - 9/30/2011**	**$6,130,796**	**0 %**
		1101NHCCDF	**10/1/2010 - 9/30/2011**	**$1,111,300**	**0 %**
			CFDA Total:	**$9,940,531**	
9500	93.597	Grants To States For Access And Visitation Programs			
		1001NHSAVP	10/1/2009 - 9/30/2011	$27,924	0 %
		1101NHSAVP	10/1/2010 - 9/30/2012	$83,772	0 %
			CFDA Total:	$111,696	
9500	93.599	Chafee Education And Training Vouchers Program (ETV)			
		0901NHCETV	10/1/2008 - 9/30/2010	$24,632	0 %
		1001NHCETV	10/1/2009 - 9/30/2011	$73,897	0 %
			CFDA Total:	$98,529	
9500	93.600	Head Start (Note 8)			
		01CD000018/05	7/1/2006 - 6/30/2011	$127,578	0 %
			CFDA Total:	$127,578	
9500	93.603	Adoption Incentive Payments			
		0901NHAIPP	10/1/2008 - 9/30/2010	$5,473	0 %
		1001NHAIPP	10/1/2009 - 9/30/2011	$16,418	0 %
			CFDA Total:	$21,891	
3200	93.617	Voting Access For Individuals With Disabilities-Grants To States			
		HAVA Title I, 261	7/1/2010 - 6/30/2011	$894	0 %
			CFDA Total:	$894	
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants			
		G994902	10/1/2010 - 9/30/2011	$470,012	0 %
			CFDA Total:	$470,012	
2000	93.643	Children's Justice Grants To States			
		G0801NHCJA1	10/1/2008 - 9/30/2010	$981	0 %
		G0801NHCJA1	10/30/2008 - 9/1/2010	$7,000	10 %
		G0901NHCJA1	10/1/2008 - 9/30/2012	$41,973	0 %
		G0901NHCJA1	10/1/2008 - 9/30/2012	$48,427	10 %

(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 6/30/2011
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$98,381	
9500	93.645	Child Welfare Services - State Grants			
		0901NH1400	10/1/2008 - 9/30/2010	$192,853	0 %
		1001NH1400	10/1/2009 - 9/30/2011	$590,939	0 %
		1101NH1400	10/1/2010 - 9/30/2012	$37,140	0 %
			CFDA Total:	$820,932	
9500	**93.658**	**Foster Care - Title IV-E**			
		0901NH1401	**10/1/2008 - 9/30/2009**	**$761,282**	**0 %**
		0901NH1401	**10/1/2008 - 9/30/2010**	**$2,912,097**	**0 %**
		1001NH1401	**10/1/2009 - 9/30/2010**	**$3,061,797**	**0 %**
		1001NH1401	**10/1/2009 - 9/30/2011**	**$8,478,341**	**0 %**
		1101NH1401	**10/1/2010 - 9/30/2011**	**$2,326,577**	**0 %**
	ARRA	**ARRA'0901NH1404**	**10/1/2010 - 12/31/2010**	**$193,463**	**0 %**
	ARRA	**ARRA0901NH1402**	**10/1/2009 - 12/31/2010**	**$64,488**	**0 %**
			CFDA Total:	**$17,798,045**	
9500	93.659	Adoption Assistance			
		0901NH1407	10/1/2008 - 9/30/2009	$239,207	0 %
		0901NH1407	10/1/2008 - 9/30/2010	$966,592	0 %
		1001NH1407	10/1/2009 - 9/30/2010	$790,217	0 %
		1001NH1407	10/1/2009 - 9/30/2011	$2,899,775	0 %
		1101NH1407	10/1/2010 - 9/30/2011	$217,458	0 %
	ARRA	ARRA0901NH1403	10/1/2009 - 12/31/2010	$117,134	0 %
	ARRA	ARRA0901NH1405	10/1/2010 - 12/31/2010	$214,714	0 %
			CFDA Total:	$5,445,097	
9500	93.667	Social Services Block Grant			
		0901NHSOSR	10/1/2008 - 9/30/2010	$896,715	0 %
		1001NHSOSR	10/1/2009 - 9/30/2011	$377,121	0 %
		1001NHSOSR	10/1/2010 - 9/30/2012	$4,738,959	0 %
		G-1001NHSOSR	10/1/2009 - 9/30/2010	$30,662	0 %
		G-1101NHSOSR	10/1/2010 - 9/30/2011	$91,986	0 %
			CFDA Total:	$6,135,443	
9500	93.669	Child Abuse And Neglect State Grants			
		0801NHCA01	10/1/2007 - 9/30/2012	$55,259	0 %
		0901NHCA01	10/1/2008 - 9/30/2013	$165,777	0 %
			CFDA Total:	$221,036	
9500	93.671	Family Violence Prevention And Services / Grants For Battered Women's Shelters - Grants To States And Indian Tribes			
		0901NHFVPS	10/1/2008 - 9/30/2010	$200,002	0 %
		1001NHFVPS	10/1/2009 - 9/30/2011	$600,007	0 %
			CFDA Total:	$800,009	
9500	93.674	Chafee Foster Care Independent Program			
		0901NH1420	10/1/2008 - 9/30/2010	$84,147	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		1001NH1420	10/1/2009 - 9/30/2011	$252,441	0 %
			CFDA Total:	$336,588	
9500	93.707	Aging Congregate Nutrition Services For States (Note 8)			
	ARRA	ARRA 09AANHC1RR	3/17/2009 - 9/30/2010	$63,492	0 %
			CFDA Total:	$63,492	
9500	93.708	ARRA - Head Start (Note 8)			
	ARRA	ARRA 90SC0022/01	9/1/2010 - 8/31/2013	$664,277	0 %
			CFDA Total:	$664,277	
9500	93.710	ARRA - Community Services Block Grant (Note 8)			
	ARRA	ARRAG-0901NHCOS2	10/1/2008 - 9/30/2010	$2,440,505	0 %
			CFDA Total:	$2,440,505	
9500	**93.712**	**ARRA - Immunization (Note 8)**			
	ARRA	**ARRA 122555SF**	**9/1/2009 - 12/31/2011**	**$404,836**	**0 %**
	ARRA	**ARRA 122555SF**	**9/1/2009 - 12/31/2011**	**$9,555**	**100 %**
			CFDA Total:	**$414,391**	
9500	**93.713**	**ARRA - Child Care Development Block Grant (Note 8)**			
	ARRA	**ARRAG0901NHCCD7**	**10/1/2009 - 12/31/2010**	**$1,269,082**	**0 %**
			CFDA Total:	**$1,269,082**	
9500	**93.714**	**ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) State Programs (Note 8)**			
	ARRA	**ARRA 0901NHTAN2**	**10/1/2008 - 9/30/2009**	**$1,365,989**	**0 %**
	ARRA	**ARRA1001NHTAN2**	**10/1/2009 - 9/30/2010**	**$4,097,968**	**0 %**
			CFDA Total:	**$5,463,957**	
9500	93.717	ARRA - Preventing Healthcare - Associated Infections			
	ARRA	ARRA 000498AR	9/1/2009 - 12/31/2011	$231,367	0 %
			CFDA Total:	$231,367	
9500	93.719	ARRA - State Grants to Promote Health Information Technology			
	ARRA	ARRA 90HT001301	2/8/2010 - 2/7/2014	$750,704	0 %
			CFDA Total:	$750,704	
9500	**93.720**	**ARRA - Survey And Certification Ambulatory Surgical Center Healthcare - Associated Infection (ASC-HAI) Prevention Initiative (Note 8)**			
	ARRA	**ARRA1005NH5ASC**	**10/1/2009 - 9/30/2010**	**$26,825**	**0 %**
			CFDA Total:	**$26,825**	
9500	93.723	ARRA - Prevention And Wellness - State, Territories And Pacific Islands			
	ARRA	ARRA 001979	2/4/2010 - 2/3/2012	$189,814	0 %
	ARRA	ARRA 001979OS	2/4/2010 - 2/3/2012	$198,759	0 %

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$388,573	
9500	93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program			
	ARRA	ARRA 90RA0019	3/31/2010 - 3/30/2012	$73,503	0 %
			CFDA Total:	$73,503	
9500	**93.767**	**Children`s Health Insurance Program**			
		0805NH5021	**10/1/2007 - 9/30/2010**	**$3,377,070**	**0 %**
		0805NH5021	**10/1/2008 - 9/30/2011**	**$33**	**0 %**
		0905NH5021	**10/1/2008 - 9/30/2011**	**$10,130,794**	**0 %**
		1005NH5021	**10/1/2007 - 9/30/2010**	**$57,299**	**0 %**
		1005NH5021	**10/1/2008 - 9/30/2011**	**$98**	**0 %**
		1105NH5021	**10/1/2008 - 9/30/2011**	**$171,898**	**0 %**
			CFDA Total:	**$13,737,192**	
9500	93.768	Medicaid Infrastructure Grants To Support The Competitive Employment Of People With Disabilities			
		1QACMS300123	1/1/2007 - 12/31/2010	$1,992,579	95 %
		1QACMS300123	1/1/2011 - 12/31/2011	$449,925	86 %
			CFDA Total:	$2,442,504	
2000	**93.775**	**State Medicaid Fraud Control Units (Note 8)**			
		1101NH5050	**10/1/2010 - 9/30/2011**	**$415,720**	**100 %**
			CFDA Total:	**$415,720**	
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 8)**			
		1005NH5000	**10/1/2009 - 9/30/2010**	**$353,628**	**0 %**
		1005NH5001	**10/1/2009 - 9/30/2010**	**$194,573**	**0 %**
		1005NH5002	**10/1/2009 - 9/30/2010**	**$24,849**	**0 %**
		1105NH5000	**10/1/2010 - 9/30/2011**	**$1,060,884**	**0 %**
		1105NH5001	**10/1/2010 - 9/30/2011**	**$581,625**	**0 %**
		1105NH5002	**10/1/2010 - 9/30/2011**	**$74,547**	**0 %**
			CFDA Total:	**$2,290,106**	
9500	**93.778**	**Medical Assistance Program (Note 8)**			
		05NH5048	**10/1/2009 - 9/30/2010**	**$49,202**	**0 %**
		05NH5048	**10/1/2010 - 9/30/2011**	**$110,509**	**0 %**
		0805NH5028	**10/1/2008 - 9/30/2010**	**$2,723,415**	**0 %**
		0905NH5028	**10/1/2009 - 9/30/2011**	**$8,170,245**	**0 %**
		0905NH5ADM	**10/1/2008 - 9/30/2009**	**$7,084,299**	**0 %**
		0905NH5MAP	**10/1/2008 - 9/30/2009**	**$79,571,418**	**0 %**
		1005NH5028	**10/1/2009 - 9/30/2010**	**$39,863,130**	**0 %**
		1005NH5048	**10/1/2009 - 9/30/2010**	**$187,625,158**	**0 %**
		1005NH5048	**10/1/2009 - 9/30/2010**	**$4,319**	**100 %**
		1005NH5ADM	**10/1/2009 - 9/30/2010**	**$21,070,010**	**0 %**
		1005NH5MAP	**10/1/2009 - 9/30/2010**	**$239,839,105**	**0 %**
		1105NH5028	**10/1/2010 - 9/30/2011**	**$142,166,671**	**0 %**
		1105NH5048	**10/1/2010 - 9/30/2011**	**$2,480,271**	**0 %**

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		1105NH5048	**10/1/2010 - 9/30/2011**	**$124,587**	**100 %**
		1105NH5MAP	**10/1/2010 - 9/30/2011**	**$3,374,557**	**0 %**
	ARRA	**ARRA 0905NH5ADM**	**10/1/2008 - 9/30/2009**	**$45,722**	**0 %**
	ARRA	**ARRA05-0905NH**	**10/1/2008 - 9/30/2009**	**$7,649,748**	**0 %**
	ARRA	**ARRA05-1005NH**	**10/1/2009 - 9/30/2010**	**$77,145,004**	**0 %**
	ARRA	**ARRA1005NH5028**	**10/1/2009 - 9/30/2010**	**$10,113,381**	**0 %**
	ARRA	**ARRA1005NH5ADM**	**10/1/2009 - 9/30/2010**	**$137,166**	**0 %**
	ARRA	**ARRA1005NHARRA**	**10/1/2009 - 12/31/2011**	**$2,508,878**	**0 %**
	ARRA	**ARRA1105NH5028**	**10/1/2010 - 9/30/2011**	**$24,620,859**	**0 %**
		1105NHH5048	**10/1/2010 - 9/30/2011**	**$16,396,205**	**0 %**
			CFDA Total:	**$872,873,859**	
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations			
		1LQCMS300010	9/30/2005 - 9/29/2010	$372,297	0 %
		1N0CMS020220	9/28/1991 - 3/31/2012	$355,731	0 %
		1X0CMS330779	9/30/2010 - 9/29/2012	$40,848	0 %
		1Y0CMS030360/01	6/1/2009 - 5/31/2011	$12,363	0 %
		IX0CMS030408/01	6/1/2009 - 5/31/2011	$47,813	0 %
			CFDA Total:	$829,052	
9500	93.791	Money Follows The Person Rebalancing Demonstration			
		1LICMS300148	10/1/2007 - 6/30/2016	$445,250	0 %
		1LICMS300148/01	1/1/2007 - 9/30/2011	$12,195	0 %
			CFDA Total:	$457,445	
9500	93.889	National Bioterrorism Hospital Preparedness Program			
		01NHPIHP	7/31/2009 - 7/30/2010	$97,220	0 %
		03NHBTHP	8/9/2010 - 6/30/2011	$2,140,943	0 %
			CFDA Total:	$2,238,163	
9500	93.913	Grants To States For Operation Of Offices Of Rural Health			
		H95RH00149	7/1/2010 - 6/30/2011	$102,115	0 %
			CFDA Total:	$102,115	
9500	93.917	HIV Care Formula Grants			
		HAX070003	4/1/2010 - 3/31/2011	$1,466,101	0 %
			CFDA Total:	$1,466,101	
5600	93.938	Cooperative Agreements To Support Comprehensive School Health Programs To Prevent The Spread Of HIV And Other Important Health Problems			
		5U87DP001217-02 950 3271	1/1/2009 - 2/28/2010	$(1,081)	0 %
		5U87DP001217-03 050 3271	3/1/2010 - 2/28/2011	$188,600	32 %
		5U87DP001217-04 150 3271	3/1/2011 - 2/28/2012	$43,456	6 %
			CFDA Total:	$230,975	
9500	93.940	HIV Prevention Activities - Health Department Based			
		CCU123494	1/1/2010 - 12/31/2010	$894,711	0 %
		UPS123494	1/1/2011 - 12/31/2011	$587,651	0 %

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$1,482,362	
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			
		UPS001029A	1/1/2010 - 12/31/2010	$83,600	0 %
		UPS001029A	1/1/2011 - 12/31/2011	$19,085	0 %
			CFDA Total:	$102,685	
9500	93.958	Block Grants For Community Mental Health Services			
		3B09SM010035-09	10/1/2008 - 9/30/2010	$13,536	90 %
		3B09SM010035-10	10/1/2009 - 9/30/2011	$1,388,817	198 %
		3B09SM010035-11	10/1/2010 - 9/30/2012	$61,832	0 %
		None	10/1/2006 - 9/30/2009	$9	0 %
			CFDA Total:	$1,464,194	
9500	93.959	Block Grants For Prevention And Treatment Of Substance Abuse			
		10B1NHSAPT	10/1/2009 - 9/30/2011	$1,454,914	0 %
		11B1NHSAPT	10/1/2010 - 9/30/2012	$4,364,743	0 %
			CFDA Total:	$5,819,657	
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants			
		HPS001345	1/1/2010 - 12/31/2010	$113,344	0 %
		HPS001345	1/1/2011 - 12/31/2011	$146,471	0 %
			CFDA Total:	$259,815	
9500	93.991	Preventive Health And Health Services Block Grant			
		B1NHPRVS	10/1/2008 - 10/30/2010	$318,277	0 %
		B1NHPRVS	10/1/2009 - 10/30/2011	$860,221	0 %
			CFDA Total:	$1,178,498	
9500	93.994	Maternal And Child Health Services Block Grant To The States			
		B1NHMCHS	10/1/2009 - 9/30/2011	$358,890	0 %
		B1NHMCHS	10/1/2009 - 9/30/2011	$300,205	53 %
		B1NHMCHS	10/1/2010 - 9/30/2012	$718,050	0 %
		B1NHMCHS	10/1/2010 - 9/30/2012	$723,197	53 %
			CFDA Total:	$2,100,342	
			Department of Health and Human Services Total:	**$1,084,984,929**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
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 4112	9/30/2009 - 9/29/2011	$21,066	79 %
		06KSANH001 155 4112	9/30/2010 - 9/29/2012	$28,392	90 %
			CFDA Total:	$49,458	
		Corporation for National and Community Service Total:		**$49,458**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
Social Security Administration

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	96.001	Social Security - Disability Insurance			
		04-0904NHD100 996 4040	10/1/2008 - 9/30/2009	$3,993	99 %
		04-1004NHD100 096 4040	10/1/2009 - 9/30/2010	$2,265,994	30 %
		04-1104NHD100 196 4040	10/1/2010 - 9/30/2011	$4,242,785	22 %
			CFDA Total:	$6,512,772	
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries			
		010-056-4050	1/1/1995 - 12/1/2009	$1,563,078	0 %
			CFDA Total:	$1,563,078	
			Social Security Administration Total:	**$8,075,850**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2011
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	9/1/2008 - 8/31/2010	$569	97 %
		2009IPT00042	6/1/2009 - 11/30/2011	$12,133	87 %
			CFDA Total:	$12,702	
2300	97.004	Homeland Security Grant Program			
		2007GET70053	7/1/2007 - 12/31/2010	$1,854,079	85 %
		2007GET70053	7/1/2007 - 12/31/2011	$67,684	0 %
		2007GET70053	7/1/2007 - 12/31/2011	$436,813	6 %
		2008GET80043	9/1/2008 - 8/31/2011	$394,392	70 %
		2008GET80043	9/1/2008 - 2/28/2012	$84,140	0 %
		2008GET80043	9/1/2008 - 2/28/2012	$20,316	7 %
		2009SST90078	8/1/2009 - 7/31/2012	$159,940	67 %
		2009SST90078	8/1/2009 - 7/31/2012	$673,102	98 %
		2010SST00069	8/1/2010 - 7/31/2013	$86,324	92 %
			CFDA Total:	$3,776,790	
2300	97.012	Boating Safety Financial Assistance			
		18.01.33	7/1/2010 - 6/30/2011	$1,278,474	0 %
			CFDA Total:	$1,278,474	
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)			
		EMB-2010-GR-0904	10/1/2009 - 9/30/2010	$23,768	0 %
		EMB-2011-GR-0923	10/1/2010 - 9/30/2011	$69,259	0 %
			CFDA Total:	$93,027	
2300	97.029	Flood Mitigation Assistance			
		EMB-2008-FM-E003	5/1/2009 - 12/15/2010	$12,307	100 %
		EMB2008FME003	8/15/2008 - 12/15/2011	$75,243	0 %
		EMB2009FME003	9/23/2009 - 9/15/2012	$896,143	100 %
			CFDA Total:	$983,693	
2300	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
		DRNH 1892 PA	4/26/2010 - 6/26/2012	$4,040,084	100 %
		DRNH 1913 PA	5/12/2010 - 6/30/2014	$1,215,735	100 %
		DRNH1643PA	5/31/2006 - 5/31/2010	$308,723	98 %
		DRNH1695PA	4/27/2007 - 4/27/2011	$211,906	96 %
		DRNH1787PA	10/7/2008 - 10/7/2012	$270,440	100 %
		DRNH1799PA	11/19/2008 - 10/3/2012	$57,506	100 %
		DRNH1812PA	1/2/2009 - 1/2/2013	$24,418	100 %
			CFDA Total:	$6,128,812	
2300	97.039	Hazard Mitigation Grant			
		DRNH 1782 HM	6/30/2009 - 12/31/2012	$20,335	100 %
		DRNH 1812 HM	1/2/2009 - 12/31/2012	$40,370	100 %
		DRNH1610HM	9/13/2006 - 12/31/2011	$75,611	94 %
		DRNH1643HM	8/16/2007 - 7/31/2012	$279,130	96 %
		DRNH1695HM	8/26/2008 - 12/31/2012	$753,745	91 %

(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 6/30/2011
Department of Homeland Security

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$1,169,191	
2300	97.042	Emergency Management Performance Grants			
		2008EME80025	10/1/2007 - 9/30/2011	$120,880	0 %
		2008EME80025	10/1/2007 - 9/30/2011	$1,978	100 %
		2009EPE90044	10/1/2008 - 9/30/2012	$691,365	100 %
		2010EPE00052	10/1/2009 - 9/30/2012	$245,506	0 %
		2010EPE00052	10/1/2009 - 9/30/2012	$90,277	100 %
		EMW-2011-EP-00023-S01	10/1/2010 - 9/30/2012	$809,488	0 %
			CFDA Total:	$1,959,494	
2300	97.043	State Fire Training Systems Grants			
		2009RB630028	9/15/2009 - 9/14/2010	$608	0 %
			CFDA Total:	$608	
2300	97.047	Pre-Disaster Mitigation			
		EMB2007PC0006	9/7/2007 - 9/30/2010	$21,999	93 %
		EMB2008PC0003	9/8/2008 - 9/30/2011	$2,647	0 %
		EMB2009PC0006	7/24/2009 - 7/10/2012	$43,247	100 %
			CFDA Total:	$67,893	
0240	97.070	Map Modernization Management Support			
		EMB-2009-CA-0898	9/16/2009 - 3/15/2011	$56,035	62 %
		EMB-2010-CA-0913	9/21/2010 - 9/20/2011	$4,767	0 %
			CFDA Total:	$60,802	
2300	97.078	Buffer Zone Protection Program (BZPP)			
		2009BFT90043	5/27/2009 - 3/31/2012	$69,503	100 %
			CFDA Total:	$69,503	
			Department of Homeland Security Total:	**$15,600,989**	
			Grand Total of All Federal Assistance:	**$2,270,936,359**	

The accompanying notes are an integral part of this schedule.

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STATE OF NEW HAMPSHIRE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, 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 $6,812,809 in federal expenditures, distributions, or issuances for the year ended June 30, 2011. 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 2011. 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 $161,888,157 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, 2011.

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 16.55 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

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:

CFDA #	Federal Program	Amount
10.550	Food Donation	$ 3,940,864
10.558	Child and Adult Care Food Program	3,848,217
10.565	Commodity Supplemental Food Program	2,120,830
10.569	Emergency Food Assistance Program (Food Commodities)	1,242,843
	Total	$ 11,152,754

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 $50,365 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 $8,610,806 included on the Schedule for CFDA 93.268 Immunization Grants, represent the federal value assigned to the vaccines distributed.

NOTE 4 - FEDERAL STUDENT LOAN PROGRAMS

The total expenditures shown for the Federal Direct Student Loans (CFDA No. 84.268) and the Federal Perkins Loan Program (CFDA No. 84.038) represent the total amount of loans made to students during State fiscal year 2011. Total loans outstanding as of June 30, 2011 for the Perkins Loan Program equaled $1,380,242. Administrative costs for the Perkins Loan Program were not material in 2011. During State fiscal year 2011, the Community College System of New Hampshire processed the following amounts of new loans under the Federal Direct Student Loans (FDSL) program. The total loans outstanding under the FDSL are not readily available.

Federal Direct Student Loans Subsidized	$ 23,640,860
Federal Direct Student Loans Unsubsidized	26,244,467
Parents' Loan for Undergraduate Students	1,079,174
Total	$ 50,964,501

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	$ 144,996,558
Unemployment Insurance - Administrative Grant	22,506,531
Unemployment Insurance - Administrative Grant (ARRA)	413,576
Unemployment Compensation for Ex-servicemen	1,505,877
Unemployment Compensation for Federal Employees	1,019,456
EUC08 (Non-ARRA)	62,782,764
EUC08 (ARRA)	35,097,568
FAC (Non-ARRA)	6,368,828
FAC (ARRA)	2,525,948
Trade Act	523,912
Extended Benefits (Non-ARRA)	5,673,161
Extended Benefits (ARRA)	5,673,161
ATAA	226,461
Total	$ 289,313,801

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 $11,596,803 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. For these programs (CFDA # 39.011 & 90.401) as of June 30, 2011, the State had expended a cumulative total of $7,354,207 of the $16,596,803 Election Reform payments received, leaving a remaining balance of $9,242,596.

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 schedule 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 schedule 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.

CFDA #	Program Title	Expenditures
Supplemental Nutrition Assistance Program (SNAP) Cluster		
10.551	Supplemental Nutrition Assistance Program	$ 161,888,157
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	8,775,599
	SNAP Cluster Total	$ 170,663,756
Child Nutrition Cluster		
10.553	School Breakfast Program	$ 4,441,299
10.555	National School Lunch Program	20,860,672
10.556	Special Milk Program for Children	181,181
10.559	Summer Food Service Program for Children	705,822
	Child Nutrition Cluster Total	$ 26,188,974
Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	$ 288,057
10.569	Emergency Food Assistance Program (Food Commodities)	1,242,843
	Emergency Food Assistance Cluster Total	$ 1,530,900
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	$ 3,039,451
15.611	Wildlife Restoration and Basic Hunter Education	1,871,260
	Fish and Wildlife Cluster Total	$ 4,910,711

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

CFDA#	PROGRAM TITLE	EXPENDITURES
Employment Services Cluster		
17.207	Employment Service/Wagner – Peyser Funded Activities	$ 4,115,595
17.801	Disabled Veterans' Outreach Program (DVOP)	304,075
17.804	Local Veterans' Employment Representative Program	425,275
	Employment Services Cluster Total	$ 4,844,945
Workforce Investment Act (WIA) Cluster		
17.258	WIA Adult Program	$ 2,111,050
17.259	WIA Youth Activities	2,795,829
17.260	WIA Dislocated Workers	3,492,072
17.278	WIA Dislocated Worker Formula Grants	1,692,344
	WIA Cluster Total	$ 10,091,295
Highway Planning and Construction Cluster		
20.205	Highway Planning And Construction	$ 190,071,219
20.219	Recreational Trails Program	1,015,602
	Highway Planning and Construction Cluster Total	$ 191,086,821
Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants	$ 1,303,823
20.507	Federal Transit – Formula Grants	2,200,628
	Federal Transit Cluster Total	$ 3,504,451
Transit Services Programs Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	$ 337,629
20.516	Job Access – Reverse Commute	212,370
20.521	New Freedom Program	273,458
	Transit Services Programs Cluster Total	$ 823,457

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Highway Safety Cluster		
20.600	State and Community Highway Safety	$ 1,695,902
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	485,452
20.610	State Traffic Safety Information System Improvement Grants	402,180
20.612	Incentive Grant Program to Increase Motorcyclist Safety	71,492
	Highway Safety Cluster Total	$ 2,655,026
Student Financial Aid Cluster		
84.007	Federal Supplemental Educational Opportunity Grants	$ 195,152
84.033	Federal Work-Study Program	253,642
84.038	Federal Perkins Loan Program – Federal Capital Contributions	231,874
84.063	Federal Pell Grant Program	18,526,944
84.268	Federal Direct Student Loans	50,964,501
84.375	Academic Competitiveness Grants	229,432
	Student Financial Aid Cluster Total	$ 70,401,545
Title I, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	$ 35,363,370
84.389	Title I Grants to Local Educational Agencies, Recovery Act	13,668,341
	Title I, Part A Cluster Total	$ 49,031,711
Special Education Cluster		
84.027	Special Education-Grants to States	$ 39,411,160
84.173	Special Education-Preschool Grants	1,183,821
84.391	Special Education-Grants to States, Recovery Act	22,015,554
84.392	Special Education-Preschool Grants, Recovery Act	581,381
	Special Education Cluster Total	$ 63,191,916

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Vocational Rehabilitation Cluster		
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	$ 11,755,938
84.390	Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	802,953
	Vocational Rehabilitation Cluster Total	$ 12,558,891
Independent Living State Grants Cluster		
84.169	Independent Living – State Grants	$ 314,218
84.398	Independent Living – State Grants, Recovery Act	151,737
	Independent Living State Grants Cluster Total	$ 465,955
Independent Living Services for Older Individuals Who Are Blind Cluster		
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who Are Blind	$ 207,998
84.399	Independent Living Services for Older Individuals Who Are Blind, Recovery Act	38,589
	Independent Living Services for Older Individuals Who Are Blind Cluster Total	$ 246,587
Early Intervention Services (IDEA) Cluster		
84.181	Special Education - Grants for Infants and Families	$ 2,038,986
84.393	Special Education - Grants for Infants and Families, Recovery Act	696,592
	Early Intervention Services (IDEA) Cluster Total	$ 2,735,578
Education of Homeless Children and Youth Cluster		
84.196	Education for Homeless Children and Youth	$ 149,301
84.387	Education for Homeless Children and Youth, Recovery Act	68,025
	Education of Homeless Children and Youth Cluster Total	$ 217,326
Educational Technology State Grants Cluster		
84.318	Education Technology State Grants	$ 670,626
84.386	Education Technology State Grants, Recovery Act	1,711,234
	Educational Technology State Grants Cluster Total	$ 2,381,860

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
School Improvement Grants Cluster		
84.377	School Improvement Grants	$ 640,937
84.388	School Improvement Grants, Recovery Act	1,079,456
	School Improvement Grants Cluster Total	$ 1,720,393
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 1,509,944
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,595,034
93.053	Nutrition Services Incentive Program	1,172,760
93.707	Aging Congregate Nutrition Services for States	63,492
	Aging Cluster Total	$ 5,341,230
Immunization Cluster		
93.268	Immunization Grants	$ 10,281,695
93.712	ARRA – Immunization	414,391
	Immunization Cluster Total	$ 10,696,086
Temporary Assistance for Needy Families (TANF) Cluster		
93.558	Temporary Assistance for Needy Families (TANF)	$ 30,032,476
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	5,463,957
	TANF Cluster Total	$ 35,496,433
Community Services Block Grants (CSBG) Cluster		
93.569	Community Services Block Grant	$ 3,702,237
93.710	ARRA – Community Services Block Grant	2,440,505
	CSBG Cluster Total	$ 6,142,742
Child Care and Development Fund (CCDF) Cluster		
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	$ 9,940,531
93.713	ARRA – Child Care and Development Block Grant	1,269,082
	CCDF Cluster Total	$ 11,209,613

NOTE 8 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Head Start Cluster		
93.600	Head Start	$ 127,578
93.708	ARRA Head Start	664,277
	Head Start Cluster Total	$ 791,855
Medicaid Cluster		
93.720	ARRA – Survey and Certification Ambulatory Surgical Center Healthcare- Associated Infection (ASC-HAI) Prevention Initiative	$ 26,825
93.775	State Medicaid Fraud Control Units	415,720
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,290,106
93.778	Medical Assistance Program	872,873,859
	Medicaid Cluster Total	$ 875,606,510

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SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:				
• Material weaknesses identified?	X	yes		no
• Significant deficiencies identified that are not considered to be material weaknesses?	X	yes		no

Type of auditors' report issued on compliance for major programs:

Centers for Disease Control and Prevention - **Qualified**
Low-Income Home Energy Assistance - **Qualified**
Weatherization Assistance for Low-Income Persons, ARRA - **Qualified**
Workforce Investment Act Cluster - **Qualified**
Special Education Cluster - **Qualified**
Education Jobs Fund - **Qualified**
Capitalization Grants for Clean Water State Revolving Funds, ARRA - **Qualified**
Capitalization Grants for Drinking Water State Revolving Funds - **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.

X yes _____ no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Identification of Major Programs

CFDA NUMBER	NAME OF FEDERAL PROGRAM OR CLUSTER
Supplemental Nutrition Assistance Program Cluster	
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
Employment Services Cluster	
17.207	Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veterans' Outreach Program (DVOP)
17.804	Local Veterans' Employment Representative Program
Workforce Investment Act (WIA) Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
17.278	WIA Dislocated Worker Formula Grants
Highway Planning and Construction Cluster	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
Student Financial Aid Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Title I, Part A Cluster	
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act
Special Education Cluster	
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
Immunization Cluster	
93.268	Immunization Grants
93.712	ARRA - Immunization
Temporary Assistance for Needy Families (TANF) Cluster	
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs
Community Services Block Grant Cluster	
93.569	Community Services Block Grant
93.710	ARRA-Community Services Block Grant
Child Care and Development Fund Cluster	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713	ARRA-Child Care and Development Block Grant
Medicaid Cluster	
93.720	ARRA-Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Identification of Major Programs

CFDA NUMBER	NAME OF FEDERAL PROGRAM OR CLUSTER
Other Programs	
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
17.225	Unemployment Insurance
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.041	State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
84.410	Education Jobs Fund
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
93.658	Foster Care – Title IV-E
93.767	Children's Health Insurance Program

Dollar threshold used to distinguish between Type A and Type B Programs: **$6,812,809**

Auditee qualified as low-risk auditee: _____ yes __X__ no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Part II - Financial Statement Findings

Findings 2011-1 and 2011-2 were identified as material weaknesses 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 – Federal Award Findings and Questioned Costs

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-12.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

NH Department of Administrative Services	***Finding 2011-1***

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 2011, similarly to 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.

Our review of NHFIRST in 2010 and 2011 indicated that there were significant weaknesses regarding password authentication. Authentication to the NHFIRST/Lawson financial system is through use of the State's Tivoli system. However, Tivoli only validates the existence of a valid user-Id and associated password and provides no management of password criteria such as password length and change frequency. While users of NHFIRST have been instructed to voluntarily create and use complex passwords, the passwords are not checked and consequently their format may not necessarily be stringent. In an extreme example, users could enter a single character as a NHFIRST password and never be required to change it. To overcome this weakness, the New Hampshire Department of Administrative Services has acquired a 3rd party solution (SecureAuth) that can provide appropriate password control using the State's Active Directory network passwords.

Weak access authentication controls create significant vulnerabilities that can be exploited to gain unauthorized access to systems and functions that could lead to the compromise of key systems, applications and data assets. 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Management's Response:

On October 24, 2011, SecureAuth was implemented for user access to NHFIRST. SecureAuth requires a user to enter their username and password and upon successful authentication the user is automatically logged into NHFIRST. SecureAuth usernames and passwords are maintained in Active Directory and automatically update the Lawson application LDAP password. Active Directory policies enforce NHFIRST password compliance with the State password policy (criteria below). All users were provided an initial password and were required to change their password upon first logon to NHFIRST through SecureAuth.

Password Criteria	Policy
Minimum password length	10 characters
Password Format	Passwords must contain three of the following four: • Uppercase character(s) • Lowercase character(s) • Number(s) • Non-alphabetic special character(s) such as @, &, %, ! Passwords must not contain parts of the user name. Passwords should not contain dictionary words, keyboard sequences, or any name easily associated with the user such as nickname, family, pets, hobbies, address, etc. Strong password example: T@ket!me2sve
Maximum password age	90 days
Minimum password age	1 day
Enforce password history	5 passwords are remembered
Account Lockout Threshold	4 invalid attempts
Reset Account Lockout Counter After	60 minutes
Account Lockout Duration	60 minutes

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

NH Department of Transportation	***Finding 2011-2***

Material Weakness: Accounting and Reporting of Capital Assets

During our audit of the Department of Transportation (the Department), we noted that the Department made a number of adjustments to its capital asset records in 2011 to correct prior period errors related to capital assets associated with the Highway Fund. These errors included:

- Lack of removal of capital assets under development from construction in progress once completed and reported as depreciable capital assets.
- Lack of removal of infrastructure assets that had been disposed or replaced from the capital asset records.
- Misclassification of capital assets between the Highway Fund and the Turnpike Fund.

The identification of these errors is evidence of the Department's continued efforts to review the accuracy of its legacy capital asset records. It is also evidence of the need for continued improvement in the internal controls over accounting and financial reporting for capital assets, particularly in the areas of recording disposals and replacements, the allocation of assets between the Highway and Turnpike Funds, and review controls over the maintenance of capital asset records used to prepare the financial statements.

Recommendation:

We recommend that the Department continue its efforts to ensure the accuracy of its legacy capital asset records. We also recommend that the Department improve its system of internal controls over the maintenance of its capital asset records to ensure that the capital assets reported in the financial statements are complete and accurate.

Management's Response:

NH Department of Transportation concurs.

The Department has policies and procedures in place regarding the removal of capital assets and agrees that effective compliance of this policy needs to be better communicated to both program staff and Finance. The current process in the project "paper trail" makes it difficult for staff members of Finance to ascertain clearly, what part of the project is replaced, maintained, or enhanced for capital recognition purposes. Knowing the difficulties of the current method of recording fixed assets, Department staff performed an additional review of fixed assets at year-end that identified previously recorded assets that should not have been recorded to infrastructure. The results of our findings were disclosed and made known to the auditors.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

To address this and other issues, the Department has a plan in place to address the recording of Fixed Assets and have operationally in place by June 30, 2012, an automated fixed assets module. This module will replace the current accounting practice of manually preparing spreadsheets that are subject to error. To meet this timetable, the Department in March of 2012 has incorporated a new fixed assets module and hired an Accountant IV to assist in the implementation of this module.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

PART III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Agriculture ***Finding 2011-3***
U.S. Department of Health and Human Services
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program (Medicaid)
CFDA #93.558 Temporary Assistance to Needy Families
CFDA #93.714 ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families
CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund
CFDA #93.658 Foster Care – Title IV-E
CFDA #10.557 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 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 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

We selected 26 direct program cash draw downs for testwork. During our testwork, we noted that 18 of the direct program cash draw downs were not drawn using the approved average clearance pattern/technique, 5 cash draw downs related to the Medicaid program, 6 cash draw downs related to the TANF program, 5 cash draw downs related to the Child Care Development Fund program, and 2 cash draws related to the Foster Care IV-E program.

We also performed procedures for the WIC program. 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 using the Average Clearance technique of 5 days. We selected 25 direct program cash draw downs and noted that all of the direct program cash draw downs were not drawn using the approved average clearance technique of 5 days.

A similar finding was noted in the prior year audit report.

Cause:

The Department has implemented controls that do not ensure adherence to the TSA.

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:

DHHS concurs with KPMG's finding. The State Treasury worked with all state agencies throughout SFY 2011 to ensure the language in the TSA, submitted and approved, effective July 1, 2011, is consistent with the cash management procedures State Agencies use to perform federal cash draws.

Contact Person:

Anne Mattice, Bureau of Finance

Anticipated Completion Date:

July 1, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Agriculture ***Finding 2011-4***
U.S. Department of Health and Human Services
NH Department of Health and Human Services

CFDA #10.561	***State Administrative Matching Grants for the Supplemental Nutrition Assistance Program***
CFDA #93.558	***Temporary Assistance for Needy Families***
CFDA #93.714	***ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families***
CFDA #93.563	***Child Support Enforcement***
CFDA #93.596	***Child Care Mandatory and Matching Funds of Child Care Development Fund***
CFDA #93.658	***Foster Care – Title IV-E***
CFDA #93.767	***Children's Health Insurance Program***
CFDA #93.778	***Medical Assistance Program***

Grant Year and Award: ***Various***

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 39 administrative cash draw downs (which related to 115 administrative

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

cash draw downs for the programs selection) and noted that 37 of the 39 cash draw downs were not drawn using the approved average clearance pattern or technique. We reviewed the cash draw downs for each program included. We noted the Department has established draw cycles which are not in agreement with the TSA. The following outlines both:

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
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
Child Support Enforcement – Administrative Costs	Estimated costs drawn bi-weekly on a payroll cycle	4 days
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Estimated costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	4 days
Foster Care – Title IV-E	Estimated costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	4 days
Children's Health Insurance Program	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.
- Children's Health Insurance Program (CHIP) direct program costs were not drawn using the CMIA system.

A similar finding was noted in the prior year single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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.

Auditee Corrective Action Plan:

DHHS concurs with KPMG's finding in part. The State Treasury worked with all state agencies throughout SFY 2011 to ensure the language in the TSA, submitted and approved, effective July 1, 2011, is consistent with the cash management procedures State Agencies use to perform federal cash draws.

While DHHS acknowledges the TSA does not reflect exception payments made for Disproportionate Share and ProShare, the administrative process required for the payment, cash draw and cost claiming inhibits these unique transactions to be drawn using the CMIA module of the Lawson system. In addition, SFY 2011 transactions were consistent with the exception(s) given these transactions in previous years. DHHS will review the TSA with State Treasury and, if possible, include the specificity of these transactions in the approved agreement.

Contact Person:

Anne Mattice, Bureau of Finance

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-5***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:
2010 ***Various***
2011

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)).

Additional regulations were issued through 76 FR 5968 on February 2, 2011 which resulted in 42 CFR, Subpart E—Provider Screening and Enrollment. This subpart implements sections 1866(j), 1902(a)(39), 1902(a)(77), and 1902(a)(78) of the Social Security Act. It sets forth State plan requirements regarding the following: (a) provider screening and enrollment requirements; (b) fees associated with provider screening; (c) temporary moratoria on enrollment of providers.

Specifically, § 455.410 *Enrollment and screening of providers*, states (a) the State Medicaid agency must require all enrolled providers to be screened under to this subpart; (b) the State Medicaid agency must require all ordering or referring physicians or other professionals providing services under the State plan or under a waiver of the plan to be enrolled as participating providers. (c) the State Medicaid agency may

rely on the results of the provider screening performed by any of the following: (1) Medicare contractors; or (2) Medicaid agencies or Children's Health Insurance Programs of other States.

Additionally, § 455.412 *Verification of provider licenses*, states that the State Medicaid agency must (a) have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State; and (b) confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

Further Subpart E, through § 455.414 *Revalidation of enrollment,* the State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Condition:

During the procedures performed, we noted that there were approximately 5,600 providers enrolled as Medicaid providers as of June 30, 2011. We also noted that of the 5,600 providers, approximately 1,050 were enrolled on or after July 1, 2008.

The Department of Health and Human Services (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 at the time of enrollment. We selected 25 providers enrolled on or after July 1, 2008 and noted that all were enrolled in accordance with the policies and procedures established by the State. We also noted that there was one provider receiving payments without a current license on file. Subsequently, we obtained the license after requesting the license directly from the Division of Children, Youth and Families. However, the Department was making payments without verifying or obtaining such license. Further, we noted that the Department does not have policies and procedures in place to revalidate these providers or any of the currently enrolled providers at least every 5 years.

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 its new MMIS system.

Cause:

The cause is due to the lack of a formal policy to revalidate all types of providers every 5 years in accordance with the Federal requirements.

Effect:

The Department cannot ensure that all enrolled Medicaid providers are, and remain eligible for participation in the Federal program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

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:

Department concurs. What has been put in place since the last finding is a process to request updates to license renewals from respective licensing boards, as well as, asking licenses from the providers. This process is challenged 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. New Hampshire Advance Information Management (NHAIM) is in the process of complying with the new Affordable Care Act (ACA) for the provider enrollment & screening process

Upon implementation of the State's new Medicaid Management Information System (MMIS), several enhancements to the technical and operational environment will support improved compliance with the applicable federal regulations. Before transition to the new system, all participating providers will be required to enroll and provide current licensure verification and disclosure information. On an ongoing basis, American Computer Systems (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 verification of other provider profile data including disclosure information. The new MMIS has electronic interfaces with several licensing boards and federal Office of Inspector General (OIG) and Medicare database for exclusion/sanction status 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 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:

Early Winter 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

US Department of Health and Human Services ***Finding 2011-6***
NH Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Year and Award:
2010 ***Various***
2011

Finding: Disproportionate share hospital cost recoupment does not comply with current Federal rules

Criteria:

Under Section 1923(g)(1)(A) of Title XIX of the Social Security Act (Act), a hospital's disproportionate share (DSH) payments may not exceed the costs incurred by that hospital in furnishing services during the year to Medicaid patients and individuals "who have no health insurance (or other source of third party coverage) for services provided during the year", less other Medicaid payments made to the hospital and payments made by the uninsured patients for those services (uncompensated care costs).

In a December 19, 2008 Final Rule reported at 42 Code of Federal Regulations (CFR) Parts 447 and 455 (2008 DSH Final Rule), the Centers for Medicare and Medicaid Services (CMS) states "We have always read [Section 1923(g)(1)] to distinguish between care furnished to individuals who have health insurance or other coverage, and care furnished to those who do not. We have never read this language to be service-specific and we believe that such an interpretation would be inconsistent with the broad statutory references to insurance or other coverage."

Condition:

The New Hampshire Hospital included costs for paid days for patients that have some level of health insurance in its DSH calculation. Based on the 2008 DSH Final Rule referenced above, it appears costs for patients who have any level of health insurance should not be included in the DSH calculation, regardless of whether such health insurance covers the specific services being provided.

CMS has published a Proposed Rule in the Federal Register, Volume 77, Number 11, dated January 18, 2012 (Proposed Rule), related to the definition of "uninsured" for purposes of the hospital-specific DSH calculation. In the Proposed Rule, CMS acknowledged that the 2008 DSH Final Rule referred to above changed the regulatory definition of the term "uninsured" from previous guidance, resulting in an individual-specific basis for determining whether a cost is uninsured, as opposed to a service-specific basis as had been the interpretation provided in previous CMS guidance to States and providers. CMS also acknowledged in the Proposed Rule that the interpretation of the term "uninsured" in the 2008 DSH Final Rule superseded all prior interpretive issuances.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

However, the Proposed Rule goes on to state that CMS believes uncompensated costs of providing inpatient and outpatient hospital services to individuals who do not have coverage for those specific services should be considered costs for which there is no liable third party payer, and thus eligible costs for Medicaid DSH payments. To that end, in the Proposed Rule, CMS proposes a new section to 42 CFR Part 447 (Section 295), in which "individuals who have no health insurance (or other source of third party coverage) for the services furnished during the year" would be defined on a service-specific basis rather than on an individual basis. This proposed definition would instead require a determination of whether, for each specific service furnished during the year, the individual has third party coverage.

Cause:

New Hampshire Hospital applied guidance related to the definition of the term "uninsured" issued by CMS prior to the 2008 DSH Final Rule in its DSH calculation.

Effect:

Based on the interpretation of "uninsured" in the 2008 DSH Final Rule, New Hampshire Hospital appears to have overstated its DSH claim for fiscal year 2011.

Questioned Costs:

$8,412,822 based on the interpretation of "uninsured" in the 2008 DSH Final Rule.

Recommendation:

We recommend that New Hampshire Hospital monitor the progress of the Proposed Rule and evaluate the impact on its DSH calculation methodology upon the Proposed Rule becoming a Final Rule. If the provisions of the Proposed Rule are ultimately carried forward in a Final Rule, for purposes of the New Hampshire Hospital DSH calculation, the current treatment of services provided to patients with some level of insurance coverage, but for which the specific services provided are not covered by the insurance would likely be confirmed and changes to New Hampshire Hospital's DSH calculation methodology in relation to these patients may not be required. Should a Final Rule not be issued on this matter, or be issued such that it does not support a service-specific interpretation of the term "uninsured", then we recommend that New Hampshire Hospital make appropriate adjustments of its DSH calculation methodology to be in compliance with Federal law.

Auditee Corrective Action Plan:

NH Department of Health and Human Services (DHHS) does not concur with KPMG finding 2011-6, but does concur with the recommendation.

New Hampshire Hospital (NHH) does not concur with the audit finding for the following reasons. The audit has questioned costs in federal participation for Medicaid Disproportionate Share Hospital payments (DSH) for 2011. Recent action by CMS supports, for purposes of DSH, the DHHS treatment of services

provided to patients with some level of insurance coverage, but for which the specific services provided are not covered by the insurance. This is consistent with the plain language of the statute, which has not changed despite varying interpretations by CMS.

Section1902 (a)(13)(A)(iv) of the Social Security Act, which was established in 1981, allows States to make Medicaid payment adjustments for hospitals that serve a disproportionate share of low-income patients with special needs. Section 1923 (g) of the Act provides specific guidance regarding hospital-specific DSH payments. Section 1923 (g) of the Act states that DSH payment for uncompensated costs shall not exceed the costs of furnishing hospital services to "individuals *who are either eligible for medical assistance under the State plan or have no health insurance (or other source of third party coverage)* ***for services provided during the year****..." (Emphasis added).*

NH DHHS believes that CMS intended the implementation of the DSH audit rules, and the period for State Medicaid years 2005 through 2010, to be used by States as a learning process. "Findings from Medicaid State plan years 2005 through 2010 will be used only for the purpose of determining prospective hospital specific eligible uncompensated care cost limits and associated DSH payments." 73 FR 77948.

The DSH audit process for 2005 through 2010 was designed to allow hospitals and states to adjust to CMS's current requirements. This carefully designed federal process also allows CMS to review and adjust its interpretations in light of its national experience with the complexities in this area.

Given its experience and national feedback during this process, CMS has continued to examine and reconsider its interpretation of "uninsured" for purposes of DSH. On January 17, 2012, CMS issued a communication on proposed rulemaking that defines uninsured as having no insurance for the service provided. See CMS publication "CMS 42 CFR Part 447; Medicaid Program; Disproportionate Share Hospital Payments – Uninsured Definition; Proposed Rule."

CMS stated in that publication at page 12, "For purposes of defining uncompensated care costs for the Medicaid hospital-specific DSH limit, we believe that uncompensated costs of providing inpatient and outpatient hospital services to individuals who do not have coverage for those specific services should be considered costs for which there is no liable third party payer and thus eligible for Medicaid DSH payments."

In the context of responding to the Clifton Gunderson statewide DSH audit, NHH raised concerns regarding CMS' restrictive interpretation. NHH expressed its view that as a State owned and operated inpatient psychiatric facility, NHH provides mental health services to a higher percentage of individuals who have no source of third party coverage "for the services they received**"** when compared to general hospitals or special rehabilitation hospitals in New Hampshire. As New Hampshire's only inpatient psychiatric facility and only public hospital, NHH delivers mental health services to patients who are civilly committed to NHH by New Hampshire courts for extended periods of time. Mental health services as delivered by NHH very often are not covered by health insurance. Even in those limited instances where insurance does cover these services, the length of stay that is often necessary to stabilize, treat and then discharge a patient to a less restrictive setting is often longer than the insurance coverage or the

patient has already exhausted a lifetime benefit for his or her inpatient psychiatric stay due to a serious and persistent mental illness.

CMS' recent communication and proposed rulemaking indicates with respect to the audited year, that NHH may properly include in its DSH calculation costs for individuals "who do not have coverage for those specific services." Id at pages 12 and 16.

In the proposed revision to the rule, CMS states, "[t]his interpretation and definition of 'uninsured' affords States and hospitals maximum flexibility permitted by statute in calculating the hospital-specific DSH limit. This proposed **clarification would be effective for DSH audits and reports submitted following the effective date of the rule**, thus avoiding any unintended and potentially significant financial impact resulting from the 2008 DSH final rule." Id at 16 (emphasis added). See also CMS proposed rulemaking at 13-14 ("for purposes of calculating the hospital-specific DSH limit as described in section 1923 (g) of the Act **effective for 2011.**")

As NH DHHS does not concur with the substantive finding, it also does not concur with the dollar amount of the questioned costs. CMS has explicitly stated that its clarification will be effective for audits submitted after the rule is effective and for 2011. The NHH 2011 DSH program will be audited by Clifton Gunderson in 2014.

NHH will closely monitor the progress of the Proposed Rule and evaluate the impact on its DSH calculation methodology and take appropriate action as necessary.

Contact Person:

Sheri Rockburn, Director of Finance, DCBCS

Anticipated Completion Date:

Not Applicable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-7***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
August 10, 2009- August 9, 2011 3U90TP117011

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 other State departments and 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 (the Department) could not adequately support a portion of their in-kind match with verifiable records as required. The required match for this grant was $498,311. The amount of the match that could be supported by the Department equaled $301,713. Although the Department has processes in place to collect and report the match for the Public Health Emergency Preparedness grant, monitoring of this

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

requirement was not performed timely and the support for all of the match was not received prior to the date when the match was required to be met. Additionally, there is no formal review of the matching calculation and support by someone other than the preparer.

Cause:

Lack of adequate controls and processes to mitigate the risk of noncompliance with the federal in-kind matching requirements, such as verifying timely the accuracy and completeness of the amount and documentation of matching funds and in-kind contributions received from other Departments and third parties.

Effect:

Full compliance with the 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:

$196,598

Recommendation:

We recommend that the Department strengthen its 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 Department complete and maintain 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:

We concur with the finding. Documentation of the match in question will be completed by June 30, 2012.

At the time of audit data collection in August of 2011, documentation of the FFY2009 required match was requested and provided in full. As it was the first audit review of match documentation for this grant, DPHS was anticipating auditor feedback on the correctness of that FFY2009 match documentation before completing the final data collection from local agencies for the FFY2010 grant period.

Public Health has implemented a Match policy effective February 2012.

Contact Person:

Dolores A Cooper, DPHS Business Administrator
Mark Andrew, Administrator Bureau of Infectious Disease Control

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Anticipated Completion Date:

June 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-8***
NH Department of Health and Human Services

CFDA #93.712 ARRA-Immunization

Grant Year and Award:
September 1, 2009- December 31, 2011 3H23IP122555-07S1

Finding: No internal controls established to ensure data quality, completeness, accuracy, and timeliness of the Section 1512 reports

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009 (*ARRA*)*, states that each recipient receiving ARRA 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 ARRA. 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 subrecipients 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) has established a policy that the various units, bureaus and divisions of the Department are responsible for submitting the required Section 1512 reports for programs receiving ARRA funds directly through FederalReporting.gov.

During our testwork, we selected 2 of the 4 Section 1512 quarterly reports submitted during the fiscal year and noted that the Department did not establish procedures to ensure that these Section 1512 reports were properly reviewed and agreed to underlying documentation to ensure the accuracy and completeness of reported figures by someone other than the preparer. We determined that the amounts compiled and reported were accurate. However, the Department does not have a formal policy which includes an approval of the Section 1512 reports required for this program.
.

Cause:

Lack of properly designed and implemented controls to ensure data integrity

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The Department cannot ensure that reports submitted are complete and accurate without a second review.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure that required reports are reviewed and approved for completeness and accuracy prior to submission.

Auditee Corrective Action Plan:

We concur with the finding. The issue has been addressed with the Bureau Chief and the finance staff that is assigned to this program. This particular funding has ended; therefore no further reporting is required.

Contact Person:

Dolores Cooper, DPHS Business Administrator

Anticipated Completion Date:

Completed January 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-9***
NH Department of Health and Human Services

CFDA #93.268 Immunization Grants
CFDA #93.712 ARRA - Immunization

Grant Year and Award:
January 1, 2010- December 31, 2010 5H23IP12255-08
September 1, 2009- December 31, 2011 3H23IP122555-07S1

Finding: Noncompliance with control, accountability and safeguarding of vaccines requirement

Criteria:

Effective control and accountability must be maintained for all vaccine under the VFC program. Vaccine must be adequately safeguarded and used solely for the authorized purpose (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).

The grantee is required to review the provider's storage of vaccines for proper safeguarding, including risk of loss from theft, expiration and improper storage temperature. The grantee is also required to sample the provider's inventory records to ensure proper recording of receipt, transfer and usage of vaccine.

Condition:

For 4 of the 40 providers selected for testwork, no temperature logs were available for review and, thus, we could not ensure that the Department of Health and Human Services (the Department) reviewed the provider's storage of vaccines for proper safeguarding. In 3 of the 4 exceptions tested, the Department could not provide a dose on hand report even though the provider is required to maintain inventory accuracy of all vaccines. In 2 of the 4 exceptions, no monthly usage report was available to review. We noted that the Department is not consistent with collecting information from all providers.

Cause:

Established policies and procedures over document retention and review related to control, accountability, and safeguarding of vaccines were not effective.

Effect:

Increased potential for vaccine waste and the mismanagement of vaccine inventory

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

The Department should ensure its established policies and procedures requiring employees to maintain all temperature logs, dosage on hand reports and monthly doses report submitted by the providers be executed and monitored.

Auditee Corrective Action Plan:

We concur with the finding. During the fourth quarter of SFY 2012, the Immunization Program Manager will assess the activities of the NHIP vaccine accountability employees to ensure established policies and procedures requiring employees to maintain all temperature logs, dosage on hand reports and monthly doses report submitted by the providers be enforced. A tracking document will be available on July 1, 2012 to demonstrate results.

Additionally, policies will be revised to more clearly define the requirement of temperature logs, dosage on hand reports and doses administered reports when providers order influenza vaccine, doses of vaccine due to an emergency or special vaccine requirement, within an acceptable time interval (14 days) of a complete order that contained all required documents**.**

Contact Person:

Dolores A Cooper, DPHS Business Administrator
Chris Adamski, Bureau Chief of Infectious Disease Control

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-10***
NH Department of Health and Human Services

CFDA #93.710 ARRA - Community Services Block Grant

Grant Year and Award:
2011 G-0901NHCOS2

Finding: No internal controls established to ensure data quality, completeness, accuracy, and timeliness of the Section 1512 reports

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009* (ARRA), states that each recipient receiving ARRA 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 ARRA. 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 subrecipients 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) has established a policy that the various units, bureaus and divisions of the Department are responsible for submitting the required quarterly Section 1512 reports for programs receiving ARRA funds directly through FederalReporting.gov. The Community Services Block Grant reports are submitted by the Division of Family Assistance (DFA).

During our testwork, we selected the 2 Section 1512 reports that were submitted during the fiscal year (the grant period ended September 30, 2010) for the Community Services Block Grant program. We noted that the Division of Family Assistance did not establish formal procedures to ensure that Section 1512 reports submitted under ARRA were properly reviewed and agreed to underlying documentation to ensure the accuracy and completeness of reported figures by someone other than the preparer. We determined that the amounts compiled and reported were accurate. However, DFA does not have a formal policy which includes an approval of the Section 1512 reports required for this program.

A similar finding was noted in the prior year single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

Lack of properly designed and implemented controls to ensure data integrity

Effect:

The Department cannot ensure that reports submitted are complete and accurate without a second review.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to ensure that required reports are reviewed and approved for completeness and accuracy prior to submission.

Auditee Corrective Action Plan:

This was also a finding for the year ended June 30, 2010. The timing of the release of the SFY 2010 audit finding prevented DFA from being able to implement a policy prior to the end of ARRA.

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

Anticipated Completion Date:

Not Applicable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-11***
NH Department of Health and Human Services

CFDA #93.569 Community Services Block Grant
CFDA #93.710 ARRA - Community Services Block Grant

Grant Year and Award:
2011 ***G-0901NHCOS2***

Finding: No internal controls established to ensure data quality, completeness, accuracy and compliance with earmarking requirements

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 Community Services Block Grant 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 percent of the ARRA allotted funds for sub-grants to eligible entities and the State may retain 1 percent 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 subgranted to eligible entities. During our testwork, we noted that the Division maintains an internal tracking spreadsheet to track the allocations of the awards subgranted to each eligible entity. Separately, the Division segregates the expenditures by grant year in the job accounting system. During our review, we noted that the Division complied with the earmarking requirements noted above; however, no formal analysis is performed at or before the grant expiration dates that proves amounts paid to the eligible entities meets the earmarking requirements. Further, this analysis should be reviewed and approved by someone other than the preparer.

A similar finding was noted in the prior year single audit report.

Cause:

Lack of properly designed and implemented controls to ensure data integrity

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The lack of properly designed controls could lead to noncompliance with program requirements.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement a monitoring tool is to ensure that the Division is in compliance with the earmarking requirements. Further, the analysis should be reviewed by someone other than the preparer.

Auditee Corrective Action Plan:

Partially Concur

This was also a finding for the year ended June 30, 2010. The Department implemented 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. This policy could not be implemented until the sub-awarded grant amounts had already been determined for the year ended June 30, 2011 due to the timing of the release of the audit findings.

The subgranted awards are contracted for and utilize a unique encumbrance number for each year of funding in addition to the segregation of expenditures by job number. The contracts are reviewed by the Financial Manager prior to being submitted for the Commissioner's signature. Payments are subject to the controls established in Accounts Payable. The Office of Finance compiles the expenditures reports as well as performs the cash management functions.

The State demonstrates that there are adequate internal controls and segregation of duties.

Contact Person:

Regina Lamprey

Anticipated Completion Date:

Completed April 1, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-12***
NH Department of Health and Human Services

CFDA #93.283 Centers for Disease Control and Prevention (CDC) Investigations & Technical Assistance

Grant Year and Award:

June 30, 2010 – June 29, 2011	***DP001471-03***
March 29, 2010- March 28, 2011	***DP001979-02***
June 30, 2010- June 29, 2011	***5U58DP000798-04***

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 other State departments and 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition:

During our testing of the matching requirements, it was noted that the Department of Health and Human Services (the Department) could not adequately support their in-kind match with verifiable records as required. Details provided by vendors to support 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.

A similar finding was noted in the prior year single audit report.

Cause:

Lack of adequate controls and processes to mitigate the risk of noncompliance with the federal in-kind matching requirements, such as verifying timely the accuracy and completeness of the amount and documentation of matching funds and in-kind contributions received from other Departments and third parties.

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:

$999,702

Recommendation:

We recommend that the Department 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 Department 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:

We concur with the finding. The Division of Public Health Services (DPHS) did receive letters from our contributing partners of in-kind donations. However, additional supporting documentation was not obtained or reviewed.

A match policy has been implemented as of February 20, 2012.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Dolores A Cooper, DPHS Business Administrator

Anticipated Completion Date:

June 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-13***
NH Department of Health and Human Services

CFDA #93.563 Child Support Enforcement

Grant Year and Award:
July 1, 2010 to September 30, 2010 1004NH4004, 1004NH4002
October 1, 2010 to June 30, 2011 1104NH4004

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.

Condition:

During our testwork, we noted for 3 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. The cases in question, and number of days within which the response was sent, are as follows:

- 00125958C – confirmation sent to initiating state 91 business days after receipt.
- 00126220C – confirmation sent to initiating state 18 business days after receipt.
- 00126494C – confirmation sent to initiating state 44 business days after receipt.

A similar finding was noted in the prior year single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

Heavy caseloads may have led to a lack of monitoring of time frame requirements in these cases.

Effect:

The initiating state's Child Support Enforcement function may be unable to efficiently perform its operations regarding a State of New Hampshire case in a timely manner.

Questioned Costs:

None

Recommendation:

We recommend that the Department of Health and Human Services (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 caseworkers. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

As noted in the "Cause" section of this finding, caseload did have an impact on the monitoring of time frame requirements. This was primarily due to the loss of a clerical position within the Central Registry Unit. To mitigate the problem, DCSS will undertake a workflow analysis and attempt to streamline locate processes. This will involve staff in other locations, both in the field and Interstate Unit. DCSS expects a full conversion to OnBase by November 2012, and electronic filing and tracking of incoming mail will be part of the redesigned workflow. Automatic reminders of documents awaiting action will keep staff aware of documents needing immediate attention. Supervisory oversight and monitoring of timeframes will also be reinforced by new procedures to be developed.

Contact Person:

Ed Lovejoy, Business Administrator
Jean Marston, Regional Manager DCSS

Anticipated Completion Date:

November 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-14***
NH Office of Energy and Planning

CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:

10/1/09 – 9/30/11	***G-10B1NHLIEA***
10/1/10 – 9/30/12	***G-11B1NHLIEA***

Finding: Federal drawdowns for the LIHEAP program not performed timely

Criteria:

The U.S. Department of Treasury regulations at 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 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 (TSA) requires monthly federal drawdowns for administrative costs and a five day clearance pattern using the Average Clearance technique for direct program cost drawdowns for the LIHEAP program.

Condition:

The OEP did not perform timely federal drawdowns for the LIHEAP program during our audit period. Of the 25 LIHEAP payment voucher transactions and cash draws tested for compliance with the Treasury-State Agreement, OEP requested reimbursements ranging from 3 to 103 days for direct program dollars. These dates do not comply with the 5 day clearance pattern included in the approved TSA. Further, administrative costs should be drawn monthly.

A similar finding was noted in the prior year single audit report.

Cause:

Lack of resources apparently prevented the OEP from performing timely drawdowns in compliance with the Treasury-State Agreement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The OEP was not in compliance with the Treasury-State Agreement in effect for fiscal year 2011 resulting in potential cash flow and net interest liability issues for the State.

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:

OEP worked with NH Treasury to revise the terms of its administrative costs from monthly to quarterly in the 2012 TSA. OEP has just learned from Treasury that those terms were not changed in this most recent TSA, but that Treasury will file an amendment to the 2012 TSA to request a change in those terms. That agreement will allow for drawdowns of OEP administrative costs on a quarterly basis, which given the constraints of our existing payroll and financial systems is the greatest frequency practicable. In reviewing the 25 LIHEAP payment voucher transactions tested, 4 of the reimbursements exceeded the 5 day clearance requirement. Each of these 4 transactions was thoroughly researched to identify the cause of the delay in drawdown of funds and was determined in 3 of the 4 instances to be the result of misunderstanding by our Accounts Payable staff; 1 instance was oversight by our Accounts Payable staff. We have retrained the staff and indicated that the Business Director should be immediately notified of all federal reimbursements so that drawdowns can proceed within the required time.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Immediately for drawdowns of program funds and April 1, 2012 for the new Treasury agreement

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-15***
NH Office of Energy and Planning

CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:

10/1/09 – 9/30/11	***G-10B1NHLIEA***
10/1/10 – 9/30/12	***G-11B1NHLIEA***

Finding: The OEP should improve internal controls over and compliance with LIHEAP subrecipient application monitoring requirements

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.” This requirement includes maintaining a system of internal controls over the subrecipient monitoring requirements of Federal programs.

The OMB Circular A-133 Compliance Supplement states a pass-through entity is responsible for 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.

The Office of Energy and Planning’s (OEP) LIHEAP Detailed Model Plan for FFY2011 as approved by the US Department of Health and Human Services states the OEP will conduct LIHEAP program monitoring in part through application monitoring described as “on-site monitoring to assess compliance with program procedures”. According to the plan, applications used by subrecipients to determine individual eligibility for LIHEAP program benefits are to be “specifically monitored for accuracy including household information, income documentation, annual energy costs, and benefit determination.” The Plan also specifies the OEP “provides the subgrantee with a written report following each monitoring visit” thereby communicating any potential corrective actions or recommendations for improvements in program implementation discovered during the monitoring process to the subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition:

Our testing indicated the OEP's internal controls did not provide reasonable assurance LIHEAP subrecipients were administering federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. During our audit, we noted OEP's policies and procedures over the application monitoring of LIHEAP subrecipients lacked any segregation of duties or review and approval controls. The lack of these elements in the OEP's system of internal controls over LIHEAP subrecipient monitoring inhibits the OEP's ability to ensure monitoring efforts are rigorous enough to adequately safeguard LIHEAP assets, validate findings, and ensure that appropriate corrective actions are taken in a timely manner.

OEP's monitoring activities over a LIHEAP subrecipient's determination of individual eligibility for LIHEAP benefits consists of a combination of two primary activities; application process compliance monitoring and application monitoring, whereby in addition to validating the fuel assistance software's benefit determination, individual applications are specifically monitored by the LIHEAP program manager for accuracy including household information, income documentation, and annual energy costs.

Our testing of the OEP's application monitoring indicated the OEP failed to subject 2 of their 6 LIHEAP subrecipients to the application monitoring process. Of the 4 subrecipients that were subjected to application monitoring, the OEP was only able to provide a written report detailing the results of the monitoring visit for 2 subrecipients. Of the 2 reports provided, OEP was only able to evidence 1 that was formally communicated to the subrecipient.

Additionally, the number of individual applications tested at each of the subrecipient locations appeared to be insufficient to provide the OEP with reasonable assurance LIHEAP subrecipients were administering Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. Based on a review of the reports generated and documentation of monitoring visits conducted by the OEP, it appears the OEP selects up to 10 individual applications for review for each of the program's 6 subrecipients. One of the 2 reports available for review indicated only 4 individual applications were selected for review. Based on an aggregate population in excess of 50,000 individual applications during the previous program year and absent a formal risk assessment validating OEP's determination of sample size, the sample size tested by the OEP appears inadequate to provide reasonable assurance that subrecipients administered LIHEAP awards in compliance with laws, regulations, and provisions of contracts and grant agreements during the audit period.

A similar finding was noted in the prior year single audit report.

Cause:

OEP has one program manager dedicated to the LIHEAP program. A lack of resources and an excessive work load have contributed to the issues noted above.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

Because the OEP did not subject each LIHEAP subrecipient to the LIHEAP application monitoring process or review an adequate number of individual applications for each subrecipient, the OEP was not able to obtain reasonable assurance that an individual applicant's eligibility for program benefits was properly determined by LIHEAP subrecipients.

The OEP did not properly communicate the results of its LIHEAP application monitoring visits to LIHEAP subrecipients, thereby inhibiting the expeditious resolution of issues detected during those monitoring visits. In instances where identified issues have the potential to result in instances of noncompliance with LIHEAP program requirements, failure to communicate monitoring results increases the risk of subrecipient noncompliance with LIHEAP program requirements.

Questioned Costs:

None

Recommendation:

We recommend the OEP strengthen its system of internal controls over LIHEAP subrecipient monitoring by implementing additional supervisory review and approval and/or segregation of duties controls to provide the OEP with reasonable assurance that all LIHEAP subrecipients are subjected to the application monitoring process and are making proper determinations of individual eligibility for LIHEAP benefits.

Additionally, we recommend the OEP, based on a formal risk assessment of a subrecipient's potential for noncompliance validates the sample sizes of LIHEAP applications subjected to review during each application monitoring visit.

Auditee Corrective Action Plan:

OEP focused a large part of its monitoring resources on fiscal monitoring due the identification of fiscal monitoring as a material weakness from last year's audit. Due to that focus, application monitoring fell behind as monitoring has always been challenging due to a lack of resources. However, OEP recently hired a financial specialist who will concentrate a significant portion of their efforts on conducting fiscal monitoring of this program. This addition in staff, will allow the LIHEAP program manager to return her focus to application monitoring.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-16***
NH Office of Energy and Planning

CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:
10/1/09 – 9/30/11 G-10B1NHLIEA
10/1/10 – 9/30/12 G-11B1NHLIEA

Finding: The OEP should improve internal controls over and compliance with LIHEAP subrecipient fiscal monitoring requirements

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. This requirement includes maintaining a system of internal controls over the subrecipient monitoring requirements of federal programs.

The OMB Circular A-133 Compliance Supplement states 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 that performance goals are achieved.”

The OEP’s LIHEAP Detailed Model Plan for FFY2011 as approved by the US Department of Health and Human Services and thereby incorporated into the State’s LIHEAP grant states the OEP will conduct fiscal monitoring of LIHEAP subrecipients to verify the accuracy of reimbursement requests submitted by the subrecipient. The plan also states subrecipient payments will be withheld if discrepancies in subrecipient reporting have been revealed through the monitoring process or program operations or expenditures are in noncompliance with the provisions of the contract.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition:

Our testing of the OEP's internal controls over subrecipient monitoring indicated those internal controls did not provide reasonable assurance that the OEP's LIHEAP subrecipients were administering federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

In accordance with the OEP's LIHEAP Detailed Model Plan for FFY2011, each LIHEAP subrecipient is subjected to at least one fiscal monitoring visit during each LIHEAP program year. If necessary, subsequent visits are scheduled to address any issues noted during the fiscal monitoring. During our audit, we noted OEP's policies and procedures over the fiscal monitoring of LIHEAP subrecipients lacked any segregation of duties or review and approval controls.

Additionally, it was noted the timing of the OEP's fiscal monitoring visits occurred with approximately 38% of budgeted LIHEAP administrative funds still available for use by LIHEAP subrecipients and that subrecipients are provided advance notice of when the monitoring visits will occur. OEP's subrecipient monitoring policies and procedures only dictate the selection of 1 month of subrecipient expenditures for review.

Our compliance testing indicated the OEP was not timely in its delivery of subrecipient fiscal monitoring reports during the audit period. Reports were not communicated to subrecipients until between 77 and 171 days after the fiscal monitoring was concluded. It was also noted for 2 of the 6 subrecipients, issues identified during the OEP's fiscal monitoring visits were not followed up on in a timely manner. The fiscal monitoring report for the first of these 2 subrecipients, which documented potential issues with the subrecipient's allocation of program costs, was not delivered to the subrecipient until 144 days after the monitoring visit occurred.

The fiscal monitoring report for the second subrecipient, based on OEP's initial site visit on March 9, 2011, documented multiple issues including an outdated cost allocation plan and costs submitted by the subrecipient that were not supported by original source documents. The report also noted the OEP was unable to determine if the subrecipients' reimbursement request agreed with the subrecipients' underlying records; if the reimbursement request correctly reflected the grantee's accounting for staff time charged to the program; and if the subrecipients' internal controls were adequate to safeguard LIHEAP assets.

Accordingly, the OEP scheduled a second monitoring visit on May 6, 2011. The subsequent monitoring report issued by the OEP on July 24, 2011 noted the issues previously identified had not been resolved. On September 27, 2011, the subrecipient presented a resolution to the issues to the OEP 202 days after the initial monitoring date.

Although the OEP eventually withheld subrecipient payments pending the resolution of the issues identified, during the time between the initial monitoring visit and the resolution, the OEP reimbursed the subrecipient for $60,573 of related costs and increased the related portion of the subrecipients' subaward by $74,529.

A similar finding was noted in the prior year single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

OEP has one program manager dedicated to the LIHEAP program. A lack of resources and excessive work load apparently have, in part, contributed to the issues noted above. Additionally, weaknesses in the OEP's system of internal controls over LIHEAP subrecipient monitoring hindered the timely prevention or correction of instances of noncompliance with LIHEAP program requirements.

Effect:

The untimely communication of LIHEAP subrecipient fiscal monitoring reports inhibited the expeditious resolution of issues detected during the fiscal monitoring visits conducted by the OEP and increases the risk of subrecipient noncompliance with LIHEAP program requirements.

OEP's practice of limiting subrecipient monitoring of expenditures to only one months' activity impairs the OEP's ability to provide reasonable assurance that subrecipients administer Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Furthermore, the advance notice of the timing of the monitoring visits allows subrecipients to easily identify the population of expenditures that will not be subjected to the OEP's review.

Although the issues identified in the OEP's subrecipient monitoring visits were ultimately resolved, they were not resolved timely. The OEP's continued payment of inadequately supported costs during the period between the identification of the issues and the final resolution of those issues could impair the OEP's ability to recoup those costs in the event the subrecipient failed to adequately resolve the issues.

Questioned Costs:

None

Recommendation:

We recommend the OEP strengthen its system of internal controls over LIHEAP subrecipient fiscal monitoring to include a supervisory review of LIHEAP monitoring reports to ensure monitoring efforts are complete and rigorous enough to adequately safeguard LIHEAP assets, validate findings, ensure that appropriate corrective actions are taken in a timely manner, and to ensure any questioned costs noted as a result of the subrecipient monitoring activities are appropriately addressed.

Auditee Corrective Action Plan:

OEP has made great progress in this area since last year's audit. It instituted new procedures for fiscal monitoring and followed up extensively on corrective action. However, this area has always been challenging due to a lack of resources. OEP recently hired a financial specialist who will concentrate a significant portion of their efforts on conducting fiscal monitoring of this program. We believe this additional attention will strengthen our internal controls over LIHEAP subrecipient fiscal monitoring.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-17***
NH Office of Energy and Planning

CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:

10/1/09 – 9/30/11	***G-10B1NHLIEA***
10/1/10 – 9/30/12	***G-11B1NHLIEA***

Finding: Internal controls over LIHEAP federal financial reporting requirements need improvement

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

This requirement includes maintaining a system of internal controls over the financial reporting requirements of federal programs robust enough to assure that required reports are submitted timely and with accurate information.

Condition:

The Office of Energy and Planning (OEP) has not implemented segregation of duties or authorization controls over the financial reporting requirements of the LIHEAP program. Although no errors were noted during the review of a sample of quarterly federal financial reports, it was noted the federal financial reporting data is collected, aggregated and reported by one individual and is not subject to the review and approval of another individual prior to submission.

Cause:

A lack of resources prevents the OEP from establishing and maintaining a system of internal controls over federal financial reporting requirements of the LIHEAP program that incorporates segregation of duties.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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 its federal financial reports.

Questioned Costs:

None

Recommendation:

We recommend the OEP institute a system of internal controls that incorporates segregation of duties over the federal financial reporting requirements of the LIHEAP Program.

Auditee Corrective Action Plan:

With the addition of a financial specialist to the LIHEAP staff, OEP will implement new review procedures over the federal financial reporting requirements of the LIHEAP Program.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-18***
NH Office of Energy and Planning

CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:

10/1/09 – 9/30/11	***G-10B1NHLIEA***
10/1/10 – 9/30/12	***G-11B1NHLIEA***

Finding*: *Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)

Criteria:

The Federal Funding Accountability and Transparency Act (FFATA– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

For contracts, implementation was phased in based on their total dollar value. Based on the FAR interim final rule, FFATA reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $20,000,000 or more.

- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $550,000 or more.

- Starting March 1, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $25,000 or more.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) and actively maintain that registration. Prime contractors have previously been required to register in CCR.

Grant and cooperative agreement recipients and contractors must report information related to a subaward by the end of the month following the month in which the subaward or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

Condition:

During the audit, we noted that the OEP did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements. OEP did not attempt to report such awards subject to FFATA and lacks controls to determine when the FFATA reporting requirements are triggered.

Cause:

Although the OMB Circular A-133 Compliance Supplement for audits of fiscal years ending on or after June 30, 2011 clearly states the reporting requirements of the FFATA are applicable to the LIHEAP program, the requirement is not specified in other grant documentation and program guidance. Upon the release of the 2011 OMB Circular A-133 Compliance Supplement, OEP failed to note the program requirement, and therefore, did not take action to be in compliance with the reporting requirements therein.

Effect:

OEP's lack of awareness of the reporting requirements of the FFATA, as applicable to the LIHEAP program, resulted in noncompliance with those reporting requirements.

Questioned Costs:

None

Recommendation:

We recommend that the OEP institute a system of policies, procedures, and internal controls over the FFATA reporting requirements of the LIHEAP Program.

Auditee Corrective Action Plan:

OEP has sought direction from its cognizant agency on how to implement this new federal requirement for LIHEAP. No guidance or policies have been forth coming. We understand that other state agencies have begun to establish its own policies to demonstrate a good faith effort to comply with this federal requirement. OEP will consult with these agencies and implement comparable procedures.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy ***Finding 2011-19***
NH Office of Energy and Planning

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award:
4/17/09 – 4/30/12 #DE-EE0000228 (ARRA)

Finding: Certified payrolls subject to the requirements of the Davis-Bacon Act not received

Criteria:

Per the Wage Rate Requirements under Section 1606 of the American Recovery and Reinvestment Act (ARRA), the ARRA portion of the State Energy Program is subject to the requirements of the Davis-Bacon Act. Accordingly, for federally funded construction contracts greater than $2,000, the Office of Energy and Planning (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. The Davis-Bacon Act also stipulates the OEP shall not make payment on any such contract, after construction has begun, unless they have on file a certification by the contractor that the contractor and its subcontractors complied with the provisions of the Davis-Bacon Act (29 CFR sections 5.5 and 5.6).

Condition:

Of 35 weeks tested, we noted 2 instances in which certified payrolls were not received timely and corresponding contractor invoices were paid prior to the receipt of the contractor's certified payrolls.

A similar finding was noted in the prior year single audit report.

Cause:

In response to a similar finding in the prior year's audit, the OEP redesigned its policies and procedures over maintaining compliance with the Davis-Bacon Act as it pertains to ARRA-funded SEP contracts. Both of the instances noted during testing occurred early in the fiscal year prior to the OEP's transition to the newly designed policies and procedures.

Effect:

The OEP was not in full compliance with the requirements of the Davis-Bacon Act because it did not receive certified payrolls weekly nor did it withhold corresponding payments until certified payrolls were received.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

The OEP should ensure full compliance with the Davis-Bacon Act as dictated by the grant provisions of the ARRA-funded State Energy Program Grant. The OEP should establish adequate policies and procedures to ensure that, after construction has begun, no payments are made on contracts subject to the requirements of the Davis-Bacon Act unless they have on file a certification by the contractor that the contractor and its subcontractors complied with the provisions of the Davis-Bacon Act.

Auditee Corrective Action Plan:

As indicated in the "Cause" section of this finding, the policies regarding Davis-Bacon Act (DBA) compliance were redesigned during the previous year's audit process. Changes included:

- different personnel being assigned by the Bureau of Public Works (BPW) to oversee the Davis-Bacon Act compliance process;
- receipt, logging, and filing of original payrolls by OEP itself, followed by more thorough review of documents at OEP offices by BPW staff assigned to review compliance in detail;
- double checking by OEP SEP program manager of timely receipt of DAB payroll prior to approval of invoices in addition to BPW managers sign off on invoices, which is supposed to take place only after various conditions have been met by the contractor, including receipt of all current DBA payrolls.

No additional actions are planned at this time.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Already complete

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy	***Finding 2011-20***
NH Office of Energy and Planning	
CFDA #81.041 State Energy Program (SEP)	
Grant Year and Award:	
2011 SEP award	***# DE FG26 06R130472***
4/17/09 – 4/30/12	***# DE-EE0000228***

Finding: Internal controls over federal financial reporting requirements need improvement

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

This requirement includes maintaining 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:

The Office of Energy and Planning (OEP) has not implemented segregation of duties or authorization controls over the financial reporting requirements of the SEP. Although no errors were noted during the review of a sample of quarterly federal financial reports, it was noted the federal financial reporting data is collected, aggregated and reported by one individual and is not subject to the review and approval of another individual prior to submission.

A similar finding was noted in the prior year single audit report.

Cause:

A lack of resources prevents the OEP from establishing and maintaining a system of internal controls over the federal financial reporting requirements of the SEP that incorporates segregation of duties.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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.

Questioned Costs:

None

Recommendation:

We recommend the OEP institute a system of internal controls over federal financial reporting that incorporates segregation of duties.

Auditee Corrective Action Plan:

Each quarter, OEP completes a financial report as well as a separate narrative report within the DOE reporting software known as PAGE. The Business Director compiles the financial report, while SEP Program Manager compiles the narrative report, with assistance from administrative staff. Part of the narrative report includes the total financial expenditures of each of the 12 programs within ARRA SEP. This information comes from the same spreadsheet that is used by the Business Director to populate the much more limited information contained in the PAGE financial report. This means that multiple staff are reviewing the same financial document to compile different reports. If there were discrepancies between the quarterly financial report and the narrative reports (or the earlier submitted 1512 reports), it is very likely that these discrepancies would be discovered and communicated.

In the future, the Program Manager will actively check to ensure that the figures used to populate the financial report within PAGE match the financial figures used to populate the narrative report, and continue to communicate any questions or possible errors to the Business Director, as has been done in the past. The Grants and Compliance Officer will also review the financial and the narrative reports, and be responsible for official submission of the report using her PAGE PIN number.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Next quarterly reporting period

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy ***Finding 2011-21***
NH Office of Energy and Planning

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award:
4/17/09 – 4/30/12 # DE-EE0000228 (ARRA)

Finding: The OEP should clarify with the US Department of Energy and the Office of Management and Budget the specific earmarking requirements of the ARRA-funded SEP award and implement policies and procedures to monitor and ensure compliance with those requirements.

Criteria:

The 2011 OMB Circular A-133 Compliance Supplement states that per the US Department of Energy's Funding Opportunity Announcement number 0000052 (DE-FOA-0000052), not more than 10% of a state's SEP ARRA award may be used for administrative expenses.

Additionally, as stated in the OMB Circular A-133, subpart C .300(b), it is the responsibility of the auditee to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition:

The Office of Energy and Planning (OEP) was unaware of the requirement to limit ARRA SEP administrative expenses to no more than 10% of the state's total ARRA SEP award. Consequently, the OEP does not have a system of internal controls in place to monitor and assure compliance with this requirement.

Cause:

Although the OMB Circular A-133 Compliance Supplement states there is a 10% limitation on the amount of ARRA SEP funds the OEP may expend for administrative costs, there is no reference to this requirement in the DE-FOA-0000052. Because of this, OEP did not implement policies and procedures to monitor and assure compliance with the requirement.

Effect:

The OEP does not have a system of internal controls in place to monitor and limit ARRA-funded SEP administrative costs to less than 10% of the total ARRA-funded SEP award.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

The OEP should clarify with the US Department of Energy and the Office of Management and Budget the specific earmarking requirements of the ARRA funded SEP award and implement policies and procedures to monitor and ensure compliance with those requirements.

Auditee Corrective Action Plan:

OEP requested clarification from the DOE Program Officer for ARRA State Energy Programs (SEP) when this issue arose during the audit. The Program Officer forwarded the inquiry to OEP's contract specialist within the Office of Institutional and Business Operations at the National Energy Technology Laboratory (NETL) at DOE, who was not aware of any limitation on the use of administrative funds for SEP programs, including ARRA. OEP assumed that this satisfied the needs of the auditors and did not further pursue the issue at the time.

OEP has since queried OEP's newly assigned SEP DOE Program Office specialist to attempt to get further clarification on this issue. If it is determined that a limit of 10% administrative cost does apply to the grant, OEP will review current obligations, expenditures, and anticipated spending to ensure that we do not exceed the limitation. As the vast majority of activities for this grant are program-related, it is anticipated that if this was a requirement, OEP would have no difficulty meeting it.

Contact Person:

Joanne O. Morin

Anticipated Completion Date:

February 29, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy ***Finding 2011-22***
NH Office of Energy and Planning

CFDA #81.042 ARRA Weatherization Assistance Program (WAP)

Grant Year and Award:
4/1/09 – 3/31/12 #EE0000161

Finding: Certified payrolls subject to the requirements of the Davis-Bacon Act were not received timely nor reviewed

Criteria:

Per the Wage Rate Requirements under Section 1606 of the American Recovery and Reinvestment Act (ARRA), the ARRA portion of the Weatherization Assistance Program is subject to the requirements of the Davis-Bacon Act. Accordingly, for federally funded construction contracts greater than $2,000, the Office of Energy and Planning (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. The Davis-Bacon Act also stipulates the OEP shall not make payment on any such contract, after construction has begun, unless they have on file a certification by the contractor that the contractor and its subcontractors complied with the provisions of the Davis-Bacon Act (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 ensure 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 (WAP) through OEP is performed by local Community Action Agencies (CAAs). There are 6 CAAs in the State that serve different geographic areas of the State. In some cases, the CAAs themselves perform all the weatherization work. Some 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.

OEP's internal controls over compliance with the Davis-Bacon requirements of the Weatherization Assistance Program include a process wherein the certified payrolls are subject to the review of an ARRA Administrative Assistant. In order to evidence this review, the ARRA Administrative Assistant initials

and dates the certified payrolls. Our testing of internal controls indicated the review was not evidenced in 13 of the 40 (33%) selections tested.
Our testing also identified instances of noncompliance in 14 of the 40 (35%) selections tested. In these cases, although the OEP made efforts to obtain certified payrolls from the WAP contractors and subcontractors weekly for each week in which contract work was performed, certified payrolls were not received timely. In the 14 instances of noncompliance, OEP failed to withhold payments to contractors and subcontractors pending receipt of certified payrolls.

A similar finding was noted in the prior year single audit report.

Cause:

It appears the policies and procedures implemented by the OEP for the processing of Davis-Bacon Act certified payrolls for the Weatherization Assistance Program fail to contain a mechanism designed to ensure certified payrolls are received and reviewed prior to making payments to the CAA's.

Effect:

By not receiving certified payrolls weekly, and uniformly subjecting them to an adequate review and approval process prior to the payment of contract invoices, OEP was not in full compliance with the requirements of the Davis-Bacon Act.

Questioned Costs:

None

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 WAP Grant provisions. OEP should establish adequate policies and procedures to ensure certified payrolls are received and reviewed timely and required corrective action, if any, has been taken.

Auditee Corrective Action Plan:

As indicated in the "Condition" section of this finding, the policies regarding Davis-Bacon Act (DBA) compliance were redesigned during the previous year's audit process. Changes included:

- training was provided to the Community Action Agencies (CAAs) on submitting the required payroll to our Davis Bacon compliance officer;
- the weatherization program manager is reviewing Davis Bacon compliance of individual CAAs with the compliance officer prior to approval of monthly invoices from those CAAs, including receipt of all current DBA payrolls.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

These reviews are now done prior to paying any invoice. The current audit reviewed files before and after this change in procedure.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

Already complete

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy ***Finding 2011-23***
NH Office of Energy and Planning

CFDA #81.042 Weatherization Assistance Program (WAP)

Grant Year and Award:
4/1/09 – 3/31/12 # EE0000060

Finding: Earmarking requirements of the Weatherization Assistance Program not met

Criteria:

Per 10 CFR 440.18(e), "not more than 10 percent of any WAP award made to a State may be used by the grantee and subgrantees for administrative purposes in carrying out duties under this part, except that not more than 5 percent may be used by the State for such purposes, and not less than 5 percent must be made available to subgrantees by States. A State may provide in its annual plan for recipients of grants of less than $350,000 to use up to an additional 5 percent of such grants for administration if the State has determined that such recipient requires such additional amount to implement effectively the administrative requirements established by DOE pursuant to this part".

This requirement is further clarified in the A-133 Compliance Supplement which states: "Not more than 10 percent of funds may be used in total or in part for administrative costs. A State shall not expend more than 5 percent for such administrative costs, with at least 5 percent going to subrecipients for administration. Subrecipients may spend no more than 10 percent of the grant for administration; however, for subrecipients receiving grants of less than $350,000, a State may permit that entity to expend up to an additional 5 percent of its subgrant for administrative purposes."

Condition:

In their allocation of WAP funds, OEP interpreted program earmarking requirements to allow an allocation of an additional 5% of the grant amount to subrecipients receiving less than $350,000 as opposed to an allocation of an additional amount equal to 5% of each subrecipients subgrant. This resulted in the over-allocation of WAP administrative funds in the amount of $4,306.

Cause:

The over-allocation of administrative funds as a portion of total WAP grant funds occurred as a result of OEP's misinterpretation of 10 CFR 440.18(e).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

By failing to properly allocate administrative funds as a portion of total WAP grant funds, OEP fails to be in full compliance with the earmarking requirements of the WAP. Additionally, OEP risks incurring questioned or improper costs as a result of noncompliance with the earmarking requirements of the WAP.

Questioned Costs:

As of June 30, 2011, OEP has not expended the entire WAP award for the program year. Furthermore, the remaining grant funds are sufficient to cover the over-allocation of administrative funds necessary to avoid incurring questioned costs as a result of this finding.

Recommendation:

OEP should re-evaluate their interpretation of 10 CFR 440.18(e) and make corrections to established and future allocations of WAP administrative funds necessary to maintain compliance with program requirements.

Auditee Corrective Action Plan:

OEP has analyzed its remaining WAP administrative funds and has enough funds to make this correction and comply with this re-interpretation of the additional 5% allowed for subrecipient grants. OEP will revise the WAP subrecipient grants accordingly.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

By April 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Energy ***Finding 2011-24***
NH Office of Energy and Planning

CFDA #81.042 ARRA - Weatherization Assistance Program (WAP)

Grant Year and Award:
4/1/09 – 3/31/12 # EE0000161

Finding: Subrecipient monitoring requirements related to ARRA award identification not met.

Criteria:

Per 2 CFR 176.210, prime recipients of American Recovery and Reinvestment Act (ARRA) funds are required to separately identify to each subrecipient, and document at the time of the sub-award and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds.

Condition:

The Office of Energy and Planning (OEP) has separately identified to each subrecipient of ARRA-funded Weatherization Assistance Program (WAP) funds, and documented at the time of the sub-award, the Federal award number, CFDA number, and the amount of ARRA funds. The OEP does not, at the time of disbursement, specifically identify this information to each subrecipient as required by 2 CFR 176.210. Instead, the OEP makes reference to the sub-award contract that details the required information through a unique contract identification number.

Cause:

OEP management considers the reference to the sub-award contract specifying the required information sufficient for the satisfaction of this compliance requirement.

Effect:

Subrecipients may not accurately identify ARRA and non-ARRA subawards in their schedule of expenditures of federal awards and data collection form without the award information noted above.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

OEP should establish policies and procedures to ensure that at the time of the disbursement of Weatherization Assistance Program ARRA funds, the Federal award number, CFDA number, and the amount of ARRA funds are identified to each subrecipient.

Auditee Corrective Action Plan:

OEP does not agree with this finding. We identify the Federal award number and CFDA number on the contract to each subrecipient. Every reimbursement then references the contract number. We feel that this procedure meets 2 CFR 176.210. However, we will have the subrecipients also reference the Federal award number and CFDA number on future reimbursement requests.

Contact Person:

Joanne O. Morin

Anticipated Completion Date:

April 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Health and Human Services ***Finding 2011-25***
NH Office of Energy and Planning

CFDA # 81.042 ARRA - Weatherization Assistance Program (WAP)

Grant Year and Award:
4/1/09 – 3/31/12 # EE0000161

Finding: OEP did not comply with the federal financial reporting requirements of the Weatherization Assistance Program.

Criteria:

Per the ARRA-funded Weatherization Assistance Program (WAP) grant agreement, recipients of ARRA-funded weatherization assistance awards must submit quarterly financial reports to the U.S. Department of Energy on the OMB prescribed form SF-425. The SF-425 requires the grantee to report the federal share of unliquidated obligations defined in the reporting instructions as "obligations incurred, but not yet paid" and includes "direct and indirect expenses incurred but not yet paid or charged to the award, including amounts due to subrecipients and contractors".

Condition:

During our testing, we noted that the Office of Energy and Planning (OEP) failed to accurately report the federal share of unliquidated obligations in their SF-425 submissions. A review of the supporting documentation for the SF-425 reports submitted for the quarters ending on 12/31/2010 and 6/30/11 excluded a single contract representing $38,133 of unliquidated obligations as of 12/31/2010 and $32,776 of unliquidated obligations as of 6/30/2011.

Cause:

The reporting error originated as a formula error in a spreadsheet used to track ARRA-funded WAP contracts. The OEP's system of internal controls over federal financial reporting, which consist of the review and approval of reports by the OEP Grants Manager prior to submission of the reports, did not detect and correct the error prior to the submission of the report. Both the formula discrepancy and the ineffective internal control appear to be the result of oversights made by OEP personnel.

Effect:

The formula error in the supporting spreadsheet in conjunction with the OEP's ineffective internal controls over the financial reporting of the ARRA-funded WAP award resulted in noncompliance with the terms and conditions of the grant award.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

We recommend the OEP conducts training designed to improve the effectiveness of its internal controls over federal financial reporting and the accuracy of the reported data elements.

Auditee Corrective Action Plan:

OEP has recently added a Financial Specialist whose job functions will include a second review of financial spreadsheets prepared by our Business Director. However, the Program Manager and Grants Manager also review SF-425 submissions. OEP will redefine each review function to improve these internal controls.

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-26***
NH Department of Resources and Economic Development

CFDA #17.258 Workforce Investment Act Adult Program
CFDA #17.259 Workforce Investment Act Youth Activities
CFDA #17.260 Workforce Investment Act Dislocated Worker
CFDA #17.278 Workforce Investment Act Dislocated Formula Grants

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***
17.258	***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***
17.259	***AA20208AF0***	***July 1, 2012 – June 30, 2013***
17.258	***AA20208AS0***	***July 1, 2012 – June 30, 2013***
17.278	***AA20208AU0***	***July 1, 2012 – June 30, 2013***
17.258	***AA20208CX0***	***July 1, 2012 – June 30, 2013***
17.278	***AA20208CZ0***	***July 1, 2012 – June 30, 2013***

Finding: Did not comply with subrecipient monitoring requirements related to award identification for ARRA and non-ARRA awards

Criteria:

Per OMB Circular A-133 Section 400(d), a pass-through entity shall:

- Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Per Section 2 CFR section 176.210(c), prime recipients are also required to separately identify to each subrecipient and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. Per Section 2 CFR section 176.210(d), recipients are required to require their subrecipients to include on their schedule of expenditures of federal awards (SEFA) and data collection form information to specifically identify ARRA funding.

Condition:

During our testwork, we selected 3 subrecipients out of a total population of 11 subrecipients who had new or updated contracts during fiscal year 2011 and reviewed their contracts to identify if the required Federal award information was included. The 3 contracts selected for testwork did not identify the CFDA number.

For ARRA-specific awards, based on our testwork performed and review of subrecipient contracts and agreements, we noted that Federal award and the program CFDA number were not made available to the subrecipients. In addition, the contracts and agreements did not identify the requirement for the subrecipient to provide separate identification in their SEFA and data collection form of the ARRA funds received. There were 4 new or updated subrecipient contracts and agreements in fiscal year 2011 that were funded by ARRA and per review of all contracts, this information was not present.

It also was noted that the Federal award number, CFDA number, and amount of ARRA funds is not communicated to the subrecipients at the time of disbursement of funds.

A similar finding was noted in the prior year single audit report.

Cause:

Management was unaware of this specific requirement.

Effect:

Subrecipients may not accurately identify ARRA and non-ARRA subawards in their SEFA and data collection forms without the award information noted above.

Questioned Costs:

None

Recommendation:

We recommend the Department of Resources and Economic Development (DRED) include the CFDA number in all subaward agreements and recommend that DRED update subrecipient contracts and disbursement communications to include all ARRA-required elements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Auditee Corrective Action Plan:

The Office of Workforce Opportunity has implemented the following changes to ensure consistency in identifying the CFDA number in all agreements:

- Exhibit B of the contract agreement has been redesigned to ensure that the CFDA number is always included in the contract agreement.
- Subrecipient invoices must now include the CFDA number when submitted to the OWO for payment.
- Currently there are only two active ARRA funded contracts. Both contracts currently include all ARRA required elements. They are:
    - Southern NH Services OJT Services (the CFDA number is included in Exhibit B)
    - NH Employment Security (NHES) Health Care Tax Credit Project (the CFDA number is included in Section I in the second paragraph and again in Section III, in the last paragraph.)

Contact Person:

Tom Martin, Business Manager, Department of Resources and Economic Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date:

These changes are currently in effect.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-27***
NH Department of Resources and Economic Development

CFDA #17.258 Workforce Investment Act Adult Program
CFDA #17.259 Workforce Investment Act Youth Activities
CFDA #17.260 Workforce Investment Act Dislocated Worker
CFDA #17.278 Workforce Investment Act Dislocated Formula Grants

Grant Year and Award:

17.259	***AA171365L***	***ARRA Feb 17, 2009 – June 30, 2011***
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***
17.259	***AA20208AF0***	***July 1, 2012 – June 30, 2013***
17.258	***AA20208AS0***	***July 1, 2012 – June 30, 2013***
17.278	***AA20208AU0***	***July 1, 2012 – June 30, 2013***
17.258	***AA20208CX0***	***July 1, 2012 – June 30, 2013***
17.278	***AA20208CZ0***	***July 1, 2012 – June 30, 2013***

Finding: Did not comply with subrecipient monitoring requirements related to during-the-award monitoring

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.” This requirement includes maintaining a system of internal controls over the subrecipient monitoring requirements of federal programs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Per the OMB Circular A-133, Section 400(d), a pass-through entity is responsible for monitoring 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.

In addition, the OMB Circular A-133 Compliance Supplement specifically requires the prime recipient to perform the following:

> *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.

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 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 ensure outcomes meet the WIA objectives and, enable the Governor to determine if subrecipients are in substantial compliance with WIA requirements.

The Department of Resource and Economic Development's (DRED) policy states that the DRED will conduct during-the-award site visits of its subrecipients annually.

Condition:

Southern New Hampshire Services, Inc. (SNHS) is the WIA cluster's prime subrecipient, representing 52% of the amounts contracted to subrecipients. DRED did not perform a site visit for Southern New Hampshire Services in state fiscal year 2011 which is a requirement of during-the-award monitoring.

A similar finding was noted in the prior year single audit report.

Cause:

Program management did not deem it necessary to perform a site visit as the Federal Department of Labor performed a review of DRED and through this review performed a site visit of SNHS.

Effect:

Lack of a site visit impacts DRED's ability to evaluate the subrecipient's activities in compliance with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable and the subrecipient activities are meeting program objectives.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

We recommend that DRED put procedures in place to ensure appropriate subrecipient during-the-award monitoring measures are in place and are in accordance with federal regulations and their own policies.

Auditee Corrective Action Plan:

DRED/OWO currently has appropriate subrecipient monitoring measures in place to ensure compliance with all state and federal monitoring procedures. Now that the OWO/DRED is fully staffed and the transition from a non-profit to a state entity is behind us, we have been conducting comprehensive monitoring activities consistent with the annual monitoring schedule outlined below. The contractor in question, SNHS, is bolded on the schedule to identify monitoring activities that have taken place to bring OWO/DRED into full compliance now and moving forward.

Office of Workforce Opportunity State-level Monitoring Schedule 2011- 2012 (including ARRA Grants)				
MONITORING ACTIVITY	**DATE**	**REVIEWER**	**TITLE**	**STATUS**
CCSNH - River Valley – Apprentice Fiscal Review	Dec. 2011	T. Moore	OWO Fiscal Administrator	Completed
DRED STATE Audit of WIA Programs	Jun-Aug/ 11	KPMG Inc.	State Audit Firm	Completed
SCSEP Contract & Fiscal Monitoring Review	February-11	B. Nichols	DRED Auditor	Completed
SCSEP Data Validation	June-11	J. Heuser	Director	Completed
SCSEP Program Review PY10	Nov. 2011	B. St. Jean	OWO Program Administrator	Completed
SNHS – Manufacturing NEG Fiscal Review	May-11	T. Moore	OWO Fiscal Administrator	Completed
SNHS – OJT NEG Fiscal Review	May-11	T. Moore	OWO Fiscal Administrator	Completed
SNHS – OJT Program and Fiscal Review – Federal	June-11	J. Ealy	Federal Staff	Completed
SNHS – OJT Program Review	May-11	B. St. Jean	OWO Program Administrator	Completed
SNHS – WIA ARRA Fiscal Review	**Sept. 2011**	**T. Moore**	**OWO Fiscal Administrator**	**Completed**
SNHS Support Review PY 10	Nov. 2011	B. St. Jean	OWO Program Administrator	Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Belknap Merrimack CAP Support Review PY 10	Nov. 2011	B. St. Jean	OWO Program Administrator	Completed
DOE EO Review		B. St. Jean	OWO Program Administrator	Completed
Rockingham CAP Support Review PY 10	Nov. 2011	B. St. Jean	OWO Program Administrator	Completed
Grafton County – Discretionary Grant Program Review	April-11	B. St. Jean	OWO Program Administrator	Completed
RVCC – Apprenticeship Grant Program	May-11	B. St. Jean	OWO Program Administrator	Completed
SNHS – Manufacturing NEG Program Review	May-11	B. St. Jean	OWO Program Administrator	Completed
SNHS – WIA Program Review PY10	**Sept. 2011**	**B. St. Jean**	**OWO Program Administrator**	**Completed**
WIA Adult/DW Data Validation	Dec. 2011	B. St. Jean	OWO Program Administrator	Completed
WIA Youth Data Validation	Dec. 2011	B. St. Jean	OWO Program Administrator	Completed
WIA Youth Eligibility	Dec. 2011	B. St. Jean	OWO Program Administrator	Completed
NH Department of Education Contract & Fiscal Review	March-11	B. Nichols	DRED Auditor	Completed
SNHS EO Review	In process	B. St. Jean	OWO Program Administrator	Report in Process
Strafford County CAP Support Review PY10	Jan. 2012	B. St. jean	OWO Program Administrator	Completed
WIA Youth – DOE Eligibility Review	Jan. 2012	B. St. Jean	OWO Program Administrator	Scheduled 4/13/12
Tri County CAP Support Review	Jan. 2012	B. St. Jean	OWO Program Administrator	Completed
Cheshire CAP Support Review	Jan. 2012	B. St. Jean	OWO Program Administrator	Completed
Thompson Arms Quarterly Desk Review	Jan. 2012	B. St. Jean	OWO Program Administrator	Completed
RVCC – Final Apprenticeship Grant Program	Jan. 2012	B. St. Jean	OWO Program Administrator	Completed
WIA Youth Contract – PY 11 with DOE	Feb. 2012	B. St. Jean	OWO Program Administrator	Scheduled 2/8-2/10/12
SNHS Formula/DW Mid-Year Program Review (Desk)	**March, 2012**	**BSJ**	**OWO Program Administrator**	**Scheduled 3/5-3/8/12**
SNHS Formula Program –Desk Review PY11 Mid-Year	**March-12**	**B. St. Jean**	**OWO Program Administrator**	**Scheduled 3/5-3/9/12**
Thompson Arms Quarterly Desk Review	April, 2012	B. St. Jean	OWO Program Administrator	Scheduled 4/6/2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

OJT NEG Review (on-site)	May, 2012	B. St. Jean	OWO Program Administrator	Scheduled 5/14-5/15/12
Thompson Arms On Site Review (with Feds)	May, 2012	B. St. Jean	OWO Program Administrator	Scheduled 5/23-5/25/12
SNHS –Desk Review	**May, 2012**	**B. St. Jean**	**OWO Program Administrator**	**Scheduled 5/4/12**
Thompson Arms Mid-Point Review Narrative	June, 2012	B. St. Jean	OWO Program Administrator	Scheduled 6/21/12
Grafton County – Discretionary Program Review	Feb, 2012	B. St. Jean	OWO Program Administrator	Scheduled 3/2012
Grafton County – Discretionary Program Fiscal Review	Feb. 2012	T. Moore	OWO Fiscal Administrator	Scheduled 3/2012
Safety & Health of Northern NE – Mining Fiscal Review	Jan. 2012	T. Moore	OWO Fiscal Administrator	Completed
Safety & Health of Northern NE – Mining Program Review	Jan. 2012	B. St. Jean	OWO Program Administrator	Completed
SCSEP Fiscal Review	Jan. 2012	T. Moore	OWO Fiscal Administrator	Completed
SNHS Formula Program Fiscal Review	**March, 2012**	**T. Moore**	**OWO Fiscal Administrator**	**Scheduled 3/2012**
SNHS IEP Review - Completes vs Incompletes	May, 2012	B. St. Jean	OWO Program Administrator	Scheduled 5/4/12

Copies of the SNHS and/or all other monitoring reports listed are available upon request.

Specifically the following monitoring activities were conducted on-site at SNHS to bring OWO/DRED into full compliance with the annual on-site monitoring requirement for ARRA and State Formula grants:

- (CFDA 17.258 AA171365 – ARRA Adult & CFDA 17.260 ARRA Dislocated Worker AA171365P) SNHS **ARRA Fiscal Review** was conducted in September 2011, during which time expenses were tested for December 2009, October 2010, February 2011 and ARRA Discretionary expenses for August 2010 and February 2011.

- (CFDA 17.258 AA171365 – ARRA Adult & CFDA 17.260 ARRA Dislocated Worker AA171365P) SNHS **ARRA PY10 Program Review** was conducted in September 2011

- (CFDA 17.260 EM205286B1) – **ARRA OJT NEG Fiscal Review** conducted and **ARRA OJT NEG Program Review** conducted in June 2011 (fiscal tested November 2010 and March 2011)
- (CFDA 17.260 EM1930609A3) **ARRA Mfg. NEG Fiscal and Program Review** conducted in June 2011 (tested March 2010 and February 2011)

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Jackie Heuser, DRED/OWO Director
Tom Martin, DRED Business Administrator

Anticipated Completion Date:

Completed and on-going

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-28***
NH Department of Resources and Economic Development

CFDA #17.258 Workforce Investment Act Adult Program
CFDA #17.259 Workforce Investment Act Youth Activities
CFDA #17.260 Workforce Investment Act Dislocated Worker

Grant Year and Award:

April 1, 2008--June 30, 2011	***AA171365L0 ARRA Youth Activities***
April 1, 2008--June 30, 2011	***AA171365J0 ARRA Adult Program***
April 1, 2008--June 30, 2011	***AA171365P0 ARRA Dislocated Workers***
April 1, 2009--March 31, 2011	***EM193066B0 ARRA MFG NEG***
June 30, 2010--June 20, 2012	***EM205286B1 ARRA OJT NEG***

Finding: No internal controls established to ensure data quality, completeness and accuracy of the Section 1512 reports

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009* (ARRA), states that each recipient receiving ARRA 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 ARRA. 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 subrecipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

During our testwork, we selected 3 quarters of the Section 1512 reports submitted and noted that the Office of Workforce Opportunity (OWO) did not establish formal procedures to ensure that Section 1512 reports submitted under ARRA were properly reviewed and agreed to underlying documentation to ensure the accuracy and completeness of reported figures by someone other than the preparer. We determined that the amounts compiled and reported were accurate. However, OWO does not have a formal policy which includes an approval of the Section 1512 reports required for this program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

Lack of properly designed and implemented monitoring controls to ensure data integrity

Effect:

The Department cannot ensure that reports submitted are complete and accurate without a second review.

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:

The Office of Workforce Opportunity has specific procedures in place to ensure the completeness and accuracy of ARRA 1512 reports prior to submission. It should be noted that for the most part the electronic submission system developed by USDOL does not allow a state to submit incomplete data; therefore, all reports are considered complete if they are accepted by the system when submitted. Furthermore, the local Region I Federal staff must review all submitted reports for completeness and consistency before they are finalized in the federal system. In addition, from the implementation of ARRA through July 2011, the Governor's Stimulus Office required that all ARRA grantees submit draft 1512 reports to their office for review (completeness, accuracy, and consistency) and approval prior to being submitted to USDOL via the electronic 1512 system.

That said the question remains as to what procedures were/are in place within the Office of Workforce Opportunity to ensure that the information reported on the quarterly 1512 reports is accurate.

To ensure accuracy of reporting the Office of Workforce Opportunity formalized the following procedures:

- The *Fiscal Administrator* submits updated fiscal information in accordance with reporting requirements to the OWO Director.

- The *OWO Director* reviews the fiscal data for completeness and accuracy by comparing the information with internal fiscal documents updated on a monthly basis, ensuring that data is accurate, current, and consistent with previous reporting.

- The *Fiscal Administrator* enters the updated fiscal data on the 1512 report. The *OWO Director* updates program related changes and the monthly performance summary (based on information

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

gathered from the local service providers) and other changes that have occurred in program management during the reporting quarter.(e.g., contract amendments, additional vendors, additional contractors, etc.)

- The *Fiscal Administrator* reviews all of the data entered on the saved 1512 report, and informs the OWO Director of any changes, inaccuracies, etc., or approves the report data as completed.

- The *OWO Director* submits the final report to USDOL via the electronic reporting portal.

- *Region I Federal staff* review the data for accuracy and consistency. Region I staff will contact the Director of OWO with any perceived discrepancies or questions. If it is agreed that changes are necessary, the *OWO Director* will make the agreed changes and resubmit the report.

Contact Person:

Tom Martin, Business Manager, Department of Resources and Economic Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date:

Effective September 1, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-29***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2011 UI-19597-10-55-A-33

Finding: Ineffective information technology general controls (ITGC) related to the New Hampshire Unemployment Insurance System

Criteria:

The Unemployment Insurance 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 (2 CFR 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 2010 and 2011 audits 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, in fiscal 2010, 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. We performed a follow up review in fiscal 2011 and determined that the large number of users (69) with super user access had been reduced to 19. The Director continues to review with the Business Community the remaining 19 users with this access to further reduce the number of users with superuser access.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 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. We performed follow up review in fiscal 2011 and determined that the formal testing and authorization of hardware and software changes, including application operating system changes was remediated during fiscal 2011. A new electronic system is in place to electronically record and retain the stages of a change and each approval electronically. The retention of any change is also stored in the electronic system for future analysis and auditing.

A similar finding was noted in the prior year single audit report.

Cause:

Management indicated that NHDES 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 are continuing to be created and reviews performed.

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.

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 superuser privileges should continue to be reviewed.

NHDES should ensure that existing and new roles support appropriate segregation of duties 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.

Auditee Corrective Action Plan:

The number of superusers in NHUIS has been reduced from 69 to 12. The remaining superuser accounts are limited to those individuals who require the access in order to perform complex administrative

functions and/or research and/or testing to ensure that the mission of the agency is met. Efforts are underway to create 2-3 additional roles which will reduce the total number of superusers to less than 10. The review of user roles will remain ongoing to ensure all user accounts remain properly aligned to an employee's assigned business role.

The Internal Security Officer is aware of the requirement to periodically review user access and access privileges to ensure adequate controls are in place to prevent unauthorized transactions or unauthorized access to sensitive data. User transaction activity is logged in NHUIS. We are in the process of strengthening this logging activity as well as creating additional periodic reporting tools to track user activity. An "on-demand" report is also available that can produce a listing of all transactions entered by one or more superusers for a specific period of time.

Regarding consistent and comprehensive documentation for testing and migration to production, the tracking sheet that was put in place is working well. No item is moved to production without the Business Analyst II, in charge of the User Acceptance Testing team, approving the move by choosing YES on the form. Defects, enhancement and support requests are tracked via a tool known as Harvest. The new vendor revamped the reporting structure to include more comprehensive status labels. All involved staff were trained on the new expectations and supervisors are following up with random checks. It has been necessary to reinforce proper procedure with some developers.

Contact Person:

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

December 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-30***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: Controls over federal reporting and the accuracy of data included in federal reports need 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 Insurance (UI) 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.

As stated in the OMB Circular A-133, subpart C .300(b), it is the responsibility of the auditee to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

This requirement includes maintaining 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:

The Department was unable to demonstrate that authorized individuals reviewed and approved 6 out of 7 federal report types required to be submitted to USDOL for the UI program prior to its final electronic submission during fiscal year 2011.

Inconsistencies between information included in the supporting worksheets compared to federal reports submitted to USDOL were also noted. For example, documents supporting the *Overpayment Detection and Recovery Activities* (ETA 227) report did not agree to information included in the final report.

A similar finding was noted in the prior year single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

Management indicated review of reports is part of the reporting procedure; however, evidencing the review was not part of the procedure established during fiscal year 2011. Errors in reports appear to be due to problems with the systems generating the information.

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program due to report filings containing inaccurate data.

Questioned Costs:

None

Recommendation:

The Department should strengthen its controls over reporting requirements to ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with any other applicable UI requirements. For example, the Department should develop written policies and procedures that would include provisions for a documented review and approval of all federal reports required for the UI program and Department positions authorized to perform such review.

Auditee Corrective Action Plan:

Significant progress has been made since implementation of the new benefit payment system (NHUIS) in 2009 regarding reporting timeliness and accuracy. The department is unaware of any remaining late reporting issues.

The *Overpayment Detection and Recovery Activities* (ETA 227) report was specifically mentioned in the finding. NH is very close to being able to report that all Fiscal reports have been improved, tested and validated for accuracy, including those that apply to overpayments. The final few management reports that gather the data for the ETA 227 are in test and are expected to be deployed to production in February 2012.

NH continues to be actively engaged in review of reports for accuracy and keeping USDOL informed of any concerns. In general, the response from USDOL has been to submit the reports timely considering our ability to amend the reports. Reports are manually adjusted as necessary prior to submission to ensure accuracy.

The finding indicates that "the Department should develop written policies and procedures that would include provisions for a documented review and approval of all federal reports required for the UI program and Department positions authorized to perform such review."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Data Validation is designed to test the accuracy of reporting and all issues identified during the Data Validation process are added to the Harvest tracking system for defects and/or enhancements. New Hampshire actively participates in and submitted all Data Validation (DV) items due for VY 2011 though several did not pass. NHUIS is a transfer system from Ohio. Ohio had not implemented DV and thus DV was untested in this system. Challenges with reporting naturally led to challenges with DV. Fifteen (15) benefit populations failed VY 2010. Five (5) of those fifteen (15) were addressed and passed VY 2011. Additional populations are expected to pass in VY 2012. Evaluating a DV population and corresponding reports to determine the reasons for failure and implement correction is a time-consuming task. Devoting limited IT resources to this task is weighed against all other competing priorities.

It appears that the finding recommends documented review beyond Data Validation and the documented items in the Harvest tracking system. The Department will work with the appropriate stakeholders to issue such policy and maintain documentation of such review. The policy will establish reasonable parameters for review prior to submission, as it is not possible to validate every single data element and social security number that may be involved on every report submitted.

Contact Person:

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-31***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: No evidence of work search obtained prior to payment of benefits

Criteria:

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."

NH RSA 282-A:32, I(d) states "…An individual shall be disqualified for benefits and no waiting period may be served: … [if he/she] has failed, without good cause, either to apply for available, suitable work when so directed by the employment office or the commissioner or to accept suitable work when offered him[/her], or to return to his[/her] customary self-employment (if any) when so directed by the commissioner."

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."

NH RSA 282:30,XI(c) states, Claimants receiving benefits under the Extended Benefits (EB) program are also required to make a "systematic and sustained effort" to seek work and must provide "tangible evidence" of the search.

Condition:

Prior to October of 2010, weekly claims reviewed did not have a clear indication that a work search had been conducted by claimant prior to obtaining payment of benefits. Effective October 2010, the Department improved the NH Unemployment Insurance system (NHUIS) to capture information regarding weekly work search efforts for those claimants filing continued claims over the Internet. However, this eligibility component was not required for claimants filing over the phone system.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Based on testwork performed over a sample of 65 claims, the following was noted:

- 23 claims with a benefit week ending prior to October 31, 2010 were paid prior to obtaining evidence of work search.
- 7 out of the remaining 42 claims selected for testwork with a benefit week ending subsequent to October 31, 2010 had no evidence of a work search performed.
- 2 instances where claimants were not registered in the Job Matching System.

A similar finding was noted in the prior year single audit report.

Cause:

NHUIS was upgraded effective October 31, 2010. Claimants filing over the Phone System (IVR) were not required to demonstrate additional evidence of work search conducted.

Effect:

The Department is at an increased risk of paying benefits to ineligible claimants who are not seeking permanent work as required by statute.

Questioned Costs:

None

Recommendation:

The Department should improve controls to ensure all claimants who are required to search for work are providing evidence of their work search activities prior to receiving benefit payments.

The Department should promptly communicate procedure updates and incorporate them into Department directives and claimant documentation to ensure compliance with the eligibility requirements for the Unemployment Insurance program.

Auditee Corrective Action Plan:

The original corrective action plan involved adding a question to the automated phone system CCF. New Hampshire chose to address this audit finding in a more comprehensive method.

Effective August 2011, all claimants who were required to search for work were mandated to file their weekly continued claim via the internet application. The internet application requires entry of worksearch activity/contacts and the continued claim will not be accepted or certified unless worksearch is entered. A box is provided for the claimant to check for “Did not search for work”.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

If they check that box rather than providing worksearch, a stop-payment issue is created on their claim. The individual is contacted by an adjudicator to determine if the answer was an error and to collect the worksearch before releasing payment, or if the claimant did not look for work, gather the facts as to why and make an appropriate determination of eligibility based on those facts. If the claimant was required to look for work but did not, they are denied benefits for the week in question.

Worksearch is randomly monitored by Local Office staff, during eligibility reviews, Re-employment Eligibility Assessments, profiling reviews and when providing assistance to find work. Should worksearch efforts exist but be determined inadequate, a worksearch warning is issued with instruction as to what must improve. Should subsequent review indicate that the worksearch efforts have not improved, the individual is denied from the week in which the warning was issued forward until they can show that they are meeting worksearch requirements.

The only individuals that can still file a continued claim via the automated phone system are those whose worksearch requirement has been waived. This would be for individuals who are in approved training or on a temporary layoff of less than 4 weeks. No worksearch is gathered in these cases and is not required.

The audit finding has been addressed and NH is now in compliance.

Contact Person:

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

August 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-32***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: Benefits accuracy measurement cases reviewed did not comply with State law and policy

Criteria:

BAM State Operations Handbook, ET Handbook No. 395. 20 CFR section 602.11(d) requires states to operate a Benefits Accuracy Measurement (BAM) program to assess the accuracy of the unemployment insurance (UI) benefits payments and denied claims. Although the primary purpose of the BAM program is to identify system-wide issues, so future errors can be prevented, the findings of BAM must be consistent with official rules and written policies of the state. Disagreements of the outcome of case investigations between the BAM unit and other units are required to be resolved by a higher authority, with the exception of appeals decisions that modify BAM actions.

New Hampshire RSA 282-A:32,I(d) states "…An individual shall be disqualified for benefits and no waiting period may be served: … [if he/she] has failed, without good cause, either to apply for available, suitable work when so directed by the employment office or the commissioner or to accept suitable work when offered him[/her], or to return to his[/her] customary self-employment (if any) when so directed by the commissioner."

Condition:

Quality Control (QC) Investigators' conclusions in 4 out of 12 case files selected for testwork from the *claims paid* sample did not identify that benefits were paid in error and further referred to the appropriate department unit. Claims appeared overpaid due to no work search being conducted by claimant or there was no evidence of work search conducted to be able to determine if the claim was properly paid.

For 2 out of the 4 cases identified above, warning letters had been issued to claimants indicating benefits were at risk if work search was not performed or adequately documented to confirm continued eligibility. For the other 2 cases, the claimant did not respond to the investigator's request to submit work search evidence; therefore, it appears unclear as to how the conclusions reached did not indicate benefits might have been overpaid.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

The Department of Employment Security's (the Department) informal policy has been to issue warning letters to claimants when no work search has been conducted or documented to demonstrate they have been actively seeking work. Judgment has been granted to adjudicators as to how to apply the law regarding work search.

Effect:

The Department is not in compliance with the BAM program requirements established for the UI Program. In addition, benefits for weeks reviewed appear overpaid and employer(s) (or trust fund, if applicable) appear overcharged.

Questioned Costs:

Unable to Determine

Recommendation:

The Quality Control (QC) Unit responsible for carrying out the BAM program should conduct its investigations to verify compliance with State law and policies regarding work search. QC investigators should properly document results in case files and, as applicable, refer weekly claims for further redeterminations or establishment of overpayments. If disagreements exist between QC investigators and other units, resolution should be sought by higher authority as indicated in the BAM handbook.

Auditee Corrective Action Plan:

The findings of the auditors reveal that, four of the twelve cases that were selected should have been found, paid in error. This is based on there being no evidence of work search conducted to determine if the claim was paid properly.

In one of the cases, the claimant had been filing in the State of Maine. Maine determined that he had been paid in error because he should have been filing against the State of New Hampshire. The claim was backdated and reconstructed based on the claimant filing for extended benefits when he had separate eligibility in the State of NH. When this case was chosen for review, the week in question was two weeks shy of being a year old. The claimant did not respond to requests from this agency with regard to the quality control questionnaire. Without the questionnaire, the quality control investigator cannot determine for sure that the claimant did not seek work.

One case that was identified was a case where prior to quality control completing their investigation, the benefits adjudication unit issued a determination, allowing benefits stating that the claimants work search efforts were inadequate. Fact-finding done by the adjudicator revealed that the claimant did look for work but was unable to find any "new" employers to contact for work that week. As per policy, (written directive 320-2) a work search warning was issued on the same determination. Quality Control cannot substitute their judgment for that of the adjudicators. Should there have been an error in the way that the

adjudicator had processed the claim, it would have been sent back for a redetermination. The adjudicator followed policy in issuing a work search warning.

A third case was one where the claimant listed work search on the questionnaire but did not give sufficient information so that the investigator could verify the contacts. The claimant was contacted for additional information but she did not respond.

Finally, the fourth case was where the claimant did not provide a work search on the questionnaire as requested. She was issued a work search warning by the quality control investigator.

Effective with the week ending 10/30/2010, claimants who file via the web were required to list their work search when filing their continued claim. This requirement was further enhanced effective 9/29/2011 when all claimants who are required to seek work, must file their weekly-continued claim via the web. Only those claimants who are specifically exempted from conducting a work search can file their weekly claims via the IVR. This has proved to be very helpful when a paid week is chosen for a quality control review. The work search provided by the claimant, is available immediately for review and investigation.

Three of the cases found to be in error, were cases where the key week was prior to 10/30/2010.

Based on a federal peer review held in late July, 2011, a discussion was held with the BAM Program Regional Monitor, the Federal Monitor, and the states present for the peer review, regarding claimants who are non responsive to the quality control questionnaire. The Federal Monitor stated that if any state has a reporting requirement in their law, the state should be enforcing that claimants respond to the quality control requests. Prior to these discussions, New Hampshire always considered participation in the quality control process to be voluntary. Based on these discussions, New Hampshire has made changes to letters sent to claimants along with the questionnaire stating that their response is required and that failure to respond could result in an overpayment and future disqualification. This change has had a positive impact on the number of claimants that are unresponsive.

Effective immediately, Quality Control investigators will no longer send work search warnings to claimants who lack work search. Warnings will only be given to those individuals who have "inadequate" work search or work search that cannot be verified by any means.

Contact Person:

Theresa Murphy, Quality Control Supervisor

Anticipated Completion Date:

Immediate

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-33***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: Prevention controls in NHUIS system regarding employer charges should be implemented

Criteria:

The employer's "experience" with the unemployment of former employees is the dominant factor in the computation of the employer's annual State unemployment insurance (UI) tax rate.

NH RSA 282-A:74, I, states "[t]he commissioner shall maintain a separate account for each employer and shall credit his account with all contributions timely paid by him or on his behalf… II. Benefits paid to an eligible individual shall be charged against the account of the claimant's most recent employer, including 1/2 of such benefits as are paid to an individual under [the Extended Benefits program] …"

RSA 282-A:86. The total for all past years of all benefits charged against an employer's separate account is subtracted from the total of all contributions paid and credited to the employer's account for all past years. If contributions credited exceed benefits charged, the excess is computed as a percent of the employer's average annual payroll, which percent determines the contribution rate as provided in RSA 282-A:87, I.

Condition:

The Department of Employment Security (Department) has not implemented system or manual controls to ensure benefits paid are not improperly charged against employer accounts.

Out of 65 benefit claims reviewed, it was noted 2 claims were improperly charged to an employer other than the most recent employer or the Unemployment Trust Fund (Fund).

Cause:

The Department believes the claims were not automatically charged (in the NH Unemployment Insurance System (NHUIS)) to the correct employer because the claimant, while applying for benefits, did not include the employer number in the claim. Based on the Certifying Officer's review, an attempt to

correct this issue was made, however a follow up was not performed to ensure the claims were properly charged.

Effect:

The Department appears to not be properly administering the federally approved experience-rated UI Tax system as indicated in the Special Test and Provisions – Employer Experience Rating compliance requirement for the UI program.

The employers' experience with the unemployment of former employees affects the computation of the annual State UI Tax Rate.

Questioned Costs:

None

Recommendation:

The Department should implement system or manual controls to ensure benefits paid are properly charged to the most recent correct employer or the Fund as applicable.

Auditee Corrective Action Plan:

There are already several controls in place intended to ensure that charging is correct. When a claim is filed, the work history as entered by the claimant is reviewed by the benefit payment system. The system attempts to identify the chargeable employer, any employers that are potentially chargeable and the last employer the individual worked for (which may be the same as those already identified as chargeable or potentially chargeable). The system sends a Notice of Claim to all identified employers.

If the work history is incomplete, which happens in the majority of cases since it is self-entered by the claimant, the system generates a variety of alerts, dependent on the situation. The alerts are assigned to Certifying Officers who are responsible for contacting the claimant if necessary and adjusting the charges if incorrect. In addition to these alerts, the Adjudicator is responsible for reviewing charging whenever they are assigned a claim and adjusting the charges as necessary.

Claims where the system has identified the chargeable employer, no alerts were generated because the work history was complete, and no adjudicator reviewed the claim because there were no eligibility issues, it is possible that the charging was incorrect. The employer is sent a Notice of Claim and on that notice it is clear that they are the chargeable employer. There is some responsibility on the part of the employer to contact the department if they disagree and the document provides the methods by which to do so.

Random Quality Control (BAM, DCA, BTQ) audits are performed that verify appropriate charging as one of the criteria for review. The supervisors of the Benefit Adjudication Units and the Trainer for the Bureau also randomly review work for accuracy. The Trainer conducts refresher training every month

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

on subjects that always include quality and accuracy reinforcement. A specific training on Charging was held in January 2012.

Queries have been run in the past that provided lists of SSN's that fit specific circumstances where charging should have been directed to the Fund. Every SSN on the query was checked and charging adjusted as necessary. This query will now be run every quarter. An enhancement request has been added to the queue for the vendor maintaining the benefit payment system to create a report that will replace this query as well as a report that would list all claims charged 100% to the fund so they can be validated for accuracy.

Contact Person:

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-34***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: Controls over the FUTA certification file transmission should be implemented

Criteria:

States are required to annually certify for each taxpayer the total amount of contributions required to be paid under the State law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the Federal Unemployment Tax Act (FUTA tax) (26 CFR section 31.3302(a)-3(a)). In order to accomplish this certification, States annually perform a match of employer tax payments with credit claimed for these payments on the employer's IRS 940 FUTA tax form.

Guide For The Certification Of State FUTA Credits - Unemployment Tax Form 940 and Schedule H states: "The state agencies are required to provide their FUTA Certification data … to the IRS via [Secured Data Transfer system] SDT by **January 31,** of the following year."

Condition:

The Department of Employment Security (Department) submitted the FUTA Certification file to the Internal Revenue Service (IRS) 14 days later than the established due date of January 31, 2011.

Cause:

The Department reported problems with the electronic submission of the file, as this was the first time transferring the file using the IRS provided product.

Effect:

The Department was not in full compliance with the Special Test and Provisions – Match with IRS 940 FUTA Tax Form requirement established for the Unemployment Insurance program during fiscal year 2011.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

The Department should implement controls to ensure all requirements of the annual FUTA Certification are met, including the timely transmission of the FUTA Certification File to the IRS as indicated in the *Guide For The Certification Of State FUTA Credits.*

Auditee Corrective Action Plan:

In 2010, when the 2009 Annual FUTA Certification was due, it was the first time the Feds required the FUTA reply to be submitted via a secure "tumbleweed" connection. This server-to-server connection process had not been tried before and we had several failures before we were able to resolve all the transmission issues. Initially, we submitted a FUTA reply file before the deadline, but the file transfer failed and we didn't find out about the failure for several weeks due to slow response back from the federal agency.

The failures were based on several things during that first try, they were: the original file format was mis-configured, the naming convention was incorrect, and the tumbleweed configuration was not accurate. Each of these items were fixed and documented so that it would not be an issue the next time. We were always in close contact with the FUTA liaison and they were well aware of the situation. We were also told by the liaison that the late submission was not going to be an issue of concern as they were working their own bugs out of the system. The initial file transfer issues have been resolved and the file was successfully sent 14 days late, and successfully sent each time since.

The following actions have been taken to prevent future FUTA Certification submission issues include the following:

- Corrections in the file format have been made.
- Corrections in the tumbleweed settings have been made.
- Corrections in the file naming conventions have been made.
- Documentation of the process has been created and delivered to appropriate staff.
- Training of Technical Support and Data Librarian personnel has been conducted.
- Backup support is now available from the Data Librarian.
- Logging of file transmissions is now done by the Data Librarian.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

- The Federal system on the receiving end of the file transmissions has been enhanced to provide automatic e-mail confirmation of received files.
- Confirmation of received file by Federal Agency listed above is verified and logged.

Using these new corrective actions, the 2010 Annual FUTA Certification was completed and transmitted on time (10/31/2011) which can be verified in three ways:

- Witness: Both the Technical Support and Data Librarian were present for the transmission.
- Record Keeping: A transmission log entry was made and signed by the Data Librarian.
- Verification: A confirmation e-mail was sent by the Federal system and received by us.

Contact Person:

Randy Severance, System Development Specialist V

Anticipated Completion Date:

March 1, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Labor ***Finding 2011-35***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:
2010 UI-19597-10-55-A-33
2011 UI-19597-10-55-A-33

Finding: Controls over the Treasury-State Agreement should be implemented

Criteria:

31 CFR, section 205.6, states "the Treasury-State agreement [(TSA)] documents the accepted funding techniques and methods for calculating interest agreed upon by [United States (US) Treasury] and a State…"

Condition:

Controls are not in place to ensure appropriate cash management stipulations, such as the funding technique and clearance pattern, are included in the TSA.

The funding technique and clearance pattern included in the TSA and approved by the US Treasury and the NH State Treasurer during fiscal year 2011 was not consistent with prior years' approved TSAs and cash needs for the Unemployment Insurance program. The Department of Employment Security (Department) pays unemployment benefits daily and draws funds based on the dollar-weighted average day of clearance and a clearance pattern of 4 days, as historically approved.

Inconsistencies noted are listed below:

	Fiscal Year 2011	*Prior Fiscal Years*
Funding Technique:	Cost Allocation Plan – Other	Average Clearance
Clearance Pattern:	Not Applicable	4 Days

Cause:

Miscommunications existed between the NH State Treasury and the Department. Emails were exchanged between the State Treasury and the Department to confirm the language to be included in the TSA; however, the TSA was approved without the Department's being aware of the final changes.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The Department was not in compliance with the TSA in effect for fiscal year 2011, as required by the Cash Management compliance requirement for the Unemployment Insurance Program.

Questioned Costs:

None

Recommendation:

The State Treasury should implement controls to ensure the appropriate cash management stipulations, such as the funding technique and clearance pattern, are included in the TSA for all applicable programs.

The Department should not fully rely on other departments and should monitor activities, such as the preparation of the Treasury-State Agreement, that affect the Unemployment Insurance program.

Auditee Corrective Action Plan:

NHES will work with State Treasury to ensure the appropriate cash management stipulations for the Unemployment Insurance program are included in the final Treasury-State Agreement submitted to the United States Treasury for approval.

Contact Person:

Jill Revels, Business Administrator

Anticipated Completion Date:

Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Transportation ***Finding 2011-36***
NH Department of Transportation

CFDA #20.205 Highway Planning and Construction

Grant Year and Award:
2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 Various

Finding: Federal draw downs not in compliance with the Treasury-State Agreement

Criteria

Per 31 CFR sections 205.11 and 205.33, the timing of the federal cash draws should be in compliance with the funding techniques specified in the Treasury-State Agreement or Subpart B procedures, whichever is applicable. The average clearance technique is defined such that the State requests funds so 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 in the TSA is 4 business days.

Condition

Our audit procedures noted that the drawdown process used by the Department of Transportation (the Department) did not always replicate the average clearance techniques defined in the TSA. We noted that for 5 out of the 7 drawdowns selected for testwork, the Department did not replicate the average clearance pattern technique defined in the TSA. The drawdowns occurred in 2, 3, and 5 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.

A similar finding was noted in the prior year single audit report.

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).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur. In September 2010, the State Treasurer's Office submitted an amendment to the TSA that more closely reflected the flow of funds and timing involved in the drawdown cycle associated with CFDA #20.205. The average clearance was changed from five to four days.

The Agreement related to federal fund drawdowns is currently under an annual review by our Department with Treasury. The Department of Transportation is implementing a new billing system for Federal projects that necessitates the review of what the appropriate average clearance pattern will be going forward. It is anticipated that the new billing system will be on-line in March/April of 2012 and the TSA agreement will be updated at that time to reflect an accurate average clearance pattern and compliance with the TSA.

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

March 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Transportation	***Finding 2011-37***
NH Department of Transportation	
CFDA# 20.205 Highway Planning and Construction	
Grant Year and Award:	
2011	***Various***

Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)

Criteria:

The Federal Funding Accountability and Transparency Act (FFATA– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported by grantees. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

For contracts, implementation was phased in based on their total dollar value. Based on the FAR interim final rule, FFATA reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $20,000,000 or more.

- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $550,000 or more.

- Starting March 1, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

FSRS. To do so, they will first be required to register in Central Contractor Registration (CCR) (if they have not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in CCR.

Grant and cooperative agreement recipients and contractors must report information related to a subaward by the end of the month following the month in which the subaward or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

Condition:

During the audit, we noted that the Department of Transportation (DOT) did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. DOT did not attempt to report such awards subject to FFATA and lacks controls to determine when the FFATA reporting requirements are triggered.

Cause:

DOT was unaware of the FFATA requirements for fiscal year 2011.

Effect:

DOT was not in compliance with the FFATA regulations and reporting for fiscal year 2011.

Recommendation:

DOT should institute processes to identify and track contracts and sub-awards subject to the FFATA regulations, and ensure that all registration and reporting requirements are being adhered to and reports are filed timely.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur. NHDOT Finance has met with officials of another State agency regarding the implementation of the Federal Funding Accountability and Transparency Act (FFATA) which requires the department to maintain a searchable website that contains certain information on Federal spending awards. Implementation of this Act is a tremendous undertaking that will require considerable resources of Finance and Department of Information Technology (DOIT).

Finance is committed to this effort and has identified staff to further develop an understanding of FFATA requirements and to coordinate and develop a plan for implementation and maintenance of this information. It must be emphasized that this Act will require significant resources of the Department.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

September 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Transportation ***Finding 2011-38***
NH Department of Transportation

CFDA #20.205 Highway Planning and Construction

Grant Year and Award:
2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004 Various

Finding: Subrecipient Monitoring – Award Identification

Criteria:

Per 31 USC section 7502(F)(2)(B), at the time of the subaward there is a requirement to identify 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 the name of the Federal awarding agency) and identify applicable compliance requirements. For ARRA subawards, the grantee is responsible for identifying to the subrecipient at the time of the subaward and disbursement of funds, the federal award number, CFDA number, and the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to separately identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.

Condition:

Our audit procedures noted that the Department of Transportation (the Department) did not properly identify ARRA and non-ARRA Federal award information to subrecipients, nor did the Department identify the compliance requirements to the subrecipient within their contract agreements. The Department also did not advise subrecipients of ARRA funds of the requirement to separately identify ARRA funds in the SEFA and the SF-SAC. We also noted during our sample of 25 subrecipients, one municipal agreement could not be located.

Cause:

The Department prepares contract agreements that are generic. The agreements are modified to include details of the project but they do not include the CFDA title and number, nor ARRA-related information, as applicable.

Effect:

The Department is not in compliance with subrecipient monitoring - award identification procedures and cannot adequately ensure that subrecipients are aware of requirements specific to their program under this CFDA number. Failure to make notifications related to ARRA awards increases the risk the information

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

regarding the expenditure of ARRA awards by the Department's subrecipients is incomplete or inaccurate.

Recommendation:

We recommend that the Department include the CFDA title and number along with specific details regarding the program and any ARRA-related notifications to subrecipients within their contract agreements, and for ARRA awards, within disbursement communications. The provision of this information will help ensure that the subrecipients are aware of the requirements to which they need to adhere. Additionally, the Department should ensure proper safeguarding exists over key contract documents.

Questioned Costs:

None.

Auditee Corrective Action Plan:

We concur. The Bureau of Planning and Community Assistance, who has responsibility and oversight for developing and executing subrecipient agreements, now includes specific language in all agreement templates that identifies the Awarding Agency, funding program, CFDA number and other specific requirements that may exist.

Contact Person:

William Watson Jr., PE, Administrator-Bureau of Planning and Community Assistance

Anticipated Completion Date:

Complete

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-39***
NH Department of Education

CFDA #84.027 Special Education – Grants to States (IDEA, Part B)
CFDA #84.173 Special Education – Preschool Grants (IDEA Preschool)
CFDA #84.391 Special Education – Grants to States (IDEA, Part B), Recovery Act
CFDA #84.392 Special Education – Preschool Grants (IDEA Preschool), Recovery Act

Grant Year and Award:
84.027 2011 H027A100103, 2010 H027A090103, 2009 H027A080103
84.173 2011 H173A100109, 2010 H173A090109, 2009 H173A080109
84.391 2009 H391A090103
84.392 2009 H392A090109

Finding: Did not comply with subrecipient monitoring requirements related to award identification and during-the-award monitoring

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the circular states it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.” This requirement includes maintaining a system of internal controls over the subrecipient monitoring requirements of federal programs.

Per the OMB Circular A-133 Section 400(d), a pass-through entity shall perform the following for the Federal awards it makes:

(1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

(2) 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

In addition, the OMB Circular A-133 Compliance Supplement specifically requires the prime recipient to perform the following:

> *Award Identification* – At the time of the subaward, 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. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.
>
> *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.

Condition:

During our subrecipient monitoring walkthrough with Bureau of Education (the Bureau), it was noted that at the time of the subaward of ARRA and non-ARRA funds, the subrecipient is not directly notified of the CFDA number and award name and number, and for ARRA awards the requirement to identify ARRA funds in the SEFA and the SF-SAC was not conveyed. The required ARRA information is also not provided at the time of each ARRA disbursement.

Additionally, it was noted that although the State reviews subrecipient audits for those subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year, no other during-the-award monitoring procedures were in place. During-the-award monitoring procedures should include site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws and regulations. We noted the Bureau performs Focus Monitoring Reviews; however, these reviews do not include a review of items for which the State is reimbursing the subrecipients.

Cause:

Management was not aware of all of the subrecipient monitoring requirements.

Effect:

Lack of site visits or other during-the-award monitoring procedures impacts the Bureau's ability to evaluate subrecipients' activities in compliance with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable and the subrecipient activities are meeting program objectives.

Subrecipients may not accurately identify ARRA and non-ARRA subawards in their SEFA and data collection forms without the award information noted above.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

We recommend that the Department ensure that the CFDA number and Federal award name and number are communicated to the subrecipients at the time of the award.

In addition, we recommend that the Department put procedures in place to ensure the appropriate during-the-award subrecipient monitoring procedures are in place.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur that the requirements were not met. The New Hampshire Department of Education will develop policies and procedures make sure that these requirements are met.

Contact Person:

Santina Thibedeau, Administrator, Bureau of Education
Nancy Heath, Agency Audit Manager, Bureau of Education
Ralph Tilton, Program Specialist, Bureau of Education
Caitlin Davis, Internal Auditor, Bureau of Education

Anticipated Completion Date:

June 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-40***
NH Department of Education

CFDA #84.027 Special Education – Grants to States (IDEA, Part B)
CFDA #84.173 Special Education – Preschool Grants (IDEA Preschool)
CFDA #84.391 Special Education – Grants to States (IDEA, Part B), Recovery Act
CFDA #84.392 Special Education – Preschool Grants (IDEA Preschool), Recovery Act

Grant Year and Award:
84.027 2011 H027A100103, 2010 H027A090103, 2009 H027A080103
84.173 2011 H173A100109, 2010 H173A090109, 2009 H173A080109
84.391 2009 H391A090103
84.392 2009 H392A090109

Finding: Administrative draws not performed in accordance with the Treasury-State Agreement

Criteria:

Per 35 CFR 205.10, The Treasury-State Agreement must include a concise description for each funding technique that a State will use. The description must include the following: (a) What constitutes a timely request for funds; (b) How the State determines the amount of funds to request; (c) What procedures are used to project or reconcile estimates with actual and immediate cash needs; (d) What constitutes the timely receipt of funds; and (e) Whether a State or Federal interest liability accrues when the funding technique, including any associated procedure for projection or reconciliation, is properly applied.

Condition:

Per review of the Treasury-State Agreement effective for fiscal year 2011, no clearance pattern is specified for the Special Education program non-CMIA draw (administrative costs that are not payroll related) and therefore the draw must occur on a reimbursement basis. We selected a total of 40 draws for testwork – 23 related to the CMIA draw and 17 related to the non-CMIA draw. For 4 of the 17 non-CMIA draws, the date of the federal draw was prior to the payment date of the cost.

Cause:

Management did not conform to procedures related to administrative draws.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The Department is not in compliance with the Treasury State Agreement (TSA) and the Cash Management Improvement Act (CMIA).

Recommendation:

Management should implement procedures to ensure that administrative draws are performed strictly on a reimbursement basis.

Auditee Corrective Action Plan:

We concur that the requirements were not met. The New Hampshire Department of Education will develop policies and procedures to make sure that these requirements are met.

Contact Person:

Sue Folsum, Accountant III, Centralized Federal Funding Supervisor

Anticipated Completion Date:

June 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-41***
NH Department of Education

CFDA #84.391 Special Education - Grants to States (IDEA, Part B), Recovery Act
CFDA #84.392 Special Education – Preschool Grants (IDEA Preschool), Recovery Act
CFDA #84.389 Title I Grants to Local Education Agencies, Recovery Act

Grant Year and Award:
84.391 2009 H391A090103
84.392 2009 H392A090109
84.389 February 17, 2009 –September 30, 2012 S389A090029A

Finding: Cannot adequately support expenditure amounts reported for ARRA Section 1512 reporting

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009* (ARRA), states that each recipient receiving ARRA 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 ARRA. 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 subrecipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

For both the IDEA Part B and IDEA Preschool programs, we selected for testwork all quarterly Section 1512 reports submitted during fiscal year 2011. We were unable to agree the supporting documentation from the accounting records to the Section 1512 Reports for 6 of the 8 reports submitted. For Title I, we reviewed 2 quarters reported during SFY 2011 and was unable to agree the supporting documentation to the Section 1512 reports for both quarters submitted.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following is a summary of variances:

IDEA Part B:

Quarter Ending	Per Records	Reported on recovery.gov	Variance
Expenditure Amount			
12/31/2012	$23,569,048	$23,558,373	$10,675
3/31/2011	29,421,394	29,412,550	8,844
6/30/2011	35,814,497	35,518,469	296,028

IDEA Preschool:

Quarter Ending	Per Records	Reported on recovery.gov	Variance
Funds Invoiced/Received			
12/31/2010	$524,225	$524,031	$194
3/31/2011	709,708	709,514	194
6/30/2011	863,116	830,177	32,939
Expenditure Amount			
12/31/2012	$524,225	$523,031	$1,194
3/31/2011	709,708	709,901	(193)
6/30/2011	870,102	827,474	42,628

We did not note any variances for IDEA Part B related to funds invoiced/received and did not note any variances for the quarter ending 9/30/2010 for either IDEA Part B or IDEA Preschool.

Title I:

Quarter Ending	Per Records	Reported on recovery.gov	Variance
Funds Invoiced/Received			
3/31/2011	$16,356,406	$16,354,084	$2,322
Expenditure Amount			
12/31/2012	$16,632,855	$16,575,589	$57,266
3/31/2011	16,209,578	16,249,557	(39,979)

Cause:

Insufficient monitoring controls over the preparation of the report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

Federal awards received and spent related to ARRA awards are not accurately reported.

Recommendation:

The Department of Education should improve its monitoring controls over the preparation of the Section 1512 reports to ensure that the information in such reports is accurate and is supported by the accounting records.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur with the error identified and have determined that this error occurred in the process of uploading the documentation to the Federal Database. The correction has now been corrected in subsequent reporting.

Contact Person:

Ralph Tilton, Program Specialist, Bureau of Education

Anticipated Completion Date:

Already corrected

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-42***
NH Department of Education

CFDA #84.010 Title I Grants to Local Education Agencies (Title I Part A)
CFDA #84.389 Title I Grants to Local Education Agencies, Recovery Act

Grant Year and Award:

February 17, 2009 – September 30, 2010	***S389A090029A***
October 1, 2010 –September 30, 2012	***S389A090029A***
September 1, 2010 – September 30, 2011	***S010A100029A***

Finding: The school's report card data was incorrectly included in the report submitted to the U.S. Department of Education (ED).

Criteria:

Each SEA must report annually to the Secretary (*OMB No. 1810-0581*), and make certain information available within the State, including the number and names of each school and LEA identified for improvement, corrective action, and restructuring under section 1116, the reason why each school and LEA was so identified, and the measures taken to address the achievement problems in general of such schools and LEAs. In addition, the SEA must prepare and disseminate an annual State report card that contains, among other things, information on the performance of LEAs regarding adequate yearly progress, including the number and names of each school and LEA identified for improvement, corrective action, and restructuring under Section 1116. Moreover, the SEA must ensure that each LEA collects the data necessary to prepare its annual report card (Title I, Sections 1111(h)(1) and (4) of ESEA (20 USC 6311(h)(1) and (4))).

Condition:

We obtained the *CSPR Section 1.4.4.1 HN Title I Schools In Need of Improvement in SY 2010-11* report submitted to ED and selected 50 schools for testwork. Of the 50 schools tested, we noted school report card data from 2 of the schools were erroneously inputted in the report submitted to ED.

Cause:

Insufficient monitoring controls over the preparation of the report.

Effect:

Schools Needing Improvement information is not accurately reported to ED.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Recommendation:

The State should improve its monitoring controls over the preparation of the Schools in Need of Improvement report.

Auditee Corrective Action Plan:

We concur with the error. However, we feel that it is important to note that the error did not affect the outcome of the final data reported to the Federal Office. Furthermore, going forward, generation of this report is now automated and therefore eliminates the possibility of future manual errors.

Contact Person:

Stephanie Lafreniere, State Director of Title I

Anticipated Completion Date:

December 31, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-43***
NH Department of Education

CFDA #84.410 Education Jobs Fund

Grant Year and Award:
8/1/2010 – 9/30/2011 S410A100030

Finding: No internal controls established to ensure data quality, completeness and accuracy of the Section 1512 reports

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009* (ARRA), states that each recipient receiving ARRA 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 ARRA. 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 subrecipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

During our testwork, we selected 3 of the quarterly Section 1512 reports submitted for the Education Jobs Fund program and noted that the Department of Education (the Department) did not establish procedures to ensure that the Section 1512 reports were properly reviewed and agreed to underlying documentation to ensure accuracy and completeness of reported figures by someone other than the preparer. We determined that the amounts compiled and reported were accurate. However, the Department does not have a formal policy which includes an approval of the Section 1512 reports required for this program. For 2 of the 3 quarters, we noted that the individual inputting the information and submitting the information were two different people. For 1 of the quarters, the same individual inputted and submitted the information for the Section 1512 report.

Cause:

Lack of properly designed and implemented monitoring controls to ensure data integrity.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

The Department cannot ensure that reports submitted are complete and accurate without a second review.

Recommendation:

We recommend that the Department implement policies and procedures to ensure that required reports agree with underlying documentation and are reviewed for completeness and accuracy prior to submission.

Questioned Costs:

None

Auditee Corrective Action Plan:

New Hampshire Department of Education noted that there was one month of reporting that was not reviewed during the time that the New Hampshire Office of Economic Stimulus was being shut down. The Department of Education now has updated and documented the process for preparing and reviewing the 1512 before it is submitted.

Contact Person:

Sallie Fellows, Systems Development Specialist, Department of Education

Anticipated Completion Date:

September 1, 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-44***
NH Department of Education

CFDA #84.410 Education Jobs Fund

Grant Year and Award:
8/1/2010 – 9/30/2011 S410A100030

Finding: Did not comply with subrecipient monitoring requirements related to during-the-award monitoring

Criteria:

Per 2 CFR 215 State and local governments shall be subject to the audit requirements contained in the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507) and revised OMB Circular A–133, ‘‘Audits of States, Local Governments, and Non-Profit Organizations.’’ Subpart C .300(b) of the Circular states it is the responsibility of the auditee to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs." This requirement includes maintaining a system of internal controls over the subrecipient monitoring requirements of federal programs.

Per the OMB Circular A-133 Section 400(d), a pass-through entity shall 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 for the Federal subawards it makes:

In addition, the OMB Circular A-133 Compliance Supplement specifically requires the prime recipient to perform the following:

> *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.

Condition:

During our testwork over the subrecipient monitoring requirements, we noted that no during-the-award monitoring procedures were performed over subrecipients of Education Jobs Fund awards during fiscal year 2011. The State did not perform site visits of the School Administrative Units (SAUs) to ensure that

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

the SAUs administer Federal awards in compliance with laws, regulations, and the provisions of the grant agreements. There are 165 school districts within the State that receive Education Jobs Fund subawards.

Cause:

An apparent lack of personnel resources in the Department of Education (the Department).

Effect:

Lack of site visits or other during the award monitoring procedures impacts the Department's ability to evaluate subrecipients' activities in compliance with applicable Federal regulations, including gaining reasonable assurance that program expenditures are allowable and the subrecipient activities are meeting program objectives.

Recommendation:

We recommend that the Department put procedures in place to ensure the appropriate during the award subrecipient monitoring procedures are in place. Procedures may include site visits at which time Department personnel review salary and benefit data funded by Education Jobs Fund awards and other information related to the SAUs' execution of the program.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur that the requirements were not met. The New Hampshire Department of Education will develop policies and procedures to make sure that these requirements are met.

Contact Person:

Sallie Fellows, Systems Development Specialist, Department of Education
Nancy Heath, Agency Audit Manager, Bureau of Education

Anticipated Completion Date:

June 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-45***
Community College System of New Hampshire

CFDA #84.268 Federal Direct Loans

Grant Year and Award:
July 1, 2010 – June 30, 2011 P268K111795

Finding: Students who received direct loan disbursements were not properly notified within 30 days after the student's account had been credited.

Criteria:

As per 34 CFR section 668.165, a college is required to notify the student or parent in writing of the following with respect to direct loans: (1) the date and amount of the disbursement, (2) the student's or parent's right to cancel all or a portion of that loan or loan disbursement, and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. A college is required to notify the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution. The notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

Condition:

During our testing of disbursement notifications, we noted that 2 of 65 students tested did not have evidence that showed the student was properly notified of Direct Loan funds disbursement activity. One of these missing disbursement notification letters related to a student with an incorrect mailing address in the school notification system.

Cause:

Lack of management oversight over the disbursement notification process

Effect:

In addition to being out of compliance with federal program regulations, the lack of notification sent to students may impair their ability to make financial decisions since they may not be aware of the current financial aid provided to them or their right to cancel the loans.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

The Community College System of New Hampshire (CCSNH) should enhance internal controls over the disbursement notification process to ensure that students are properly notified of federal direct loan fund disbursements made to their accounts during the year.

Questioned Costs:

None

Auditee Corrective Action Plan:

CCSNH maintains a process to produce and retain evidence of loan disbursement notification letters. In this situation a newly appointed College Bursar was in training to ensure compliance with these regulations.

For the first student, one of three loan disbursement notification letters could not be produced, although the Banner System record indicates the letter was generated and sent.

For the second student, CCSNH did not have written proof that the student was contacted after receipt of returned mail for an inaccurate address. CCSNH practice is to call such a student to attempt to obtain a new address as well as send an email to the student's CCSNH email address. A code is entered into the system indicating how notification of the undeliverable address was received; in this case it was the US Post Office (PO is coded on SPAIDEN under Source in the BANNER system). This student was notified in accordance with our protocol.

CCSNH will strengthen procedures to ensure notification letters are sent and retained for all loan disbursements, and include retention of documentation to support attempts to reach students with inaccurate addresses.

Contact Person:

Susan Proulx, Director of Financial Aid Compliance

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Department of Education ***Finding 2011-46***
Community College System of New Hampshire

CFDA #84.268 Federal Direct Loans

Grant Year and Award:
July 1, 2010 – June 30, 2011 P268K115850

Finding: Students' cost of attendance calculated incorrectly

Criteria:

The determination of Student Financial Aid (SFA) award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance minus financial resources reasonably available.

Condition:

During our testwork over cost of attendance (COA), we noted that for 2 students out of the 65 students selected for testwork, the COA calculated by the College did not agree with the amounts reflected in the students' files.

Cause:

Weaknesses in internal controls

Effect:

The College could have overawarded or erroneously awarded SFA funds to students. However, the two students identified were not overawarded student financial aid as a result of the erroneous cost of attendance calculated by the Community College System of New Hampshire (CCSNH).

Recommendation:

We recommend that the CCSNH enhance its policies and procedures relating to calculating and reporting COA.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Auditee Corrective Action Plan:

There was no instance of over award in these two cases. CCSNH is conducting an internal review at the college where these cases occurred. We are re-enforcing the required procedures for the semester review of COA based on student enrollment, in accordance with CCSNH Policies & Procedures for COA.

Contact Person:

Susan Proulx, Director of Financial Aid Compliance

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-47***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2004-2011 ***Various***

Finding: Principal forgiveness incorrectly calculated

Criteria:

Per 40 CFR section 35.3525(b), (1) "A State may provide loan subsidies (e.g., loans which include principal forgiveness, negative interest rate loans) to benefit communities meeting the State's definition of ''disadvantaged'' or which the State expects to become ''disadvantaged'' as a result of the project. Loan subsidies in the form of reduced interest rate loans that are at or above zero percent do not fall under the 30 percent allowance described in paragraph (b)(2) of this section. (2) A State may take an amount equal to no more than 30 percent of the amount of a particular fiscal year's capitalization grant to provide loan subsidies to disadvantaged communities. If a State does not take the entire 30 percent allowance associated with a particular fiscal year's capitalization grant, it cannot reserve the authority to take the remaining balance of the allowance from future capitalization grants. In addition, a State must:

(i) Indicate in the Intended Use Plan (IUP) the amount of the allowance it is taking for loan subsidies;

(ii) Commit capitalization grant and required State match dollars taken for loan subsidies in accordance with the binding commitment requirements in § 35.3550(e); and

(iii) Commit any other dollars (e.g., principal and interest repayments, investment earnings) taken for loan subsidies to projects over the same time period during which binding commitments are made for the capitalization grant from which the allowance was taken".

Condition:

During our testwork, we selected 10 loans which had principal forgiveness associated with them (this allowed us to test 80% of the principal forgiven balance). For each loan, we obtained the supplemental loan agreement containing the SRF Loan Schedule to ensure the principal forgiven associated with each loan was recorded correctly. For 1 loan, we noted that principal payments only began in September 2011; whereas the Loan Schedule showed principal being forgiven in March, April and May of 2011.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Cause:

Management oversight

Effect:

Incorrect principal forgiven amount recorded may make the State not in compliance with the earmarking requirements associated with principal forgiveness.

Recommendation:

We recommend that management put procedures in place to ensure that all supplemental loan schedules calculate principal forgiveness appropriately.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur that principal forgiveness was not properly calculated on the repayment schedule due to clerical error. The error was identified in April 2011 but was inadvertently not corrected in the system. However, the payments of principal and interest commenced on the correct dates and the payments made are correct. For loans to privately owned water systems, DES policy is that the first six months of payments include only interest, then principal payments begin along with any applicable principal forgiveness after that time.

DES will correct the database inaccuracy and recalculate the repayment schedule which will then be forwarded to the water system for review, along with the finalized loan agreement and amended promissory note signed and processed for approval.

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

June 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-48***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2004-2011 ***Various***

Finding: Loan fee not transferred into separate bank account

Criteria:

Per CFR section 35.3550(f), a State must agree to promptly deposit DWSRF program funds into appropriate accounts. (1) A State must agree to deposit the portion of the capitalization grant to be used for projects into the Fund. (2) A State must agree to maintain separate and identifiable accounts for the portion of the capitalization grant to be used for set-aside activities. (3) A State must agree to deposit net bond proceeds, interest earnings, and repayments into the Fund. (4) A State must agree to deposit any fees, which include interest earned on fees, into the Fund or into separate and identifiable accounts.

Condition:

During our testwork, we tested 25 loan repayments to ensure that the principal, interest and fee came into the bank account, and that the fee was transferred into a separate bank account. For 1 of the 25 loan repayments tested, the principal, interest and fee came into one bank account as one lump payment. The fee was not transferred into the fee bank account as of year-end.

Cause:

Lack of management oversight of the transfer and deposit of fees

Effect:

Lack of separate deposit of fees could result in their inappropriate use.

Recommendation:

We recommend that management put procedures in place to ensure that fee income is deposited into the special fee bank account in a timely manner.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs:

None

Auditee Corrective Action Plan:

DES concurs with the finding. The fees for this ACH payment were identified as needing to be transferred but were not transferred to the fee account timely. Beginning in FY 2012 procedures were updated to include an additional review of fee transfers by the Accountant III to ensure transfers are performed timely.

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

February 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-49***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
October 1, 2010-October 1, 2020 FS-99115010

Finding: Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)

Criteria:

The Federal Funding Accountability and Transparency Act (FFATA– P.L. 109-282, as amended by section 6202 (a) of P.L. 110-252) requires the Office of Management and Budget (OMB) to maintain a single, searchable website that contains information on all Federal spending awards. FFATA prescribes specific pieces of information to be reported. For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds. Recipients are not required to report on subawards made on or after October 1, 2010 that use funds awarded prior to that date.

For contracts, implementation was phased in based on their total dollar value. Based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $20,000,000 or more.

- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $550,000 or more.

- Starting March 1, 2011, any newly awarded subcontract of $25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was $25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS. To do so, they are first required to register in Central Contractor Registration (CCR) (if they have

not done so previously for another purpose, e.g., submission of applications through Grants.gov) and actively maintain that registration. Prime contractors have previously been required to register in CCR. Grant and cooperative agreement recipients and contractors must report information related to a subaward by the end of the month following the month in which the subaward or obligation of $25,000 or greater was made and, for contracts, the month in which a modification was issued that changed previously reported information.

Condition:

During the audit, we noted that the Department of Environmental Services (DES) did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. DES did not attempt to report such awards subject to FFATA and lacks controls to determine when the FFATA reporting requirements are triggered.

Cause:

DES was unaware of the FFATA requirements for fiscal year 2011.

Effect:

DES was not in compliance with the FFATA regulations and reporting for fiscal year 2011.

Recommendation:

DES should institute processes to identify and track contracts and subawards subject to the FFATA regulations, and ensure that all registration and reporting requirements are being adhered to and reports are filed timely.

Questioned Costs:

None

Auditee Corrective Action Plan:

The DES DWSRF program concurs. FFATA reports were not filed timely in State FY 2011. This was in part due to significant staff turnover during that time period. The FFATA reports that were due during State FY 2011 have since been completed. To ensure that all registration and reporting requirements are being adhered to and reports are filed timely, DES will institute processes to identify and track contracts and subawards that are subject to the FFATA regulations. This will included development of a checklist for processing all new loans and contracts to ensure that the needed information is entered into the Projects & Benefits Reporting database, and the required information is reported to the Federal Funding Accountability and Transparency Act (FFATA) database.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

January 31, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-50***
NH Department of Environmental Services

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:

2010	***2W-33000209-ARRA***
2010	***2F-96102301-ARRA***

Finding: Cannot adequately support expenditure amounts reported for ARRA Section 1512 reporting

Criteria:

Section 1512(c)(4) of the *American Recovery and Reinvestment Act of 2009* (ARRA), states that each recipient receiving ARRA 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 ARRA. 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 subrecipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

For both the CWSRF and DWSRF programs, we tested Section 1512 reports for all quarters submitted during fiscal year 2011, and were unable to agree the amounts per the Grant Activity workbooks, which represents the accounting records, to the amounts per the Section 1512 reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following is a summary of variances:

CWSRF Program:

Period Report	Reported on recovery.gov	Per Grant Activity	Variance
Infrastructure Amount			
July 1 – September 30, 2010	$18,558,645	$18,674,203	(115,558)
January 1 – March 31, 2011	31,661,288	32,873,824	(1,212,536)
April 1 – June 30, 2011	32,573,099	33,785,636	(1,212,537)
Funds Invoiced/Received			
July 1 – September 30, 2010	$18,558,645	$19,136,382	(577,737)
October 1 – December 31, 2010	30,669,282	30,646,673	22,609
January 1 – March 31, 2011	32,255,908	33,586,633	(1,330,725)
April 1 – June 30, 2011	33,424,188	34,754,913	(1,330,725)

DWSRF Program:

Period Report	Reported on recovery.gov	Per Grant Activity	Variance
Infrastructure Amount			
July 1 – September 30, 2010	$17,001,303	$17,232,829	(231,526)
October 1 – December 31, 2010	17,001,303	17,922,063	(920,760)
January 1 – March 31, 2011	17,297,286	18,218,046	(920,760)
April 1 – June 30, 2011	17,699,164	18,225,228	(526,064)
Funds Invoiced/Received			
July 1 – September 30, 2010	$17,348,307	$17,717,644	(369,337)
October 1 – December 31, 2010	17,348,307	18,423,429	(1,075,122)
January 1 – March 31, 2011	17,661,983	18,737,105	(1,075,122)
April 1 – June 30, 2011	17,823,164	18,898,286	(1,075,122)

In addition, there appears to be no review of the completed Section 1512 reports prior to submission to the Federal government. The program manager prepares and submits the Section 1512 reports to the Federal agency without a second level of review.

A similar finding was noted in the prior year single audit report.

Cause:

Insufficient records maintained by program management showing expenditures reported for Section 1512 reporting and inadequate monitoring controls over preparation of reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

Federal awards received and spent related to ARRA are not adequately reported.

Recommendation:

The State should maintain appropriate support for expenditure amounts reported under ARRA Section 1512 and institute procedures for review of Section 1512 reports prior to submission.

Questioned Costs:

None

Auditee Corrective Action Plan:

DES concurs. The errors noted in the SFY 2011 1512 reports have been corrected and additional review and reconciliation procedures have been implemented with the January-March 2012 reporting period.

Contact Person:

Sarah Pillsbury for DWSRF, Paul Heirtzler for CWSRF

Anticipated Completion Date:

March 31, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-51***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2004-2011 ***Various***

Finding: Lack of formalized supplemental loan agreements upon project completion

Criteria:

Per 40 CFR sections 35.3525(a), an assistance recipient begins annual repayment of principal and interest no later than one year after project completion. A project is completed when operations are initiated or are capable of being initiated.

Condition:

During our testwork, we noted that for 7 of 25 deposits tested (the 7 deposits represent 5 different projects), no supplemental loan agreement was prepared. For these recipients, we were able to review the loan repayment schedule to ensure that the repayment began within one year of completion of the project; however, we were unable to determine if this schedule was approved through the supplemental loan agreement process.

Cause:

Lack of oversight by program management

Effect:

Loan amortization schedules may be incorrect if not appropriately approved through supplemental loan agreements.

Recommendation:

The Department of Environmental Services should establish procedures to ensure that supplemental loan agreements are completed for each loan upon project completion.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Auditee Corrective Action Plan:

DES partially concurs. As noted in the finding, 40 CFR sections 35.3525(a) requires that an assistance recipient shall begin repayment of principal and interest no later than one year after project completion. In order to comply with this CFR, DES has to invoice recipients prior to finalization of a Supplemental Loan Agreement. Draft loan repayment schedules were provided to loan recipients for review, and final schedules were agreed upon by all parties prior to the first principal and interest payment and prior to submitting the finalized supplemental loan agreement for Governor and Executive Council approval.

With the influx of ARRA funds, staff priorities were placed on the processing of ARRA loans and some older loan finalizations were delayed beyond the one year time line for the supplemental loan agreements to receive Governor and Executive council approval. Now that the ARRA loans are nearly fully disbursed, the DWSRF staff have made the processing of supplemental loan agreements prior to the one year due date a priority.

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

June 30, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-52***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2004-2011 ***Various***

Finding: No controls in place over ensuring that certified payrolls for subrecipients receiving ARRA funding is received

Criteria:

Per the OMB 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:

There does not appear to be any controls in place to ensure that the subrecipients provide the Department of Environmental Services (the Department) with their contractor or subcontractor certified weekly payrolls.

A similar finding was noted in the prior year single audit report.

Cause:

Lack of oversight by program management

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect:

Davis-Bacon wage requirements may not be met if the State does not obtain and review the certified payrolls.

Recommendation:

Management should institute procedures to ensure that weekly certified payrolls are submitted by subrecipients and reviewed by the Department.

Questioned Costs:

None

Auditee Corrective Action Plan:

DES concurs. As a condition of the grant award, any SRF-funded construction activity must include Davis-Bacon Act prevailing wage rates. It is the responsibility of each loan borrower to ensure that certified payrolls are submitted for all construction contractors. When this issue was brought to the department's attention in March 2011, the DWSRF program assigned a staff member to track receipt of Davis-Bacon certified payrolls for active DWSRF construction projects. Additionally, in November 2011, NHDES hired a part-time employee to work exclusively on Davis-Bacon compliance issues for the CWSRF and DWSRF programs. This program specialist is experienced with Davis Bacon, and has been working closely with loan borrowers on a wide range of Davis-Bacon issues, including correct filing of certified payrolls. The DWSRF program also requires the borrowers to submit a weekly contractor log with each project's certified payrolls. This log identifies the contractors and subcontractors that were present at the construction site during each week, and provides the information needed to verify that the DWSRF program receives certified payrolls from each and every contractor and subcontractor listed on the loan borrower's contractor log. The DWSRF program maintains a certified payroll tracking spreadsheet to ensure that weekly certified payrolls are submitted by borrowers.

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

April 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-53***
NH Department of Environmental Services

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:
2004-2011 ***Various***

Finding: Noncompliance with 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), 2 CFR parts 25 and 170, and 48 CFR parts 4, 42, and 52 Federal awarding agency regulations, and the terms and conditions of the award.

Per the OMB 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 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 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) 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Additionally, per Section 2 CFR section 176.210(c), recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When a recipient awards ARRA funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program.

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 selected, appropriate award identification was not present in the loan agreements as no CFDA number was communicated to loan recipients. For the CWSRF program, all non-ARRA loan agreements initially selected for testwork were entered into during prior fiscal years. We selected an additional sample of 5 loan agreements for non-ARRA loans entered into during fiscal year 2011 and noted the CFDA information was appropriately communicated. For the DWSRF program, all non-ARRA loan agreements initially selected for testwork were entered into during prior fiscal years. We selected an additional sample of 3 loan agreements for non-ARRA loans entered into during fiscal year 2011 and noted the CFDA information was appropriately communicated.

For both the CWSRF and DWSRF programs, it was noted that the Department of Environmental Services (the Department) does not have procedures in place to obtain and review the OMB Circular A-133 audit reports of its subrecipients. Therefore, the Department did not appear to obtain or review any audit reports for subrecipients expending over $500,000 in federal awards.

It was also noted that disbursements are made to subrecipients via ACH transfer, for both ARRA and non-ARRA recipients. The Federal award number, CFDA number and amount of ARRA funds are not provided to the recipient at the time of disbursement.

A similar finding was noted in the prior year single audit report.

Cause:

For non-ARRA loans for which no CFDA number was communicated to loan recipients, the Department was not aware of this requirement of providing this information in the loan agreements.

For lack of communication of required information for ARRA disbursements, this was due to oversight by program management.

Program management did not have policies and procedures in place regarding obtaining and reviewing their subrecipients' OMB Circular A-133 audit reports.

Effect:

Subrecipients may not be aware that they are receiving federal dollars.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Subrecipients might have audit findings that affect federal dollars and the Department would not be aware of these.

Recommendation:

Policies and procedures to ensure that subrecipient audit reports are submitted to the Department and reviewed by CWSRF and DWSRF program personnel and to ensure that appropriate award information is communicated to subrecipients should be established by the Department.

Questioned Costs:

None

Auditee Corrective Action Plan:

With regard to insufficient award identification to subrecipients in loan agreements, a similar finding was noted in the prior year (2010-26) with an implementation date for corrective action of June 30, 2011, the end of the State Fiscal Year (SFY) 2011 audit period. DES instituted programmatic changes prior to the implementation date and all loan agreements issued during SFY 2011 included the appropriate award identification. As noted by KPMG, the three agreements initiated in SFY 11 included the proper information and only two older agreements lacked the identification. We will work with EPA to determine how best to rectify this for older agreements.

With respect to the requirement under 2 CFR 176 210(C) DES concurs. We have already changed procedures and each disbursement now contain the required information.

With respect to the subrecipient audit reports, DES concurs. DES received a finding regarding subrecipient monitoring in March of 2011 as a result of the fiscal year 2010 audit and implemented revised procedures for collecting and monitoring subrecipient audit reports. Further, a checklist and an annual letter were developed during the summer and fall of 2011. Letters requesting FY 2011 audit reports or certification of exemption were mailed out to subrecipients this fall.

Contact Person:

Sarah Pillsbury for DWSRF, Paul Heirtzler for CWSRF

Anticipated Completion Date:

June 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-54***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2010 FS-99115010, 2009 FS-99115009, 2008 FS-99115008, 2007 FS-99115007
2006 FS-99115006

Finding: Lack of timely submission of reports

Criteria:

Per the SF-425 Federal Financial Report (FFR) instructions, annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.

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. The Grant Agreement for the DWSRF states that "the Recipient agrees that the Annual Report will be prepared and submitted no later than ninety days after the close out of the State fiscal year."

Condition:

Per review of the Federal Financial Reports (Standard Form 425) submitted during fiscal year 2011 for the DWSRF program, it was noted that only 1 annual report was submitted during the year and it was not submitted within the 90 calendar day requirement. In addition, there were 5 required annual reports that should have been submitted during fiscal year 2011 that were not submitted.

A similar finding was noted in the prior year single audit report.

Cause:

Inadequate monitoring of reporting requirements and deadlines

Effect:

Insufficient expenditure information is reported to the Federal awarding agency.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

Appropriate monitoring procedures involving the identification of required reports when such reports need to be filed should be established.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur with the finding. DES is aware of the reporting deadlines and attempts to file reports timely. The Federal Financial Report for the ARRA grant was filed in 2011, but as a result of staffing vacancies, other DWSRF FFR reports due were not filed in 2011. DES will continue to attempt to file all necessary reports in a more timely manner.

Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

July 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

U.S. Environmental Protection Agency ***Finding 2011-55***
NH Department of Environmental Services

CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)

Grant Year and Award:
2010 CS-33000109, 2009 CS-33000108, 2008 CS-33000107, 2007 CS-33000106

Finding: Lack of timely submission of reports

Criteria:

Per the SF-425 Federal Financial Report (FFR) instructions, annual reports shall be submitted no later than 90 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.

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. The Grant Agreement for the CWSRF states that "the Recipient agrees that the Annual Report will be prepared and submitted no later than ninety days after the close out of the State fiscal year."

Condition:

Per review of the Federal Financial Reports (Standard Form 425) submitted during fiscal year 2011 for the CWSRF program, we noted that for 4 of 7 annual FFRs submitted were not submitted within the 90 calendar day requirement.

For the CWSRF program, the annual report for state fiscal year 2010 (year-ending June 30, 2010) was due to be filed on September 30, 2010. This report was submitted on October 5, 2011.

A similar finding was noted in the prior year single audit report.

Cause:

Inadequate monitoring of reporting requirements and deadlines

Effect:

Insufficient expenditure information is reported to the Federal awarding agency.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

Appropriate monitoring procedures involving the identification of required reports when such reports need to be filed should be established.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur with the finding. DES is aware of the reporting deadlines and attempts to file reports timely. As a result of staffing vacancies during FY 11, the CWSRF FFR reports due were not filed within the 90 day requirement, though an effort was made to submit the reports due during the fiscal year. DES will continue to attempt to file all necessary reports in a more timely manner.

Contact Person:

Paul Heirtzler, CWSRF

Anticipated Completion Date:

July 1, 2012

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SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS					
2010-11	*NH Department of Health and Human Services*	93.778 93.558 93.714	Direct program draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved* *See G- 13 and related finding 2011-3*
2010-12	*NH Department of Health and Human Services*	10.561 93.563 93.558 93.714 93.778	Administrative draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved* *See G- 15 and related finding 2011-4*
2010-13	*NH Department of Health and Human Services*	93.778	Updated Provider Disclosures are not obtained from all required providers	$112,969	*Partially Resolved* *See G-18 and related finding 2011-5* *Questioned costs remain open.*
2010-14	*NH Department of Health and Human Services*	93.710	No internal controls established to ensure data quality, completeness, accuracy and timely reporting of the 1512 reports	None	*Unresolved* *See G-21 and related finding 2011-10*
2010-15	*NH Department of Health and Human Services*	93.569 93.710	No internal controls established to ensure data quality, completeness, accuracy and compliance with earmarking	None	*Unresolved* *See G-23 and related finding 2011-11*
2010-16	*NH Department of Health and Human Services*	93.069	Payroll costs were not properly supported	$10,651	*Resolved* *Questioned costs remain open.*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-17	*NH Department of Health and Human Services*	93.283	Incorrect CFDA number in subrecipient contract	None	*Resolved*
2010-18	*NH Department of Health and Human Services*	93.283	In-Kind matching requirements are not properly monitored	$921,550	*Unresolved* *See G-25 and related finding 2011-12*
2010-19	*NH Department of Health and Human Services*	10.557	The Department does not have adequate controls over reporting to ensure compliance	None	*Resolved*
2010-20	*NH Department of Health and Human Services*	10.557	Direct program draw downs not performed in accordance with Treasury-State Agreement	None	*Unresolved* *See G-27 and related finding 2011-3*
2010-21	*NH Department of Environmental Services*	66.458 66.468	Cannot adequately support expenditure amounts reported for Section 1512 ARRA reporting & no review of 1512 reports prior to submission to the Federal government	Unable to Determine	*Unresolved* *See G-29 and related finding 2011-50*
2010-22	*NH Department of Environmental Services*	66.458	Program income not appropriately transferred to separate bank account	Unable to Determine	*Resolved*
2010-23	*NH Department of Environmental Services*	66.468	No controls in place over ensuring that certified payrolls for subrecipient receiving ARRA dollars are received	Unable to Determine	*Unresolved* *See G-32 and related finding 2011-52*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-24	*NH Department of Environmental Services*	66.468	Actual expenditures relating to state program management exceeded 10% requirement	$38,780	*Resolved*
2010-25	*NH Department of Environmental Services*	66.458 66.468	Lack of Timely submission of reports	Unable to Determine	*Unresolved* *See G-34 and related findings 2011-54 and 2011-55*
2010-26	*NH Department of Environmental Services*	66.458 66.468	Subrecipient monitoring – insufficient award identification to subrecipients and no review of subrecipient audits	Unable to Determine	*Partially Resolved* *See G-37 and related finding 2011-53*
2010-27	*NH Department of Education*	84.027	Level of Effort – The required maintenance of Effort (MOE) was not maintained	$2,821,145	*Resolved*
2010-28	*NH Department of Transportation*	20.205	Cash management – draw downs not in compliance with the Treasury-State Agreement	None	*Partially Resolved* *See G-40 and related finding 2011-36*
2010-29	*NH Department of Transportation*	20.205	Subrecipient monitoring – no mechanism to track and review audit reports	None	*Resolved*
2010-30	*NH Department of Health and Human Services*	93.268 93.712 93.069	Reconciliation of vaccine records not performed	None	*Partially Resolved* *See G-42*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-31	*NH Office of Energy and Planning*	93.568	OEP did not comply with subrecipient monitoring requirements of the LIHEAP Program	Unable to Determine	*Unresolved* *See G-44 and related findings 2011-15 and 2011-16*
2010-32	*NH Office of Energy and Planning*	93.568	LIHEAP reports were not adequately supported, contained errors, and were not filed timely	None	*Partially Resolved* *See G-46 and related finding 2011-17*
2010-33	*NH Office of Energy and Planning*	93.568	Federal drawdowns for the LIHEAP program not performed timely	None	*Unresolved* *See G-49 and related finding 2011-14*
2010-34	*NH Office of Energy and Planning*	81.042	OEP should verify subrecipient compliance with Central Contractor Registration (CCR) requirements	None	*Resolved*
2010-35	*NH Office of Energy and Planning*	81.042	WXN reports not adequately supported, reviewed, and not filed timely	None	*Partially Resolved* *See G-51 and related finding 2011-25*
2010-36	*NH Office of Energy and Planning*	81.042	Certified payrolls subject to the requirement of the Davis Bacon Act should be received weekly and subject to review	Unable to Determine	*Unresolved* *See G-53 and related finding 2011-22*
2010-37	*NH Office of Energy and Planning*	81.041	Suspension and debarment certifications should be included and verified for all contracts over covered transactions	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-38	*NH Office of Energy and Planning*	81.041	Weekly certified payrolls required for construction contracts subject to the requirements of the Davis Bacon Act should be received weekly and subject to review	None	*Unresolved* *See G-55 and related finding 2011-19*
2010-39	*NH Office of Energy and Planning*	81.041	OEP should verify subrecipient compliance with section 1512 (h) of the American Reinvestment and Recovery Act related to Central Contractor Registration	None	*Resolved*
2010-40	*NH Office of Energy and Planning*	81.041	Program management should uniformly adhere to policies and procedures as related to subrecipient monitoring	None	*Resolved*
2010-41	*NH Office of Energy and Planning*	81.041	OEP should improve internal controls over State Energy Program federal reporting requirements	None	*Unresolved* *See G-58 and related finding 2011-20*
2010-42	*NH Office of Energy and Planning*	81.041	OEP should enhance internal controls over payroll allocation to assure that payroll charges made to federal programs are proper	$1,269	*Resolved* *Questioned costs remain open.*
2010-43	*Community College System of NH*	84.032	Students federal financial aid exceeded their need	$931	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-44	*Community College System of NH*	84.063 84.032	Title IV funds were not returned within required timeframe	None	*Resolved*
2010-45	*NH Department of Education*	84.394	The State did not identify to subrecipients the federal award information and applicable compliance requirements at the time of the award	None	*Resolved*
2010-46	*NH Department of Education*	84.394 84.397	Appropriately designed controls over reporting under the State Stabilization program were not established	None	*Resolved*
2010-47	*NH Department of Education*	84.394	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	None	*Resolved*
2010-48	*NH Department of Resources and Economic Development*	17.258 17.259 17.260	Did not comply with ARRA subrecipient monitoring requirements	None	*Partially Resolved* *See G-61 and related finding 2011-26*
2010-49	*NH Department of Resources and Economic Development*	17.258 17.259 17.260	Did not follow the State's laws and procedures when entering into procurement contracts	Unable to Determine	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-50	*NH Department of Resources and Economic Development*	17.258 17.259 17.260	Did not Separately identify ARRA funding	None	*Resolved*
2010-51	*NH Department of Resources and Economic Development*	17.258 17.259 17.260	Did not perform during–the-award monitoring procedures	Unable to Determine	*Partially Resolved* *See G-64 and related finding 2011-27*
2010-52	*NH Department of Employment Security*	17.207 17.801 17.804	Employment Services reports not submitted timely	None	*Resolved*
2010-53	*NH Department of Employment Security*	17.225	No evidence of work search obtained prior to payment of benefits	None	*Partially Resolved* *See G-67 and related finding 2011-31*
2010-54	*NH Department of Employment Security*	17.225	Ineffective Information technology General Controls (ITGC) related to the New Hampshire Unemployment Insurance System	None	*Unresolved* *See G-71 and related finding 2011-29*
2010-55	*NH Department of Employment Security*	17.225 17.207	Insufficient verification process for review of vendor suspension or debarment status	None	*Resolved*
2010-56	*NH Department of Employment Security*	17.225	Accuracy and availability of data used in Federal reports needs improvement	None	*Partially Resolved* *See G-74 and related finding 2011-30*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2010-57	*NH Department of Health and Human Services*	93.563	Interstate case activities not performed within required timeframes - Initiating	None	*Resolved*
2010-58	*NH Department of Health and Human Services*	95.563	Case activities not performed within required timeframes	None	*Resolved*
2010-59	*NH Department of Health and Human Services*	95.563	Interstate case activities not performed within required timeframes - Responding	None	*Unresolved* *See G-76 and related finding 2011-13*
2009-9	*NH Department of Health and Human Services*	93.268	Reconciliation of Vaccine Records Not Performed	None	*Partially resolved* *See G-78*
2009-11	*NH Department of Health and Human Services*	93.283	Non-compliance with In-kind Federal Matching Requirement	$50,000	*Unresolved* *See G-81and related finding 2011-12* *Questioned costs resolved.*
2009-12	*NH Department of Health and Human Services*	93.563	Interstate Case Activities Not Performed Within Required Timeframes	None	*Resolved*
2009-13	*NH Department of Health and Human Services*	93.778	Updated Provider Disclosures are not Obtained from all Required Providers	None	*Partially Resolved* *See G-83 and related finding 2011-5*
2009-16	*NH Department of Health and Human Services*	10.557	Administrative Draw Downs Not Performed in accordance with the Treasury-State Agreement	None	*Unresolved* *See G-85 and related finding 2011-4*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-18	*NH Department of Health and Human Services*	84.126 93.558 93.778	CMIA system not updated to reflect the Treasury State Agreement	None	*Unresolved* *See G-87 and related finding 2011-3*
2009-21	*Community College System of New Hampshire*	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	*Resolved*
2009-26	*U.S Department of Transportation*	20.205	Cash Management	None	*Partially Resolved* *See G-89 and related finding 2011-36*
2009-27	*U.S Department of Transportation*	20.205	Subrecipient Monitoring	None	*Resolved*
2009-28	*U.S Department of Transportation*	20.205	Special Tests and Provisions-Contractor Recoveries	Unable to Determine	*Resolved*
2009-31	*NH Department of Fish and Game*	15.605 15.611	No Reconciliation of Department and State Accounting Systems (control)	None	*Partially Resolved* *See G-91*
2009-32	*Office of Energy and Planning*	93.568	OEP did not comply with Subrecipient Monitoring Requirements of the LIHEAP Program	Unable to Determine	*Unresolved* *See G-93 and related findings 2011-15 and 2011-16*
2009-35	*Office of Energy and Planning*	93.568	Low-Income Home Energy Assistance Program (LIHEAP) Drawdowns Not Performed Timely	None	*Unresolved* *See G-97 and related finding 2011-14*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-36	*Office of Energy and Planning*	81.042	Weatherization Assistance Program (WXN) Costs Should be Adequately Supported	$13,165	*Resolved*
2009-39	*Office of Energy and Planning*	81.042	Noncompliance With Weatherization Assistance for Low Income Persons Program (WXN) Eligibility Requirements	$790	*Resolved*
2009-40	*Office of Energy and Planning*	93.568	Improper Segregation of duties over Eligibility Process	$7,374	*Resolved*
2009-41	*Office of Energy and Planning*	93.568	Low-Income Home Energy Assistance Program (LHEAP) Costs Not Adequately Supported	$26,116	*Resolved*
2009-43	*Office of Energy and Planning*	93.568	Low-Income Home Energy Assistance Program (LIHEAP) Reports Not Adequately Supported	None	*Resolved*
2009-45	*NH Department of Labor*	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	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2009-46	*NH Department of Employment Security*	17.225 17.207	Insufficient Verification Process for Review of Vendor Suspension or Debarment Status	None	*Resolved*
2008-6	*NH Department of Health and Human Services*	93.778	Incomplete Review of DSH Information Submitted by General Hospitals	Not able to determine	*Partially Resolved* *See G-99*
2008-7	*NH Department of Health and Human Services*	93.778	DSH Calculation Methodology Noncompliant with Federal and State Requirements	$35,325,468	*Partially Resolved* *See G-101* *Questioned costs resolved.*
2008-11	*NH Department of Health and Human Services*	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Not able to determine	*Partially Resolved* *See G-103*
2008-15	*NH Department of Health and Human Services*	93.778	Provider Disclosures Are Not Obtained From All Required Providers	Not able to determine	*Partially Resolved* *See G-105 and related finding* *2011-5*
2008-30	*NH Department of Health and Human Services*	95.563	Interstate Case Activities Not Performed Within Required Timeframes	None	*Resolved*
2008-37	*NH Department of Fish and Game*	15.605 15.611	No Reconciliation of Department and State Accounting Systems	None	*Partially Resolved* *See G-107*
2008-38	*NH Department of Fish and Game*	15.605 15.611	Inadequate Controls Over Real Property	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2007-19	*NH Department of Health and Human Services*	93.778	DSH Calculation Methodology noncompliant with Federal and State Requirements	$35,325,468	*Partially Resolved* *See G-109 and related finding* *2011-5* *Questioned costs resolved.*
2007-26	*NH Department of Health and Human Services*	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Not able to determine	*Partially Resolved* *See G-111*
2007-28	*NH Department of Environmental Services*	66.605	Allocation and Classification of Indirect Costs	Not able to determine	*Resolved*
2007-37	*NH Department of Health and Human Services*	93.778	Provider Disclosures are Not Obtained from all Required Providers	Not able to determine	*Partially Resolved* *See G-114 and related finding* *2011-5*
TOTAL UNRESOLVED QUESTIONED COSTS AS OF FEBRUARY 2012:				**$ 1,046,439**	

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-11***
NH Department of Health and Human Services

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-3.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Agriculture ***Finding 2010-12***
U.S. Department of Health and Human Services
NH Department of Health and Human Services

CFDA #10.561	***State Administrative Matching Grants for the Supplemental Nutrition Assistance Program***
CFDA #93.563	***Child Support Enforcement***
CFDA #93.558	***Temporary Assistance for Needy Families***
CFDA #93.714	***ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families***
CFDA #93.778	***Medical Assistance Payments***

Grant Year and Award: ***Various***

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-4.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services	***Finding 2010-13***
NH Department of Health and Human Services	
CFDA # 93.778 Medical Assistance Payments	
Grant Award and Year: various 2009	
2010	

Finding: Updated provider disclosers 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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

Anticipated Completion Date:

June 30, 2012

Status as of February 2012:

The provider re-enrollment process related to implementation of the new MMIS system was launched in December 2011 and will be complete by June 30, 2012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-14***
NH Department of Health and Human Services

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-10.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-15***
NH Department of Health and Human Services

CFDA # 93.569 and 93.710 Community Services Block Grant; ARRA- Community Services Block Grant

Grant Award and Year:

G-0901NHCOS2; G-10B1NHCOSR; G-09B1NHCOSR
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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-11.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-18***
NH Department of Health and Human Services

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 Park 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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

February 2012

Status as of February 2012:

A policy for matching requirements has been completed and will be in place by end of February 2012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Agriculture ***Finding 2010-20***
NH Department of Health and Human Services

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.

Effect:

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-3.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Environmental Protection Agency ***Finding 2010-21***
NH Department of Environmental Services

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 that 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."

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

DES concurs. The errors noted in the SFY 2011 1512 reports have been corrected and additional review and reconciliation procedures have been implemented with the January-March 2012 reporting period.

Contact Person:

Sarah Pillsbury, DWSRF
Paul Heirtzler, CWSRF

Anticipated Completion Date:

March 31, 2012

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-50.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Environmental Protection Agency ***Finding 2010-23***
NH Department of Environmental Services

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

April 1, 2012

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-52.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Environmental Protection Agency ***Finding 2010-25***
NH Department of Environmental Services

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:	***CS330001-04***	***2004***
	CS330001-05	***2005***
	FS991150-05	***2005***
	FS991150-06	***2006***
	FS99150-08	***2008***
	FS99150-09	***2009***

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".
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".

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 Heirtzler, CWSRF

Anticipated Completion Date:

July 1, 2012

Status as of February 2012:

Unresolved. Similar findings were identified on the 2011 single audit report. See findings and corrective action plans at 2011-54 and 2011-55.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Environmental Protection Agency ***Finding 2010-26***
NH Department of Environmental Services

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***
	CS330001-04	***2004***
	CS330001-05	***2005***
	2F-96102301-ARRA	***2010***
	FS991150-05	***2005***
	FS991150-06	***2006***
	FS99150-08	***2008***
	FS99150-09	***2009***

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.

- 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

Contact Person:

Sarah Pillsbury, DWSRF
Paul Heirtzler, CWSRF

Anticipated Completion Date:

June 2012

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-53.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Transportation ***Finding 2010-28***
NH Department of Transportation

CFDA # 20.205 Highway Planning and Construction
Highway Planning and Construction-ARRA

Grant Award and Year: Various 2010, 2009, 2008, 2007, 2006, 2005, 2004

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.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

February/March 2012

Status as of February 2012:

In September 2010, the State Treasurer's Office submitted an amendment to the TSA that more closely reflected the flow of funds and timing involved in the drawdown cycle associated with CFDA #20.205. The average clearance was changed from five to four days.

The agreement related to federal funds drawdowns is currently under an annual review by our Department with Treasury. The Department of Transportation is implementing a new billing system for federal projects that necessitates the review of what the appropriate average clearance pattern will be going forward. It is anticipated that the new billing system will be on-line in February/March of 2012 and the TSA agreement will be updated at that time to reflect an accurate average clearance pattern and compliance with the TSA.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-30***
NH Department of Health and Human Services

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.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Contingent on completion by CDC with an expected implementation date in 2013

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U.S. Department of Health and Human Services ***Finding 2010-31***
NH Office of Energy and Planning (OEP)

CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)

Grant Year and Award:	***10/1/07 – 9/30/09***	***G-08B1NHLIEA***
	10/1/08 – 9/30/10	***G-09B1NHLIEA***
	10/1/09 – 9/30/11	***G-10B1NHLIEA***

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 disbursal 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:

July, 2012

Contact Person:

Joanne Morin

Status as of February 2012:

Unresolved. Similar findings were identified on the 2011 single audit report. See findings and corrective action plans at 2011-15 and 2011-16.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-32***
NH Office of Energy and Planning

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: 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 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).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 repot 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

July 1, 2012

Contact Person:

Joanne Morin

Partially resolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-17.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-33***
NH Office of Energy and Planning

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.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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, Director

Anticipated Completion Date:

Immediately for drawdowns of program funds and April 1, 2012 for the new Treasury agreement

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-14.

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U.S. Department of Energy ***Finding 2010-35***
NH Office of Energy and Planning

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.

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.

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Effect:

The quarterly WXN program report was not properly supported and the annual Training and Technical Assistance, Monitoring, and Leveraging repot 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 Manger 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:

July 1, 2012

Status as of February 2012:

Partially resolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-25.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Energy ***Finding 2010-36***
NH Office of Energy and Planning

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-22.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Energy ***Finding 2010-38***
NH Office of Energy and Planning

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.

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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.
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.

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Contact Person:

Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date:

Completed

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-19.

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U.S. Department of Energy ***Finding 2010-41***
NH Office of Energy and Planning

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

We will better ensure that these reviews are comprehensive and thorough.

Contact Person:

Joanne Morin, Director Office of Energy and Planning

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

Anticipated Completion Date:

Completed

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-20.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Labor ***Finding 2010-48***
NH Department of Resources and Economic Development

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.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

Contact Person:

Tom Martin, Business Manager, Department of Resources and Economic Development
Jackie Heuser, Director of Workforce Opportunity

Anticipated Completion Date:

June 30, 2011

Status as of February 2012:

Partially resolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-26.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Labor ***Finding 2010-51***
NH Department of Resources and Economic Development

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.

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

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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.

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;

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- 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

Status as of February 2012:

Partially resolved. A finding related to during-the-award monitoring was identified on the 2011 single audit report. See finding and corrective action plan at 2011-27.

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U.S. Department of Labor ***Finding 2010-53***
NH Department of Employment Security

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.

(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."

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

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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:

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.

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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:

August 2011

Status as of February 2012:

Partially resolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-31.

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U.S. Department of Labor ***Finding 2010-54***
NH Department of Employment Security

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.

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.

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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.

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:

December 2011

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-29.

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U.S. Department of Labor ***Finding 2010-56***
NH Department of Employment Security

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.

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

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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: February 1, 2012.

Status as of February 2012:

NH is very close to being able to report "fully implemented". The final few management reports that gather the data for the ETA 227 are in test and are expected to be deployed to production on 2/1/2012, with a back-up date of 2/8/2012. NH continues to be actively engaged in review of reports for accuracy and keeping USDOL informed of any concerns. Reports are adjusted as necessary prior to submission to ensure accuracy. The agency is not aware of any late reporting not previously identified and addressed.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Department of Health and Human Services ***Finding 2010-59***
NH Department of Health and Human Services

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: 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Status as of February 2012:

Unresolved. A similar finding was identified on the 2011 single audit report. See finding and corrective action plan at 2011-13.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services	***Finding 2009-9***
US Department of Health and Human Services	
CFDA # 93.268 Immunization Grants	
Grant Awards and Years: 5H23IPI22555 2009	
2H23IPI22555 2008	

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).

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

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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:

Contingent on completion by CDC with an expected implementation date in 2013.

Status as of February 2012:

Same corrective action plan and completion date as above.

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NH Department of Health and Human Services ***Finding 2009-11***
US Department of Health and Human Services

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.

Cause:

The Department appears to lack controls and processes to mitigate the risk of non-compliance with the federal matching requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Anticipated Completion Date:

Corrective actions will be complete by June 30, 2011

Status as of February 2012:

A policy for matching requirements has been completed and will be in place in February 2012.

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NH Department of Health and Human Services	***Finding 2009-13***
US Department of Health and Human Services	
CFDA # 93.778 Medical Assistance Program	
Grant Awards and Years: Various 2008 2009	

Finding: ***Updated provider disclosers 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 2010, 2009, 2008 AND 2007

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.

Contact Person:

Mary Gaye Grizwin, Contract Administrator, Office of Medicaid Business and Policy.

Anticipated Completion Date:

June 30, 2012

Status as of February 2012:

The Provider re-enrollment process related to implementation of the new MMIS system was launched in December 2011 and will be complete by June 30, 2012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2009-16***
U.S. Department of Agriculture

CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Grant Awards and Years:	***2008IW100644***	***2008***
	2008IW100344	***2008***
	2009IW100644	***2009***
	2009IW100344	***2009***

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.

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 were the draw downs were 1 month and two months where the draw downs were 2 weeks after the TSA approved clearance pattern.

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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 2012:

Unresolved. A similar finding was identified in the 2011 single audit report. See finding and corrective action plan at 2011-4.

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NH Department of Treasury ***Finding 2009-18***
US Department of Education
US Department of Health and Human Services

CFDA # 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States
CFDA # 93.558 Temporary Assistance to Needy Families
CFDA # 93.778 Medical Assistance Program

Grant Awards and Years: H126A080042 2008, 2009, 2010
Various 2008
Various 2009

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 2010, 2009, 2008 AND 2007

NH Department of Treasury ***Finding 2009-18 (continued)***
US Department of Education
US Department of Health and Human Services

CFDA # 84.126 ***Rehabilitation Services – Vocational Rehabilitation Grants to States***
CFDA # 93.558 ***Temporary Assistance to Needy Families***
CFDA # 93.778 ***Medical Assistance Program***

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.

Status as of February 2012:

Unresolved. A similar finding was identified in the 2011 single audit report. See finding and corrective action plan at 2011-3.

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U.S. Department of Transportation	***Finding 2009-26***
NH Department of Transportation	
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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

March 2012

Status as of February 2012:

In September 2010, the State Treasurer's Office submitted an amendment to the TSA that more closely reflected the flow of funds and timing involved in the drawdown cycle associated with CFDA #20.205. The average clearance was changed from five to four days.

The Agreement related to federal fund drawdowns is currently under an annual review by our Department with Treasury. The Department of Transportation is implementing a new billing system for Federal projects that necessitates the review of what the appropriate average clearance pattern will be going forward. It is anticipated that the new billing system will be on-line in February/March of 2012 and the TSA agreement will be updated at that time to reflect an accurate average clearance pattern and compliance with the TSA.

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U.S. Fish and Wildlife Service ***Finding 2009-31***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration

Grant Year and Award:	***F50R25, F53E22, F60D16, FW17C34, FW25T15, FW28D14, FW30T10, W11D68, W66S37, W89***	***7/01/2008-6/30/2009***
	F63D1	***5/7/07-12/31/2008***
	F100R25M	***10/1/2007-9/30/08***
	F61R14	***1/1/2009-12/31/2009***

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.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 2012:

The Department continues to update the US Fish and Wildlife Service on the status of an ERP system; however, until there is an ERP system in place, we cannot reconcile grant information to the state's system.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Office of Energy and Planning (OEP) ***Finding 2009-32***
US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

Grant Awards and Years:	***G-07B1NHLIEA***	***October 1, 2006 to September 30, 2008***
	G-08B1NHLIEA	***October 1, 2007 to September 30, 2009***
	G-09B1NHLIEA	***October 1, 2008 to September 30, 2010***

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 AWARDING 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 2010, 2009, 2008 AND 2007

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 disbursal 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.

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 disbursal 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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 2012:

Unresolved. 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.

Anticipated Completion Date:

July 1, 2012

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Office of Energy and Planning (OEP) ***Finding 2009-35***
US Department of Health and Human Services

CFDA # 93.568 Low-Income Home Energy Assistance

Grant Award and Year:	***G-08B1NHLIEA***	***October 1, 2007 To September 30, 2009***
	G-09B1NHLIEA	***October 1, 2008 To September 30, 2010***

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 2010, 2009, 2008 AND 2007

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 2012:

Unresolved. A similar finding was identified in the 2011 single audit report. See finding and corrective action plan at 2011-14.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2008-6***
US Department of Health and Human Services

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.

Effect:

The lack of review can result in over or under reimbursement from the Federal government, and has in the past.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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:

Marilee Nihan, Medicaid Finance Director

Anticipated Completion Date:

The Department's responsibility is limited to cooperating with DRA in this process.

Status as of February 2012:

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 remain under review by CMS.

DSH payments were made in December 2011 to critical access hospitals, pursuant to Chapter 224 section 36, laws of 2011. State Plan Amendments for those transactions were filed by December 31, 2011.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2008-7***
US Department of Health and Human Services

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 2010, 2009, 2008 AND 2007

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:

Marilee Nihan, Medicaid Finance Director

Anticipated Completion Date:

Upon receipt of approval from CMS of the State Plan Amendments.

Status as of February 2012:

The Department considers this finding to be partially resolved. The questioned costs are resolved. The DSH program has been modified to comply with federal requirements. DSH payments were made in December 2011 to critical access hospitals, pursuant to Chapter 224 Section 36, Laws of 2011. State Plan Amendments for those transactions were filed December 2011. The only remaining element for completion of this corrective action is to receive approval from CMS of the State Plan Amendments.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2008-11***
US Department of Health and Human Services

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

Contact Person:

John B. Martin, Manager, Bureau of Licensing and Certification

Anticipated Completion Date:

July 1, 2013

Status as of February 2012:

The only rule remaining to be adopted would be He-P 819, if the decision is made to continue licensing case management agencies. The decision on this is expected to be made prior to implementation of Step 2 of the managed care contracting process by July 1, 2013. Resolution of this rule will complete the multi-year initiative that has resulted in the re-writing and adoption of 28 sets of rules.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2008-15***
US Department of Health and Human Services

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

Contact Person:

Mary Gaye Grizwin, Contract Administrator, Office of Medicaid Business and Policy.

Anticipated Completion Date:

June 30, 2012

Status as of February 2012:

The provider re-enrollment process related to implementation of the new MMIS system was launched in December 2011 and will be complete by June 30, 2012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

U.S. Fish and Wildlife Service ***Finding 2008-37***
NH Department of Fish and Game

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

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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 2012:

The department continues to update the US Fish and Wildlife Service on the status of an ERP system; however, until there is an ERP system in place, we cannot reconcile grant information to the state's system.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services	***Finding 2007-19***
US Department of Health and Human Services	
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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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

Anticipated Completion Date:

Upon receipt of approval from CMS of the State Plan Amendments.

Status as of February 2012:

The Department considers this finding to be partially resolved. The DSH program has been modified to comply with federal requirements. DSH payments were made in December 2011 to critical access hospitals, pursuant to Chapter 224 Section 36, Laws of 2011. State Plan Amendments for those transactions were filed December 2011. The only remaining element for completion of this corrective action is to receive approval from CMS of the State Plan Amendments.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2007-26***
US Department of Health and Human Services

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

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- 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.

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

Anticipated Completion Date:

July 1, 2013

Status as of February 2012:

The only rule remaining to be adopted would be He-P 819, if the decision is made to continue licensing case management agencies. The decision on this is expected to be made prior to implementation of Step 2 of the managed care contracting process by July 1, 2013. Resolution of this rule will complete the multi-year initiative that has resulted in the re-writing and adoption of 28 sets of rules.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

NH Department of Health and Human Services ***Finding 2007-37***
US Department of Health and Human Services

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2010, 2009, 2008 AND 2007

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.

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.

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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

Anticipated Completion Date:

June 30, 2012.

Status as of February 2012:

The Provider re-enrollment process related to implementation of the new MMIS system was launched in December 2011 and will be complete by June 30, 2012.

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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
0300	Information Technology, Office of
0400	Legislative Branch
0699	Governor's Office of Economic Stimulus
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

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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
0699	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
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4300	Veterans Home