STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2012

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2012

STATE OF NEW HAMPSHIRE
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FOR THE YEAR ENDED JUNE 30, 2012

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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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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, 2012. 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, 2012, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 29, 2013

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, 2012

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 2012 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 $5,593,051. 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 2012, 35 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2012, the State administered 347 federal programs, with total federal expenditures of approximately $1.9 billion. Of those programs, Type A programs/clusters accounted for 90% of total federal expenditures, with the Medicaid program cluster accounting for 34% of total expenditures. The remainder of this section groups Type A federal programs by the State agency responsible for program administration.

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2012

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Adjutant General	12.401	National Guard Operations and Maintenance	$ 16,285,722	$ 16,285,722
		Other Programs		3,359,115
		Total Adjutant General		$ 19,644,837
Administrative Services	Various	Child Nutrition Cluster	3,812	$ 3,812
		Other Programs		5,660,817
		Total Administrative Services		$ 5,664,629
Agriculture		Other Programs		$ 724,322
Commission On Disability		Other Programs		$ 96,804
Corrections		Other Programs		$ 393,250
Cultural Resources		Other Programs		$ 2,200,156
Development Disabilities Council		Other Programs		$ 395,104
Education	Various	Child Nutrition Cluster	28,026,392	
	Various	Title I, Part A Cluster	46,570,833	
	Various	Special Education Cluster	60,411,639	
	Various	Vocational Rehabilitation Cluster	12,819,068	
	84.287	Twenty-First Century Community	5,873,408	
	84.367	Improving Teacher Quality	11,940,678	
	84.410	Education Jobs Fund	18,313,815	
	Various	Disability Insurance/SSI Cluster	6,810,382	$ 190,766,215
		Other Programs		36,039,731
		Total Education		$ 226,805,946
Employment Security	17.225	Unemployment Insurance	211,675,595	
	93.563	Child Support Enforcement	3,866	$ 211,679,461
		Other Programs		6,705,651
		Total Employment Security		$ 218,385,112

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2012

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Energy & Planning	81.041	State Energy Program	14,602,258	
	81.042	Weatherization Assistance for Low-Income Persons	8,101,269	
	81.128	Energy Efficiency and Conservation	5,835,204	
	93.568	Low-Income Energy Assistance	27,926,031	$ 56,464,762
		Other Programs		596,440
		Total Energy & Planning		$ 57,061,202
Environmental Services	66.458	Clean Water Revolving Fund	13,954,039	
	66.468	Drinking Water Revolving Funds	10,045,629	$ 23,999,668
		Other Programs		18,423,883
		Total Environmental Services		$ 42,423,551
Fish & Game Department		Other Programs		$ 8,166,776
Health & Human Services	Various	SNAP Cluster	173,609,614	
	10.557	Supplemental Food Program	11,521,291	
	Various	Aging Cluster	6,143,907	
	93.069	Public Health Emergency Preparedness	6,196,156	
	Various	Immunization Cluster	10,559,990	
	93.558	TANF	42,099,417	
	93.563	Child Support Enforcement	10,586,192	
	Various	Child Care and Development Cluster	16,375,279	
	93.658	Foster Care	15,975,348	
	93.667	Social Services Block Grant	8,124,731	
	93.767	Children's Health Insurance Program	19,217,803	
	Various	Medicaid Cluster	624,576,539	
	93.959	Substance Abuse Treatment	6,204,564	
	Various	Disability Insurance/ISS Cluster	164,067	$ 951,354,898
		Other Programs		52,706,536
		Total Health & Human Services		$ 1,004,061,434
Highway Safety		Other Programs		$ 2,744,251
Human Rights Commission		Other Programs		$ 118,100
Insurance		Other Programs		$ 654,688
Judicial Branch		Other Programs		$ 435,830

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2012

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Justice	Various	Medicaid Cluster	676,937	$ 676,937
		Other Programs		10,090,185
		Total Justice		$ 10,767,122
McAuliffe-Shepard Discovery Center		Other Programs		$ 30,401
Public Utilities Commission		Other Programs		$ 822,523
Resources & Economic Development	Various	WIA Cluster	7,464,310	
	Various	Highway Planning And Construction Cluster	883,952	$ 8,348,262
		Other Programs		6,235,733
		Total Resources & Economic Development		$ 14,583,995
Safety	97.036	Disaster Grants-Public Assistance	13,811,557	$ 13,811,557
		Other Programs		19,202,470
		Total Safety		$ 33,014,027
Secretary Of State		Other Programs		$ 642,514
Transportation	Various	Highway Planning And Construction Cluster	164,934,597	
	20.106	Airport Improvement Program	10,316,431	
	20.933	National Infrastructure Investments	18,288,354	$ 193,539,382
		Other Programs		9,201,057
		Total Transportation		$ 202,740,439
Veterans Home	64.015	Veterans State Nursing Home Care	7,213,926	$ 7,213,926
		Other Programs		4,559,377
		Total Veterans Home		11,773,303
		TOTAL EXPENDITURES	**$ 1,674,144,602**	**$ 1,864,350,316**

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KPMG LLP
Two Financial Center
60 South Street
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, 2012, 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 54.8% and 29.6% 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, Pease Development Authority and the Community College System of New Hampshire, which represent 100% 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 3.9% and 23.7% 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 and the Business Finance Authority of the State of New Hampshire 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.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2012, 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 December 31, 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 17 of the financial statements, the net assets of the Governmental Activities, Business-type Activities, General Fund and the State Revolving Fund, as of July 1, 2011, have been restated to reflect the creation of a new enterprise fund to account for the activities of the Clean Water and Drinking Water State Revolving Funds, which were previously reported in the General Fund.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

December 31, 2012

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, 2012. 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, 2012 by $2.5 billion. This amount is presented as "Total Net Assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, $716.0 million is reported as a deficit in unrestricted net assets, representing a deficiency of unrestricted, non-capital assets, to liabilities other than capital debt.

Changes in Net Assets: The State's total net assets increased by $171.5 million, or 7.4% in fiscal year 2012. Net assets of governmental activities decreased by $5.7 million (0.5%), and net assets of the business-type activities showed an increase of $177.3 million (17.3%). Expenses for the period were $549.6 lower than Fiscal 2011, some of which had a related reduction in revenues for federal reimbursable share. Accordingly, the reduction in revenues of $99.9 million includes reduced federal recoveries as well as a net reduction in tax revenues and fees for services.

Non-Current Liabilities: The State's total non-current liabilities increased by $217.1 million or 10.7% during the current fiscal year. Long-term bonded debt increased $112.1 million or 8.5% as new issuances exceeded payments of outstanding debt. Also, an additional $120.9 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 2012, the State's governmental funds reported a combined balance of all funds of $488.9 million, an increase of $162.3 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of $23.1 million (including Revenue Stabilization balance of $9.3 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the State's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the State's overall financial position. They are prepared using the 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 (includes Racing & Charitable Gaming Commission),
- Turnpike System
- State Revolving Loan Fund (SRF), 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 the Non-Major Funds reported in the aggregate. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency).

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 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 Financial Statements and the Government-Wide Financial 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.

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 five 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, SRF Fund 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 36-39.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled $2.5 billion at the end of 2012, compared to $2.3 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the State's net assets (97%) 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 $243.8 million from prior year. This increase was the result of a net increase in capital assets of $202.1 million during the year combined with a decrease in capital related debt of $41.7 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 ($791.3 million or 32%) 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 $77.0 million from prior year due largely to increases in environmental loans receivable and assets restricted for unemployment benefits.

Unrestricted Net Assets: The deficit in the State's unrestricted net assets is $716.0 million, an increase of $149.4 million from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2012 was $679.0 million. In addition, due to the separation of Community College System of New Hampshire (CCSNH) into a Component Unit of the state, final transfers of capital assets were made to CCSNH, excluding certain issues of the capital-related debt which the state retained. The effect of the capital-related debt retained by the State is a reduction to Unrestricted Net Assets of approximately $50 million.

Comparative Net Assets as of June 30, 2012 and 2011

(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011 (1)	2012	2011 (1)	2012	2011 (1)
Current assets	$ 1,030,906	$ 886,467	$ 567,204	$ 466,448	$ 1,598,110	$ 1,352,915
Capital assets	2,624,079	2,517,388	806,517	711,121	3,430,596	3,228,509
Other assets	101,200	155,256	303,595	325,957	404,795	481,213
Total assets	3,756,185	$ 3,559,111	1,677,316	1,503,526	5,433,501	$ 5,062,637
Noncurrent liabilities	1,904,580	1,667,682	333,204	353,044	2,237,784	2,020,726
Current liabilities	577,765	611,812	140,043	123,679	717,808	735,491
Total liabilities	2,482,345	2,279,494	473,247	476,723	2,955,592	2,756,217
Net assets:						
Invested in capital assets, net of related debt	1,992,798	1,885,451	409,841	273,365	2,402,639	2,158,816
Restricted	23,722	25,403	767,581	688,864	791,303	714,267
Unrestricted	(742,680)	(631,237)	26,647	64,574	(716,033)	(566,663)
Total net assets	$ 1,273,840	$ 1,279,617	$ 1,204,069	$ 1,026,803	$ 2,477,909	$ 2,306,420

(1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation

Changes in Net Assets

The State's total net assets increased by $171.5 million, or 7.4%, during the current fiscal year. The unrestricted net assets had a deficit balance of $716.0 million at June 30, 2012 as compared to a deficit balance of $566.7 million, the prior year. Total revenues decreased $99.9 million (1.6%) as compared to a decrease in reported expenses of $549.6 million (8.8%). The reason for the decline in total unrestricted net assets is largely related to an increase in other postemployment benefit liability of $120.1 million.

More than half of the State's revenue (68%) 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.

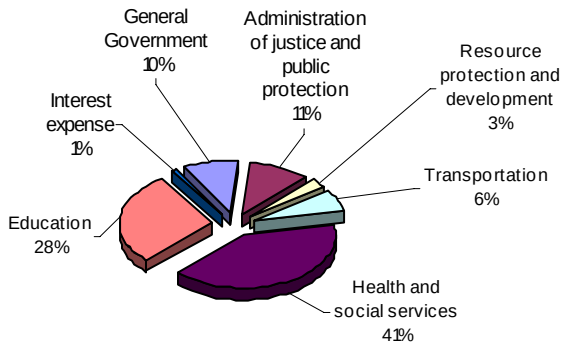
The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.1% and 23.4% of total expenses, respectively. Expenses for Health and Social Services was the largest decrease, $218.8 million or 10%.

Comparative Changes in Net Assets
For Fiscal Years Ending June 30, 2012 and 2011
(In Thousands)

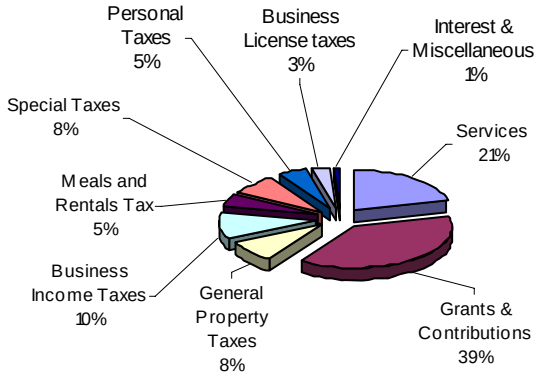
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011 (1)	2012	2011 (1)	2012	2011 (1)
Revenues						
Program revenues:						
Charges for services	$ 962,723	$ 883,309	$ 1,278,842	$ 1,260,797	$ 2,241,565	$ 2,144,106
Operating grants & contributions	1,622,317	1,824,734	21,869	61,470	1,644,186	1,886,204
Capital grants & contributions	193,546	146,267	201	24,162	193,747	170,429
General revenues:						
General Property Taxes	397,716	396,272			397,716	396,272
Business Income Taxes	486,535	402,004			486,535	402,004
Meals and Rentals Tax	239,067	234,852			239,067	234,852
Special taxes	370,050	429,628			370,050	429,628
Personal taxes	214,928	226,649			214,928	226,649
Business License taxes	143,888	160,847			143,888	160,847
Interest	10,968	8,552			10,968	8,552
Miscellaneous	46,985	29,926			46,985	29,926
Total revenues	4,688,723	4,743,040	1,300,912	1,346,429	5,989,635	6,089,469
Expenses						
General government	467,022	525,152			467,022	525,152
Administration of justice and public protection	520,958	506,824			520,958	506,824
Resource protection and development	142,153	132,690			142,153	132,690
Transportation	310,736	456,652			310,736	456,652
Health and social services	1,959,017	2,177,806			1,959,017	2,177,806
Education	1,342,002	1,484,909			1,342,002	1,484,909
Interest Expense	41,349	47,334			41,349	47,334
Turnpike System			86,166	91,331	86,166	91,331
Liquor Commission			433,631	415,816	433,631	415,816
Lottery Commission			190,566	167,961	190,566	167,961
SRF Fund			33,031	5,412	33,031	5,412
Unemployment Compensation			220,391	284,773	220,391	284,773
Total expenses	4,783,237	5,331,367	963,785	965,293	5,747,022	6,296,660
Increase (decrease) in net assets before transfers	(94,514)	(588,327)	337,127	381,136	242,613	(207,191)
Transfers & Other Items	88,737	191,506	(159,861)	(191,506)	(71,124)	
Increase (Decrease) in net assets	(5,777)	(396,821)	177,266	189,630	171,489	(207,191)
Net assets, beginning of year (Restated, Note 17)	1,279,617	1,676,438	1,026,803	837,173	2,306,420	2,513,611
Net assets, end of year	$ 1,273,840	$ 1,279,617	$ 1,204,069	$ 1,026,803	$ 2,477,909	$ 2,306,420

(1) Note - Certain prior year amounts have been reclassified or restated (see footnote 17) to conform with current year presentation

Governmental Activities - Expenses
Fiscal Year Ending June 30, 2012



Revenues - Governmental Activities
Fiscal Year Ending June 30, 2012



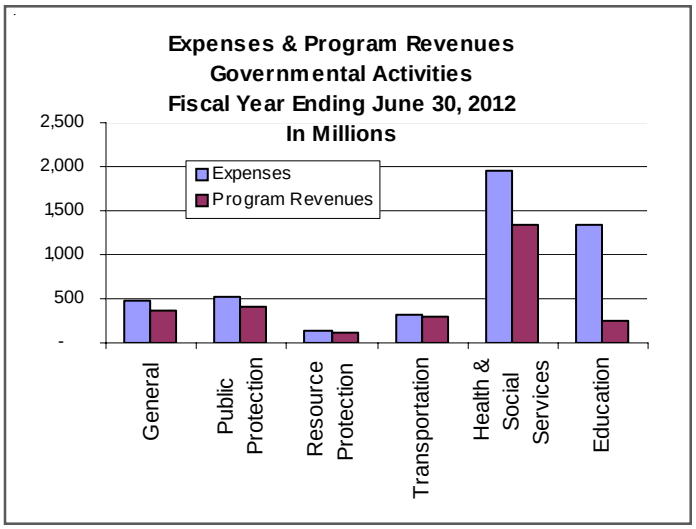
Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2012 Compared to 2011
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	79.4	9.0%	18.0	1.4%	97.4	4.5%
Operating grants & contributions	(202.4)	-11.1%	18.6	565.5%	(183.8)	-10.1%
Capital grants & contributions	47.3	32.3%	(82.1)	100.0%	(34.8)	-15.2%
General revenues:						
General Property Taxes	1.4	0.4%			1.4	0.4%
Business Income taxes	84.5	21.0%			84.5	21.0%
Meals and Rental Taxes	4.2	1.8%			4.2	1.8%
Special taxes	(59.6)	-13.9%			(59.6)	-13.9%
Personal taxes	(11.7)	-5.2%			(11.7)	-5.2%
Business License taxes	(17.0)	-10.5%			(17.0)	-10.5%
Interest	2.4	28.3%			2.4	28.3%
Miscellaneous	17.1	57.0%			17.1	57.0%
Total revenues	(54.4)	-1.1%	(45.5)	-3.4%	(99.9)	-1.6%
Expenses						
General government	(58.1)	-11.1%			(58.1)	-11.1%
Administration of justice and public protection	97.6	23.0%			97.6	23.0%
Resource protection and development	9.5	7.1%			9.5	7.1%
Transportation	(229.3)	-42.5%			(229.3)	-42.5%
Health and social services	(218.8)	-10.0%			(218.8)	-10.0%
Education	(142.9)	-9.6%			(142.9)	-9.6%
Interest Expense	(6.0)	-12.6%			(6.0)	-12.6%
Turnpike System			(5.2)	-5.7%	(5.2)	-5.7%
Liquor Commission			17.8	4.3%	17.8	4.3%
Lottery Commission			22.6	13.5%	22.6	13.5%
SRF Fund			27.6	510.3%	27.6	510.3%
Unemployment Compensation			(64.4)	-22.6%	(64.4)	-22.6%
Total expenses	(548.0)	-10.3%	(1.6)	-0.2%	(549.6)	-8.7%

Governmental Activities

Governmental activities decreased the State's net assets by $94.5 million, before transfers and other items. Revenues decreased by $54.4 million or 1.1% from prior year to total $4.7 billion. Operating grants and contributions, which include federal programs, decreased $202.4 million or 11.1%, while taxes and other revenues increased $38.4 million or 2.2%. Expenses also declined however, by $548.0 million or 10.3%.

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.



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 $337.1 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund.

Operations of the Liquor Commission generated net income before transfers of $141.6 million, approximately equal to prior year, most of which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission had an increase in net income compared to last year, at $70.4 million.

Turnpike System net assets increased by $84.1 million. The operations of the Unemployment Compensation fund yielded an increase in net assets of $84.9 million, an improvement to prior year of $28.5 million, due to a reduction in unemployment insurance benefits expense.

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. Total Governmental Fund Balances increased $162.3 million. A deficiency of revenues over expenditures of $300.0 million was funded by more than $462.3 million of transfers from Enterprise Funds and Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2012 is $217.1 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of $9.3 million and other fund balance of $13.8 million ended the year at $23.1 million, a decrease of $3.8 million from the prior year.

Revenues in the general fund were $3,312.6 million, $218.1 million (6%) less than the prior year, the decrease largely relates to grant revenue. Expenditures were reduced accordingly by $329.4 million (9%) to $3,279.4 million. Savings were realized in Health and Social Services and Resource Protection and Development. Debt service was increased by $47.1 million as a result of the increase in General Obligation bonds.

Education Fund

The education fund, before year end transfers, had a deficit of $210.7 million. The general fund made a transfer from unassigned fund balance of $140.1 million to bring the education unassigned 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 $37.7 million. Included in this amount is $29.1 million available for Highway Operating funds and $8.6 million of total Highway Construction.

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 net increase from the original budget of $4,071 million to the final budget of $4,176 million is $105 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2011 and are composed of the following (*in millions*):

*Dept. of Safety	$41
*DHHS	$15
*Dept. of Labor	$13
*Dept. of Resources and Economic Development	$9
*Office of Energy and Planning	$7
*NH Retirement System	$7
*Various Other	$13
Total	$105

The largest variances from the final budget to actual amounts were for grant revenues, safety spending, education grant expenditures and environmental lending. Federal Grants had an unfavorable variance of $492 million, much of which relates directly to lower spending on federal programs in Safety, Education and Environmental Services, the totals of which declined a combined $472 million. The lower expenditures in federal programs is due in part to the decline of ARRA programming, and timing of program expenditures.

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, 2012, amounted to $6.2 billion, with accumulated depreciation amounts of $2.8 billion, leaving a net book value of $3.4 billion, an increase of $202.1 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 $1.9 billion, representing a $183.1 million increase from the prior year as current year additions of $329.5 million exceeded total deletions and depreciation of $146.4 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 $1,546.3 million. Of this amount, $1,007.5 million are general obligation bonds, which are backed by the full faith and credit of the State and $195.0 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 21, 2011, the State issued a $1.3 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 3% coupon and matures on August 15, 2021.

On October 27, 2011, the State issued $100.0 million of general obligation capital improvement bonds. The bonds were sold through a competitive sale and resulted in an overall true interest cost of 2.88%. The coupons on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

On December 15, 2011, the State issued a $2.2 million general obligation capital improvement bond. Similar to the small issue in July, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2031.

On January 5, 2012, the State issued $42.1 million of Turnpike System revenue refunding bonds. The coupons on these new bonds are 4% and 5% with the entire amortization schedule closing with an overall true interest cost of 3.0%. These bonds refinanced $45.9 million of outstanding Turnpike System debt. At closing, the $47.5 million in net proceeds from the issuance was 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 May 30, 2012, the State issued $98.3 million in Federal Highway Grant Anticipation Bonds with maturity dates ranging from 2013 to 2020 with coupons ranging from 2% to 5%. The bonds were sold through a negotiated sale and resulted in an overall true interest cost of 1.27%. The sale resulted in a $16.7 million premium, and the total proceeds of $115.0 million will be used for authorized capital projects related to the widening of Interstate 93.

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 a result, New Hampshire has fared better in this recession than many other states in the region and the nation. The State's November 2012 unemployment rate of 5.6% (seasonally adjusted) continues to be below the national average of 7.7%.

In fiscal year 2013, through November the state had received approximately $661.0 million in General and Education Fund revenues as compared to the year-to-date November Plan of $703.8 million. Traditional Taxes and revenues which include Business Taxes, Meals and Rentals, Interest and Dividends, Tobacco, etc. are slightly above Plan by $5.6 million or 1%; however, collections of the Medicaid Enhancement Tax (MET) is below Plan by approximately $48 million. Additional MET receipts are expected to be received in December 2012; however, it appears that hospitals are reporting lower net patient service revenue on which the tax is applied than originally anticipated in the Plan for fiscal year 2013.

Versus the prior year, the year-to-date November revenues in fiscal year 2013 are reported as $29.7 million higher (4.7%). The increase in non-MET taxes and revenues is approximately $20 million or 3.5% and the MET receipts (those recorded as unrestricted revenues) were approximately $10 million higher than the prior year. On an annual basis, the fiscal year 2013 General and Education Funds revenue Plan of $2,229.9 million is approximately $40 million higher (1.8%) than the actual revenue realized in fiscal year 2012 ($2,189.8 million).

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, 2012
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 294,090	$ 76,739	$ 370,829	$ 209,911
Cash and Cash Equivalents-Restricted	139,798	376,721	516,519	14,644
Receivables (Net of Allowances for Uncollectibles)	544,363	18,506	562,869	45,810
Other Receivables-Restricted	279	79,190	79,469	
Internal Balances Receivable (Payable)	9,075	(9,075)		
Internal Notes Receivable (Payable)	24,262	(24,262)		
Due from Primary Government				4,550
Inventories	19,039	43,719	62,758	
Other Current Assets		5,666	5,666	27,533
Total Current Assets	1,030,906	567,204	1,598,110	302,448
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	8,370		8,370	45,296
Other Receivables-Restricted	4,481	325,132	329,613	
Internal Notes Receivable (Payable)	28,199	(28,199)		
Investments				505,621
Investments-Restricted	60,150		60,150	
Bond Issue Costs		2,528	2,528	
Other Assets		4,134	4,134	811
Deferred Outflow of Resources				50,758
Capital Assets:				
Land & Land Improvements	629,208	115,597	744,805	22,464
Buildings & Building Improvements	734,283	30,522	764,805	1,653,398
Equipment & Computer Software	313,258	44,286	357,544	114,985
Construction in Progress	261,325	159,803	421,128	98,079
Infrastructure	3,199,307	764,384	3,963,691	
Less: Allowance for Depreciation	(2,513,302)	(308,075)	(2,821,377)	(758,048)
Net Capital Assets	2,624,079	806,517	3,430,596	1,130,878
Total Noncurrent Assets	2,725,279	1,110,112	3,835,391	1,733,364
Total Assets	3,756,185	1,677,316	5,433,501	2,035,812
LIABILITIES				
Current Liabilities:				
Accounts Payable	281,905	69,555	351,460	65,975
Accrued Payroll	37,210	2,141	39,351	6,354
Due to Component Units	4,550		4,550	
Unearned Revenue	60,031	14,931	74,962	42,830
Unclaimed Property & Prizes	20,778	4,557	25,335	
General Obligation Bonds Payable	90,665		90,665	
Claims & Compensated Absences Payable	44,158	1,795	45,953	6,290
Other Liabilities	38,468	27,604	66,072	7,327
Revenue Bonds Payable		19,460	19,460	53,286
Total Current Liabilities	$ 577,765	$ 140,043	$ 717,808	$ 182,062

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES - CONTINUED				
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	$ 916,865		$ 916,865	
Federal Highway Grant Anticipation Bond Payable	194,995		194,995	
Revenue Bonds Payable, Net		$ 324,331	324,331	$ 446,932
Claims & Compensated Absences Payable	73,346	5,693	79,039	32,174
Postemployment Benefits Payable	679,219		679,219	52,421
Other Noncurrent Liabilities	40,155	3,180	43,335	71,153
Total Noncurrent Liabilities	1,904,580	333,204	2,237,784	602,680
Total Liabilities	2,482,345	473,247	2,955,592	784,742
NET ASSETS				
Invested in Capital Assets, net of related debt	1,992,798	409,841	2,402,639	675,970
Restricted for Debt Repayments		44,999	44,999	
Restricted for Uninsured Risks		3,009	3,009	
Restricted for Unemployment Benefits		188,830	188,830	
Restricted for Permanent Funds-Expendable	8,658		8,658	
Restricted for Permanent Funds-Non-Expendable	10,305		10,305	
Restricted for Prize Awards - MUSL & Tri-State		4,134	4,134	
Restricted for Environmental Loans	4,759	526,609	531,368	
Restricted Component Unit Net Assets				309,023
Unrestricted Net Assets (Deficit)	(742,680)	26,647	(716,033)	266,077
Total Net Assets	$ 1,273,840	$ 1,204,069	$ 2,477,909	$ 1,251,070

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, 2012
(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	$ 467,022	$ 296,152	$ 75,419	
Administration of Justice & Public Protection	520,958	306,509	93,340	
Resource Protection and Development	142,153	65,453	44,338	
Transportation	310,736	89,074	22,232	193,546
Health and Social Services	1,959,017	178,484	1,160,836	
Education	1,342,002	27,051	226,152	
Interest Expense	41,349			
Total Governmental Activities	4,783,237	962,723	1,622,317	193,546
Business-type Activities:				
Turnpike System	86,166	123,489		201
Liquor Commission	433,631	575,233		
Lottery Commission	190,566	260,990		
SRF Fund	33,031	13,874	21,869	
Unemployment Compensation	220,391	305,256		
Total Business-type Activities	963,785	1,278,842	21,869	201
Total Primary Government	$ 5,747,022	$ 2,241,565	$ 1,644,186	$ 193,747
COMPONENT UNITS				
University System of New Hampshire	$ 785,032	$ 529,616	$ 204,645	$ 6,854
Non-Major Component Units	144,628	100,618	25,355	
Total Component Units	$ 929,660	$ 630,234	$ 230,000	$ 6,854

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
Contribution of Capital Assets
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Assets
Net Assets - July 1 (Restated, Note 17)
Net Assets - June 30

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (95,451)		$ (95,451)	
(121,109)		(121,109)	
(32,362)		(32,362)	
(5,884)		(5,884)	
(619,697)		(619,697)	
(1,088,799)		(1,088,799)	
(41,349)		(41,349)	
(2,004,651)		(2,004,651)	
	$ 37,524	37,524	
	141,602	141,602	
	70,424	70,424	
	2,712	2,712	
	84,865	84,865	
	337,127	337,127	
$ (2,004,651)	$ 337,127	$ (1,667,524)	
			$ (43,917)
			(18,655)
			$ (62,572)
397,716		397,716	
486,535		486,535	
239,067		239,067	
370,050		370,050	
214,928		214,928	
143,888		143,888	
10,968		10,968	7,654
46,985		46,985	
			113,105
(46,585)	46,585		
(71,124)		(71,124)	71,124
206,446	(206,446)		
1,998,874	(159,861)	1,839,013	191,883
(5,777)	177,266	171,489	129,311
1,279,617	1,026,803	2,306,420	1,121,759
$ 1,273,840	$ 1,204,069	$ 2,477,909	$ 1,251,070

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, 2012
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 171,506	$ 209,708		$ 20,570	$ 401,784
Investments	16,200	29,363		14,587	60,150
Receivables (Net of Allowances for Uncollectibles)	419,115	49,528	$ 65,472	8,274	542,389
Inter-Fund Note Receivable		52,461			52,461
Due from Other Funds	21,779	4,166			25,945
Inventories	5,892	12,462		685	19,039
Loans and Notes Receivables	13,130				13,130
Total Assets	$ 647,622	$ 357,688	$ 65,472	$ 44,116	$ 1,114,898
LIABILITIES					
Accounts Payable	$ 229,974	$ 37,656	$ 2,381	$ 11,032	$ 281,043
Accrued Payroll	29,359	7,106		745	37,210
Due to Other Funds	1,079		15,791		16,870
Due to Component Unit				4,550	4,550
Deferred Revenue	146,752	68,572	47,300		262,624
Unclaimed Property	20,778				20,778
Other Liabilities	2,959				2,959
Total Liabilities	430,901	113,334	65,472	16,327	626,034
FUND BALANCES					
Nonspendable:					
Inventories	5,892	12,462		685	19,039
Permanent Fund Principal				10,305	10,305
Restricted	24,933	180,233		12,869	218,035
Committed	137,764	13,933		1,464	153,161
Assigned	24,984	37,726		2,466	65,176
Unassigned:					
Revenue Stabilization	9,312				9,312
Other	13,836				13,836
Total Fund Balances (Deficit)	216,721	244,354		27,789	488,864
Total Liabilities and Fund Balances	$ 647,622	$ 357,688	$ 65,472	$ 44,116	$ 1,114,898

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, 2012
(Expressed in Thousands)

Total fund balances for governmental funds		$ 488,864
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		2,624,079
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	$ 127,288	
Banking Assessments	1,100	
Highway Fund Federal and Municipal Billings	14,101	
Highway Fund Note Receivable from Turnpike System	52,462	
Indigent Representation Advances	2,883	
Other Loans	4,759	202,593
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 are included in governmental activities in the Statement of Net Assets.		15,833
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation	(100,121)	
Other Postemployment Benefits	(679,219)	
Pollution Remediation Obligation	(29,886)	
Capital Lease Obligations	(2,856)	
Bond Payables	(1,202,525)	
Litigation Payable	(26,494)	
Advance Construction Commitments to Municipalities	(2,800)	
Interest Payable	(13,628)	(2,057,529)
Net Assets of Governmental Activities		$ 1,273,840

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, 2012
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$ 129		$ 396,187		$ 396,316
Special Taxes	896,145		227,880		1,124,025
Personal Taxes	136,085		78,843		214,928
Business License Taxes	19,870	$ 143,894			163,764
Non-Business License Taxes	82,829	82,775		$ 8,499	174,103
Fees	153,330	23,240		1,000	177,570
Fines, Penalties and Interest	16,692	8,295		131	25,118
Grants from Federal Government	1,416,059	175,836	19,614	37,949	1,649,458
Grants from Private and Local Sources	162,587	8,259		197	171,043
Rents and Leases	2,654	130			2,784
Interest, Premiums and Discounts	11,908			371	12,279
Sale of Commodities	11,833	188		525	12,546
Sale of Service	56,781	21,227		2	78,010
Assessments	73,816				73,816
Grants from Other Agencies	45,769	9,159		3,501	58,429
Miscellaneous	226,089	19,891	40,000	7,257	293,237
Total Revenues	3,312,576	492,894	762,524	59,432	4,627,426
EXPENDITURES					
Current:					
General Government	334,636				334,636
Administration of Justice and Public Protection	370,153	74,056			444,209
Resource Protection and Development	111,961	1,275		25,968	139,204
Transportation	8,446	426,945			435,391
Health and Social Services	1,930,901			235	1,931,136
Education	388,547		973,236		1,361,783
Debt Service	116,531	15,468		437	132,436
Capital Outlay	18,274	16,257		109,842	144,373
Total Expenditures	3,279,449	534,001	973,236	136,482	4,923,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,127	(41,107)	(210,712)	(77,050)	(295,742)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,952		140,448	1,543	143,943
Transfers in from Enterprise Funds	140,480		70,263		210,743
Transfers Out	(144,745)	(2,376)		(1,119)	(148,240)
Capital Lease Acquisition	250				250
Installments on Sale of Assets		23,316			23,316
Bond Premiums		16,745		9,500	26,245
Bond Issuance		98,250		103,520	201,770
Total Other Financing Sources	(2,063)	135,935	210,711	113,444	458,027
Net Change in Fund Balances	31,064	94,828	(1)	36,394	162,285
Fund Balances - July 1 (Restated, Note 17)	186,415	148,676	1	(8,501)	326,591
Change in Inventory	(758)	850		(104)	(12)
Fund Balances (Deficit) - June 30	$ 216,721	$ 244,354	$ -	$ 27,789	$ 488,864

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, 2012
(Expressed in Thousands)

Net change in fund balances - total governmental funds, including change in inventory		$ 162,273
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		(26,422)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Land & Land Improvements	$ 10,333	
Buildings & Building Improvements	(79,814)	
Equipment & Computer Software	14,531	
Construction in Progress	21,948	
Infrastructure	166,760	
Accumulated Depreciation, net of Disposals	(27,067)	106,691
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.		(2,508)
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	(227,863)	
Repayment of Bond Principal & Interest	88,814	
Accretion of Bonds Payable	(1,568)	
Accrued Interest & Amortization	3,842	(136,775)
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	(847)	
Other Postemployment Benefits	(120,915)	
Pollution Remediation Obligation	1,186	
Legal Contingency	12,906	
Change in Capital Lease Obligation	449	
Advance Construction Commitments to Municipalities	(2,800)	
Other loan program	985	(109,036)
Change in net assets of governmental activities		$ (5,777)

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.*

Liquor Commission: *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 sell liquor through retail outlets as well as directly 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. Any excess funds of the Commission are transferred to the General Fund on a daily basis.*

Lottery Commission: *The state sells lottery games online and through some 1,282 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.*

State Revolving Fund: *These funds consist of New Hampshire Clean Water and Drinking Water Revolving Funds. Programs operated within these funds provide loans to public water systems and local governments for constructing wastewater treatment facilities and safe drinking water systems. In addition, the programs provide supervision and technical assistance to these grantees. Funding is from U.S. Environmental Protection Administration grants and a general fund match. The funds are repaid with interest, then re-loaned.*

New Hampshire Unemployment Compensation Trust Fund: *This fund receives contributions from employers and provides benefits to eligible unemployed workers, consistent with legislation and regulations which govern federal credit programs.*

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, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
ASSETS							
Current Assets:							
Cash and Cash Equivalents	$ 57,488	$ 13,719	$ 5,532			$ 76,739	$ 32,104
Cash and Cash Equivalents-Restricted	48,008			$ 180,310	$ 148,403	376,721	
Receivables (Net of Allowances for Uncollectibles)	5,453	11,009	2,044			18,506	1,974
Other Receivables-Restricted				16,094	63,096	79,190	
Due from Other Funds	137		1,032			1,169	
Inventories	1,476	41,465	778			43,719	
Other Current Assets			48	5,618		5,666	
Total Current Assets	112,562	66,193	9,434	202,022	211,499	601,710	34,078
Noncurrent Assets:							
Other Receivables-Restricted				325,132		325,132	
Bond Issue Costs	2,528					2,528	
Capital Assets:							
Land & Land Improvements	112,519	3,078				115,597	
Buildings & Building Improvements	6,145	24,377				30,522	
Equipment & Computer Software	39,057	4,747	482			44,286	
Construction in Progress	159,803					159,803	
Infrastructure	764,384					764,384	
Less: Allowance for Depreciation & Amortization	(290,830)	(16,776)	(469)			(308,075)	
Net Capital Assets	791,078	15,426	13			806,517	
Other Assets - Restricted			4,134			4,134	
Total Noncurrent Assets	793,606	15,426	4,147	325,132		1,138,311	
Total Assets	906,168	81,619	13,581	527,154	211,499	1,740,021	34,078
LIABILITIES							
Current Liabilities:							
Accounts Payable	13,997	52,026	2,989	543		69,555	862
Accrued Payroll	598	1,323	220			2,141	
Due to Other Funds	3,224	7,020				10,244	
Deferred Revenue	11,786	2,082	1,063			14,931	
Unclaimed Prizes			4,557			4,557	
Revenue Bonds Payable-Current	19,460					19,460	
Note Payable to Highway Fund	24,262					24,262	
Accrued Interest Payable	4,834					4,834	
Claims & Compensated Absences Payable	656	972	167			1,795	17,383
Other Liabilities	87	12		2	22,669	22,770	
Total Current Liabilities	78,904	63,435	8,996	545	22,669	174,549	18,245
Noncurrent Liabilities:							
Revenue Bonds Payable	324,331					324,331	
Note Payable to Highway Fund	28,199					28,199	
Claims & Compensated Absences Payable	2,458	2,770	465			5,693	
Other Noncurrent Liabilities	2,768	412				3,180	
Total Noncurrent Liabilities	357,756	3,182	465			361,403	
Total Liabilities	436,660	66,617	9,461	545	22,669	535,952	18,245
NET ASSETS							
Invested in Capital Assets, net of related debt	394,826	15,002	13			409,841	
Restricted for Debt Repayments	44,999					44,999	
Restricted for Uninsured Risks	3,009					3,009	
Restricted for Prize Awards - MUSL & Tri-State			4,134			4,134	
Restricted for Environmental Loans				526,609		526,609	
Restricted for Unemployment Benefits					188,830	188,830	
Unrestricted Net Assets (Deficit)	26,674		(27)			26,647	15,833
Total Net Assets	$ 469,508	$ 15,002	$ 4,120	$ 526,609	$ 188,830	$ 1,204,069	$ 15,833

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, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
OPERATING REVENUES							
Charges for Sales and Services		$ 553,459	$ 260,054	$ 13,789	$ 302,729	$ 1,130,031	$ 249,949
Toll Revenue Pledged for Repaying Revenue Bonds	$ 119,939					119,939	
Total Operating Revenue	119,939	553,459	260,054	13,789	302,729	1,249,970	249,949
OPERATING EXPENSES							
Cost of Sales and Services		390,581				390,581	
Lottery Prize Awards			180,790			180,790	
Unemployment Insurance Benefits					220,391	220,391	
Principal Forgiveness				22,079		22,079	
Insurance Claims							241,467
Administration	49,973	42,113	9,747	7,798		109,631	10,990
Depreciation	23,016	937	29			23,982	
Total Operating Expenses	72,989	433,631	190,566	29,877	220,391	947,454	252,457
Operating Income (Loss)	46,950	119,828	69,488	(16,088)	82,338	302,516	(2,508)
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,160				4,160	
Beer Taxes		12,885				12,885	
Investment Income	130		18	85	2,527	2,760	
Miscellaneous	3,420	4,729	918	(3,154)		5,913	
Federal Grant Revenue				21,869		21,869	
Interest on Bonds	(12,821)					(12,821)	
Amortization of Bond Issuance Costs	(356)					(356)	
Total Nonoperating Revenues (Expenses)	(9,627)	21,774	936	18,800	2,527	34,410	
Income (Loss) Before Capital Grant Contributions	37,323	141,602	70,424	2,712	84,865	336,926	(2,508)
Capital Contributions and Grants	46,786					46,786	
Income (Loss) Before Transfers	84,109	141,602	70,424	2,712	84,865	383,712	(2,508)
Transfers (To) From Governmental Funds		(140,475)	(70,268)	4,297		(206,446)	
Change in Net Assets	84,109	1,127	156	7,009	84,865	177,266	(2,508)
Net Assets - July 1 (Restated, Note 17)	385,399	13,875	3,964	519,600	103,965	1,026,803	18,341
Net Assets - June 30	$ 469,508	$ 15,002	$ 4,120	$ 526,609	$ 188,830	$ 1,204,069	$ 15,833

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, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from federal and local agencies				$ 8,130	$ 60,684	$ 68,814	
Receipts from customers	$ 121,626	$ 551,477	$ 135,012		234,096	1,042,211	$ 43,631
Receipts from interfund charges							207,298
Payments to employees	(16,216)	(24,033)	(4,492)			(44,741)	
Payments to suppliers	(31,125)	(398,410)	(10,219)	(7,280)		(447,034)	(10,298)
Payments to prize winners			(48,731)			(48,731)	
Payments for Insurance Claims					(211,985)	(211,985)	(242,729)
Payments for Interfund Services		(3,979)	(43)	(487)		(4,509)	
Net Cash Provided by (Used for) Operating Activities	74,285	125,055	71,527	363	82,795	354,025	(2,098)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(133,854)	(70,176)			(204,030)	
Receipts from Federal Agencies				21,869		21,869	
Contributions from Other Funds				4,297		4,297	
Proceeds from Collection of Licenses and Beer Tax		17,045				17,045	
Net Cash Used for Noncapital and Related Financing Activities		(116,809)	(70,176)	26,166		(160,819)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal , Sale and Construction of Capital Assets	(60,779)	(2,455)				(63,234)	
Interest Paid on Bonds	(13,178)					(13,178)	
Principal Paid on Bonds	(17,020)					(17,020)	
Principal Paid on Notes	(23,317)					(23,317)	
Net Payment to Agent on Refunding Bonds	(1,211)					(1,211)	
Payments for Underwriter Discount/Premium	(237)					(237)	
Receipts from Federal Agencies	3,131					3,131	
Contributions from Other Funds		2,455				2,455	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(112,611)		-	-		(112,611)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts from borrowers				59,205		59,205	
Payments to borrowers				(45,787)		(45,787)	
Interest and Other Income	419	4,729	936	85	2,527	8,696	
Net Cash Provided by Investing Activities	419	4,729	936	13,503	2,527	22,114	
Net Increase (Decrease) in Cash & Cash Equivalents	(37,907)	12,975	2,287	40,032	85,322	102,709	(2,098)
Cash and Cash Equivalents - July 1	143,403	744	3,245	140,278	63,081	350,751	34,202
Cash and Cash Equivalents -June 30	$ 105,496	$ 13,719	$ 5,532	$ 180,310	$ 148,403	$ 453,460	$ 32,104

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, 2012
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	SRF Fund	Unemployment Compensation	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$ 46,950	$ 119,828	$ 69,488	$ (16,088)	$ 82,338	$ 302,516	$ (2,508)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:							
Depreciation	23,016	937	29			23,982	
Principal Forgiveness				22,079		22,079	
Interest Income on Loans				(5,158)		(5,158)	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(1,011)	(2,017)	849	(495)	(222)	(2,896)	980
Change in Inventories	304	(7,415)	184			(6,927)	
Change in Other Current Assets	109		84			193	
Change in Restricted Deposits-MUSL			(155)			(155)	
Change in Accounts Payable and Other Accruals	945	13,687	279	25	679	15,615	692
Change in Claims Payable			772			772	(1,262)
Change in Deferred Revenue	3,972	35	(3)			4,004	
Net Cash Provided by (Used In) Operating Activities	$ 74,285	$ 125,055	$ 71,527	$ 363	$ 82,795	$ 354,025	$ (2,098)

Turnpike Non-Cash Capital and Related Financing Activities:

Capital Contributions	$ 46,786
I-95 Bridge Paint Maintenance	$ 1,274

SRF Non-Cash Investing Activities:

Principal Forgiveness	$ 22,079

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, 2012
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 7,009	$ 4,456		$ 11,758
Receivables:				
Due from Employers	37,968			
Due from Group I Teacher OPEB Plan	8,985			
Due from Plan Members	24,428			
Due from Group I State Employee OPEB Plan	906			
Due from Brokers for Securities Sold	153,903			
Interest and Dividends	18,036			
Other	2,168		$ 7	
Total Receivables	246,394		7	
Investments	5,738,144	3,626	211,315	3,713
Other Assets	756			
Total Assets	5,992,303	8,082	211,322	15,471
LIABILITIES				
Management Fees and Other Payables	8,067		31	
Due to Group II Police & Fire OPEB Plan	2,572			
Due to Group I Political Subdivision OPEB Plan	7,319			
Due to Brokers for Securities Purchased	163,699			
Custodial Funds Payable				15,471
Other Liabilities			900	
Total Liabilities	181,657		931	15,471
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,810,646	$ 8,082	$ 210,391	$ -

RECONCILIATION OF NET ASSETS HELD IN TRUST:

Employees' Pension Benefits	$ 5,786,630		
Employees' Postemployment Healthcare Benefits	24,016		
Net Assets for Pool Participants in External Investment Pool			$ 210,391
Other Purposes		$ 8,082	
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,810,646	$ 8,082	$ 210,391

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, 2012
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 302,377		
State Contributions on Behalf of Local Employers	3,500		
Total Employer Contributions	305,877		
Plan Members	200,179		
From Participants		$ 28,406	$ 265,516
From Gifts, Bequests, and Endowments		194	
Total Contributions	506,056	28,600	265,516
Investment Income:			
From Investing Activities:			
Net Depreciation in Fair Value of Investments	(98,832)	(703)	
Interest Income	66,598	121	
Dividends	73,185		
Alternative Investment Income	110		
Commercial Real Estate Operating Income	12,472		
Net Increase in Joint Value from Investment Income			167
Total Income (Loss) from Investing Activities	53,533	(582)	167
Less: Investment Activity Expenses:			
Investment Management Fees	18,731		
Custodial Fees	1,438		
Investment Advisor Fees	772		
Total Investment Activity Expenses	20,941		
Total Net Income (Loss) from Investing Activities	32,592	(582)	167
Interest Income	945		
Other	(13,166)		
Total Additions	526,427	28,018	265,683
DEDUCTIONS			
Benefits/Distributions to Participants	610,418	16,189	167
Refunds of Contributions	26,535		
Administrative Expense	6,412		
Professional Fees	1,153		
Interest Expense	945		
Other	50	24,176	291,044
Total Deductions	645,513	40,365	291,211
Change in Net Assets	(119,086)	(12,347)	(25,528)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Assets - July 1	5,929,732	20,429	235,919
Net Assets - June 30	$ 5,810,646	$ 8,082	$ 210,391

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, 2012
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 175,316	$ 34,595	$ 209,911
Cash and Cash Equivalents - Restricted		14,644	14,644
Operating Investments	18,256		18,256
Accounts Receivable	27,003	6,125	33,128
Due From Primary Government		4,550	4,550
Notes Receivable - Current Portion	4,405	8,277	12,682
Prepaid Expenses & Other	8,244	1,033	9,277
Total Current Assets	233,224	69,224	302,448
Noncurrent Assets:			
Investments	496,218	9,403	505,621
Notes & Other Receivables	20,795	24,501	45,296
Other Assets		811	811
Deferred Outflows of Resources	50,758		50,758
Capital Assets:			
Land & Land Improvements	12,312	10,152	22,464
Building & Building Improvements	1,384,386	269,012	1,653,398
Equipment	91,469	23,516	114,985
Construction in Progress	90,752	7,327	98,079
Less: Accumulated Depreciation	(622,319)	(135,729)	(758,048)
Net Capital Assets	956,600	174,278	1,130,878
Total Noncurrent Assets	1,524,371	208,993	1,733,364
Total Assets	1,757,595	278,217	2,035,812
LIABILITIES			
Current Liabilities:			
Accounts Payable	63,162	2,813	65,975
Accrued Salaries and Wages		6,354	6,354
Accrued Employee Benefits - Current	6,247	43	6,290
Other Payables & Accrued Expenses		6,307	6,307
Other Liabilities-Restricted		1,020	1,020
Deposits and Deferred Revenues	38,411	4,419	42,830
Long Term Debt - Current Portion	50,568	2,718	53,286
Total Current Liabilities	158,388	23,674	182,062
Noncurrent Liabilities:			
Revenue Bonds Payable	446,932		446,932
Accrued Employee Benefits	32,174		32,174
Postemployment Medical Benefits	52,421		52,421
Other Long Term Debt	18,755	52,398	71,153
Total Noncurrent Liabilities	550,282	52,398	602,680
Total Liabilities	708,670	76,072	784,742
NET ASSETS			
Net invested in Capital Assets	521,736	154,234	675,970
Restricted:			
Nonexpendable	200,370		200,370
Expendable	93,487	15,166	108,653
Unrestricted	233,332	32,745	266,077
Total Net Assets	$ 1,048,925	$ 202,145	$ 1,251,070

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, 2012
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$ 785,032	$ 144,628	$ 929,660
Program Revenues:			
Charges for Services:			
Tuition & Fees	427,679	71,114	498,793
Student Financial Aid	(122,024)		(122,024)
Sales, Services, & Other Revenue	223,961	29,504	253,465
Operating Grants & Contributions	204,645	25,355	230,000
Capital Grants & Contributions	6,854		6,854
Total Program Revenues	741,115	125,973	867,088
Net Expenses	(43,917)	(18,655)	(62,572)
Interest & Investment Income	7,430	224	7,654
Contribution of Capital Assets		71,124	71,124
Payments from State of New Hampshire	77,290	35,815	113,105
Change in Net Assets	40,803	88,508	129,311
Net Assets - July 1 (Restated, Note 17)	1,008,122	113,637	1,121,759
Net Assets - June 30	$ 1,048,925	$ 202,145	$ 1,251,070

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, 2012

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, 2012, 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, 2012, 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.

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. Subsequently, and during fiscal 2012, all remaining capital assets attributable to CCSNH were transferred per Chapter 199 Laws of 2011. CCSNH's financials can be obtained by contacting CCSNH at 26 College Drive, Concord, NH 03301.

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 State has budget approval authority over some administrative costs of the System.

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

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

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

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

Related Organizations:

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

Those organizations are:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets 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 *State Revolving Fund* makes loans to public water systems and local governments for wastewater treatment facilities and safe drinking water systems, funded by programs under the U.S. Environmental Protection Administration. Grants are partially matched with state General Funds.

The *New Hampshire Unemployment Compensation 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, 2012, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2011.

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.

Other Receivables - Restricted are loans receivable made to public water systems and local governments under the State's revolving loan fund, for wastewater treatment facilities and safe drinking water systems. Loans are funded by federal grants from programs by the U.S. Environmental Protection Administration, with federal grants and partially matching state funds. Repayments, which are restricted for re-lending, can be made over terms from five to twenty years, with deeply discounted interest rates and, based on specific federal criteria, may allow for forgiveness of portions of the loans. Discounts on loans are recognized at such time as the creditor has fulfilled all requirements of entitlement. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

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 taxes receivable but not available, 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, or other executive authority'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.

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, 2012.

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, 2012, the State's carrying value for deposits was $745.8 million. The table below details the state's bank balances at June 30, 2012 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	$340,408	$ 231,633	$ 71	$ 20	$ 9,167	$ 27
Money Market		35,643	155,705			4,604
Savings Accounts					3,979	5
CDs	500	3,009	12,008			
Total	$340,908	$ 270,285	$ 167,784	$ 20	$ 13,146	$ 4,636

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, 2012, the State had the following types of investments:

	(Fair values in thousands)	
Investment Type	**Governmental & Business Type**	**Fiduciary**
Stocks	$ 16,817	
Corporate Bonds	813	
US Treasury	378	
US Government Agencies	34,751	
Municipal Bonds	86	
Equity Open Ended Mutual Funds	8,207	$ 3,467
Fixed Income Open Ended Mutual Funds	4,097	3,790
Unemployment Compenation External Pool (special issue bonds guaranteed by US government)	148,403	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		82
External Portion of NH Public Deposit Investment Pool		211,315
Totals	**$ 213,552**	**$ 218,654**

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	$ 370,829		$ 516,519	$ 60,150	$ 947,498
Per Statement of Fiduciary Net Assets	Private Purpose	4,456	$ 3,626			8,082
	Investment Trust		211,315			211,315
	Agency Funds	11,758	3,713			15,471
	Total per Financial Statements	**$ 387,043**	**$ 218,654**	**$ 516,519**	**$ 60,150**	**$ 1,182,366**

Per Footnote	
Cash On Hand	$ 4,399
Carrying Amount of Deposits	745,761
Investments	432,206
Total Per Footnote	**$ 1,182,366**

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, 2012, 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, 2012 are noted below (expressed in thousands):

	Governmental Activities			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc Com	$ 2,926		$ 2,926	35.4%
Prudential Finl Inc	995		995	12.0%
A T & T Inc	871	$ 72	943	11.4%
Manulife Finl Corp	697		697	8.4%
Vodafone Grp Plc Sp Adr	679		679	8.2%
Thermo Fisher Scientific Inc	668		668	8.1%
Comcast Corp	384		384	4.6%
Verizon Communications Inc	352		352	4.3%
Teradata Corp	319		319	3.9%
Exxon Mobil Corp	179	125	304	3.7%

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, 2012 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	$ 813	-	2.9	-	-	-
US Treasury	378	-	3.3	-	-	-
US Government Agencies	34,751	-	0.5	-	-	-
Fixed Income Open Ended Mutual Funds	-	$ 4,097	5.8	-	$ 3,790	4.8
Municipal Bonds	86	-	6.7	-	-	-
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	148,546	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, 2012 are listed below (expressed in thousands):

Issuer	Governmental & Business Type Fair Value	% of Total
BB&T Corp	$ 113	13.9%
Conocophillips	109	13.5%
National Rural Utils Coop FI	107	13.1%
IBM Intl Group	101	12.5%
Bank of America Corp	101	12.4%
Morgan Stanley	101	12.4%
E I Du Pont De Nemours	55	6.8%
Illinois Tool Works	54	6.6%
Bank New York Inc	51	6.3%
Walmart Stores	16	1.9%

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:

	2012
Cash & Repurchase agreements	$ 11,588
Money Market Funds	62,325
Other Mutual Funds	101,403
Total Cash & Cash Equivalents	$ 175,316

Included in the cash and repurchase agreements balances at June 30, 2012 were $8,389 in repurchase agreements, $7,771 in cash and a net cash overdraft of $4,572. 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, and the current portion of debt proceeds held by bond trustee. Operating investments generally 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 short-term operating investments at June 30, 2012 are summarized below (expressed in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$ 2,980	8 years
Cash and Cash Equivalents	14,125	Not Applicable
Money Market and other Mutual Funds	1,088	Not Applicable
Debt proceeds held by bond trustee	30	Not Applicable
Other Accounts	33	Not Applicable
Total:	$ 18,256	

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, 2012 total debt proceeds held by others included $586 of construction proceeds held by the bond trustee.

Debt proceeds held by USNH's bond trustee for future construction purposes consisted of the following investments at June 30, 2012 (expressed in thousands):

	Balance
Cash	$ 586
Total Debt proceeds held by bond trustee	586
Less: current portion	(30)
Long-term portion	$ 556

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, 2012 was $6,526. 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 with the objective to achieve a long-term rate of return sufficient to fund a portion of annual operating activities and to preserve purchasing power of the investments in perpetuity. The balances consisted of the following as of June 30, 2012 (expressed in thousands):

Money Market Funds	$ 11,116
Mutual Funds-Bonds	126,866
Mutual Funds-Stocks	110,898
US Government obligations	3,716
Corporate Bonds and Notes	219
Common/Preferred Stocks	10,731
Alternative Investments	213,924
Investments Held by Others	18,191
Operating amounts invested alongside endowment pool	(6,525)
Total endowment and similar investments	$ 489,136

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, 2012 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$ 29,561		$ 29,561	
Business Taxes	164,032		164,032	
Tobacco	12,351		12,351	
Real Estate Transfer	8,888		8,888	
Interest & Dividends	22,668		22,668	
Communications	9,530		9,530	
Medicaid Enhancement Tax	11,881		11,881	
Utility Property Tax	15,400		15,400	
Gasoline Road Toll	10,503		10,503	
Subtotal	284,814	0	284,814	
Other Receivables:				
Turnpike System		5,453	5,453	
Liquor Commission		11,009	11,009	
Lottery Commission		2,044	2,044	
Unemployment Trust Fund		83,623	83,623	
Internal Service Fund	1,974		1,974	
Board and Care	1,926		1,926	
Federal Grants	229,504		229,504	$ 22,197
Local Grants	36,970		36,970	
Miscellaneous	61,279		61,279	9,102
Short Term Portion Of State Revolving Loan Funds		16,094	16,094	
Short Term Portion Of Note/Pledge Receivable				4,405
Subtotal	331,653	118,223	449,876	35,704
Total Current Receivables (Gross)	616,467	118,223	734,690	35,704
Long Term Receivables				
State Revolving Loan Funds		325,132	325,132	
Miscellaneous	12,851		12,851	
Note/Pledge Receivable				20,795
Total Long Term Receivables (Gross)	12,851	325,132	337,983	20,795
Allowance for Doubtful Accounts	(71,825)	(20,527)	(92,352)	(4,296)
Total Receivables (Net)	$ 557,493	$ 422,828	$ 980,321	$ 52,203

State Revolving Loan Fund:

Primary Government: Business-type activities includes loans made under a program with the U.S. Environmental Protection Agency to improve cleanliness and potability of the State's water supplies. The State Revolving Loan Fund (SRF) lends funds to municipalities and qualified private water organizations for the purpose of constructing wastewater and drinking water treatment facilities. The loans, based on specific federal criteria, may allow for forgiveness of portions of the principal, which is recognized at such time as the creditor has fulfilled all requirements of entitlement. Amounts recorded as Principal Forgiveness during FY2012, totaled $22.1 million. Loans are repaid over terms ranging from five to twenty years, with fixed rates for interest and administration paid to the State. Repayments are credited to special accounts and then used to lend out more funds to communities and qualified private water organizations. In addition to interest, portions of loan repayment and federal grants are allowed to be allocated to administrative costs.

Major Component Unit: The component unit balance includes University System of New Hampshire Perkins Loans, pledges and other college and university loans of $25.2 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, 2012, the various components of deferred revenue ($262.6 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable	$ 131,620		$ 131,620
Loans receivable	60,372		60,372
Federal/Local receivables	10,601		10,601
Receipts in advance of eligibility requirements		$ 60,031	60,031
Total	$ 202,593	$ 60,031	$ 262,624

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 516,100	$ 14,782	$ (6,179)	$ 524,703
Construction in Progress	239,377	239,375	(217,427)	261,325
Work in Progress Computer Software	22,030	4,544	(1,159)	25,415
Total Capital Assets not being depreciated	777,507	258,701	(224,765)	811,443
Other Capital Assets:				
Equipment & Computer Software	276,697	28,954	(17,808)	287,843
Buildings & Building Improvements	814,097	25,076	(104,890)	734,283
Land Improvements	102,775	4,891	(3,161)	104,505
Infrastructure	3,032,547	256,409	(89,649)	3,199,307
Total Other Capital Assets	4,226,116	315,330	(215,508)	4,325,938
Less accumulated depreciation for:				
Equipment & Computer Software	(220,535)	(29,848)	15,825	(234,558)
Buildings & Building Improvements	(360,274)	(21,033)	44,929	(336,378)
Land Improvements	(88,763)	(2,132)	2,310	(88,585)
Infrastructure	(1,816,663)	(51,341)	14,223	(1,853,781)
Total Accumulated Depreciation	(2,486,235)	(104,354)	77,287	(2,513,302)
Other Capital Assets, Net	1,739,881	210,976	(138,221)	1,812,636
Governmental Activities Capital Assets, Net	$ 2,517,388	$ 469,677	$ (362,986)	$ 2,624,079
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 108,783	$ 3,736		$ 112,519
Construction in Progress	120,785	75,453	(36,435)	159,803
Capital Assets not being depreciated	229,568	79,189	(36,435)	272,322
Other Capital Assets:				
Equipment	37,372	2,456	(771)	39,057
Buildings & Building Improvements	6,994	383	(1,232)	6,145
Infrastructure	713,456	73,131	(22,203)	764,384
Total Capital Assets	987,390	155,159	(60,641)	1,081,908
Less accumulated depreciation for:				
Equipment	(28,761)	(4,349)	771	(32,339)
Buildings & Building Improvements	(3,178)	(245)	1,232	(2,191)
Infrastructure	(258,785)	(20,232)	22,717	(256,300)
Total Accumulated Depreciation	(290,724)	(24,826)	24,720	(290,830)
Turnpike Capital Assets, Net	$ 696,666	$ 130,333	$ (35,921)	$ 791,078
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 2,080			$ 2,080
Other Capital Assets:				
Equipment	5,034	239	$ (526)	4,747
Buildings & Building Improvements	23,508	1,995	(1,126)	24,377
Land Improvements	998			998
Total Capital Assets	31,620	2,234	(1,652)	32,202
Less accumulated depreciation for:				
Equipment	(4,489)	(275)	526	(4,238)
Buildings & Building Improvements	(12,006)	(642)	843	(11,805)
Land Improvements	(712)	(21)		(733)
Total Accumulated Depreciation	(17,207)	(938)	1,369	(16,776)
Liquor Capital Assets, Net	$ 14,413	$ 1,296	$ (283)	$ 15,426
Lottery Commission:				
Equipment	$ 518		$ (36)	$ 482
Less Accumulated Depreciation for Equipment:	(476)	$ (29)	36	(469)
Lottery's Capital Assets, Net	$ 42	$ (29)	$ -	$ 13

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

Governmental Activities:	
General Government	$ 11,965
Administration of Justice and Public Protection	14,868
Resource Protection and Development	4,695
Transportation	67,430
Health and Social Services	4,394
Education	1,002
Total Governmental Activities Depreciation Expense	$ 104,354

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	$ 12,397	$ (85)		$ 12,312
Building and Building Improvements	1,377,185	12,761	$ (5,560)	1,384,386
Equipment	94,633	(141)	(3,023)	91,469
Construction in Progress	37,735	53,017		90,752
Subtotal	$1,521,950	$ 65,552	$ (8,583)	$1,578,919
Less: Accumulated Depreciation	(591,030)	(39,105)	7,816	(622,319)
Total	$ 930,920	$ 26,447	$ (767)	$ 956,600

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $750.8 million at June 30, 2012. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$ 234.8
Federal Highway/Garvees	295.0
Turnpike System	221.0
Total	$ 750.8

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, 2012
Governmental Fund Types (General Obligation Bonds):	
December, 2006	$ 14,360
April 8, 2010	143,505
Subtotal	$ 157,865

Bond Issues:

On July 21, 2011 the State issued a $1.3 million general obligation capital improvement bond. The bond was sold through a private placement with the New Hampshire Municipal Bond Bank (NHMBB) to be used as an investment in its debt service reserve fund. The bond pays a 3% coupon and matures on August 15, 2021.

On October 27, 2011, the State issued $100.0 million of general obligation capital improvement bonds. The bonds were sold through a competitive sale and resulted in an overall true interest cost of 2.88%. The coupons on these serial bonds range from 3.0% to 5.0%, and the maturity dates range from 2013 through 2031.

On December 15, 2011, the State issued a $2.2 million general obligation capital improvement bond. Similar to the small issue in July, the bond was sold via private placement to the NHMBB to be used as an investment in its debt service reserve fund. The bond pays a 4% coupon and matures on January 15, 2031.

Bond Issues Continued:

On January 5, 2012, the State issued $42.1 million of Turnpike System revenue refunding bonds. The coupons on these new bonds are 4% and 5% with the entire amortization schedule closing with an overall true interest cost of 3.0%. These bonds refinanced $45.9 million of outstanding Turnpike System debt. At closing, the $47.5 million in net proceeds from the issuance was 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 May 16, 2012, the State issued $98.3 million in Federal Highway Grant Anticipation Bonds with maturity dates ranging from 2013 to 2020 with coupons ranging from 2% to 5%. The bonds were sold through a negotiated sale and resulted in an overall true interest cost of 1.27%. The sale resulted in a $16.7 million premium, and the total proceeds of $115.0 million will be used for authorized capital projects related to the widening of Interstate 93.

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	$ 987,408	$ 1,568	$ 112,868	$ 94,314	$ 1,007,530	$ 90,665	$ 916,865
Federal Highway Grant Anticipation Bonds	80,000		114,995		194,995		194,995
Compensated Absences	76,969		57,853	55,607	79,215	21,368	57,847
Claims Payable	40,951		244,686	247,348	38,289	22,790	15,499
Other Postemployment Benefits	558,304		190,522	69,607	679,219		679,219
Pollution Remediation Obligation	31,072		502	1,688	29,886	760	29,126
Capital Lease	3,305			449	2,856	659	2,197
Legal Contingency (See Footnote 13)	39,400			10,000	29,400	20,568	8,832
Total Governmental	$ 1,817,409	$ 1,568	$ 721,426	$ 479,013	$ 2,061,390	$ 156,810	$1,904,580
Business-Type Activities							
Turnpike System							
Revenue Bonds	361,440		$ 46,311	63,960	$ 343,791	$ 19,460	$ 324,331
Note Payable	75,778			23,317	52,461	24,262	28,199
Pollution Remediation Obligation	2,879		337	361	2,855	87	2,768
Claims & Compensated Absences Payable	3,067		47		3,114	656	2,458
Total	$ 443,164		$ 46,695	$ 87,638	$ 402,221	$ 44,465	$ 357,756
Liquor Commission							
Capital Lease	$ 538			$ 114	$ 424	$ 12	$ 412
Claims & Compensated Absences Payable	3,751		2,000	2,009	3,742	972	2,770
Total	$ 4,289		$ 2,000	$ 2,123	$ 4,166	$ 984	$ 3,182
Lottery Commission							
Claims & Compensated Absences Payable	$ 492		$ 486	$ 346	$ 632	$ 167	$ 465
Total	$ 492		$ 486	$ 346	$ 632	$ 167	$ 465
Total Business-Type	$ 447,945		$ 49,181	$ 90,107	$ 407,019	$ 45,616	$ 361,403

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

Bond Anticipation Notes: As of June 30, 2012, the State had no bond anticipation 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 two issues in this group have matured leaving only four capital appreciation bonds outstanding. At June 30, 2012, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $154.7 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of $29.9 million and $2.9 million were reported for governmental activities and business-type activities, respectively, at June 30, 2012. 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
2013	$ 66,547	$ 8,190		$ 15,928	$ 90,665	$ 19,460	$ 24,262	$ 134,387	$ 67,615	$ 6,803	$ 195,199
2014	62,836	7,907	$ 11,065	12,827	94,635	16,380	4,814	115,829	63,476	6,803	172,502
2015	63,888	7,957	11,290	12,605	95,740	21,565	5,009	122,314	58,753	6,803	174,264
2016	59,588	7,791	11,800	12,458	91,637	18,170	5,213	115,020	53,744	6,803	161,961
2017	56,951	7,729	12,390	12,345	89,415	26,405	5,425	121,245	48,713	6,803	163,155
2018-2022	235,235	31,651	70,305	51,243	388,434	76,745	7,738	472,917	167,932	32,372	608,477
2023-2027	119,883	19,818	61,400	32,398	233,499	60,415		293,914	77,809	20,872	350,851
2028-2032	38,861	3,987		16,102	58,950	42,460		101,410	28,626	8,987	121,049
2033-2037						34,075		34,075	12,627	4,420	42,282
2038-2042						24,245		24,245	2,223	778	25,690
Subtotal	$ 703,789	$ 95,030	$ 178,250	$ 165,906	$ 1,142,975	$ 339,920	$ 52,461	$ 1,535,356	$ 581,518	$ 101,444	$ 2,015,430
Unamortized (Discount) / Premium	56,200	(157)	16,745	(274)	72,514	10,954		83,468			83,468
Unamortized Loss on Refunding	(12,964)				(12,964)	(7,083)		(20,047)			(20,047)
Total	$ 747,025	$ 94,873	$ 194,995	$ 165,632	$ 1,202,525	$ 343,791	$ 52,461	$ 1,598,777	$ 581,518	$ 101,444	$ 2,078,851

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 $437.3 million; capital lease obligations of $15.1 million; accrued employee benefits and compensated absences of $38.4 million; other postemployment benefits of $52.4 million; and other liabilities of $18.8 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	$ 605,938	$ 71,862	$ 65,478	$ 612,322	$ 62,040	$ 550,282

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2013	$ 50,568	$ 18,552	$ 69,120
2014	10,320	18,928	29,248
2015	32,077	18,315	50,392
2016	11,028	16,802	27,830
2017	36,256	16,517	52,773
2018-2022	141,775	59,455	201,230
2023-2027	79,387	29,428	108,815
2028-2032	46,125	15,717	61,842
2033-2037	38,385	4,583	42,968
Subtotal	445,921	198,297	644,218
Unamortized Discounts/Premium, net	6,570		6,570
Total	$ 452,491	$ 198,297	$ 650,788

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 2012, this reserve equaled $15 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 annual estimate of the outstanding liabilities for the prior years' claims. The study also contains assumptions about loss development patterns, trends and other claim projections based upon the state's historical loss experience. According to the FY 12 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is $6.4 million as of June 30, 2012.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2011 and 2012 (In Thousands):

Governmental Activities	6/30/2010 Balance	Increases	Decreases	6/30/2011 Balance	Increases	Decreases	6/30/2012 Balance	Current	Long-Term
Workers Compensation Claims Payable....	$ 24,300	$ 4,845	$ 6,839	$ 22,306	$ 4,481	$ 5,881	$ 20,906	$ 5,407	$ 15,499
Health Claims Payable*.....	18,106	252,610	252,071	18,645	240,205	241,467	17,383	17,383	
Total.....	$ 42,406	$ 257,455	$ 258,910	$ 40,951	$ 244,686	$ 247,348	$ 38,289	$ 22,790	$ 15,499
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable....	$ 1,900	$ 541	$ 451	$ 1,990	$ 383	$ 384	$ 1,989	$ 353	$ 1,636
Total.....	$ 1,900	$ 541	$ 451	$ 1,990	$ 383	$ 384	$ 1,989	$ 353	$ 1,636
Liquor Commission									
Workers Compensation Claims Payable....	$ 1,661	$ 303	$ 296	$ 1,668	$ 695	$ 504	$ 1,859	$ 464	$ 1,395
Total.....	$ 1,661	$ 303	$ 296	$ 1,668	$ 695	$ 504	$ 1,859	$ 464	$ 1,395
Lottery Commission									
Workers Compensation Claims Payable....	$ 14	$ -	$ 1	$ 13	$ 4	$ 1	$ 16	$ 1	$ 15
Total.....	$ 14	$ -	$ 1	$ 13	$ 4	$ 1	$ 16	$ 1	$ 15
Total Business-Type.....	$ 3,575	$ 844	$ 748	$ 3,671	$ 1,082	$ 889	$ 3,864	$ 818	$ 3,046

* 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, 2012 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$ 942	General Fund	$ 942
Highway Fund	3,224	Turnpike System	3,224
General Fund	6,658	Liquor Commission	6,658
General Fund	15,121	Education Fund	15,121
Turnpike System	137	General Fund	137
Lottery Commission	670	Education Fund	670
Lottery Commission	362	Liquor Commission	362
Total	$ 27,114	Total	$ 27,114

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 receivable of $9.1 million from business-type activities represents the "internal balances" amount on the statement of net assets. The $16.1 million between governmental funds, and the $0.4 million between enterprise funds has been eliminated on the government-wide financial statements.

Internal Note Receivable: At June 30, 2012, internal note receivable (payable) balances consist of $52.5 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.

8. INTERFUND TRANSFERS

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

Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund	SRF Fund	Total
Governmental Funds						
General Fund		$ 140,448		$ 140,448	$4,297	$144,745
Highway Fund	$ 833		$ 1,543	2,376		2,376
Non-Major Funds	1,119			1,119		
Total Governmental Funds	* 1,952	* 140,448	* 1,543	* 143,943	4,297	147,121
Proprietary - Enterprise Funds						
Liquor Commission	140,475			140,475		140,475
Lottery Commission	5	70,263		70,268		70,268
Total Proprietary - Enterprise Funds	$ 140,480	$ 70,263		$ 210,743		$210,743

* 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 $70.3 million to fund education
- Transfer of Liquor Commission profits of $140.5 million to general fund for government operations
- $140.4 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 of 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.

Highway constructs capital assets on behalf of the Turnpike System and transfers those assets upon completion. During fiscal 2012, $46.6 million of assets were transferred and reported by Turnpike System as contributed capital, and as a transfer of capital assets on the government-wide statement of activities.

9. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State has estimated its share of contractual obligations for construction contracts to be $116.5 million at June 30, 2012. This represents total obligations of $303.4 million less $186.9 million in estimated federal aid.

Encumbrances: Other encumbrances for the State totaled $319.8 million as of June 30, 2012.

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 (1.667%) 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 (1.515%) 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.

In FY 2012 legislation was passed that repealed the special account.

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

Funding Policy: The Plan is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group 1 members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% 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 in FY 2012 the state contributed $3.5 million toward 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, 2012, 2011, and 2010 were $73.7 million, $117.9 million, and $126.0 million, respectively. Included in these contributions for FY 2012, FY 2011 and FY 2010 is an amount for other postemployment benefits of $11.3 million, $12.0 million, and $12.1 million, respectively. The State's contributions for the fiscal year ended June 30, 2012 decreased over the amounts contributed for the fiscal year ended June 30, 2011, primarily due to the reduction in the percentage the State contributed toward employer costs of political subdivisions.

As of June 30, 2012, 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 $5,817.9 million. The total pension liability at June 30, 2012 using the entry age normal actuarial cost method was $10,361.6 million, resulting in a funded ratio of 56.1% and projected pension liability in excess of assets of $4,543.7 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, 2012.

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 2012 (dollar amounts in thousands):

Annual Required Contribution	$ 165,398
Interest on net OPEB obligation	25,124
Adjustment to annual required contribution	(18,610)
Annual OPEB cost	171,912
Contributions made (pay-as-you-go)	(50,997)
Increase in Net OPEB Obligation	120,915
Net OPEB Obligation - Beginning of Year	558,304
Net OPEB Obligation - End of Year	**$ 679,219**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012, 2011 and 2010 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/12	$ 171,912	$ 50,997	29.66%	$ 679,219
06/30/11	162,120	54,418	33.57%	558,304
06/30/10	208,151	52,790	25.36%	450,602

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, a 4.5 percent inflation rate and projected salary increases of 4.5 percent 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. The State was required to and contributed 27.42% of the members' salary through June 30, 2011. Effective July 1, 2011, the State was required to and contributed 41% 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
2011	$ 2,357	$ 2,357	100.00%
2010	1,905	1,905	100.00%
2009	1,244	1,244	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 $123.2 million of contingent liabilities and the statutory limits as of June 30, 2012 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2012 PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds	485-A:7	$ 50,000	$ 47,968	$ 1,760	$ 272	$ 2,032
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	5,635	25,635
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	42,976	287	43,263
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	95,000	* 32,000	63,000	5,922	68,898
School Construction Bonds	195-C:2	95,000	42,755	36,059	16,186	52,245
Solid Waste Bonds	149-M:31	10,000	9,942	55	3	58
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	$ 152,965	$100,874	$ 22,383	$ 123,233

*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, 2012 (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.

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.

Requests for Medicaid Enhancement Tax Refund: 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 requests for refund or credit of the Medicaid Enhancement Tax ("MET") for prior fiscal periods ending June 30, 2008 through June 30, 2011 from 20 hospitals, of which for some, the statute of limitations had expired, and such were denied and not appealed. For the $68.9 million within statute, based on review, DRA issued decisions on substantially all of the requests resulting in additional assessments of $9.1 million and refunds of $6.2 million, and appeals of these decisions by all taxpayers. In addition, in July of 2012, some hospitals filed requests for credit or refund of fiscal year 2012 payments, totaling $12.5 million. DRA has denied these requests, and issued further assessments for fiscal year 2012 of $13.9 million, resulting in appeals by these taxpayers. All of these appeals are currently in the hearing and negotiations process. The Hearing Officer's decision may be further appealed to the Superior Court. It is not possible to predict further actions or the outcomes, although the State is confident in the positions it has taken on these matters, and does not expect a material unfavorable decision.

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 2012 for governmental activities and business-type activities were approximately $7.9 million and $4.0 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, 2012 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2013	$ 8,863	$ 2,547
2014	5,200	1,889
2015	2,895	1,852
2016	2,034	1,784
2017	1,822	1,350
2018-2022	4,976	1,909
2023-2027	3,370	-
2028-2032	1,046	-
Total	$ 30,206	$ 11,331

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, 2012, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2013	$ 781	$ 114
2014	602	114
2015	538	114
2016	425	115
2017	218	125
2018-2022	779	478
Total	3,343	1,060
Amount Representing Interest	(487)	(636)
Present Value of Minimum Lease Payments	$ 2,856	$ 424

The assets aquired through capital leases and included in capital assets at June 30, 2012 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 6,482	$ 563
Buildings & Building Improvements	10,227	1,563
Total	16,709	2,126
Less: Accumulated Depreciation	(14,870)	(1,199)
Net	$ 1,839	$ 927

13. LITIGATION

Department of Health and Human Services (DHHS)
Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments

By letter dated July 9, 2007, the 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. 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 the Centers for Medicare and Medicaid Services ("CMS"), who administer the payments. 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.

After hearings and appeals to the Department Appeals Board (DAB), DAB denied a request for reconsideration and affirmed 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. The expense was recognized and a liability was recorded in the government-wide statement of net assets for the full amount of repayment due as of June 30, 2011, while the governmental funds will accrue expenditures at the time installments become due and payable. Payments are being made, as required, and during the fiscal year, the State made total payments of $8.8 million on this obligation. The matter is closed, contingent on the remaining payments being made.

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, which the court denied, 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. In May 2010, the court ruled in favor of the Petitioners and found that the State had breached its contracts, that there was sufficient money appropriated in the years in question to pay the Petitioners, and awarded damages of $3.5 million for the claims of FY2004-FY2006 (denying Petitioners' request for attorney fees.) A Motion to Reconsider was denied, another appeal was filed, and a Supreme Court decision upheld the trial court's determination that there were valid contracts, holding the state liable for the court's judgment, plus allowable interest of approximately $.3 million. On February 3, 2012, the judgment was submitted to the legislature in accordance with RSA 491:8, calling for legislation, which did not pass in the 2012 session. It is not known at this time if legislation to appropriate funds will pass during the 2013 session. A liability of $2.9 million, representing the net amount of state cost for this judgment after federal share, has been recorded in the government wide statement of net assets as of June 30, 2012. The amount has been recognized in the governmental fund statements, as it became 'due and payable' in FY2012.

There are similar claims for some of the same providers pending in DHHS administrative appeals unit for FY2007-FY2010. DHHS estimates that the potential liability for the outstanding years is not material to the government wide financial statements. Any amounts determined ultimately payable will be accrued in the governmental funds as they are due.

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 ("DHHS") 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, briefs and hearings were heard, and on December 8, 2011 the court heard oral argument on the legal standing issues raised in the motion to dismiss. A further evidentiary hearing on the motion for preliminary injunction was held on January 10-12, 2012, and on March 2, 2012, the Court issued a preliminary injunction ordering the State to provide notice of the current rates and its intention to continue those rates. The Court's order also requires the State to allow for submission of comments, which have now been received. The notice required by the preliminary injunction order has been published, and a notice of intent to continue to use the rates at the current level has been published. The further briefing ordered by the court regarding the ability to bring the access claims under the Supremacy clause, in light to the 2012 United States Supreme Court decision in Douglas v. Indep. Living Ctr. of So. Calif., have been filed and supplements submitted regarding access reports and monitoring activity related to access between the State and CMS. On September 27, 2012 the Court issued an order denying, without prejudice, the motion to dismiss. All other issues are still pending with the Court. A hearing was scheduled for December 20, 2012 at which time the Court ordered further briefing, with deadlines into February 2013. 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.

Elsworth et al. v. Governor et al

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. The State issued a formal response to the USDOJ findings, describing the basis for the State's disagreement, and asking the USDOJ to withdraw its findings. In companion matters, on February 9, 2012, a class action lawsuit, an action the State will defend, was filed in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services, and the USDOJ has filed a motion to join the lawsuit. The case is now in the discovery phase and Trial is scheduled for June 2014. It is not possible to predict the outcome of this matter at this time.

Department of Revenue Administration

Catholic Medical Center (CMC) et al v. Department of Revenue Administration ("DRA")

CMC, Exeter Hospital and St. Joseph's Hospital filed three separate lawsuits, which have now been consolidated, 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. Northeast Rehabilitation Hospital filed a similar lawsuit seeking $1.5 million reimbursement for the tax it paid in 2011. Answers have been filed in all lawsuits, and the parties to the consolidated lawsuit are working on drafting an agreed stipulation of facts, having agreed on a briefing schedule. The parties in the Northeast Rehabilitation Hospital have agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. The Court has set a deadline of December 31, 2012 for the parties in the CMC Litigation to reach an agreement on a statement of facts. The parties in the Northeast Rehabilitation Litigation have agreed to seek an extension of time of the deadline to reach an agreed statement in that case to sometime after December 31, 2012. It is not possible to predict the outcome of these cases 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 August 2013; it is not possible to predict the outcome of this matter at this time.

Leighton et al v. State of New Hampshire

Plaintiffs have challenged the constitutionality of the State's 10% tax on gambling winnings with 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, and motions for summary judgment have been cross claimed. In October 2011, the trial court denied the Plaintiffs' motion for summary judgment, but granted, in part, the State's cross-motion for summary judgment with respect to the plaintiffs' facial challenge to the statute. The court denied the State's motion, in part, finding that there was a question of fact as to whether the plaintiff was a "professional gambler," which the plaintiff conceded that he is not under the legal test articulated by the court in its summary judgment order. Plaintiffs attempted to find a professional gambler to intervene in the case, but were unsuccessful, and in June 2012, the declaratory judgment statute, RSA 491:22, was amended. Plaintiffs' claim that the amendment provides them with standing to challenge the Gambling Winnings Tax as an occupation tax even if they are not professional gamblers, to which claim the State disagrees. The Plaintiffs' filed a motion for summary judgment on October 22, 2012. The State filed an objection and cross-motion for summary judgment on October 22, 2012. The trial has been scheduled for the week of February 19, 2013. It is not possible to predict the likely outcome of the case at this time.

Retirement System

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 completed. The plaintiffs have withdrawn their request for class certification, and the trial court has approved an interlocutory appeal without ruling to the Supreme Court. The Supreme Court denied the interlocutory appeal. The cross motions for summary judgment are still pending with the trial court. It is not possible to predict the outcome of this case at this time.

Professional Firefighters et al v. State of New Hampshire ("Fire Fighters I")

Professional Firefighters, Police Association, National Education Association and State Employees Association filed a Motion on June 29, 2011, 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, and on January 6, 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" however, the 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. The Petitioners filed a second amended petition on February 24, 2012 and the State has filed a renewed motion to dismiss. The trial court denied the State's motion to dismiss, and granted the parties joint motion for interlocutory appeal. The Supreme Court declined to accept the interlocutory appeal. A status conference has been scheduled with the trial court for January 17, 2013. It is not possible to predict the outcome of this case at this time.

Professional Fire Fighters of New Hampshire, et al v. State of New Hampshire ("Fire Fighters II")

In a matter similar to the case Fire Fighters I, above, the Petitioners have filed a lawsuit challenging Section 161 (definition of Earnable Compensation), Section 163 (definition of Average Final Compensation), Section 164 (Maximum Retirement Benefit), Section 166 (Age Multiplier to calculate benefit), and Section 186 (repeal of disability exception from the gainful occupation reduction provision) of HB2. Petitioners seek an order finding HB2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners seek injunctive relief, payment of damages and attorneys' fees. A preliminary injunction hearing was scheduled for May 21, 2012. A hearing on the request for a preliminary injunction was held on August 27, 2012. The trial court ordered the parties to file a motion for interlocutory appeal, which has been filed. No decision has been issued. It is not possible to predict the outcome of this matter at this time.

Other Matters

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 began with a presentation of facts and issues common to all the individual state cases, and individual state hearings began May 21, 2012.

A tentative settlement has been reached between 19 states and the tobacco companies, including New Hampshire. New Hampshire's agreement is contingent on approval by the Legislature. The settlement would resolve the diligent enforcement dispute with the settling states through 2015. Under the terms of the settlement, the tobacco companies would accept a 54% reduction in their claim for an adjustment. The settlement is subject to approval by the arbitration panel, and may be challenged by some non-settling states. The State is unable to predict the outcome 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. 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, which the Court denied. The State's motion for summary judgment is pending before the Court. Trial has been rescheduled to April 2013; it is not possible to predict an outcome.

The Sunapee Difference, LLC v. State of NH

The plaintiff has 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 Mt. Sunapee ski area, upon transfer of the lease to a third party. The plaintiff claimed over $14 million in damages. 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 State 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 the lease was assigned to a third party. The trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease, which ruling the State has appealed to the Supreme Court. Briefs were filed May 8, 2012, and an oral argument was held on September 13, 2012. It is not possible to predict the outcome at this time.

City of Concord, Belknap County and Mascenic Regional School District v. State and State Retirement System (201083548)

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 parties filed cross motions for summary judgment. The trial court granted summary judgment in favor of the State. The Petitioners appealed the decision to the New Hampshire Supreme Court.

On August 31, 2012, the New Hampshire Supreme Court affirmed the order by the superior court, granting summary judgment in favor of the State and denying the Petitioners' motion for summary judgment. A motion to reconsider was filed by the Plaintiffs. The Supreme Court modified its order in response to the motion to reconsider, but did not change the outcome. This matter is now closed.

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, 2012, follows:

Governmental Fund Balances
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	$ 2,118	$ 27,101	$ 4,583
Administration of Justice & Public Protection	5,246	66,489	1,574
Resource Protection & Development	12,809	28,267	1,351
Transportation	46	1,097	
Health & Human Services	44	10,643	17,476
Education	4,670	4,167	
Total	$ 24,933	$ 137,764	$ 24,984
Highway Fund:			
Administration of Justice & Public Protection	$ 1,918	$ 1,154	$ 666
Resource Protection & Development			164
Transportation	178,315	12,779	36,896
Total	$ 180,233	$ 13,933	$ 37,726
Non-major Governmental Funds:			
Resource Protection & Development	$ 3,258	$ 1,464	$ 2,466
Other Purposes	9,611		
Total	$ 12,869	$ 1,464	$ 2,466

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. At the close of each fiscal biennium, 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 for the most recently completed fiscal year. 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, 2012 remained at $9.3 million, the same as at June 30, 2011.

15. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of retailers. 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, 2012, the Lottery recognized $8.4 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 $1.7 million at June 30, 2012. The Tri-State issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

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, 2012, the Lottery recognized $22.1 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 $2.5 million at June 30, 2012. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

16. TRANSACTIONS AMONG RELATED FUNDS AND ACTIVITIES

Contribution of Capital Assets

During fiscal year 2012, capital assets were contributed to the Community College System of New Hampshire (CCSNH) at a value of $123.0 million less accumulated depreciation of $51.9 million. In the government-wide financial statements, the $71.1 million net book value is reported as a contribution out of capital assets. The components of the $71.1 is as follows *(expressed in thousands):*

	Cost	Accumulated Depreciation	Net
Land & Land Improvements	4.5	(1.4)	3.1
Buildings & Building Improvements	106.9	(44.5)	62.4
Equipment	7.7	(6.0)	1.7
Construction in Progress	3.9	-	3.9
Total	123.0	(51.9)	71.1

17.ACCOUNTING CHANGES

University System of New Hampshire (USNH)

USNH adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* retroactive to July 1, 2010. This statement requires certain items that were previously reported as assets and liabilities to be reported as outflows of resources or inflows of resources in the year incurred or received. In conjunction with adopting this statement, USNH began treating all bond issuance costs as an expense in the year incurred. Conforming changes were made to all years presented including reclassification of certain balances and restatement of beginning net position.

Community College System of New Hampshire (CCSNH)

The net assets of CCSNH at June 30, 2011 have been increased by $2.5 million as a result of various prior period adjustments. The effect below is on the Non-Major Component Unit Financial Statements.

(Expressed in Thousands)	USNH	Non-Major Component Units	TOTAL
Net Position, as previously reported	$ 1,010,087	$ 111,135	$ 1,121,222
Net prior period adjustments		2,502	2,502
Accelerated amortization of bond issuance costs	(1,965)		(1,965)
Net Position, as restated	$ 1,008,122	$ 113,637	$ 1,121,759

17.ACCOUNTING CHANGES - CONTINUED

Change of Reporting Entity

For presentation of the FY 2012 financial statements, the State reassessed the fund-type designation of the State Revolving Loan Funds (SRF), established to use funds received from the U.S. Environmental Protection Agency ("EPA") for the purpose of providing loans to local districts and public enterprises to improve water cleanliness and potability. The Fund charges interest and fees which cover administrative costs. This change in fund type assignment to these activities has been treated in the accompanying financial statements as a change in reporting entity. As such, the beginning net asset balances of Governmental Activities, Business-type Activities, General Fund and SRF financial statements has been restated as follows:

(Expressed in Thousands)	General Fund	State Revolving Fund	Governmental Activities	Business-Type Activities
Fund Balance/Net Assets, as previously reported	$ 314,915	$ -	$ 1,799,217	$ 507,203
Removal of SRF Activities	(128,500)	519,600	(519,600)	519,600
Fund Balance/Net Assets, as restated	$ 186,415	$ 519,600	$ 1,279,617	$ 1,026,803

18. SUBSEQUENT EVENTS

Debt Issuance

On August 30, 2012, the State issued $110.2 million of Turnpike System Revenue Bonds. The interest rates on these revenue bonds range from 3% to 5%, and the maturity dates range from 2013 through 2036.

On September 26, 2012, the State issued a $1.4 million general obligation capital improvement bond. The bond was sold via private placement to the New Hampshire Municipal Bond Bank. The proceeds will be used to finance various capital projects of the State.

On February 23, 2012, the State sold its $65.4 million Turnpike System Revenue Refunding Bonds, (Delayed Delivery). The Refunding Bonds were issued on November 5, 2012 to refund a portion of the outstanding Turnpike System Revenue Bonds (2003 Refunding Series), in order to provide debt service savings to the New Hampshire Turnpike System.

On November 14, 2012, the State issued $90.0 million of General Obligation Capital Improvement Bonds. The interest rates on these bonds range from 2% to 5%, and the maturity dates range from 2013 through 2032.

Legal Settlement in Favor of the State

In 2008, the State filed claims for damages in excess of $771 million, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with gasoline additive Methyl *tertiary*-butyl ether ("MtBE"). After several years of claims and counterclaims, the State settled their damage claims with most of the oil companies. Under the settlements, affirmed by court order, the State will receive $77 million in funds, net of legal costs, which are expected to be restricted by the order to be used in the investigation and remediation of contamination of ground water. Claims with remaining defendants will go to trial.

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, 2012
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
REVENUES				
General Property Taxes	$ 230	$ 230	$ 129	$ (101)
Special Taxes	911,014	911,014	894,737	(16,277)
Personal Taxes	125,590	125,590	136,085	10,495
Business License Taxes	33,898	33,837	19,870	(13,967)
Non-Business License Taxes	90,598	89,871	82,829	(7,042)
Fees	175,559	183,997	153,937	(30,060)
Fines, Penalties and Interest	10,591	10,884	16,692	5,808
Grants from Federal Government	1,708,468	1,803,930	1,311,164	(492,766)
Grants from Private and Local Sources	155,300	154,120	136,670	(17,450)
Rents and Leases	12,774	13,284	10,357	(2,927)
Interest Premiums and Discounts	20,981	21,491	18,019	(3,472)
Sale of Commodities	12,014	17,266	12,115	(5,151)
Sale of Services	49,095	49,368	49,544	176
Assessments	86,653	88,007	87,862	(145)
Grants from Other Agencies	139,232	139,375	110,550	(28,825)
Miscellaneous	486,741	512,117	448,199	(63,918)
Total Revenue	4,018,738	4,154,381	3,488,759	(665,622)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	19,600	18,827	14,995	3,832
Executive	78,245	84,849	60,525	24,324
Information Technology	68,270	64,986	54,754	10,232
Executive Council	237	232	226	6
Off. Of Economic Stimulus	500	502	375	127
Administrative Services	123,784	126,641	120,117	6,524
Sec of State	27,080	27,928	8,403	19,525
Cultural Affairs	7,715	7,171	5,906	1,265
Revenue Administration	16,259	14,615	12,887	1,728
State Treasury	77,783	81,989	78,124	3,865
NH Retirement System	11,395	18,306	16,635	1,671
Boards and Commissions	2,760	2,714	2,366	348
Total	433,628	448,760	375,313	73,447
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	87,291	80,533	72,700	7,833
Adjutant General	32,346	31,862	19,898	11,964
Agriculture	5,450	5,151	4,072	1,079
Justice Department	37,062	40,017	25,097	14,920

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, 2012
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
Bank Commission	6,212	6,105	5,149	956
Highway Safety	6,000	6,000	2,568	3,432
Insurance	10,313	11,066	8,725	2,341
Labor	9,820	22,232	20,350	1,882
Public Utilities Commission	29,194	31,411	17,116	14,295
Safety	129,896	179,919	79,858	100,061
Corrections Department	114,113	103,817	99,903	3,914
Employment Security	43,955	50,700	36,016	14,684
Judicial Council	24,822	25,364	23,696	1,668
Human Rights Commission	581	561	550	11
Boards and Commissions	498	480	449	31
Total	537,553	595,218	416,147	179,071
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	73,403	88,977	52,327	36,650
Pease Development Authority	2,451	2,423	694	1,729
Environmental Services	305,131	305,689	122,010	183,679
Development Finance Authority	171	171	171	-
Boards and Commissions	59	59	59	-
Total	381,215	397,319	175,261	222,058
TRANSPORTATION				
Transportation	34,341	34,341	8,832	25,509
Total	34,341	34,341	8,832	25,509
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	677,753	719,170	654,969	64,201
Office of Health Management	105,846	108,503	74,385	34,118
Children and Youth	121,729	113,860	106,751	7,109
Transitional Assistance	98,949	105,595	91,659	13,936
Behavioral Health	118,318	116,048	111,715	4,333
Developmental Services	278,717	272,113	260,511	11,602
Developmental Disabilities Council	610	592	401	191
N H Hospital	69,957	64,789	58,623	6,166
Home for Elderly	14,532	13,866	13,060	806
N H Veterans Home	30,697	29,853	27,449	2,404
Veterans Council	441	471	459	12
Youth Development Services	29,608	27,885	25,169	2,716
Elderly and Adult Services	425,172	415,426	389,735	25,691
Board of Medicine	961	925	883	42
Boards and Commissions	3,390	3,128	2,925	203
Total	1,976,680	1,992,224	1,818,694	173,530

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, 2012
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
EDUCATION				
Department of Education	495,595	496,129	307,959	188,170
NH Comm. Tech. College System	34,360	34,390	30,814	3,576
Planetarium	1,796	1,585	1,454	131
Police Standards and Training Council	3,708	3,608	2,877	731
University of New Hampshire	51,650	51,650	50,995	655
Total	587,109	587,362	394,099	193,263
Debt Service	101,951	101,951	101,951	-
Capital Outlays	18,274	18,274	18,274	-
Total	4,070,751	4,176,370	3,308,571	867,799
Deficiency of Revenues Under Expenditures	(52,013)	(21,989)	180,188	202,177
Other Financing Sources (Uses)				
Transfers In	-	1,952	1,952	-
Transfers Out	-	(124,073)	(124,073)	-
Miscellaneous	-	-	(818)	(818)
Total Other Financing Sources Uses	-	(122,121)	(122,939)	(818)
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses	(52,013)	(144,110)	57,248	201,358
Fund Balance - July 1	522,912	522,912	522,912	-
Fund Balance - June 30	470,899	378,802	580,160	201,358

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, 2012
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 158,485	$ 158,469	$ 143,894	$ (14,575)
Non-Business License Taxes	79,781	79,781	82,775	2,994
Fees	24,513	24,502	23,240	(1,262)
Fines, Penalties and Interest	871	946	463	(483)
Grants from Federal Government	467,811	468,161	171,522	(296,639)
Grants from Private and Local Sources	13,662	15,875	8,638	(7,237)
Rents and Leases	167	176	130	(46)
Sale of Commodities	1,156	1,156	188	(968)
Sale of Services	31,867	31,714	36,350	4,636
Grants from Other Agencies	2,917	3,366	10,257	6,891
Miscellaneous	76,050	94,504	57,779	(36,725)
Total Revenues	857,280	878,650	535,236	(343,414)
EXPENDITURES				
Justice and Public Protection	83,133	81,080	74,434	6,646
Resource Protection and Development	1,250	1,408	1,242	166
Transportation	832,653	949,965	476,727	473,238
Debt Service	15,468	15,468	15,468	-
Capital Outlays	16,257	16,257	16,257	-
Total Expenditures	947,511	1,062,770	584,128	478,642
Deficiency of Revenues Under Expenditures	(90,231)	(184,120)	(48,892)	135,228
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(2,376)	(2,376)	-
Miscellaneous	-	249,390	249,390	-
Total Other Financing Sources (Uses)		247,014	247,014	
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses	(90,231)	62,894	198,122	135,228
Fund Balance - July 1	331,665	331,665	331,665	-
Fund Balance - June 30	$ 241,434	$ 394,559	$ 529,787	$ 135,228

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, 2012
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 391,300	$ 391,300	$ 396,187	$ 4,887
Special Taxes	290,082	290,082	298,143	8,061
Personal Taxes	97,870	97,870	78,843	(19,027)
Fines, Penalties and Interest	-	-	2	2
Grants from Federal Government	-	-	18,231	18,231
Miscellaneous	40,000	40,000	40,000	-
Total Revenues	819,252	819,252	831,406	12,154
EXPENDITURES				
Education	955,702	956,934	974,555	(17,621)
Total Expenditures	955,702	956,934	974,555	(17,621)
Deficiency of Revenues Under Expenditures	(136,450)	(137,682)	(143,149)	(5,467)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	(31,490)	124,023	-
Total Other Financing Sources (Uses)		(31,490)	124,023	155,513
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(136,450)	(169,172)	(19,126)	150,046
Fund Balance - July 1	(120,217)	(120,217)	(120,217)	-
Fund Balance - June 30	$ (256,667)	$ (289,389)	$ (139,343)	$ 150,046

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, 2012

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds.

The comparison schedule presented for the General Fund, the Highway Fund, and the Education Fund, presents the original and final appropriated budgets for fiscal year 2012, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The "original budget" and related estimated revenues represent the spending authority enacted into law by the appropriation bill as of June 16, 2011 (HB1), and include balances and encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2012 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB1), plus HB2 and supplemental appropriations, carry-forwards, approved transfers, and any executive order reductions.

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 To Actual (Non-GAAP Budgetary Basis) 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, rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures. 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, 2012 (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)	$ 57,248	$ 198,122	$ (19,126)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(194,349)	53,419	1,319
To Record change in Accounts Receivable	95,973	(42,342)	(68,880)
To Record Other Financing Sources (Uses)	71,798	(113,521)	86,686
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses* (GAAP Basis)	$ 30,670	$ 95,678	$ (1)

*Includes Change in Inventory for General and Highway of $(758), $850 respectively.

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

The following schedule presents 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 schedule presents 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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Independent Auditors' 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

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 as of and for the year ended June 30, 2012, which collectively comprise the State of New Hampshire's basic financial statements, and have issued our report thereon dated December 31, 2012. Our report was modified to include a reference to other auditors and to emphasize the restatement of the July 1, 2011 net assets of the governmental activities, the business-type activities, General Fund and State Revolving Fund, to reflect the creation of a new enterprise fund to account for the activities of the Clean Water and Drinking Water State Revolving Funds, which were previously reported in the General Fund . 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. The financial statements of the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards.* Other auditors also audited the financial statements of the Turnpike System and Lottery Commission major funds, and the financial statements of the University System of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire and New Hampshire Judicial Retirement System, as described in our report on the State of New Hampshire's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and 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, and grant agreements, and other matters for the New Hampshire Retirement System. The findings, if any, included in that report are not included herein.

Internal Control over Financial Reporting

Management of the State of New Hampshire is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of New Hampshire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, 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 do not express an opinion on the effectiveness of the State of New Hampshire's internal control over financial reporting.

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

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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency in the State of New Hampshire's internal control over financial reporting described in the accompanying schedule of current year findings and questioned costs as item 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Hampshire'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 reported to management of the State of New Hampshire in a separate letter dated December 31, 2012.

The State of New Hampshire's response to the finding identified in our audit is described in the accompanying schedule of current year findings and questioned costs. We did not audit the State of New Hampshire's response and, accordingly, we do not express an opinion on it.

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

KPMG LLP

December 31, 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

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, 2012, 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.

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) the Business Finance Authority of the State of New Hampshire (BFA) and the Community College System of New Hampshire (CCSNH), which received federal awards which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2012. Our audit, described below, did not include the activities of UNH, PDA, CDFA, BFA and CCSNH because those component units engaged other auditors to perform audits in accordance with the OMB Circular A-133.

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.

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As described in Findings 2012-14, 2012-20, 2012-23, 2012-30, 2012-34, 2012-35, 2012-39, 2012-46, 2012-49, 2012-53, 2012-57, 2012-61 and 2012-63 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
2012-14	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Period of Availability, Maintenance of Effort and Earmarking
2012-20/ 2012-23	93.568	Low-Income Home Energy Assistance Program	Subrecipient Monitoring/Cash Management
2012-30	81.042	Weatherization Assistance for Low-Income Persons – ARRA	Allowable Activities and Costs/ Subrecipient Monitoring
2012-34/ 2012-35	97.036	Disaster Grants- Public Assistance	Reporting/Cash Management
2012-39	66.458	Capitalization Grants for Clean Water State Revolving Fund– ARRA	Reporting
2012-46	20.933	National Infrastructure Investments- TIGER Discretionary Grants	Reporting
2012-49	20-106	Airport Improvement Program	Subrecipient Monitoring
2012-53	84.027/84.173/ 84.367	Special Education – Grants to States Special Education – Preschool Grants Improving Teacher Quality State Grants	Subrecipient Monitoring
2012-57	84.287/96.001/ 96.006	Twenty-first Century Community Learning Centers Social Security-Disability Insurance/Supplemental Security Income	Cash Management
2012-61 2012-63	64.015	Veterans State Nursing Home Care	Allowability/ Procurement

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

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, 2012. 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 2012-2, 2012-3, 2012-4, 2012-5, 2012-6, 2012-7, 2012-10, 2012-11, 2012-12, 2012-13, 2012-15, 2012-16, 2012-17, 2012-18, 2012-19, 2012-22, 2012-24, 2012-25, 2012-26, 2012-27, 2012-28, 2012-29, 2012-31, 2012-32, 2012-33, 2012-36, 2012-37, 2012-38, 2012-40, 2012-42, 2012-43, 2012-44, 2012-45, 2012-47, 2012-48, 2012-50, 2012-51, 2012-52, 2012-54, 2012-55, 2012-56, 2012-58, 2012-59 and 2012-62.

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.

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 2012-4, 2012-5, 2012-6, 2012-7, 2012-14, 2012-16, 2012-17, 2012-18, 2012-19, 2012-20, 2012-22, 2012-23, 2012-24, 2012-27, 2012-29, 2012-30, 2012-33, 2012-34, 2012-35, 2012-36, 2012-39, 2012-46, 2012-47, 2012-48, 2012-49, 2012-51, 2012-53, 2012-56, 2012-57, 2012-58, 2012-60, 2012-61, and 2012-63 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 2012-2, 2012-3, 2012-8, 2012-9, 2012-11, 2012-12, 2012-13, 2012-15, 2012-21, 2012-26, 2012-28, 2012-31, 2012-32, 2012-37, 2012-38, 2012-40, 2012-41, 2012-42, 2012-43, 2012-44, 2012-45, 2012-50, 2012-52, 2012-54, 2012-55, 2012-59 and 2012-62 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, 2012, and have issued our report thereon dated December 31, 2012 which contained an unqualified opinion on those financial statements. Our report was modified to include a reference to the reports of other auditors and to emphasize the restatement of the July 1, 2011 net assets of the governmental activities, the business-type activities, General Fund and State Revolving Fund, to reflect the creation of a new enterprise fund to account for the activities of the Clean Water and Drinking Water State Revolving Loan Funds, which were previously reported in the General Fund. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 31, 2012. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, 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 the responses.

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, 2013
(except as to the paragraph relating to the schedule of expenditures of federal awards
which is as of December 31, 2012)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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	$68,239	0%
			CFDA Total:	$68,239	
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care			
7500		10-9633-0174CA USDA CWD	8/1/2010 - 7/31/2011	$143	0%
7500		10-9633-0174CA USDA CWD	8/1/2011 - 7/31/2012	$11,997	0%
		11-8233-0318	1/1/2011 - 12/31/2011	$50,548	0%
		11-8233-0663-CA	6/1/2011 - 5/31/2012	$22,209	0%
		11-9633-0670CA	4/1/2011 - 3/31/2012	$952	0%
		11-9633-1009CA	4/1/2011 - 3/31/2012	$11,621	0%
		12-8233-0318-CA	1/1/2012 - 12/31/2012	$48,238	0%
		12-8233-0663-CA	6/1/2012 - 5/31/2013	$6,729	0%
			CFDA Total:	$152,437	
1800	10.162	Inspection Grading And Standardization			
		12-25-A-4950	10/1/2010 - 9/30/2011	$16,437	0%
		12-25-A-5323	10/1/2010 - 9/30/2011	$2,061	0%
		12-25-A-5511	9/30/2011 - 9/30/2012	$5,495	0%
		12-25-A-5545	9/30/2011 - 9/29/2012	$263	0%
			CFDA Total:	$24,256	
9500	10.477	Meat, Poultry, And Egg Products Inspection			
		FSISC16	9/30/2011 - 9/29/2012	$103,498	0%
		FSISC16	9/30/2012 - 9/29/2012	$155,714	0%
			CFDA Total:	$259,212	
1400	10.550	Food Donation (Note 3)			
		133 (Q1-Q4)	7/1/2011 - 6/30/2012	$4,607,858	100%
			CFDA Total:	$4,607,858	
9500	**10.551**	**Supplemental Nutrition Assistance Program (Notes 3,7)**			
		4NH400403	**10/1/2010 - 9/30/2011**	**$40,663,554**	**0%**
		4NH400403	**10/1/2011 - 9/30/2012**	**$124,605,877**	**0%**
			CFDA Total:	**$165,269,431**	
5600	**10.553**	**School Breakfast Program (Note 7)**			
		4NH300304 175-05	**10/1/2010 - 9/30/2011**	**$1,098,100**	**100%**
		4NH300304 275-05	**10/1/2011 - 9/30/2012**	**$3,686,698**	**100%**
			CFDA Total:	**$4,784,798**	
5600	**10.555**	**National School Lunch Program (Note 7)**			
		4NH300304 175-02	**10/1/2010 - 9/30/2011**	**$3,993,097**	**100%**
		4NH300304 175-02 3004	**10/1/2010 - 9/30/2011**	**$1,114,543**	**100%**
		4NH300304 275-02 3002	**10/1/2011 - 9/30/2012**	**$13,435,038**	**100%**
		4NH300304 275-02 3004	**10/1/2011 - 9/30/2012**	**$3,744,751**	**100%**
			CFDA Total:	**$22,287,429**	

(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 6/30/2012
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	**10.556**	**Special Milk Program For Children (Note 7)**			
		4NH300304 175-68 3002	**10/1/2010 - 9/30/2011**	**$128,500**	**100%**
		4NH300304 275-68 3002	**10/1/2011 - 9/30/2012**	**$56,026**	**100%**
			CFDA Total:	**$184,526**	
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**			
		4NH700703	**9/1/2011 - 9/30/2012**	**$3,849**	**0%**
		4NH700703	**10/1/2010 - 9/30/2011**	**$1,759,394**	**0%**
		4NH700703	**10/1/2011 - 9/30/2012**	**$2,455,149**	**0%**
		4NH700703	**10/1/2010 - 9/30/2011**	**$2,963,891**	**0%**
		4NH700703	**10/1/2011 - 9/30/2012**	**$4,000,652**	**0%**
		4NH700773	**7/6/2011 - 9/30/2012**	**$137,995**	**0%**
		4NH700703	**10/2/2009 - 9/30/2011**	**$83,508**	**0%**
		4NH700703	**10/1/2011 - 9/30/2012**	**$116,853**	**0%**
			CFDA Total:	**$11,521,291**	
1400	10.558	Child And Adult Care Food Program (Note 3)			
		133 (Q1-Q4)	7/1/2011 - 6/30/2012	$59,979	100%
5600		4NH300335 175-16/21/22 3949	10/1/2010 - 9/30/2011	$1,445,908	100%
5600		4NH300335 175-18 3002	10/1/2010 - 9/30/2011	$17,989	0%
5600		4NH300335 275-16/21/22 3949	10/1/2011 - 9/30/2012	$2,685,485	100%
5600		4NH300335 275-18 3002	10/1/2011 - 9/30/2012	$53,085	0%
5600		4NH310300 175-21B 3949	10/1/2010 - 9/30/2011	$142,525	100%
			CFDA Total:	$4,404,971	
1400	**10.559**	**Summer Food Service Program For Children (Note 7)**			
		133	**10/1/2011 - 9/30/2012**	**$3,812**	**100%**
5600		**4NH300304 175-14 3002**	**10/1/2010 - 9/30/2011**	**$29,541**	**0%**
5600		**4NH300304 175-23/24 3941**	**10/1/2010 - 9/30/2011**	**$718,314**	**100%**
5600		**4NH300304 275 14 3002**	**10/1/2011 - 9/30/2012**	**$21,784**	**0%**
			CFDA Total:	**$773,451**	
1400	10.560	State Administrative Expenses For Child Nutrition			
		300317	10/1/2010 - 9/30/2011	$43,160	100%
		300317	10/1/2011 - 9/30/2012	$76,402	100%
5600		4NH300304 175-01R 3002	10/1/2010 - 9/30/2012	$10,873	0%
5600		4NH300312 075-01R 3002	10/1/2009 - 9/30/2010	$25,568	0%
5600		4NH300312 175-01 3002	10/1/2010 - 9/30/2012	$109,468	0%
5600		4NH300312 275-01 3002	10/1/2011 - 9/30/2013	$237,792	0%
5600		4NH300312 275-01 3004	10/1/2011 - 9/30/2013	$4,859	0%
5600		4NH300312 275-01 3949	10/1/2011 - 9/30/2013	$1,036	0%
5600		4NH300312 975-01 3002	10/1/2008 - 9/30/2009	$(12,708)	0%
			CFDA Total:	$496,450	
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 7)**			
		4NH400403	**10/1/2010 - 9/30/2011**	**$2,085,046**	**0%**
		4NH400403	**10/1/2011 - 9/30/2012**	**$6,255,137**	**0%**
			CFDA Total:	**$8,340,183**	

(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 6/30/2012
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	10.565	Commodity Supplemental Food Program (Note 3)			
		IY800544	10/1/2010 - 9/30/2011	$223,271	0%
		IY800544	10/1/2011 - 9/30/2012	$245,120	0%
		n/a	10/1/2011 - 9/30/2012	$1,652,805	100%
			CFDA Total:	$2,121,196	
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 7)			
		810808	10/1/2010 - 9/30/2011	$16,436	100%
		810808	10/1/2011 - 9/30/2012	$112,772	100%
			CFDA Total:	$129,208	
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3,7)			
		133	1/1/2011 - 12/31/2011	$419,975	100%
		133	1/1/2012 - 12/31/2012	$250,144	100%
			CFDA Total:	$670,119	
9500	10.576	Senior Farmers Market Nutrition Program			
		IY830344	10/1/2010 - 9/30/2011	$81,787	0%
		IY830444	10/1/2010 - 9/30/2011	$9,221	0%
		IY830444	10/1/2011 - 9/30/2012	$1,942	0%
			CFDA Total:	$92,950	
5600	10.579	Child Nutrition Discretionary Grants Limited Availability			
		8NH310000 263 ARTS 3002	8/18/2011 - 9/30/2014	$8,853	100%
		8NH310002 276 DCI 3002	7/28/2011 - 12/31/2012	$5,762	0%
			CFDA Total:	$14,615	
9500	10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program			
		IA-FSPA-09-NH-01	9/1/2009 - 8/31/2012	$(55,173)	0%
		IA-FSPA-09-NH-01	9/21/2009 - 8/31/2012	$(18,391)	0%
			CFDA Total:	$(73,564)	
5600	10.582	Fresh Fruit And Vegetable Program			
		4NH300304 187 3002	10/1/2010 - 9/30/2011	$371,963	96%
		4NH300304 287 3002	10/1/2011 - 9/30/2012	$1,296,181	97%
			CFDA Total:	$1,668,144	
3500	10.664	Cooperative Forestry Assistance			
		08-DG-11420004-073	5/22/2008 - 9/30/2011	$17,181	0%
		08-DG-11420004-116	6/2/2008 - 9/30/2012	$54,234	0%
		09-DG-11420004-176	7/9/2009 - 9/30/2011	$21,862	0%
		09-DG-11420004-176	7/9/2009 - 9/30/2012	$175,687	0%
		09-DG-11420004-176	7/9/2010 - 9/30/2012	$5,920	0%
		09-DG-11420004-176	7/9/2010 - 9/30/2012	$49,043	100%
		09-DG-11420004-310	8/13/2009 - 1/31/2013	$36,367	0%
		10-DG-11244225-117	6/15/2010 - 9/30/2012	$33,295	0%
		10-DG-11420004-070	7/1/2010 - 6/30/2012	$16,577	0%
		10-DG-11420004-070	7/1/2010 - 6/30/2012	$54,018	100%
		10-DG-11420004-120	6/1/2010 - 9/30/2012	$243,710	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 6/30/2012
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		10-DG-11420004-120	7/1/2010 - 9/30/2012	$149,306	0%
		10-DG-11420004-120	7/1/2010 - 9/30/2012	$93,890	100%
		10-DG-11420004-124	10/1/2010 - 1/31/2013	$5,017	0%
		10-DG-11420004-134	7/1/2010 - 6/30/2012	$112,154	100%
		10-DG-11420004-233	9/1/2010 - 7/31/2012	$31,749	0%
		10-DG-11420004-290	8/1/2010 - 7/31/2012	$11,295	0%
		10-DG-11420004-291	8/1/2010 - 7/31/2012	$3,572	0%
		10-DG-11420004-377	9/1/2010 - 8/31/2013	$2,700	0%
		11-DG-11420004-181	10/1/2011 - 9/30/2013	$5,594	0%
		11-DG-11420004-182	7/1/2011 - 6/30/2013	$3,356	0%
		11-DG-11420004-183	10/1/2011 - 9/30/2013	$3,189	0%
		11-DG-11420004-184	10/1/2010 - 9/30/2013	$3,356	0%
			CFDA Total:	$1,133,072	
5600	10.665	Schools And Roads - Grants To States			
		RSA227H:21-23 4060	9/4/1999 - 12/31/2009	$564,361	99%
			CFDA Total:	$564,361	
1800	10.902	Soil And Water Conservation			
		6814281103	3/28/2011 - 6/30/2013	$18,904	0%
			CFDA Total:	$18,904	
7500	10.912	Environmental Quality Incentives Program (EQIP)			
		6814281105 (NRCS)	8/1/2011 - 9/30/2013	$624	0%
			CFDA Total:	$624	
7500	10.914	Wildlife Habitat Incentive Program			
		6814281105 (NRCS)	8/1/2011 - 9/30/2013	$2,333	0%
			CFDA Total:	$2,333	
1800	10.917	Agricultural Management Assistance			
		12-25-A-5434	4/1/2011 - 4/1/2016	$6,184	0%
		12-25-B-0876	4/1/2009 - 1/2/2012	$79,022	0%
		12-25-B-0937	11/1/2009 - 12/1/2012	$101,399	0%
		12-25-B-1082	10/1/2010 - 12/31/2013	$55,394	0%
		12-25-B-1242	9/30/2011 - 9/29/2014	$38,500	0%
			CFDA Total:	$280,499	
			Department of Agriculture Total:	**$229,796,993**	

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 6/30/2012
Department of Commerce

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	11.307	Economic Adjustment Assistance			
		01-79-08811	9/18/2009 - 6/30/2013	$628,140	0%
			CFDA Total:	$628,140	
7500	11.407	Interjurisdictional Fisheries Act Of 1986			
		NA10NMF4070323	1/1/2011 - 12/31/2011	$17,073	0%
			CFDA Total:	$17,073	
4400	11.417	Sea Grant Support			
		NA08OAR4170918	10/1/2008 - 12/31/2010	$7,490	0%
			CFDA Total:	$7,490	
4400	11.419	Coastal Zone Management Administration Awards			
		NA08NOS4190433	7/1/2008 - 6/30/2011	$42,288	0%
		NA09NOS4190112	7/1/2009 - 6/30/2011	$90,629	0%
		NA10NOS4190170	7/1/2010 - 12/31/2012	$143,835	0%
		NA11NOS4190079	7/1/2011 - 12/31/2012	$743,312	0%
		NA12NOS4190085	7/1/2012 - 12/31/2013	$435	0%
			CFDA Total:	$1,020,499	
7500	11.420	Coastal Zone Management Estuarine Research Reserves			
		NA10NOS4200117	7/1/2010 - 12/31/2011	$111,668	0%
		NA11NOS4200136	7/1/2011 - 12/31/2012	$320,478	0%
			CFDA Total:	$432,146	
4400	11.452	Unallied Industry Projects			
		NA09NMF4520026	4/1/2009 - 6/30/2012	$331,477	0%
			CFDA Total:	$331,477	
7500	11.454	Unallied Management Projects			
		NA10NMF4540190	5/1/2010 - 8/31/2012	$994,748	0%
			CFDA Total:	$994,748	
4400	11.463	Habitat Conservation			
	ARRA	ARRA NA09NMF4630284	7/1/2009 - 12/31/2010	$526,817	0%
			CFDA Total:	$526,817	
9600	11.468	Applied Meteorological Research			
		611021-1	9/1/2010 - 8/31/2011	$99,000	0%
			CFDA Total:	$99,000	
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act			
		NA10NMF4740333	7/1/2010 - 6/30/2011	$63,549	0%
		NA10NMF4740359	4/1/2011 - 3/31/2012	$145,973	0%
			CFDA Total:	$209,522	
2300	11.555	Public Safety Interoperable Communications Grant Program			

(Continued)

The accompanying notes are an integral part of this schedule.

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Commerce

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2007GSH70057	10/1/2007 - 6/30/2012	$2,260,338	1%
			CFDA Total:	$2,260,338	
9600	11.557	Broadband Technology Opportunities Program (BTOP)			
	ARRA	ARRA	7/1/2010 - 6/30/2013	$1,456,465	0%
			CFDA Total:	$1,456,465	
7500	11.999	No Program Title			
		JEA	8/1/2008 - 7/31/2011	$309,861	0%
			CFDA Total:	$309,861	
			Department of Commerce Total:	**$8,293,576**	

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 6/30/2012
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			
		SP4800-11-2-1168	3/1/2011 - 2/29/2012	$190,121	0%
		SP4800-12-2-1268	3/1/2012 - 2/28/2013	$65,063	0%
			CFDA Total:	$255,184	
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services			
		NH10-1	7/1/2010 - 6/30/2012	$213,340	0%
			CFDA Total:	$213,340	
1200	12.400	Military Construction, National Guard			
		W912TF-09-2-2001	4/27/2009 - 12/14/2012	$21,007	0%
		W912TF-09-2-2002	4/27/2009 - 12/14/2024	$3,126,708	0%
			CFDA Total:	$3,147,715	
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**			
	ARRA	**ARRAW912TF-09-2-9008**	**5/29/2009 - 9/30/2011**	**$1,244,153**	**0%**
		W912TF-10-2-3075	**10/1/2010 - 9/30/2012**	**$2,105,791**	**0%**
		W912TF-11-2-1001	**10/1/2010 - 9/30/2014**	**$5,376,177**	**0%**
		W912TF-11-2-1002	**10/1/2010 - 9/30/2014**	**$623,659**	**0%**
		W912TF-11-2-1003	**10/1/2010 - 9/30/2014**	**$669,352**	**0%**
		W912TF-11-2-1004	**10/1/2010 - 9/30/2014**	**$202,955**	**0%**
		W912TF-11-2-1007	**10/1/2010 - 9/30/2014**	**$8,650**	**0%**
		W912TF-11-2-1010	**10/1/2010 - 9/30/2014**	**$101,662**	**0%**
		W912TF-11-2-1014	**10/1/2010 - 9/30/2014**	**$60,281**	**0%**
		W912TF-11-2-1015	**10/1/2010 - 9/30/2014**	**$103,714**	**0%**
		W912TF-11-2-1021	**10/1/2010 - 9/30/2014**	**$2,013,834**	**0%**
		W912TF-11-2-1023	**10/1/2010 - 9/30/2014**	**$589,352**	**0%**
		W912TF-11-2-1024	**10/1/2010 - 9/30/2014**	**$3,186,142**	**0%**
			CFDA Total:	**$16,285,722**	
			Department of Defense Total:	**$19,901,961**	

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 6/30/2012
Department of Housing and Urban Development

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	14.231	Emergency Solutions Grants Program			
		E-S-11-DC-33-0001	1/1/2011 - 12/31/2011	$494,458	95%
			CFDA Total:	$494,458	
9500	14.235	Supportive Housing Program			
		NH0002B1T000801	2/1/2011 - 1/31/2012	$32,280	98%
		NH0002B1T001002	2/1/2012 - 1/31/2013	$14,965	97%
		NH0003B1T000802	7/1/2010 - 6/30/2011	$20,115	100%
		NH0003B1T001003	7/1/2011 - 6/30/2012	$207,048	97%
		NH0004B1T000802	12/1/2010 - 11/30/2011	$18,774	99%
		NH0004B1T001003	12/1/2011 - 11/30/2012	$31,940	98%
		NH0006B1T000802	10/1/2010 - 9/30/2011	$25,828	98%
		NH0006B1T001003	10/1/2011 - 9/30/2012	$58,579	97%
		NH0007B1T000802	7/1/2010 - 6/30/2011	$6,399	100%
		NH0007B1T001003	7/1/2011 - 6/30/2012	$65,412	97%
		NH0008B1T000802	7/1/2010 - 6/30/2011	$19,375	100%
		NH0008B1T001003	7/1/2011 - 6/30/2012	$107,045	97%
		NH0011B1T000802	8/1/2010 - 7/31/2011	$22,496	98%
		NH0011B1T001003	8/1/2011 - 7/31/2012	$51,497	97%
		NH0012B1T000802	7/1/2010 - 6/30/2011	$37,920	100%
		NH0012B1T001003	7/1/2011 - 6/30/2012	$343,592	95%
		NH0013B1T000802	7/1/2010 - 6/30/2011	$15,389	100%
		NH0013B1T001003	7/1/2011 - 6/30/2012	$87,520	97%
		NH0014B1T000802	7/1/2010 - 6/30/2011	$30,330	100%
		NH0014B1T001003	7/1/2011 - 6/30/2012	$194,829	97%
		NH0015B1T001003	4/1/2011 - 3/31/2012	$87,973	98%
		NH0015B1T001104	4/1/2012 - 3/31/2013	$16,908	96%
		NH0019B1T000802	7/1/2010 - 6/30/2011	$13,447	100%
		NH0019B1T001003	7/1/2011 - 6/30/2012	$75,473	97%
		NH0020B1T001003	7/1/2011 - 6/30/2012	$14,154	98%
		NH0021B1T000802	11/1/2010 - 10/31/2011	$79,524	99%
		NH0021B1T001003	11/1/2011 - 10/31/2012	$66,148	97%
		NH0022B1T000802	7/1/2010 - 6/30/2011	$5,800	100%
		NH0022B1T001003	7/1/2011 - 6/30/2012	$37,967	97%
		NH0023B1T010802	8/1/2010 - 7/31/2011	$15,037	98%
		NH0023B1T011003	8/1/2011 - 7/31/2012	$34,423	97%
		NH0026B1T010802	1/2/2010 - 8/31/2011	$18,511	98%
		NH0026B1T011003	9/1/2011 - 8/31/2012	$51,481	97%
		NH0035B1T020802	8/1/2010 - 7/31/2011	$3,637	98%
		NH0035B1T021003	8/1/2011 - 7/31/2012	$8,325	97%
		NH0043B1T020802	7/1/2010 - 6/30/2011	$17,338	100%
		NH0043B1T021003	7/1/2011 - 6/30/2012	$147,472	97%
		NH0053B1T000900	11/22/2010 - 11/21/2012	$93,569	97%
			CFDA Total:	$2,178,520	
9500	14.238	Shelter Plus Care			
		NH0001C1T000800	12/10/2009 - 12/9/2014	$31,275	100%
		NH0005C1T000802	8/26/2010 - 8/25/2011	$52,106	100%
		NH0005C1T001003	8/26/2011 - 8/25/2012	$223,678	100%
		NH0057C1T001001	6/28/2011 - 6/27/2012	$245,444	100%
		NH01C400001	9/13/2006 - 6/27/2011	$14,258	100%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Housing and Urban Development

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$566,761	
9500	14.241	Housing Opportunities For Persons With AIDS			
		NH-H080012	3/1/2009 - 2/29/2012	$252,967	98%
		NH-H090023	3/1/2010 - 2/28/2013	$237,114	97%
		NH-H110023	3/1/2012 - 2/28/2015	$76,447	96%
			CFDA Total:	$566,528	
9500	14.262	Homelessness Prevention and Rapid Re-Housing Program Technical Assistance			
	ARRA	ARRAS09DY330001	7/30/2009 - 7/29/2012	$1,107,704	0%
			CFDA Total:	$1,107,704	
			Department of Housing and Urban Development Total:	**$4,913,971**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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 7)			
		F100R28	10/1/2010 - 9/30/2011	$3,750	0%
		F50R27F	7/1/2010 - 6/30/2011	$76,459	0%
		F50R27M	7/1/2010 - 6/30/2011	$24,461	0%
		F50R28F	7/1/2011 - 6/30/2012	$217,206	0%
		F50R28M	7/1/2011 - 6/30/2012	$16,964	0%
		F53E24A	7/1/2010 - 6/30/2011	$56,419	0%
		F53E24S	7/1/2010 - 6/30/2011	$15,913	0%
		F53E25A	7/1/2011 - 6/30/2012	$86,283	0%
		F53E25S	7/1/2011 - 6/30/2012	$24,335	0%
		F60D18F	7/1/2010 - 6/30/2011	$303,349	0%
		F60D18M	7/1/2010 - 6/30/2011	$6,191	0%
		F60D19F	7/1/2011 - 6/30/2012	$810,022	0%
		F60D19M	7/1/2011 - 6/30/2012	$16,532	0%
		F61R16	7/1/2010 - 6/30/2011	$324,901	0%
		F61R16	1/1/2011 - 12/31/2011	$359	0%
		FW17C36B	7/1/2010 - 6/30/2011	$456	0%
		FW17C36F	7/1/2010 - 6/30/2011	$2,032	0%
		FW17C36M	7/1/2010 - 6/30/2011	$575	0%
		FW17C37B	7/1/2011 - 6/30/2012	$3,771	0%
		FW17C37F	7/1/2011 - 6/30/2012	$16,741	0%
		FW17C37M	7/1/2011 - 6/30/2012	$4,766	0%
		FW25T17F	7/1/2010 - 6/30/2011	$5,408	0%
		FW25T18F	7/1/2011 - 6/30/2012	$9,756	0%
		FW28D16B	7/1/2010 - 6/30/2011	$76,853	0%
		FW28D16F	7/1/2010 - 6/30/2011	$20,443	0%
		FW28D16M	7/1/2010 - 6/30/2011	$450	0%
		FW28D17B	7/1/2011 - 6/30/2012	$149,737	0%
		FW28D17F	7/1/2011 - 6/30/2012	$1,429	0%
		FW28D17X	7/1/2011 - 6/30/2012	$1,605	0%
		FW30T12F	7/1/2010 - 6/30/2011	$18,176	0%
		FW30T12M	7/1/2010 - 6/30/2011	$2,020	0%
		FW30T13F	7/1/2011 - 6/30/2012	$17,472	0%
		FW30T13M	7/1/2011 - 6/30/2012	$1,941	0%
		FW3202F	7/1/2010 - 6/30/2011	$10,939	0%
		FW3202M	7/1/2010 - 6/30/2011	$3,170	0%
		FW3202W	7/1/2010 - 6/30/2011	$2,485	0%
		FW3203F	7/1/2011 - 6/30/2012	$9,957	0%
		FW3203M	7/1/2011 - 6/30/2012	$2,883	0%
		FW33D1B	7/1/2011 - 12/31/2012	$1,108	0%
		FW33D1M	7/1/2011 - 12/31/2012	$592	0%
		FW34E1A(F)	7/1/2011 - 6/30/2014	$11,444	0%
		FW34E1M(S)	7/1/2011 - 6/30/2014	$3,228	0%
			CFDA Total:	$2,362,581	
7500	15.608	Fish And Wildlife Management Assistance			
		53310-9-G081	8/1/2009 - 12/31/2011	$2,185	0%
			CFDA Total:	$2,185	
3500	15.611	Wildlife Restoration And Basic Hunter Education (Note 7)			
7500		FW17C36W	7/1/2010 - 6/30/2011	$2,219	0%
7500		FW17C37W	7/1/2011 - 6/30/2012	$16,162	0%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7500		FW25T17W	7/1/2010 - 6/30/2011	$72,354	0%
7500		FW25T18W	7/1/2011 - 6/30/2012	$91,014	0%
7500		FW28D16W	7/1/2010 - 6/30/2011	$2,422	0%
7500		FW28D16W	7/1/2011 - 6/30/2012	$306	0%
7500		FW30T12W	7/1/2010 - 6/30/2011	$5,811	0%
7500		FW30T13W	7/1/2011 - 6/30/2012	$6,870	0%
7500		FW3202W	7/1/2010 - 6/30/2011	$11,218	0%
7500		FW3203W	7/1/2011 - 6/30/2012	$10,663	0%
7500		FW33D1W	7/1/2011 - 6/30/2012	$471	0%
7500		FW33D1W	7/1/2011 - 12/31/2012	$121	0%
		MOA W/NRC	4/1/1999 - 8/30/2012	$106,699	0%
7500		W11D70	7/1/2010 - 6/30/2011	$62,958	0%
7500		W11D71	7/1/2011 - 6/30/2012	$312,000	0%
7500		W66S39H	7/1/2010 - 6/30/2011	$103,408	0%
7500		W66S40	7/1/2011 - 6/30/2012	$354,533	0%
7500		W89R11	7/1/2010 - 6/30/2011	$53,219	0%
7500		W89R12	7/1/2011 - 6/30/2012	$513,492	0%
7500		W90R1	11/1/2008 - 6/30/2012	$33,559	0%
7500		W91D1	7/1/2010 - 6/30/2011	$19,504	0%
7500		W94T1	7/1/2010 - 6/30/2011	$20,551	0%
7500		W94T2	7/1/2011 - 6/30/2012	$28,384	0%
7500		W96R1	12/1/2010 - 12/31/2012	$30,303	0%
7500		W97R1	12/1/2010 - 9/30/2013	$112,209	0%
7500		W98L1	4/4/2011 - 12/31/2011	$162,000	0%
7500		W99L1	7/1/2011 - 6/30/2012	$56,250	0%
7500		WHIP	7/1/2010 - 6/30/2011	$12,300	0%
7500		WHIP	7/1/2011 - 6/30/2012	$452,672	0%
			CFDA Total:	$2,653,672	
3500	15.615	Cooperative Endangered Species Conservation Fund			
		6814281107	6/29/2011 - 9/30/2013	$10,335	0%
		EP-1-21	7/7/2011 - 4/30/2013	$9,628	0%
7500		EW1-29	7/1/2010 - 6/30/2011	$2,481	0%
7500		EW1-30	7/1/2011 - 6/30/2012	$24,936	0%
			CFDA Total:	$47,380	
4400	15.616	Clean Vessel Act			
		V-6-D-1	1/1/2010 - 12/31/2011	$46,836	0%
		V-7-D-1	7/5/2011 - 12/31/2012	$72,621	0%
			CFDA Total:	$119,457	
7500	15.625	Wildlife Conservation And Restoration			
		R-3-1	9/1/2003 - 6/30/2011	$6,924	0%
			CFDA Total:	$6,924	
7500	15.626	Enhanced Hunter Education And Safety Program			
		FW34E1W	7/1/2011 - 6/30/2014	$28,419	0%
		W95C1	9/1/2010 - 8/31/2015	$25,000	0%
			CFDA Total:	$53,419	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	15.631	Partners For Fish And Wildlife			
		NA09NMF4630356	7/1/2009 - 6/30/2011	$11,040	0%
			CFDA Total:	$11,040	
7500	15.633	Landowner Incentive Program			
		I-1-4	7/1/2006 - 6/30/2011	$162,046	0%
		I-1-4	7/1/2006 - 6/30/2013	$5,122	0%
			CFDA Total:	$167,168	
7500	15.634	State Wildlife Grants			
		T-7-R-1	4/1/2007 - 3/31/2012	$305,362	0%
		T-7-R-1	4/1/2007 - 3/31/2013	$804	0%
		T-8-R-1	9/1/2007 - 8/31/2013	$19,745	0%
		T-9-T-1	1/15/2008 - 12/31/2012	$259,599	0%
		T2-1-R-1	6/1/2010 - 3/31/2013	$10,412	0%
		T2-2-P-1	12/1/2011 - 11/30/2013	$13,317	0%
		U21R	5/1/2009 - 4/30/2012	$11,098	0%
		U23R1	5/20/2009 - 3/31/2012	$92,142	0%
		U24R1	5/20/2009 - 4/30/2012	$267,280	0%
		U28R1	7/1/2011 - 6/30/2014	$20,231	0%
			CFDA Total:	$999,990	
7500	15.644	Federal Junior Duck Stamp Conservation And Design			
		50154-0-G008A	7/1/2010 - 6/30/2011	$1,329	0%
			CFDA Total:	$1,329	
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds			
		53410-A-G017	7/1/2010 - 6/30/2011	$14,885	0%
		E2-TW-1	7/1/2010 - 6/30/2012	$5,458	0%
			CFDA Total:	$20,343	
4400	15.808	U.S. Geological Survey - Research And Data Collection			
		G10AC00645	7/1/2010 - 6/30/2011	$5,874	0%
		G10AP00123	9/1/2008 - 8/31/2009	$3,852	0%
		G11AC20527	10/1/2011 - 9/30/2012	$12,725	0%
		G11AP20182	7/1/2010 - 6/30/2011	$4,973	0%
			CFDA Total:	$27,424	
4400	15.810	National Cooperative Geologic Mapping Program			
		G10AC00427	9/16/2009 - 9/28/2011	$43,043	0%
		G11AC20494	9/15/2010 - 9/15/2011	$66	0%
			CFDA Total:	$43,109	
3400	15.904	Historic Preservation Fund Grants-In-Aid			
		33-10-21936	10/1/2009 - 9/30/2011	$55,270	100%
		33-11-31936	10/1/2010 - 9/30/2012	$274,215	100%
			CFDA Total:	$329,485	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning			
		33-00669	8/27/2007 - 12/31/2011	$22,480	100%
		33-00675	2/4/2010 - 12/31/2013	$41,108	0%
		33-00682	4/1/2011 - 12/12/2012	$60,739	100%
			CFDA Total:	$124,327	
			Department of the Interior Total:	**$6,969,833**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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	$1,666	0%
		2009KFAX0033	8/1/2009 - 7/31/2011	$44,320	100%
		2010KFAX0024	8/1/2010 - 7/31/2012	$8,316	0%
		2010KFAX0024	8/1/2010 - 7/31/2012	$104,278	100%
		2011KFAX0015	8/1/2011 - 7/31/2013	$4,369	100%
			CFDA Total:	$162,949	
9500	16.523	Juvenile Accountability Block Grants			
		2011-JB-FX-0006	7/1/2011 - 6/30/2014	$938,661	0%
			CFDA Total:	$938,661	
2000	16.527	Supervised Visitation, Safe Havens For Children			
		2006CWAX0022	10/1/2006 - 9/30/2011	$3,732	100%
		2010CWAX0022	10/1/2010 - 9/30/2013	$8,277	0%
		2010CWAXK001	10/1/2010 - 9/30/2013	$167,424	100%
			CFDA Total:	$179,433	
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life			
		2009EWAXK003	10/1/2009 - 9/30/2012	$3,179	0%
		2009EWAXK003	10/1/2009 - 9/30/2012	$51,948	100%
			CFDA Total:	$55,127	
2000	16.542	Part D - Research, Evaluation, Technical Assistance And Training			
		2010AHFX0058	6/1/2010 - 5/31/2013	$3,816	0%
		2010AHFX0058	6/1/2010 - 5/31/2013	$2,521	100%
		2011AHFX0008	6/1/2011 - 5/31/2013	$11,186	0%
		2011AHFX0008	6/1/2011 - 5/31/2013	$829	100%
			CFDA Total:	$18,352	
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers			
		2008BJCXK055	10/1/2008 - 9/30/2012	$57,791	100%
		2011BJCXK022	10/1/2011 - 9/30/2012	$2,610	0%
		2011BJCXK022	10/1/2011 - 9/30/2012	$292	100%
			CFDA Total:	$60,693	
2000	16.554	National Criminal History Improvement Program (NCHIP)			
		2010RUBXK036	10/1/2010 - 9/30/2011	$298,615	100%
			CFDA Total:	$298,615	
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants			
		2008CDBX0034	10/1/2008 - 9/30/2011	$5,928	0%
		2009CDBX0026	10/1/2009 - 9/30/2012	$(21,689)	0%
		2009CDBX0026	10/1/2009 - 9/30/2012	$47,466	50%
		2009CDBX0026	10/1/2009 - 9/30/2013	$53,855	0%
		2010CDBX0042	10/1/2010 - 9/30/2012	$64,912	50%
		2010CDBX0042	10/1/2010 - 9/30/2013	$36,034	0%
		2010CDBX0042	10/1/2012 - 9/30/2013	$887	0%
		2010CDBX00442	10/1/2010 - 9/30/2013	$735	50%

(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 6/30/2012
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$188,128	
2000	16.575	Crime Victim Assistance			
		2008VAGX0002	10/1/2007 - 9/30/2011	$36,000	100%
		2009VAGX0020	10/1/2009 - 9/30/2012	$64,767	100%
4600		2010-VA-GX-062	7/1/2011 - 6/30/2012	$165,835	0%
		2010VAGX0062	10/1/2009 - 9/30/2013	$83,561	0%
		2010VAGX0062	10/1/2009 - 9/30/2013	$694,124	95%
		2011VAGX0014	10/1/2010 - 9/30/2014	$3,549	0%
		2011VAGX0014	10/1/2010 - 9/30/2014	$1,431,050	95%
			CFDA Total:	$2,478,886	
2000	16.576	Crime Victim Compensation			
		2011VCGX0024	10/1/2010 - 9/30/2014	$169,929	100%
			CFDA Total:	$169,929	
2000	16.579	Edward Byrne Memorial Formula Grant Program			
		2008DJBX0037	10/1/2007 - 9/30/2012	$4,959	0%
		2008DJBX0037	10/1/2007 - 9/30/2012	$76,994	100%
		2008DJBX0767	10/1/2007 - 9/30/2012	$107,542	100%
		2009DJBX0799	10/1/2008 - 9/30/2012	$128,704	100%
		2009DJBX0799	10/1/2009 - 9/30/2012	$47,200	0%
		2009DJBX0799	10/1/2009 - 9/30/2012	$458,771	100%
		2010DJBX0128	10/1/2009 - 9/30/2013	$59,104	0%
		2010DJBX0128	10/1/2009 - 9/30/2013	$523,003	100%
			CFDA Total:	$1,406,277	
2000	16.582	Crime Victim Assistance/Discretionary Grants			
		2009VFGXK008	9/1/2009 - 8/31/2013	$128,355	0%
			CFDA Total:	$128,355	
2000	16.585	Drug Court Discretionary Grant Program			
		2010DCBX0065	9/1/2010 - 8/31/2013	$4,998	0%
		2010DCBX0065	9/1/2010 - 8/31/2013	$106,453	100%
			CFDA Total:	$111,451	
2000	16.588	Violence Against Women Formula Grants			
	ARRA	2009EFS60019	5/1/2009 - 4/30/2012	$8,299	0%
	ARRA	2009EFS60019	5/1/2009 - 4/30/2012	$8,868	25%
	ARRA	2009EFS60019	5/1/2009 - 4/30/2012	$113,431	95%
	ARRA	2009SUB90019	3/1/2009 - 6/30/2013	$200,571	0%
		2009WFAX0018	6/1/2009 - 5/31/2012	$112,754	100%
		2010WFAX0032	7/1/2011 - 6/30/2013	$157,937	95%
		2010WFAX0042	7/1/2010 - 6/30/2013	$108,911	0%
		2010WFAX0042	7/1/2010 - 6/30/2013	$5,065	25%
		2010WFAX0042	7/1/2010 - 6/30/2013	$454,500	95%
		2010WFAX0042	7/1/2010 - 6/30/2013	$191,541	100%
			CFDA Total:	$1,361,877	

(Continued)

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2012
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2000	16.593	Residential Substance Abuse Treatment For State Prisoners			
		2008RTBX0009	10/1/2007 - 9/30/2012	$17,736	100%
		2010RTBX0039	10/1/2009 - 9/30/2013	$80,995	100%
		2011RTBX0039	10/1/2010 - 9/30/2014	$(35,206)	100%
		2011RTBX0043	10/1/2010 - 9/30/2014	$40,241	100%
			CFDA Total:	$103,766	
4600	16.606	State Criminal Alien Assistance Program			
		2011-AP-BX-0567	7/1/2011 - 6/30/2012	$66,100	0%
			CFDA Total:	$66,100	
2000	16.607	Bulletproof Vest Partnership Program			
		NH BVP Award	10/28/2008 - 9/30/2012	$4,290	100%
			CFDA Total:	$4,290	
2000	16.609	Project Safe Neighborhoods			
		2009GPBX0086	10/1/2009 - 6/30/2012	$3,994	0%
		2010GPBX0092	10/1/2010 - 9/30/2013	$1,139	0%
		2010GPBX0092	10/1/2010 - 9/30/2013	$20,315	100%
		2011GPBX0095	8/1/2011 - 7/31/2013	$1,403	0%
			CFDA Total:	$26,851	
2300	16.710	Public Safety Partnership And Community Policing Grants			
		2005CKWX0425	12/8/2004 - 12/7/2011	$977,904	0%
		2008CKWX0079	12/26/2007 - 6/30/2012	$90,300	0%
4600		2009-CS-WX-0015	9/1/2009 - 8/31/2012	$19,932	0%
			CFDA Total:	$1,088,136	
2000	16.727	Enforcing Underage Drinking Laws Program			
		2008AHFX0019	6/1/2008 - 5/31/2011	$11,481	100%
		2009AHFX0066	6/1/2010 - 9/30/2012	$62,096	100%
		2010AHFX0058	6/1/2010 - 5/31/2013	$186,713	100%
			CFDA Total:	$260,290	
4600	16.735	Protecting Inmates And Safeguarding Communities Discretionary Grant Program			
		2006-RP-BX-0041	6/1/2006 - 12/31/2011	$88,380	0%
			CFDA Total:	$88,380	
2000	16.740	Statewide Automated Victim Information Notification (SAVIN) Program			
		2011VNCX0014	10/1/2011 - 9/30/2013	$2,967	0%
		2011VNCX0014	10/1/2011 - 9/30/2013	$56	100%
			CFDA Total:	$3,023	
2300	16.741	DNA Backlog Reduction Program			
		2010-DN-BX-K060	10/1/2010 - 3/31/2011	$144,658	0%
			CFDA Total:	$144,658	
2300	16.748	Convicted Offender And/Or Arrestee DNA Backlog Reduction Program			

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2010-DN-BX-K024	10/1/2010 - 3/31/2012	$7,955	0%
			CFDA Total:	$7,955	
2300	16.750	Support For Adam Walsh Act Implementation Grant Program			
		2008-AW-BX-0010	10/1/2008 - 9/30/2011	$128,584	0%
			CFDA Total:	$128,584	
2000	16.753	Congressionally Recommended Awards			
2300		2009D1BX0249	10/1/2009 - 9/30/2011	$758,070	0%
		2009D1BX0280	7/1/2009 - 6/30/2012	$77,907	100%
		2010DDBX0636	7/1/2010 - 6/30/2013	$104,643	0%
		2010DDBX0636	7/1/2010 - 6/30/2013	$456,483	100%
		2012DDBX0636	7/1/2010 - 6/30/2013	$30,937	0%
			CFDA Total:	$1,428,040	
2000	16.801	Recovery Act - State Victim Assistance Formula Grant Program			
	ARRA	2009SGB90113	3/1/2009 - 9/30/2012	$18,948	25%
	ARRA	2009SGB90113	10/1/2009 - 6/30/2013	$71,172	95%
			CFDA Total:	$90,120	
2000	16.803	Recovery Act: Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To States And Territories			
	ARRA	2009SUB90019	3/1/2009 - 6/30/2013	$8,663	0%
	ARRA	2009SUB90019	3/1/2009 - 6/30/2013	$1,994,825	90%
			CFDA Total:	$2,003,488	
2000	16.812	Second Chance Act Prisoner Reentry Initiative			
		2009CZBX0053	4/1/2009 - 3/31/2012	$169,535	100%
		2009CZBX0053	4/1/2009 - 3/31/2013	$7,857	0%
		2010RNBX0015	10/1/2010 - 9/30/2012	$9,077	0%
		2010RNBX0015	10/1/2010 - 9/30/2012	$121,452	100%
			CFDA Total:	$307,921	
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act			
		2010RJBX0042	10/1/2010 - 9/30/2012	$2,947	0%
		2010RJBX0042	10/1/2010 - 9/30/2012	$95,094	100%
			CFDA Total:	$98,041	
4600	16.922	Equitable Sharing Program			
		None	7/1/2011 - 6/30/2012	$17,191	0%
			CFDA Total:	$17,191	
2300	16.999	No Program Title			
		2010-97	1/1/2011 - 12/31/2011	$23,000	0%
3500		2011SSBCINH-OMB	9/1/2011 - 6/30/2013	$2,522,233	100%
		Federal Forfeiture	7/1/2008 - 6/30/2012	$331,389	0%
			CFDA Total:	$2,876,622	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			Department of Justice Total:	**$16,302,189**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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	8/1/2010 - 9/30/2011	$8,954	0%
		LM-20315-11-75-J-33	10/1/2010 - 9/30/2011	$213,585	0%
		LM-20315-11-75-J-33	8/12/2011 - 9/30/2012	$3,139	0%
		LM-21484-12-75-J-33	10/1/2011 - 9/30/2012	$668,350	0%
			CFDA Total:	$894,028	
3200	17.005	Compensation And Working Conditions			
		0S-21508-1275-J-33	7/1/2010 - 6/30/2011	$10,660	0%
			CFDA Total:	$10,660	
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 7)			
		ES-20765-10-55-A-33	7/1/2010 - 6/30/2011	$166,550	0%
		ES-22077-11-55-A-33	7/1/2011 - 6/30/2012	$3,082,444	0%
			CFDA Total:	$3,248,994	
2700	**17.225**	**Unemployment Insurance (Note 4)**			
	ARRA	**ARRA NONE**	**7/1/2011 - 6/30/2012**	**$552,656**	**0%**
	ARRA	**ARRA UI-19597-10-55-A-33**	**2/17/2009 - 9/30/2011**	**$90**	**0%**
		NONE	**7/1/2010 - 6/30/2011**	**$134,143,015**	**0%**
		NONE	**7/1/2011 - 6/30/2012**	**$58,631,548**	**0%**
		UI-18035-09-55-A-33	**10/1/2008 - 9/30/2011**	**$40,095**	**0%**
		UI-19597-10-55-A-33	**10/1/2009 - 9/30/2012**	**$980,290**	**0%**
		UI-21114-11-55-A-33	**7/1/2010 - 6/30/2011**	**$241,668**	**0%**
		UI-21114-11-55-A-33	**10/1/2010 - 9/30/2011**	**$320,917**	**0%**
		UI-21114-11-55-A-33	**9/8/2011 - 9/30/2012**	**$656,832**	**0%**
		UI-22327-12-55-A-33	**9/1/2011 - 6/30/2012**	**$4,049**	**0%**
		UI-22327-12-55-A-33	**10/1/2011 - 6/30/2012**	**$721,734**	**0%**
		UI-22327-12-55-A-33	**10/1/2011 - 9/30/2012**	**$15,281,114**	**0%**
		UI-22327-12-55-A-33	**4/1/2012 - 3/30/2013**	**$101,587**	**0%**
			CFDA Total:	**$211,675,595**	
3500	17.235	Senior Community Service Employment Program			
		AD-199889ZO	1/29/2010 - 12/31/2011	$49,403	100%
		AD-19988BS	1/29/2010 - 12/31/2011	$105,631	100%
		AD-21844GKO	7/1/2011 - 6/30/2012	$374,447	96%
			CFDA Total:	$529,481	
2700	17.245	Trade Adjustment Assistance			
		TA-19721-10-55-A-33	10/1/2009 - 9/30/2012	$1,470,396	0%
		TA-21233-11-55-A-33	10/1/2010 - 9/30/2013	$155,463	0%
		TA-21247-11-55-A-50	10/1/2010 - 9/30/2013	$2,587	0%
			CFDA Total:	$1,628,446	
3500	**17.258**	**WIA Adult Program (Note 7)**			
		AA-186566X	**4/1/2008 - 6/30/2011**	**$26,322**	**94%**
		AA-186568D	**4/1/2008 - 6/30/2011**	**$125,938**	**100%**
		AA-20208CX	**4/1/2010 - 6/30/2013**	**$1,000,860**	**91%**
		AA-21410FO	**7/1/2011 - 6/30/2014**	**$139,649**	**100%**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$1,292,769**	
3500	**17.259**	**WIA Youth Activities (Note 7)**			
	ARRA	**AA-171365L**	**4/1/2008 - 6/11/2011**	**$106,892**	**100%**
		AA-186566E	**4/1/2008 - 6/30/2011**	**$226,974**	**100%**
		AA-20208AF	**4/1/2010 - 6/30/2013**	**$249,141**	**72%**
		AA-21410EZO	**4/1/2011 - 6/14/2012**	**$1,712,379**	**99%**
			CFDA Total:	**$2,295,386**	
3500	**17.260**	**WIA Dislocated Workers (Note 7)**			
		AA-186566Z	**4/1/2008 - 6/30/2011**	**$67,900**	**100%**
		AA-186568F	**4/1/2008 - 6/30/2011**	**$207,177**	**92%**
	ARRA	**EM-205286B**	**6/30/2010 - 6/30/2012**	**$637,848**	**99%**
		MI-175201T	**7/1/2008 - 12/30/2011**	**$263,027**	**90%**
			CFDA Total:	**$1,175,952**	
3500	17.261	WIA Pilots, Demonstrations, And Research Projects			
		EA-21459AL	7/1/2011 - 6/30/2013	$100,000	100%
			CFDA Total:	$100,000	
2700	17.271	Work Opportunities Tax Credit Program (WOTC)			
		ES-22077-11-55-A-33	10/1/2011 - 9/30/2012	$66,000	0%
			CFDA Total:	$66,000	
2700	17.273	Temporary Labor Certification For Foreign Workers			
		ES-17576-08-55-A-33	10/1/2008 - 9/30/2009	$530	0%
		ES-19217-09-55-A-33	10/1/2009 - 9/30/2010	$41,379	0%
			CFDA Total:	$41,909	
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	$76,878	0%
			CFDA Total:	$76,878	
3500	17.276	Health Care Tax Credit (HCTC) National Emergency Grants (NEGs)			
	ARRA	EM-212926C	10/1/2010 - 9/30/2012	$58,169	100%
			CFDA Total:	$58,169	
3500	17.277	Workforce Investment Act (WIA) National Emergency Grants			
		EM-20528DEO	6/30/2011 - 6/30/2013	$302,360	99%
		EM-22112GPO	7/1/2011 - 6/30/2013	$225,117	99%
			CFDA Total:	$527,477	
3500	**17.278**	**WIA Dislocated Formula Grants (Note 7)**			
		AA-20208AU	**4/1/2010 - 6/30/2013**	**$110,755**	**72%**
		AA-20208CZ	**4/1/2010 - 6/30/2013**	**$856,544**	**95%**
		AA-21410FQ	**10/1/2011 - 6/30/2014**	**$374,103**	**93%**
		AA-21410HB	**10/1/2011 - 6/30/2014**	**$356,404**	**97%**

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2012
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		AA-21410HD	**10/1/2011 - 6/30/2014**	**$1,002,397**	**0%**
			CFDA Total:	**$2,700,203**	
3500	17.600	Mine Health And Safety Grants			
		MS-21374M11	10/1/2010 - 9/30/2011	$19,696	0%
			CFDA Total:	$19,696	
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 7)			
		DV-19658-10-55-5-33	10/1/2010 - 9/30/2011	$87,798	0%
		DV-19658-10-55-5-33	10/1/2011 - 9/30/2012	$235,583	0%
			CFDA Total:	$323,381	
2700	17.804	Local Veterans` Employment Representative Program (Note 7)			
		DV-19658-10-55-5-33	10/1/2010 - 9/30/2011	$150,549	0%
		DV-19658-10-55-5-33	10/1/2011 - 9/30/2012	$275,466	0%
			CFDA Total:	$426,015	
			Department of Labor Total:	**$227,091,039**	

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State of New Hampshire
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For The Fiscal Year Ended 6/30/2012
Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9600	**20.106**	**Airport Improvement Program (Note 6)**			
		Various	**7/1/2011 - 6/30/2012**	**$10,316,431**	**100%**
			CFDA Total:	**$10,316,431**	
9600	**20.205**	**Highway Planning And Construction (Note 7)**			
	ARRA	**ARRA**	**7/1/2011 - 6/30/2012**	**$7,608,709**	**0%**
		Various	**7/1/2011 - 6/30/2012**	**$13,432,287**	**0%**
		Various	**7/1/2011 - 6/30/2012**	**$143,893,601**	**6%**
			CFDA Total:	**$164,934,597**	
2300	20.218	National Motor Carrier Safety			
		MC103310000000	10/1/2009 - 9/30/2011	$623,665	0%
		MH-10-33-1	10/1/2009 - 9/30/2011	$69,193	0%
		MN103310000000	10/1/2009 - 9/30/2011	$394,696	0%
		PZ09331	8/26/2009 - 9/30/2011	$21,354	0%
			CFDA Total:	$1,108,908	
3500	**20.219**	**Recreational Trails Program (Note 7)**			
		NRT-OONH (009)	**10/1/2006 - 10/1/2013**	**$883,952**	**0%**
			CFDA Total:	**$883,952**	
2300	20.232	Commercial Driver's License Program Improvement Grant			
		CD103310000000	4/1/2010 - 9/30/2012	$124,426	0%
			CFDA Total:	$124,426	
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort			
		TCP1 (003)	10/1/2007 - 10/1/2013	$1,995	0%
			CFDA Total:	$1,995	
9600	20.314	Railroad Development			
		DTFR53	7/1/2011 - 6/30/2012	$3,433	0%
			CFDA Total:	$3,433	
9600	20.320	Rail Line Relocation And Improvement			
		FR-LRI-0009-10-01-00	7/1/2011 - 6/30/2012	$800,000	0%
			CFDA Total:	$800,000	
9600	20.500	Federal Transit - Capital Investment Grants (Note 7)			
		Various	7/1/2011 - 6/30/2012	$168,235	100%
			CFDA Total:	$168,235	
9600	20.507	Federal Transit - Formula Grants (Note 7)			
		Various	7/1/2011 - 6/30/2012	$945,825	100%
			CFDA Total:	$945,825	
9600	20.509	Formula Grants For Other Than Urbanized Areas			
	ARRA	ARRA NH-86-X001	7/1/2011 - 6/30/2012	$812,326	100%

(Continued)

The accompanying notes are an integral part of this schedule.

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		Various	7/1/2011 - 6/30/2012	$3,770,673	92%
			CFDA Total:	$4,582,999	
9600	20.513	Capital Assistance Program For Elderly Persons And Persons With Disabilities (Note 7)			
		Various	7/1/2011 - 6/30/2012	$744,253	89%
			CFDA Total:	$744,253	
9600	20.515	State Planning And Research			
		NH-80-0014	7/1/2011 - 6/30/2012	$1,746	100%
			CFDA Total:	$1,746	
9600	20.516	Job Access - Reverse Commute (Note 7)			
		Various	7/1/2011 - 6/30/2012	$196,982	100%
			CFDA Total:	$196,982	
9600	20.521	New Freedom Program (Note 7)			
		various	7/1/2011 - 6/30/2012	$202,119	100%
			CFDA Total:	$202,119	
2300	20.600	State And Community Highway Safety (Note 7)			
2500		18X9204020NH11	7/1/2011 - 9/30/2011	$78,700	0%
2500		18X9204020NH11	7/1/2011 - 9/30/2011	$431,516	89%
2500		18X9204020NH11	10/1/2011 - 9/30/2012	$97,452	0%
2500		18X9204020NH11	10/1/2011 - 9/30/2012	$1,406,080	85%
		DTNH22-12-H-00104	2/1/2012 - 1/31/2017	$9,650	0%
		DTNH2207H00104	2/1/2007 - 1/31/2012	$18,317	0%
			CFDA Total:	$2,041,715	
2500	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I (Note 7)			
		none	7/1/2011 - 9/30/2011	$76,713	100%
		none	10/1/2011 - 9/30/2012	$431,099	100%
			CFDA Total:	$507,812	
2500	20.610	State Traffic Safety Information System Improvement Grants (Note 7)			
		None	7/1/2011 - 9/30/2011	$25,017	0%
		None	10/1/2011 - 9/30/2012	$176,824	97%
			CFDA Total:	$201,841	
2500	20.612	Incentive Grant Program To Increase Motorcyclist Safety (Note 7)			
		none	10/1/2011 - 9/30/2012	$20,850	100%
			CFDA Total:	$20,850	
2300	20.615	E-911 Grant Program			
		NHTSA20080142	9/30/2009 - 9/30/2012	$243,051	0%
			CFDA Total:	$243,051	
8100	20.700	Pipeline Safety Program State Base Grant			

(Continued)

The accompanying notes are an integral part of this schedule.

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		DTPH56-11-G-PHPG27	1/1/2011 - 12/31/2011	$246,092	0%
		DTPH56-12-G-PHPG27	1/1/2012 - 12/31/2012	$304,310	0%
			CFDA Total:	$550,402	
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants			
		HMHMP0201000100	10/1/2010 - 9/30/2011	$91,434	100%
		HMHMP0239110100	10/1/2011 - 9/30/2012	$77,718	98%
			CFDA Total:	$169,152	
8100	20.721	PHMSA Pipeline Safety Program One Call Grant			
		DTPH56-12-G-PHPC18	4/1/2012 - 3/31/2013	$45	0%
			CFDA Total:	$45	
9600	**20.933**	**National Infrastructure Investments**			
		TIGER II	**11/30/2011 - 8/2/2013**	**$18,288,354**	**0%**
			CFDA Total:	**$18,288,354**	
2300	20.999	No Program Title			
		FTE 010	10/1/2011 - 9/30/2013	$3,247	0%
			CFDA Total:	$3,247	
			Department of Transportation Total:	**$207,042,370**	

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 6/30/2012
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	7/1/2011 - 6/30/2012	$118,100	17%
			CFDA Total:	$118,100	
			Equal Employment Opportunity Commission Total:	**$118,100**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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	7/1/2011 - 6/30/2012	$74,091	100%
			CFDA Total:	$74,091	
3200	39.011	Election Reform Payments			
		Title I, 101	7/1/2010 - 6/30/2011	$84,029	0%
			CFDA Total:	$84,029	
			General Services Administration Total:	**$158,120**	

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 6/30/2012
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			
		PZ11020	6/8/2010 - 6/7/2015	$30,401	0%
			CFDA Total:	$30,401	
			National Aeronautics and Space Administration Total:	**$30,401**	

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 6/30/2012
National Endowment for the Arts

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3400	45.025	Promotion of The Arts - Partnership Agreements			
		10-6100-2017	7/1/2010 - 9/30/2012	$355,714	100%
		11-6100-2063	7/1/2011 - 9/30/2012	$387,580	100%
			CFDA Total:	$743,294	
3400	45.310	Grants To States			
		LS-00-10-0030-10	10/1/2009 - 9/30/2011	$16,358	100%
		LS-00-11-0030-11	10/1/2010 - 9/30/2012	$1,093,167	100%
			CFDA Total:	$1,109,525	
3400	45.312	National Leadership Grants			
		LG-41-09-0013-09	3/1/2009 - 10/31/2012	$17,852	100%
			CFDA Total:	$17,852	
			National Endowment for the Arts Total:	**$1,870,671**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Small Business Administration

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	59.061	State Trade And Export Promotion Pilot Grant Program			
		SBAHQ-11-IT-0038	9/30/2011 - 9/29/2012	$143,053	0%
			CFDA Total:	$143,053	
			Small Business Administration Total:	**$143,053**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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 - 6/30/2012	$4,559,377	0%
			CFDA Total:	$4,559,377	
4300	**64.015**	**Veterans State Nursing Home Care**			
		None	**7/1/2011 - 6/30/2012**	**$7,213,926**	**0%**
			CFDA Total:	**$7,213,926**	
1200	64.101	Burial Expenses Allowance for Veterans			
		None	10/1/2011 - 9/30/2014	$211,400	0%
			CFDA Total:	$211,400	
5600	64.124	All-Volunteer Force Educational Assistance			
		V101(223C) P-5186 136 1860	10/1/2010 - 9/30/2011	$46,974	0%
		V101(223C) P-5286 236 1860	10/1/2011 - 9/30/2012	$71,420	0%
			CFDA Total:	$118,394	
			Veterans Administration Total:	**$12,103,097**	

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 6/30/2012
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.032	State Indoor Radon Grants			
		K100162321	7/1/2010 - 6/30/2011	$3,994	0%
			CFDA Total:	$3,994	
4400	66.040	State Clean Diesel Grant Program			
	ARRA	ARRA 2D-96102101	4/17/2009 - 9/30/2010	$199,498	0%
		DS97191001	10/1/2008 - 9/30/2010	$367,573	0%
			CFDA Total:	$567,071	
4400	66.424	Surveys, Studies, Investigations, Demonstrations, and Training Grants Section 1442 of the Safe Drinking Water Act			
		X6-96139101	9/30/2010 - 9/30/2013	$7,758	0%
			CFDA Total:	$7,758	
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	$51,791	0%
		X796100701	5/1/2009 - 9/15/2012	$19,766	0%
		X96100301	7/1/2009 - 9/30/2011	$16,685	0%
			CFDA Total:	$88,242	
4400	66.454	Water Quality Management Planning			
	ARRA	ARRA 2P-96102901	5/1/2009 - 8/17/2011	$19,159	0%
		C600100209	10/1/2008 - 9/30/2011	$3,487	0%
		C600100210	10/1/2009 - 6/30/2013	$112,102	0%
		C600100211	10/1/2010 - 9/30/2013	$76,321	0%
		C600100212	10/1/2011 - 9/30/2014	$163	0%
			CFDA Total:	$211,232	
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Funds**			
	ARRA	**ARRA 2W-33000209**	**10/1/2008 - 12/31/2013**	**$2,270,881**	**89%**
		CS33000106	**4/1/2007 - 4/1/2017**	**$786,281**	**100%**
		CS33000107	**4/1/2008 - 4/1/2018**	**$10,150,436**	**100%**
		CS33000107	**4/1/2009 - 4/1/2018**	**$426,800**	**0%**
		CS33000108	**4/1/2009 - 4/1/2019**	**$319,641**	**0%**
			CFDA Total:	**$13,954,039**	
4400	66.460	Nonpoint Source Implementation Grants			
		C998132407	9/15/2006 - 9/30/2011	$55,475	0%
		C998132408	7/1/2007 - 9/30/2012	$22,150	0%
		C998132409	4/1/2008 - 9/30/2013	$246,235	0%
		C998132410	4/8/2009 - 9/30/2014	$353,723	0%
		C998132411	3/1/2010 - 9/30/2015	$209,535	0%
		C998132412	3/1/2011 - 9/30/2016	$71,786	0%
			CFDA Total:	$958,904	
4400	66.461	Regional Wetland Program Development Grants			
		CD96155401	9/30/2011 - 9/30/2013	$20,579	0%
		CD96155701	9/30/2011 - 9/30/2013	$45,093	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
			CFDA Total:	$65,672	
4400	66.467	Wastewater Operator Training Grant Program			
		T97144901	10/1/2005 - 9/30/2010	$88	0%
		T98199301	10/1/2007 - 9/30/2010	$18,203	0%
			CFDA Total:	$18,291	
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund**			
	ARRA	**ARRA 2F-96102301**	**10/1/2008 - 10/1/2015**	**$430,184**	**92%**
		FS99115009	**10/1/2009 - 10/1/2019**	**$225,338**	**100%**
		FS99115007	**10/1/2007 - 10/1/2017**	**$1,423,310**	**100%**
		FS99115008	**10/1/2008 - 10/1/2018**	**$5,620,741**	**100%**
		FS99115010	**10/1/2009 - 10/1/2020**	**$1,736,981**	**5%**
		FS99115011	**10/1/2010 - 10/1/2017**	**$609,075**	**12%**
			CFDA Total:	**$10,045,629**	
4400	66.471	State Grants To Reimburse Operators Of Small Water Systems For Training And Certification Costs			
		CT98149601	9/30/2002 - 9/30/2012	$222,562	0%
			CFDA Total:	$222,562	
4400	66.472	Beach Monitoring And Notification Program Implementation Grants			
		CU96124101	10/1/2010 - 12/31/2011	$66,509	0%
		CU96127801	1/1/2011 - 4/1/2013	$135,297	0%
			CFDA Total:	$201,806	
4400	66.474	Water Protection Grants To The States			
		WP96120101	10/1/2009 - 9/30/2013	$60,527	0%
		WP97172301	10/1/2007 - 6/23/2011	$23,826	0%
			CFDA Total:	$84,353	
4400	66.605	Performance Partnership Grants			
		BG99127307	10/1/2006 - 9/30/2011	$142,363	0%
		BG99127308	10/1/2006 - 9/30/2013	$3,994	0%
		BG99127308	10/1/2008 - 9/30/2013	$487,515	0%
		BG99127308	10/1/2010 - 9/30/2015	$19	0%
		BG99127309	10/1/2010 - 9/30/2015	$4,873,085	0%
			CFDA Total:	$5,506,976	
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants			
		PM99129403	4/1/2008 - 3/31/2010	$232,230	0%
			CFDA Total:	$232,230	
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance			
		OS82346	10/1/2008 - 9/30/2010	$70,939	0%
		OS832346	9/1/2006 - 9/30/2011	$547	0%
		OS83260901	10/1/2008 - 4/30/2011	$911	0%
		OS83408001	9/1/2008 - 8/31/2010	$116,976	0%

(Continued)

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		OS83610601	10/1/2011 - 9/30/2013	$350	0%
		OS88348301	8/1/2007 - 3/30/2012	$52,124	0%
			CFDA Total:	$241,847	
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements			
		BG-97198302-0	10/1/2009 - 9/30/2011	$29,324	0%
		BG-97198303-0	10/1/2011 - 9/30/2013	$228,238	0%
			CFDA Total:	$257,562	
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements			
		K99144808-0	10/1/2010 - 9/30/2012	$95,666	0%
			CFDA Total:	$95,666	
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals			
		PB961031	6/1/2009 - 5/31/2012	$3,605	0%
		PB991512	10/1/2008 - 5/31/2011	$5,060	0%
		PB991512	10/1/2010 - 9/30/2012	$130,707	0%
			CFDA Total:	$139,372	
4400	66.708	Pollution Prevention Grants Program			
		NP96119001	10/1/2009 - 9/30/2011	$31,659	0%
		NP96136401	10/1/2010 - 9/30/2012	$35,067	0%
		NP96138901	10/1/2010 - 9/30/2012	$92,660	0%
		NP96145001	10/1/2011 - 9/30/2013	$32,446	0%
			CFDA Total:	$191,832	
1800	66.714	Regional Agricultural IPM Grants			
		PE-96119501-1	2/1/2010 - 1/31/2012	$2,804	0%
			CFDA Total:	$2,804	
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements			
		V96115301	8/1/2009 - 6/30/2012	$15,260	0%
		V96121901	11/10/2009 - 12/31/2011	$24,428	0%
		V96128101	8/1/2010 - 6/30/2012	$403,942	0%
		V96140701	5/3/2011 - 12/31/2012	$1,534,898	0%
		V96141001	11/22/2010 - 12/31/2011	$64,735	0%
		V96141201	2/2/2011 - 6/30/2013	$126,171	0%
		V96141401	1/10/2011 - 9/30/2011	$84,966	0%
		V97139301	7/1/2008 - 6/30/2012	$78,288	0%
		V97140401	7/1/2008 - 6/30/2011	$126,234	0%
		V97148901	8/10/2006 - 6/30/2012	$290,989	0%
		V97150401	10/1/2006 - 9/30/2012	$131,095	0%
		V97167901	7/1/2007 - 6/30/2012	$270,705	0%
		VC00173321	9/1/2009 - 8/31/2010	$265,630	0%
		VC00173322	9/1/2010 - 8/31/2011	$41,053	0%
			CFDA Total:	$3,458,394	
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program			

(Continued)

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		L96147301	7/1/2009 - 12/31/2010	$61,993	0%
		L98138007	7/1/2010 - 12/31/2011	$245,795	0%
			CFDA Total:	$307,788	
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			
	ARRA	ARRA 2L-96100101	3/1/2009 - 9/30/2011	$173,428	0%
		LS97199801	4/1/2009 - 3/31/2011	$1,572	0%
		LS97199803	4/1/2011 - 3/31/2013	$766,195	0%
			CFDA Total:	$941,195	
4400	66.817	State And Tribal Response Program Grants			
		RP96128501	10/1/2010 - 9/30/2011	$307,204	0%
		RP96144001	10/1/2011 - 9/30/2012	$851,195	0%
			CFDA Total:	$1,158,399	
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements			
	ARRA	ARRA 2B-96120301	10/1/2009 - 9/30/2014	$832,290	98%
		BF96112501	8/3/2009 - 8/2/2012	$236,736	0%
		BF97173201	10/1/2008 - 9/30/2011	$37,727	0%
		BL97130701	7/1/2005 - 9/30/2012	$32,018	0%
			CFDA Total:	$1,138,771	
4400	66.940	Environmental Policy And State Sustainability Grants			
		E197188001	10/1/2008 - 9/30/2012	$27,445	0%
			CFDA Total:	$27,445	
			Environmental Protection Agency Total:	**$40,129,834**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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	8/8/2011 - 8/7/2012	$6,148	0%
			CFDA Total:	$6,148	
0240	**81.041**	**State Energy Program**			
	ARRA	**ARRADE-EE0000228**	**4/17/2009 - 9/30/2012**	**$14,295,909**	**98%**
		R130472	**7/1/2011 - 6/30/2012**	**$306,349**	**0%**
			CFDA Total:	**$14,602,258**	
0240	**81.042**	**Weatherization Assistance For Low-Income Persons**			
	ARRA	**ARRAEE00161**	**4/1/2009 - 9/30/2012**	**$7,625,292**	**96%**
		EE00060	**4/1/2011 - 6/30/2012**	**$475,977**	**0%**
			CFDA Total:	**$8,101,269**	
0240	81.119	State Energy Program Special Projects			
		DE-EE0005463	9/30/2011 - 9/30/2013	$17,738	0%
			CFDA Total:	$17,738	
0240	81.122	Electricity Delivery And Energy Reliability, Research, Development And Analysis			
8100	ARRA	ARRA DE-EE0000163	1/1/2010 - 12/31/2012	$272,076	0%
	ARRA	ARRADE-EE0000100	8/12/2009 - 2/14/2013	$95,589	87%
			CFDA Total:	$367,665	
0240	81.127	Energy Efficient Appliance Rebate Program (EEARP)			
	ARRA	ARRADE-EE0001569	8/24/2009 - 2/17/2012	$260,883	99%
			CFDA Total:	$260,883	
0240	**81.128**	**Energy Efficiency and Conservation Block Grant Program**			
	ARRA	**ARRADE-EE0003576**	**6/1/2010 - 5/31/2013**	**$1,927,623**	**94%**
	ARRA	**ARRAEE0000668**	**9/10/2009 - 9/9/2012**	**$3,907,581**	**98%**
			CFDA Total:	**$5,835,204**	
			Department of Energy Total:	**$29,191,165**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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			
		27003	7/1/2011 - 6/30/2012	$35,812	0%
5600		V002A090029 016 7004	7/1/2009 - 9/30/2010	$153,025	91%
5600		V002A100030 116 7004	7/1/2010 - 9/30/2011	$1,138,223	99%
5600		V002A110030 216 7004	7/1/2011 - 9/30/2012	$698,490	59%
			CFDA Total:	$2,025,550	
5600	**84.010**	**Title I Grants To Local Educational Agencies (Note 7)**			
		S010A090029 019 3261	**7/1/2009 - 9/30/2010**	**$5,023,417**	**100%**
		S010A100029 119 3261	**7/1/2010 - 9/30/2011**	**$17,351,614**	**100%**
		S010A110029 219 1131	**7/1/2011 - 9/30/2012**	**$4,511**	**0%**
		S010A110029 219 2183	**7/1/2011 - 9/30/2012**	**$10,517**	**0%**
		S010A110029 219 3261	**7/1/2011 - 9/30/2012**	**$14,939,648**	**97%**
		S010A110029 219 6114	**7/1/2011 - 9/30/2012**	**$6,992**	**0%**
			CFDA Total:	**$37,336,699**	
5600	84.011	Migrant Education - State Grant Program			
		S011A090029 025 3266	7/1/2009 - 9/30/2010	$41,154	51%
		S011A100029 125 3261	7/1/2010 - 9/30/2011	$17,428	0%
		S011A100029 125 3266	7/1/2010 - 9/30/2011	$61,909	-13%
			CFDA Total:	$120,491	
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth			
		S013A090029 021 3261	7/1/2009 - 9/30/2010	$211,946	100%
		S013A100029 121 3261	7/1/2010 - 9/30/2011	$239,938	100%
			CFDA Total:	$451,884	
5600	**84.027**	**Special Education - Grants To States (Note 7)**			
		H027A090103 023 4110	**7/1/2009 - 9/30/2010**	**$9,304,065**	**99%**
		H027A100103 123 4110	**7/1/2010 - 9/30/2011**	**$10,855,999**	**87%**
		H027A110103 223 2184	**7/1/2011 - 9/30/2012**	**$116,818**	**0%**
		H027A110103 223 4110	**7/1/2011 - 9/30/2012**	**$26,311,845**	**92%**
			CFDA Total:	**$46,588,727**	
5600	84.048	Career And Technical Education - Basic Grants To States			
		V048A090029 015 6032	7/1/2009 - 9/30/2010	$31,480	98%
		V048A100029 115 6032	7/1/2010 - 9/30/2011	$2,156,355	99%
		V048A110029 215 6032	7/1/2011 - 9/30/2012	$3,268,059	90%
			CFDA Total:	$5,455,894	
5600	84.051	Career and Technical Education - National Programs			
		V051C080016 014 4038	10/1/2009 - 9/30/2011	$3,033	100%
			CFDA Total:	$3,033	
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States (Note 7)**			
		H126A110042 190 4020	**10/1/2010 - 9/30/2012**	**$9,042,769**	**45%**
		H126A110042 190 4031	**10/1/2010 - 9/30/2012**	**$312,193**	**0%**
		H126A110042 190 4033	**10/1/2010 - 9/30/2012**	**$270,774**	**0%**
		H126A110042 190 4080	**10/1/2010 - 9/30/2012**	**$783,286**	**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
		H126A120042 290 4020	**10/1/2011 - 9/30/2013**	**$1,063,257**	**27%**
		H126A120042 290 4031	**10/1/2011 - 9/30/2013**	**$67,329**	**0%**
		H126A120042 290 4033	**10/1/2011 - 9/30/2013**	**$78,771**	**0%**
		H126A120042 290 4080	**10/1/2011 - 9/30/2013**	**$299,194**	**0%**
			CFDA Total:	**$11,917,573**	
5600	84.144	Migrant Education - Coordination Program			
		S144F090029 026 3261	7/1/2009 - 9/30/2010	$10,794	0%
		S144F090029 026 3266	7/1/2009 - 9/30/2010	$26,206	0%
		S144F090029 026 3268	7/1/2009 - 9/30/2010	$43,065	99%
		S144F100029 126 3266	7/1/2010 - 9/30/2011	$27,637	0%
		S144F100029 126 3268	7/1/2010 - 9/30/2011	$76,250	95%
		S144F110029 226 3266	7/1/2011 - 9/30/2012	$39,642	0%
		S144F110029 226 3268	7/1/2011 - 9/30/2012	$219	0%
		S144G090029 029 3266	7/1/2009 - 9/30/2010	$10,481	0%
			CFDA Total:	$234,294	
0205	84.161	Rehabilitation Services - Client Assistance Program			
		H161A110030	10/1/2010 - 9/30/2012	$96,804	0%
			CFDA Total:	$96,804	
5600	84.169	Independent Living - State Grants (Note 7)			
		H169A110043 189 6485	10/1/2010 - 9/30/2012	$168,301	0%
		H169A120043 289 6485	10/1/2011 - 9/30/2013	$159,261	0%
			CFDA Total:	$327,562	
5600	**84.173**	**Special Education - Preschool Grants (Note 7)**			
		H173A090109 024 2184	**7/1/2009 - 9/30/2010**	**$842,230**	**100%**
		H173A100109 124 2184	**7/1/2010 - 9/30/2011**	**$(144,395)**	**100%**
		H173A110109 224 2184	**7/1/2011 - 9/30/2012**	**$732,100**	**90%**
			CFDA Total:	**$1,429,935**	
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind (Note 7)			
		H177B11029 193 4092	10/1/2010 - 9/30/2012	$93,396	0%
		H177B12029 293 4092	10/1/2011 - 9/30/2013	$139,768	0%
			CFDA Total:	$233,164	
9500	84.181	Special Education Grants For Infants And Families			
		H181A100127	7/1/2010 - 9/30/2011	$428,014	62%
		H181A110127	7/1/2011 - 9/30/2012	$1,651,750	81%
			CFDA Total:	$2,079,764	
5600	84.186	Safe And Drug-Free Schools And Communities - State Grants			
		Q184W100036 111 2183	7/1/2010 - 9/30/2011	$6,273	0%
		Q184W100036 111 3095	7/1/2010 - 9/30/2011	$68,114	0%
		Q186A090030 010 3095	7/1/2009 - 9/30/2010	$222,999	100%

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$297,386	
5600	84.187	Supported Employment Services For Individuals With The Most Significant Disabilities			
		H187A110043 198 4029	10/1/2010 - 9/30/2012	$243,859	0%
		H187A120043 298 4029	10/1/2011 - 9/30/2013	$256,928	0%
			CFDA Total:	$500,787	
5600	84.196	Education For Homeless Children And Youth (Note 7)			
		S196A100030 145 3261	7/1/2010 - 9/30/2011	$15,889	0%
		S196A100030 145 3270	7/1/2010 - 9/30/2011	$68,831	90%
		S196A110030 245 3270	7/1/2011 - 9/30/2012	$49,945	99%
			CFDA Total:	$134,665	
5600	84.213	Even Start - State Educational Agencies			
		S231C090030 038 3266	7/1/2009 - 9/30/2010	$8,022	0%
		S231C090030 038 3267	7/1/2009 - 9/30/2010	$49,126	100%
		S231C100030 138 2183	7/1/2010 - 9/30/2011	$4,652	0%
		S231C100030 138 3261	7/1/2010 - 9/30/2011	$3,984	0%
		S231C100030 138 3266	7/1/2010 - 9/30/2011	$8,000	0%
		S231C100030 138 3267	7/1/2010 - 9/30/2011	$63,705	99%
			CFDA Total:	$137,489	
5600	84.243	Tech-Prep Education			
		V243A090029 012 6032	7/1/2009 - 9/30/2010	$37,458	95%
		V243A100029 112 6032	7/1/2010 - 9/30/2011	$118,748	41%
			CFDA Total:	$156,206	
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training			
		H265A100050 295 4081	10/1/2011 - 9/30/2012	$14,732	0%
		H265B100015 191 4081	10/1/2010 - 9/30/2011	$17,918	0%
		H265B100015 291 4081	10/1/2010 - 9/30/2011	$14,244	0%
			CFDA Total:	$46,894	
5600	84.282	Charter Schools			
		U282A100001 154 6424	8/1/2010 - 7/31/2011	$661,372	94%
		U282A100001 254 6424	8/1/2011 - 7/31/2012	$296,735	62%
			CFDA Total:	$958,107	
5600	**84.287**	**Twenty-First Century Community Learning Centers**			
		S287C090029 043 3277	**7/1/2009 - 9/30/2010**	**$672,827**	**100%**
		S287C100029 143 3277	**7/1/2010 - 9/30/2011**	**$3,132,758**	**98%**
		S287C110029 243 2183	**7/1/2011 - 9/30/2012**	**$18,628**	**0%**
		S287C110029 243 3277	**7/1/2011 - 9/30/2012**	**$2,031,716**	**93%**
		S287C110029 243 6114	**7/1/2011 - 9/30/2012**	**$17,479**	**0%**
			CFDA Total:	**$5,873,408**	
5600	84.318	Education Technology State Grants (Note 7)			
		S318X090029 005 6101	7/1/2009 - 9/30/2010	$276,435	100%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		S318X100029 105 6101	7/1/2010 - 9/30/2011	$104,035	100%
			CFDA Total:	$380,470	
5600	84.323	Special Education - State Personnel Development			
		H323A070028-09 033 4107	9/1/2009 - 8/31/2010	$53,991	100%
		H323A070028-10 133 4107	9/1/2010 - 8/31/2011	$533,784	75%
		H323A070028-10 233 4107	9/1/2011 - 8/31/2012	$159,180	38%
			CFDA Total:	$746,955	
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)			
		S330B100020 035 3273	3/1/2009 - 2/28/2010	$1,512	0%
		S330B110020 135 3273	3/1/2010 - 2/28/2011	$23,625	0%
			CFDA Total:	$25,137	
5600	84.358	Rural Education			
		S358B090029 049 3278	7/1/2009 - 9/30/2010	$314,212	100%
		S358B100029 149 2183	7/1/2010 - 9/30/2011	$5,202	0%
		S358B100029 149 3278	7/1/2010 - 9/30/2011	$483,226	100%
		S358B110029 249 2183	7/1/2011 - 9/30/2012	$38,583	0%
		S358B110029 249 3278	7/1/2011 - 9/30/2012	$169,233	99%
			CFDA Total:	$1,010,456	
5600	84.365	English Language Acquisition State Grants			
		T365A090029 065 6114	7/1/2009 - 9/30/2010	$333,922	99%
		T365A100029 165 6114	7/1/2010 - 9/30/2011	$421,868	73%
		T365A110029 265 6114	7/1/2011 - 9/30/2012	$184,391	75%
			CFDA Total:	$940,181	
5600	84.366	Mathematics And Science Partnerships			
		S366B090030 048 3279	7/1/2009 - 9/30/2010	$131,502	100%
		S366B100030 148 3279	7/1/2010 - 9/30/2011	$392,227	87%
		S366B100030 148 6424	7/1/2010 - 9/30/2011	$7,841	0%
		S366B110030 248 3279	7/1/2011 - 9/30/2012	$218,280	59%
		S366B110030 248 6424	7/1/2011 - 9/30/2012	$9,203	0%
			CFDA Total:	$759,053	
5600	**84.367**	**Improving Teacher Quality State Grants**			
		S367A090028 062 2183	**7/1/2009 - 9/30/2010**	**$2,133,686**	**100%**
		S367A100028 162 2183	**7/1/2010 - 9/30/2011**	**$4,609,317**	**98%**
		S367A110028 262 2183	**7/1/2011 - 9/30/2012**	**$4,791,643**	**94%**
		S367B090026 061 2183	**7/1/2009 - 9/30/2010**	**$283,702**	**0%**
		S367B100026 161 2183	**7/1/2010 - 9/30/2011**	**$106,096**	**94%**
		S367B110026 261 2183	**7/1/2011 - 9/29/2012**	**$16,234**	**0%**
			CFDA Total:	**$11,940,678**	
5600	84.368	Grants For Enhanced Assessment Instruments			
		S368A100008 5067 131	10/1/2010 - 5/31/2012	$1,023,059	100%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$1,023,059	
5600	84.369	Grants For State Assessments And Related Activities			
		S369A100030 159 3261	7/1/2010 - 9/30/2011	$24,507	0%
		S369A100030 159 6422	7/1/2010 - 9/30/2011	$1,355,846	71%
		S369A110030 259 6422	7/1/2011 - 9/30/2012	$3,168,022	89%
			CFDA Total:	$4,548,375	
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	$114,536	85%
			CFDA Total:	$111,898	
5600	84.372	Statewide Data Systems			
		R372A080019-08 930 6156	8/1/2008 - 7/31/2010	$273,431	88%
			CFDA Total:	$273,431	
5600	84.377	School Improvement Grants (Note 7)			
		S377A080031 917 1131	7/1/2008 - 9/30/2009	$59,000	100%
		S377A090030 017 1131	7/1/2009 - 9/30/2010	$995,195	99%
		S377A100030 117 1131	7/1/2010 - 9/30/2011	$59,270	58%
		S377A100030 117 3261	7/1/2010 - 9/30/2011	$11,651	0%
			CFDA Total:	$1,125,116	
5600	84.378	College Access Challenge Grant Program			
		P378A100050 137 1861	8/14/2010 - 8/30/2011	$497,405	93%
		P378A110050 237 1861	8/14/2011 - 8/30/2012	$691,178	96%
		P378A900050 037 1861	8/14/2009 - 8/30/2010	$86,253	100%
			CFDA Total:	$1,274,836	
5600	84.386	Education Technology State Grants, Recovery Act (Note 7)			
	ARRA	ARRA S386A090029 R99 807	2/17/2009 - 9/30/2010	$481,116	95%
			CFDA Total:	$481,116	
5600	84.387	Education For Homeless Children And Youth, Recovery Act (Note 7)			
	ARRA	ARRA S387A090030 R95 811	2/17/2009 - 9/30/2010	$43,485	100%
			CFDA Total:	$43,485	
5600	84.388	School Improvement Grants Recovery Act (Note 7)			
	ARRA	ARRA S388A090030A R100 810	2/17/2009 - 1/3/2012	$2,740,437	92%
			CFDA Total:	$2,740,437	
5600	**84.389**	**Title I Grants To Local Educational Agencies, Recovery Act (Note 7)**			
	ARRA	**ARRA S389A090029A R93 806**	**2/18/2009 - 9/30/2010**	**$9,234,134**	**99%**
			CFDA Total:	**$9,234,134**	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	**84.390**	Rehabilitation **Services - Vocational Rehabilitation Grants To States, Recovery Act (Note 7)**			
	ARRA	**ARRA H390A090042 R98 817**	**2/17/2009 - 9/30/2010**	**$901,495**	**100%**
			CFDA Total:	**$901,495**	
5600	**84.391**	**Special Education Grants To States, Recovery Act (Note 7)**			
	ARRA	**ARRA H391A090103A R90 814**	**2/17/2009 - 9/30/2010**	**$11,646,768**	**100%**
			CFDA Total:	**$11,646,768**	
5600	**84.392**	**Special Education - Preschool Grants, Recovery Act (Note 7)**			
	ARRA	**ARRA H392A090109 R91 815**	**2/17/2009 - 9/30/2010**	**$746,209**	**100%**
			CFDA Total:	**$746,209**	
5600	84.398	Independent Living State Grants, Recovery Act (Note 7)			
	ARRA	ARRA H398A090043 R96 818	2/17/2009 - 9/30/2010	$54,135	100%
			CFDA Total:	$54,135	
5600	84.399	Independent Living Services For Older Individuals Who Are Blind, Recovery Act (Note 7)			
	ARRA	ARRA H399A090029 R97 819	2/17/2009 - 9/30/2010	$4,880	100%
			CFDA Total:	$4,880	
5600	**84.410**	**Education Jobs Fund**			
		S410A100030 127 7550	**8/10/2010 - 9/30/2012**	**$18,223,825**	**100%**
		S410A100030-10A 0812	**8/10/2010 - 9/30/2012**	**$89,990**	**0%**
			CFDA Total:	**$18,313,815**	
5600	84.999	No Program Title			
		ED-03-CO-0067 6145	1/22/2008 - 9/30/2008	$10,593	0%
		ED-03-CO-0067 6421	1/22/2008 - 9/30/2008	$133,049	0%
		ED-08-CO-0078 6156 Can 932	7/8/2009 - 6/30/2010	$52,419	0%
			CFDA Total:	$196,061	
			Department of Education Total:	**$184,928,496**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
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 5)			
		Title II, 251	7/1/2011 - 6/30/2012	$309,015	0%
			CFDA Total:	$309,015	
			U.S. Election Assistance Commission Total:	**$309,015**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2012
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			
		STT051012	9/1/2008 - 8/31/2012	$115,753	0%
			CFDA Total:	$115,753	
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
		10AANHT7SP	10/1/2010 - 9/30/2011	$156,810	0%
			CFDA Total:	$156,810	
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services			
		11AANHT3SP	10/1/2010 - 9/30/2011	$105,616	0%
			CFDA Total:	$105,616	
9500	**93.044**	**Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 7)**			
		11AANHT3SP	**10/1/2010 - 9/30/2011**	**$1,980,184**	**0%**
			CFDA Total:	**$1,980,184**	
9500	**93.045**	**Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 7)**			
		11AANHT3SP	**10/1/2010 - 9/30/2011**	**$3,071,145**	**0%**
			CFDA Total:	**$3,071,145**	
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects			
		90CD1202/02	9/30/2009 - 9/29/2012	$369,599	0%
		90MP0022/03	6/1/2011 - 5/31/2012	$157,783	0%
		90MP0073	9/30/2010 - 9/29/2011	$99,262	0%
			CFDA Total:	$626,644	
9500	93.051	Alzheimer's Disease Demonstration Grants to States			
		90AI0023-01	9/30/2009 - 9/30/2011	$275,941	0%
			CFDA Total:	$275,941	
9500	93.052	National Family Caregiver Support, Title III, Part E			
		11AANHT3SP	10/1/2010 - 9/30/2011	$708,033	0%
			CFDA Total:	$708,033	
9500	**93.053**	**Nutrition Services Incentive Program (Note 7)**			
		11AANHNSIP	**10/1/2010 - 9/30/2011**	**$1,092,578**	**0%**
			CFDA Total:	**$1,092,578**	
9500	**93.069**	**Public Health Emergency Preparedness**			
		HTP000375	**7/31/2009 - 7/30/2011**	**$1,065,185**	**0%**
		TP117011BIOT	**8/10/2008 - 8/9/2009**	**$78,896**	**0%**
		TP117011BIOT	**8/10/2009 - 8/9/2011**	**$726,320**	**0%**
		UTP1170112	**8/10/2011 - 8/9/2013**	**$4,325,755**	**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
			CFDA Total:	**$6,196,156**	
9500	93.070	Environmental Public Health And Emergency Response			
		EH000509	9/1/2010 - 8/31/2011	$230,355	0%
		EH000509	9/1/2011 - 8/31/2012	$238,256	0%
		UEH000820	9/1/2011 - 8/31/2012	$250,100	0%
			CFDA Total:	$718,711	
9500	93.071	Medicare Enrollment Assistance Program			
		10AANHMADR	9/30/2010 - 9/29/2012	$129,597	0%
			CFDA Total:	$129,597	
9500	93.072	Lifespan Respite Care Project			
		90LR0009/01	9/30/2009 - 9/29/2012	$17,816	29%
			CFDA Total:	$17,816	
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			
		01NHPREP	8/2/2010 - 9/30/2012	$39,327	0%
			CFDA Total:	$39,327	
9500	93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants			
		90FX000301	9/30/2010 - 9/29/2015	$1,610,608	0%
			CFDA Total:	$1,610,608	
9500	93.103	Food And Drug Administration - Research			
		UFD003822	7/1/2010 - 6/30/2011	$18,619	0%
		UFD003822	7/1/2011 - 9/15/2012	$187,176	0%
			CFDA Total:	$205,795	
9500	93.110	Maternal And Child Health Federal Consolidated Programs			
		H18MC00033	12/1/2010 - 11/30/2012	$60,889	0%
		H18MC00033	2/1/2012 - 11/30/2012	$31,407	0%
		H25MC00249C0	6/1/2011 - 5/31/2012	$112,571	0%
		H98MC21589	2/1/2011 - 8/31/2013	$99,989	93%
			CFDA Total:	$304,856	
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program			
		UPS1078689	1/1/2011 - 12/31/2011	$156,412	0%
		UPS1078689	1/1/2012 - 12/31/2012	$6,681	0%
			CFDA Total:	$163,093	
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices			
		U68HP11508	4/1/2011 - 3/31/2012	$49,602	0%
		U68HP11508	4/1/2012 - 3/31/2013	$37,735	0%
			CFDA Total:	$87,337	

(Continued)

State of New Hampshire
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For The Fiscal Year Ended 6/30/2012
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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs			
		UCE002022	8/1/2011 - 7/31/2012	$28,251	0%
		VCE001133	11/1/2010 - 10/31/2012	$190,224	0%
			CFDA Total:	$218,475	
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)			
		2X06SM060030-11	7/1/2011 - 6/30/2012	$300,000	96%
			CFDA Total:	$300,000	
9500	93.165	Grants To States For Loan Repayment Program			
		HP15668	9/1/2009 - 8/31/2011	$7,508	0%
			CFDA Total:	$7,508	
9500	93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children			
		214-2011-M-39175	9/30/2011 - 9/29/2012	$4,643	0%
			CFDA Total:	$4,643	
4400	93.204	Surveillance of Hazardous Substance Emergency Events			
		1U61/TS000176-01	4/1/2011 - 3/31/2012	$238,471	0%
		5U61/ATU175209-06	4/1/2012 - 3/31/2013	$70,257	0%
			CFDA Total:	$308,728	
9500	93.217	Family Planning - Services			
		01H000036	12/31/2010 - 12/30/2011	$639,623	0%
		01H000036	12/31/2011 - 12/30/2012	$205,733	0%
			CFDA Total:	$845,356	
9500	93.235	Affordable Care Act (ACA) Abstinence Education Program			
		01NHAEGP	8/2/2010 - 9/30/2011	$89,249	0%
		01NHAEGP	10/1/2010 - 9/30/2012	$39,027	0%
			CFDA Total:	$128,276	
9500	93.241	State Rural Hospital Flexibility Program			
		H54RH00022	9/1/2010 - 8/31/2011	$188,715	0%
		H54RH00022	9/1/2011 - 8/31/2012	$74,720	0%
			CFDA Total:	$263,435	
9500	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
		1U79SP018654-01	9/1/2011 - 8/31/2012	$4,150	0%
		HHSS2832007000201	12/21/2010 - 9/15/2011	$120,120	100%
		HHSS2832007000201	1/24/2011 - 9/29/2011	$30,724	50%
		HR1SM058105	9/30/2007 - 9/29/2011	$44,116	99%
		HR1SM059985	9/30/2010 - 9/29/2013	$208,160	100%
			CFDA Total:	$407,270	
9500	93.251	Universal Newborn Hearing Screening			

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		MC00034	4/1/2011 - 3/31/2012	$139,268	0%
		MC00034	4/1/2012 - 3/31/2013	$47,424	0%
			CFDA Total:	$186,692	
9500	93.262	Occupational Safety And Health Program			
		OH009853	7/1/2010 - 6/30/2011	$749	0%
		OH009853	7/1/2011 - 6/30/2012	$124,137	0%
			CFDA Total:	$124,886	
9500	**93.268**	**Immunization Cooperative Agreements (Note 3, 7)**			
		CCH122555	**1/1/2010 - 12/31/2010**	**$119,665**	**0%**
		CCH122555	**1/1/2011 - 12/31/2011**	**$1,133,755**	**0%**
		CCH122555	**1/1/2012 - 12/31/2012**	**$625,636**	**0%**
		n/a	**7/1/2011 - 6/30/2012**	**$8,636,249**	**0%**
			CFDA Total:	**$10,515,305**	
9500	93.270	Adult Viral Hepatitis Prevention And Control			
		UPS000887A	11/1/2010 - 10/31/2011	$59,334	0%
		UPS000887A	11/1/2011 - 10/31/2012	$54,460	0%
			CFDA Total:	$113,794	
9500	93.275	Substance Abuse And Mental Health Services - Access To Recovery			
		1H79T102311701	9/30/2010 - 9/29/2014	$900,396	0%
			CFDA Total:	$900,396	
9500	93.283	Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical			
		CI000498-03	1/1/2009 - 12/31/2011	$311,445	0%
		DP000174	8/2/2010 - 7/31/2011	$181,233	0%
		DP000798	6/30/2010 - 6/29/2011	$348,444	0%
		DP000798	6/30/2011 - 6/29/2012	$1,905,458	0%
		DP001471	6/30/2010 - 6/29/2011	$111,864	0%
		DP001979	3/29/2010 - 3/28/2011	$181,066	0%
		DP001979	3/29/2011 - 3/28/2012	$1,045,966	0%
		DP001979	3/29/2012 - 3/28/2013	$69,093	0%
		UCK000256A	1/1/2012 - 12/31/2012	$161,449	0%
		UDD000426	7/1/2010 - 6/30/2011	$34,216	0%
		UDD000827	7/1/2011 - 6/30/2012	$75,093	0%
		USO000011	3/29/2011 - 3/28/2012	$377,723	0%
		USO000011	3/29/2012 - 3/28/2013	$11,379	0%
			CFDA Total:	$4,814,429	
9500	93.301	Small Rural Hospital Improvement Grant Program			
		H3HRH00028	9/1/2011 - 8/31/2012	$111,111	0%
			CFDA Total:	$111,111	
9500	93.448	Food Safety And Security Monitoring Project			
		FD003164	9/1/2010 - 6/30/2011	$66,510	0%
		FD003164	7/1/2011 - 6/30/2012	$378,989	0%

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State of New Hampshire
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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$445,499	
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program			
		MC19420	7/15/2010 - 9/30/2012	$586,599	0%
		MC23153	9/30/2011 - 9/29/2012	$29,846	0%
			CFDA Total:	$616,445	
9500	93.507	PPHF 2012 National Public Health Improvement Initiative			
		001289NP	9/30/2011 - 9/29/2012	$87,710	0%
		UCD001289	9/30/2010 - 9/29/2011	$46,618	0%
			CFDA Total:	$134,328	
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review			
		IPRPR100026-01-02	8/9/2010 - 3/31/2012	$520,195	0%
		PRPPR120031-01-01	10/1/2011 - 9/30/2014	$134,493	0%
			CFDA Total:	$654,688	
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity			
		CI0000874	8/1/2011 - 7/31/2012	$52,701	0%
		CI000874	9/30/2010 - 7/31/2011	$116,680	0%
		CI000874	8/1/2011 - 7/31/2012	$370,355	0%
			CFDA Total:	$539,736	
9500	93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project			
		1B1CMS330880	9/13/2011 - 9/12/2012	$254,841	91%
			CFDA Total:	$254,841	
9500	93.538	Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation			
		EH000947	8/1/2011 - 7/31/2012	$407,360	0%
			CFDA Total:	$407,360	
9500	93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated			
		001979CD	9/1/2011 - 8/31/2012	$81,117	0%
			CFDA Total:	$81,117	
9500	93.548	PPHF 2012: Nutrition, Physical Activity and Obesity Program - financed in part by 2012 Prevention an			
		DP001471	6/30/2011 - 6/29/2012	$328,355	0%
			CFDA Total:	$328,355	
9500	93.556	Promoting Safe And Stable Families			
		1101NHFPSS	10/1/2010 - 9/30/2012	$147,296	0%
		1201NHFPSS	10/1/2011 - 9/30/2013	$441,889	0%

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State of New Hampshire
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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$589,185	
9500	**93.558**	**Temporary Assistance For Needy Families (TANF)**			
		1101NHTANF	**10/1/2010 - 9/30/2011**	**$10,524,854**	**0%**
		1201NHTANF	**10/1/2011 - 9/30/2012**	**$31,574,563**	**0%**
			CFDA Total:	**$42,099,417**	
2700	**93.563**	**Child Support Enforcement**			
9500		**1104NH4004**	**10/1/2010 - 9/30/2011**	**$2,646,548**	**0%**
9500		**1204NH4005**	**10/1/2011 - 9/30/2012**	**$7,939,644**	**0%**
		NONE	**7/1/2010 - 6/30/2011**	**$3,866**	**0%**
			CFDA Total:	**$10,590,058**	
9500	93.566	Refugee And Entrant Assistance - State Administered Programs			
		1001NHCMAR	10/1/2010 - 9/30/2011	$148,840	0%
		1101NHRRSS	10/1/2010 - 9/30/2012	$105,839	0%
		1201NHCMAR	10/1/2011 - 9/30/2012	$439,441	0%
		1201NHRRSS	10/1/2011 - 9/30/2013	$317,517	0%
		90RX0206	7/1/2011 - 8/14/2012	$60,452	0%
		90RX0235	7/1/2010 - 9/29/2012	$20,151	0%
			CFDA Total:	$1,092,240	
0240	**93.568**	**Low-Income Home Energy Assistance**			
		G-10B1NHLIEA	**10/1/2009 - 9/30/2011**	**$1,231,640**	**100%**
		G-11B1NHLIEA	**10/1/2010 - 9/30/2012**	**$4,060,492**	**99%**
		G-12B1NHLIEA	**10/1/2011 - 9/30/2013**	**$22,633,899**	**99%**
			CFDA Total:	**$27,926,031**	
9500	93.569	Community Services Block Grant			
		11B1NHCOSR	10/1/2010 - 9/30/2012	$869,477	0%
		12B1NHCOSR	10/1/2011 - 9/30/2013	$2,608,432	0%
			CFDA Total:	$3,477,909	
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants			
		90ZE012502	8/15/2010 - 8/14/2012	$207,901	0%
			CFDA Total:	$207,901	
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants			
		1001NHRRTA	10/1/2009 - 9/30/2011	$79,482	0%
			CFDA Total:	$79,482	
1000	93.586	State Court Improvement Program			
		2009G991512	10/1/2009 - 9/30/2011	$6,871	0%
		2009G991513	10/1/2009 - 9/30/2011	$18,687	0%
		2009G996437	10/1/2009 - 9/30/2011	$22,790	0%
		2010G991512	10/1/2009 - 9/30/2011	$86,448	0%
		2010G991513	10/1/2009 - 9/30/2011	$42,344	0%
		2010G996437	10/1/2009 - 9/30/2011	$73,680	0%

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2011G991512	10/1/2010 - 9/30/2012	$67,893	0%
		2011G991513	10/1/2010 - 9/30/2012	$31,787	0%
		2011G996437	10/1/2012 - 9/30/2012	$85,330	0%
			CFDA Total:	$435,830	
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 7)**			
		1101NHCCDF	**10/1/2010 - 9/30/2012**	**$4,077,229**	**0%**
		1201NHCCDF	**10/1/2011 - 9/30/2012**	**$12,231,687**	**0%**
			CFDA Total:	**$16,308,916**	
9500	93.597	Grants To States For Access And Visitation Programs			
		1001NHSAVP	10/1/2009 - 9/30/2011	$19,723	0%
		1101NHSAVP	10/1/2010 - 9/30/2012	$59,169	0%
			CFDA Total:	$78,892	
9500	93.599	Chafee Education And Training Vouchers Program (ETV)			
		1001NHCETV	10/1/2009 - 9/30/2011	$124,790	0%
		1101NHCETV	10/1/2010 - 9/30/2012	$374,372	0%
			CFDA Total:	$499,162	
9500	93.600	Head Start			
		01CD0024/02	7/1/2011 - 6/30/2016	$129,327	0%
			CFDA Total:	$129,327	
9500	93.603	Adoption Incentive Payments			
		1001NHAIPP	10/1/2009 - 9/30/2011	$5,036	0%
		1101NHAIPP	10/1/2010 - 9/30/2012	$15,108	0%
			CFDA Total:	$20,144	
3200	93.617	Voting Access For Individuals With Disabilities-Grants To States			
		HAVA Title I, 261	7/1/2010 - 6/30/2011	$238,810	0%
			CFDA Total:	$238,810	
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants			
		G994902	10/1/2011 - 9/30/2012	$395,104	0%
			CFDA Total:	$395,104	
2000	93.643	Children's Justice Grants To States			
		G0901NHCJA1	10/1/2008 - 9/30/2012	$9,976	0%
		G0901NHCJA1	10/1/2008 - 9/30/2012	$8,433	25%
		G1001NHCJA1	10/30/2010 - 9/1/2012	$22,890	25%
		G1001NHCJA1	10/1/2012 - 9/30/2012	$26,889	0%
			CFDA Total:	$68,188	
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program			
		1101NH1400	10/1/2010 - 9/30/2012	$225,640	0%
		1201NH1400	10/1/2010 - 9/30/2013	$676,920	0%

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$902,560	
9500	**93.658**	**Foster Care - Title IV-E**			
		1101NH1401	**10/1/2010 - 9/30/2011**	**$3,999,073**	**0%**
		1201NH1401	**10/1/2011 - 9/30/2012**	**$11,997,218**	**0%**
	ARRA	**ARRA1001NH1401**	**10/1/2009 - 9/30/2011**	**$(20,943)**	**0%**
			CFDA Total:	**$15,975,348**	
9500	93.659	Adoption Assistance			
		1101NH1407	10/1/2010 - 9/30/2011	$1,117,183	0%
		1201NH1407	10/1/2011 - 9/30/2012	$3,351,549	0%
	ARRA	ARRA1001NH1407	10/1/2009 - 9/30/2011	$(649)	0%
			CFDA Total:	$4,468,083	
9500	**93.667**	**Social Services Block Grant**			
		1001NHSOSR	**10/1/2009 - 9/30/2011**	**$2,031,183**	**0%**
		1101NHSOSR	**10/1/2010 - 9/30/2012**	**$6,093,548**	**0%**
			CFDA Total:	**$8,124,731**	
9500	93.669	Child Abuse And Neglect State Grants			
		0901NHCA01	10/1/2008 - 9/30/2013	$61,396	0%
		1001NHCA01	10/1/2009 - 9/30/2014	$184,187	0%
			CFDA Total:	$245,583	
9500	93.671	Family Violence Prevention And Services / Grants For Battered Women's Shelters - Grants To States And Indian Tribes			
		1001NHFVPS	10/1/2009 - 9/30/2011	$199,963	0%
		1101NHFVPS	10/1/2010 - 9/30/2012	$599,888	0%
			CFDA Total:	$799,851	
9500	**93.712**	**ARRA - Immunization (Note 7)**			
	ARRA	**ARRA 122555SF**	**9/1/2009 - 12/31/2011**	**$44,685**	**0%**
			CFDA Total:	**$44,685**	
9500	**93.713**	**ARRA - Child Care And Development Block Grant (Note 7)**			
	ARRA	**ARRAG0901NHCCDF**	**10/1/2009 - 12/31/2011**	**$66,363**	**0%**
			CFDA Total:	**$66,363**	
9500	93.717	ARRA - Preventing Healthcare - Associated Infections			
	ARRA	ARRA 000498AR	9/1/2009 - 12/31/2011	$273,677	0%
			CFDA Total:	$273,677	
9500	93.719	ARRA - State Grants to Promote Health Information Technology			
	ARRA	ARRA 90HT001301	2/8/2010 - 2/7/2014	$220,875	0%
			CFDA Total:	$220,875	
9500	93.723	ARRA - Prevention And Wellness - State, Territories And Pacific Islands			

(Continued)

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	ARRA	001979OS	2/4/2010 - 2/3/2012	$287,290	0%
	ARRA	001979OS	2/4/2010 - 7/3/2012	$231,716	0%
			CFDA Total:	$519,006	
9500	93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program			
	ARRA	90RA0019	3/31/2010 - 3/30/2012	$124,664	0%
			CFDA Total:	$124,664	
9500	**93.767**	**Children's Health Insurance Program**			
		0205NH5021	**10/1/2011 - 9/30/2014**	**$14,413,352**	**0%**
		1105NH5021	**10/1/2010 - 9/30/2013**	**$4,804,451**	**0%**
			CFDA Total:	**$19,217,803**	
2000	**93.775**	**State Medicaid Fraud Control Units (Note 7)**			
		1101NH5050	**10/1/2011 - 9/30/2012**	**$676,937**	**0%**
			CFDA Total:	**$676,937**	
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers Medicare (Note 7)**			
		1005NH5000	**10/1/2010 - 9/30/2011**	**$398,485**	**0%**
		1105NH5000	**10/1/2011 - 9/30/2012**	**$1,195,454**	**0%**
		1105NH5000\2	**10/1/2010 - 9/30/2011**	**$30,776**	**0%**
		1105NH5001	**10/1/2010 - 9/30/2011**	**$178,926**	**0%**
		1205NH5001	**10/1/2011 - 9/30/2012**	**$536,779**	**0%**
		1205NH5002	**10/1/2011 - 9/30/2012**	**$92,328**	**0%**
			CFDA Total:	**$2,432,748**	
9500	**93.778**	**Medical Assistance Program (Note 7)**			
		05NH5048	**10/1/2011 - 9/30/2012**	**$131,000**	**0%**
		1105NH5048	**10/1/2010 - 9/30/2011**	**$155,307,189**	**0%**
		1205NH5028	**10/1/2010 - 9/30/2011**	**$34,087,265**	**0%**
		1205NH5028	**10/1/2011 - 9/30/2012**	**$432,050,088**	**0%**
	ARRA	**ARRA1105NH5048**	**10/1/2010 - 9/30/2011**	**$568,249**	**0%**
			CFDA Total:	**$622,143,791**	
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations			
		1N0CMS020220-19	4/1/2011 - 3/31/2012	$375,148	0%
			CFDA Total:	$375,148	
9500	93.791	Money Follows The Person Rebalancing Demonstration			
		1LICMS300148	1/1/2007 - 3/31/2016	$1,562,614	0%
			CFDA Total:	$1,562,614	
9500	93.889	National Bioterrorism Hospital Preparedness Program			
		01NHBTHP	7/1/2010 - 6/30/2012	$2,221,697	0%

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$2,221,697	
9500	93.913	Grants To States For Operation Of Offices Of Rural Health			
		H95RH00149	7/1/2010 - 6/30/2011	$37,190	0%
		H95RH00149	7/1/2011 - 6/30/2012	$196,663	0%
			CFDA Total:	$233,853	
9500	93.917	HIV Care Formula Grants			
		HAX070003	4/1/2010 - 3/31/2011	$35,465	0%
		HAX070003	4/1/2011 - 3/31/2012	$1,445,207	0%
			CFDA Total:	$1,480,672	
5600	93.938	Cooperative Agreements To Support Comprehensive School Health Programs To Prevent The Spread Of HIV And Other Important Health Problems			
		5U87DP001217-04 150 3271	3/1/2011 - 2/28/2012	$181,727	32%
		5U87DP001217-05 250 3271	3/1/2011 - 2/28/2012	$46,881	0%
			CFDA Total:	$228,608	
9500	93.940	HIV Prevention Activities - Health Department Based			
		UPS003655A	1/1/2012 - 12/31/2012	$213,489	0%
		UPS123494	1/1/2011 - 12/31/2012	$1,108,235	0%
			CFDA Total:	$1,321,724	
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			
		UPS001029A	1/1/2011 - 12/31/2011	$61,170	0%
		UPS001029A	1/1/2012 - 12/31/2012	$25,854	0%
			CFDA Total:	$87,024	
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control			
		UDP003156	9/30/2011 - 9/29/2012	$50,219	0%
			CFDA Total:	$50,219	
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			
		DP002074	8/1/2010 - 7/31/2011	$7,124	0%
		DP002074	8/1/2011 - 7/31/2012	$9,227	0%
			CFDA Total:	$16,351	
9500	93.958	Block Grants For Community Mental Health Services			
		3B09SM010035-10	10/1/2009 - 9/30/2011	$61,223	97%
		3B09SM010035-11	10/1/2010 - 9/30/2012	$1,416,438	97%
		3B09SM010035-12	10/1/2011 - 9/30/2013	$64,635	0%
			CFDA Total:	$1,542,296	
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**			
		11B1NHSAPT	**10/1/2010 - 9/30/2012**	**$6,204,564**	**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 6/30/2012
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$6,204,564**	
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants			
		HPS001345	1/1/2011 - 12/31/2011	$82,118	0%
		HPS001345	1/1/2012 - 12/31/2012	$106,441	0%
			CFDA Total:	$188,559	
9500	93.991	Preventive Health And Health Services Block Grant			
		B1NHPRVS	10/1/2009 - 9/30/2011	$278,089	0%
		B1NHPRVS	10/1/2010 - 10/30/2012	$575,356	0%
			CFDA Total:	$853,445	
9500	93.994	Maternal And Child Health Services Block Grant To The States			
		B1NHMCHS	10/1/2009 - 9/30/2011	$255,734	53%
		B1NHMCHS	10/1/2010 - 9/30/2012	$333,956	0%
		B1NHMCHS	10/1/2010 - 9/30/2012	$544,821	53%
		B1NHMCHS	10/1/2011 - 9/30/2013	$938,431	0%
			CFDA Total:	$2,072,942	
			Department of Health and Human Services Total:	**$839,231,690**	

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 6/30/2012
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-001 155 4112	9/30/2010 - 9/29/2012	$32,217	99%
		06KSANH001 055 4112	9/30/2009 - 9/29/2011	$3,144	42%
			CFDA Total:	$35,361	
		Corporation for National and Community Service Total:		**$35,361**	

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 6/30/2012
Social Security Administration

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	**96.001**	**Social Security - Disability Insurance (Note 7)**			
		04-0904NHD100 996 4040	**10/1/2008 - 9/30/2009**	**$7**	**100%**
		04-1004NHD100 096 4040	**10/1/2009 - 9/30/2010**	**$2,087**	**100%**
		04-1104NHD100 196 4040	**10/1/2010 - 9/30/2011**	**$2,521,011**	**40%**
		04-1204NHD100 296 4040	**10/1/2011 - 9/30/2012**	**$4,287,277**	**27%**
			CFDA Total:	**$6,810,382**	
9500	**96.006**	**Supplemental Security Income (Note 7)**			
		n/a	**10/1/2010 - 9/30/2011**	**$41,017**	**92%**
		n/a	**10/1/2011 - 9/30/2012**	**$123,050**	**92%**
			CFDA Total:	**$164,067**	
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries			
		010-056-4050	1/1/1995 - 12/1/2009	$1,901,693	41%
			CFDA Total:	$1,901,693	
			Social Security Administration Total:	**$8,876,142**	

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 6/30/2012
Department of Homeland Security

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	97.012	Boating Safety Financial Assistance			
		11.01.33	10/1/2010 - 9/30/2011	$746,073	0%
		3312FAS120133	10/1/2011 - 9/30/2012	$670,118	0%
			CFDA Total:	$1,416,191	
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)			
		EMB-2011-GR-0923	10/1/2010 - 9/30/2011	$23,144	0%
		EMB-2012-GR-0938	10/1/2011 - 9/30/2012	$66,543	0%
			CFDA Total:	$89,687	
2300	97.029	Flood Mitigation Assistance			
		EMB2008FME003	8/15/2008 - 12/15/2012	$172,772	77%
		EMB2009FME003	9/23/2009 - 9/15/2012	$1,377	0%
		EMB2011FME001	5/12/2011 - 4/6/2014	$182,075	100%
		EMB2011FME003	9/28/2011 - 9/27/2014	$85,586	100%
			CFDA Total:	$441,810	
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters)**			
		DRNH 1892 PA	**3/29/2010 - 3/29/2014**	**$26,247**	**100%**
		DRNH 1913 PA	**5/12/2010 - 5/29/2014**	**$4,814**	**100%**
		DRNH 4006 PA	**7/22/2011 - 7/22/2015**	**$1,174,777**	**100%**
		DRNH 4049 PA	**12/5/2011 - 12/5/2015**	**$3,248,311**	**100%**
		DRNH1695PA	**4/27/2007 - 3/31/2012**	**$157,676**	**100%**
		DRNH3333EM	**8/27/2011 - 8/27/2015**	**$550,618**	**100%**
		DRNH4026PA	**9/3/2011 - 9/3/2015**	**$8,649,114**	**100%**
			CFDA Total:	**$13,811,557**	
2300	97.039	Hazard Mitigation Grant			
		DRNH 1782 HM	6/30/2009 - 12/31/2012	$74,631	99%
		DRNH 1787 HM	9/5/2008 - 12/11/2012	$84,311	99%
		DRNH 1799 HM	10/3/2008 - 12/11/2012	$277	0%
		DRNH 1812 HM	1/2/2009 - 12/31/2012	$1,408,303	100%
		DRNH 1892 HM	3/29/2010 - 3/29/2014	$12,858	87%
		DRNH 1913 HM	5/12/2010 - 6/30/2014	$33,355	99%
		DRNH1643HM	8/16/2007 - 7/31/2012	$127,436	95%
		DRNH1695HM	8/26/2008 - 12/31/2012	$390,070	96%
			CFDA Total:	$2,131,241	
4400	97.041	National Dam Safety Program			
		2009-RC-55-0008	9/29/2009 - 9/28/2011	$40,311	0%
		2010-RC-55-0008	10/1/2010 - 9/30/2012	$43,763	0%
			CFDA Total:	$84,074	
2300	97.042	Emergency Management Performance Grants			
		2008EME80025	10/1/2007 - 9/30/2011	$437,809	100%
		2009EPE90044	10/1/2008 - 9/30/2012	$879,615	100%
		2010EPE00052	10/1/2009 - 9/30/2013	$112,341	0%
		2010EPE00052	10/1/2009 - 9/30/2013	$746,650	100%
		EMW-2011-EP-00023-S01	10/1/2010 - 9/30/2013	$2,648	0%
		EMW2011EP00023	10/1/2010 - 9/30/2013	$744,310	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 6/30/2012
Department of Homeland Security

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		EMW2011EP00023	10/1/2010 - 9/30/2013	$1,041	100%
		EMW2012EP00015	10/1/2011 - 9/30/2014	$613,134	0%
			CFDA Total:	$3,537,548	
2300	97.043	State Fire Training Systems Grants			
		2010RB630025	9/15/2010 - 9/14/2011	$21,444	0%
		EMW2011GR00119	9/30/2011 - 9/29/2012	$14,615	0%
			CFDA Total:	$36,059	
2300	97.047	Pre-Disaster Mitigation			
		EMB2008PC0003	9/8/2008 - 9/30/2012	$36	0%
		EMB2008PC0003	9/8/2008 - 9/30/2012	$36,375	100%
		EMB2009PC0006	7/24/2009 - 7/10/2012	$77,298	32%
		EMB2010PC0005	9/7/2010 - 9/9/2013	$79,399	56%
		EMB2011PC0001	9/27/2011 - 9/18/2014	$14,414	100%
			CFDA Total:	$207,522	
2300	97.055	Interoperable Emergency Communications			
		2009IPT00042	6/1/2009 - 11/30/2011	$28,107	98%
			CFDA Total:	$28,107	
2300	97.056	Port Security Grant Program			
		2010PUT00083	6/1/2010 - 5/31/2013	$458,480	0%
			CFDA Total:	$458,480	
2300	97.067	Homeland Security Grant Program			
		2007GET70053	7/1/2007 - 6/30/2012	$440,253	100%
		2008-GE-T8-0043	9/1/2008 - 2/28/2013	$2,000	100%
		2008GET80043	9/1/2008 - 2/28/2013	$45,423	0%
		2008GET80043	9/1/2008 - 2/28/2013	$143,937	7%
		2008GET80043	9/1/2008 - 2/28/2013	$684,017	65%
		2008GET80043	9/1/2008 - 2/28/2013	$861,856	100%
		2009SST90078	8/1/2009 - 2/28/2013	$132,451	0%
		2009SST90078	8/1/2009 - 2/28/2013	$271,434	28%
		2009SST90078	8/1/2009 - 2/28/2013	$141,479	42%
		2009SST90078	8/1/2009 - 2/28/2013	$76,477	100%
		2010SST00069	8/1/2010 - 7/31/2013	$24,500	0%
		2010SST00069	8/1/2010 - 7/31/2013	$248,884	99%
		2010SST00069	8/1/2010 - 7/31/2013	$727,973	100%
		EMW2011SS00079	9/1/2011 - 8/31/2014	$26,542	0%
		EMW2011SS00079	9/1/2011 - 8/31/2014	$7,819	35%
		EMW2011SS00079	9/1/2011 - 8/31/2014	$37,378	100%
			CFDA Total:	$3,872,423	
0240	97.070	Map Modernization Management Support			
		EMB-2010-CA-0913	9/21/2010 - 9/20/2011	$78,188	82%
		EMB-2011-CA-0927	9/13/2011 - 9/13/2012	$48,207	27%
			CFDA Total:	$126,395	

(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 6/30/2012
Department of Homeland Security

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	97.078	Buffer Zone Protection Program (BZPP)			
		2009BFT90043	5/27/2009 - 3/31/2012	$57,027	100%
			CFDA Total:	$57,027	
2300	97.089	Driver's License Security Grant Program			
		2010DLT00007	6/1/2010 - 9/30/2013	$74,511	0%
			CFDA Total:	$74,511	
2300	97.092	Repetitive Flood Claims			
		EMB2011RC0001	9/22/2011 - 9/21/2014	$435,915	97%
			CFDA Total:	$435,915	
2300	97.110	Severe Repetitive Loss Program			
		EMB2011SR0001	4/7/2011 - 4/6/2014	$104,692	100%
			CFDA Total:	$104,692	
			Department of Homeland Security Total:	**$26,913,239**	
			Grand Total of All Federal Assistance:	**$1,864,350,316**	

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, 2012

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, 2012, 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, New Hampshire Community College System, 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 five 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 $5,593,051 in federal expenditures, distributions, or issuances for the year ended June 30, 2012. 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 2012. 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 $165,269,431 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, 2012.

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 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

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	$ 4,607,858
10.558	Child and Adult Care Food Program	4,404,971
10.565	Commodity Supplemental Food Program	2,121,196
10.569	Emergency Food Assistance Program (Food Commodities)	670,119
	Total	$ 11,804,144

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 $74,091 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 $8,636,249 included on the Schedule for CFDA 93.268 Immunization Cooperative Agreements, represent the federal value assigned to the vaccines distributed.

NOTE 4 - 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	$ 134,143,015
Unemployment Insurance - Administrative Grant	17,384,884
Unemployment Insurance - Administrative Grant (ARRA)	90
Unemployment Compensation for Ex-servicemen	1,797,799
Unemployment Compensation for Federal Employees	636,459
EUC08 (Non-ARRA)	55,444,114
FAC (Non-ARRA)	68,377
FAC (ARRA)	(132,141)
Trade Act	706,111
Extended Benefits (Non-ARRA)	684,798
Extended Benefits (ARRA)	684,798
ATAA	243,761
DUA 4026	13,530
Total	$ 211,675,595

NOTE 5 - 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, in July 2004 an additional $11,596,803, and in November of 2011 an additional $1,425,000 as part of the Help America Vote Act of 2002. The funds are to be used for establishing minimum election administration standards for states and local governments with the responsibility for the administration of federal elections. For these programs (CFDA # 39.011 & 90.401) as of June 30, 2012, the State had expended a cumulative total of $7,747,252 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $10,274,551.

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 6 – 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 7 - 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	$ 165,269,431
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	8,340,183
	SNAP Cluster Total	$ 173,609,614
Child Nutrition Cluster		
10.553	School Breakfast Program	$ 4,784,798
10.555	National School Lunch Program	22,287,429
10.556	Special Milk Program for Children	184,526
10.559	Summer Food Service Program for Children	773,451
	Child Nutrition Cluster Total	$ 28,030,204
Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	$ 129,208
10.569	Emergency Food Assistance Program (Food Commodities)	670,119
	Emergency Food Assistance Cluster Total	$ 799,327
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	$ 2,362,581
15.611	Wildlife Restoration and Basic Hunter Education	2,653,672
	Fish and Wildlife Cluster Total	$ 5,016,253

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA#	PROGRAM TITLE	EXPENDITURES
Employment Services Cluster		
17.207	Employment Service/Wagner – Peyser Funded Activities	$ 3,248,994
17.801	Disabled Veterans' Outreach Program (DVOP)	323,381
17.804	Local Veterans' Employment Representative Program	426,015
	Employment Services Cluster Total	$ 3,998,390
Workforce Investment Act (WIA) Cluster		
17.258	WIA Adult Program	$ 1,292,769
17.259	WIA Youth Activities	2,295,386
17.260	WIA Dislocated Workers	1,175,952
17.278	WIA Dislocated Worker Formula Grants	2,700,203
	WIA Cluster Total	$ 7,464,310
Highway Planning and Construction Cluster		
20.205	Highway Planning And Construction	$ 164,934,597
20.219	Recreational Trails Program	883,952
	Highway Planning and Construction Cluster Total	$ 165,818,549
Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants	$ 168,235
20.507	Federal Transit – Formula Grants	945,825
	Federal Transit Cluster Total	$ 1,114,060
Transit Services Programs Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	$ 744,253
20.516	Job Access – Reverse Commute	196,982
20.521	New Freedom Program	202,119
	Transit Services Programs Cluster Total	$ 1,143,354

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Highway Safety Cluster		
20.600	State and Community Highway Safety	$ 2,041,715
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	507,812
20.610	State Traffic Safety Information System Improvement Grants	201,841
20.612	Incentive Grant Program to Increase Motorcyclist Safety	20,850
	Highway Safety Cluster Total	$ 2,772,218
Title I, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	$ 37,336,699
84.389	Title I Grants to Local Educational Agencies, Recovery Act	9,234,134
	Title I, Part A Cluster Total	$ 46,570,833
Special Education Cluster		
84.027	Special Education-Grants to States	$ 46,588,727
84.173	Special Education-Preschool Grants	1,429,935
84.391	Special Education-Grants to States, Recovery Act	11,646,768
84.392	Special Education-Preschool Grants, Recovery Act	746,209
	Special Education Cluster Total	$ 60,411,639
Vocational Rehabilitation Cluster		
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	$ 11,917,573
84.390	Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	901,495
	Vocational Rehabilitation Cluster Total	$ 12,819,068
Independent Living State Grants Cluster		
84.169	Independent Living – State Grants	$ 327,562
84.398	Independent Living – State Grants, Recovery Act	54,135
	Independent Living State Grants Cluster Total	$ 381,697

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Independent Living Services for Older Individuals Who Are Blind Cluster		
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who Are Blind	$ 233,164
84.399	Independent Living Services for Older Individuals Who Are Blind, Recovery Act	4,880
	Independent Living Services for Older Individuals Who Are Blind Cluster Total	$ 238,044
Education of Homeless Children and Youth Cluster		
84.196	Education for Homeless Children and Youth	$ 134,665
84.387	Education for Homeless Children and Youth, Recovery Act	43,485
	Education of Homeless Children and Youth Cluster Total	$ 178,150
Educational Technology State Grants Cluster		
84.318	Education Technology State Grants	$ 380,470
84.386	Education Technology State Grants, Recovery Act	481,116
	Educational Technology State Grants Cluster Total	$ 861,586
School Improvement Grants Cluster		
84.377	School Improvement Grants	$ 1,125,116
84.388	School Improvement Grants, Recovery Act	2,740,437
	School Improvement Grants Cluster Total	$ 3,865,553
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 1,980,184
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	3,071,145
93.053	Nutrition Services Incentive Program	1,092,578
	Aging Cluster Total	$ 6,143,907
Immunization Cluster		
93.268	Immunization Cooperative Agreements	$ 10,515,305
93.712	ARRA – Immunization	44,685
	Immunization Cluster Total	$ 10,559,990

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Child Care and Development Fund (CCDF) Cluster		
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	$ 16,308,916
93.713	ARRA – Child Care and Development Block Grant	66,363
	CCDF Cluster Total	$ 16,375,279
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	676,937
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,432,748
93.778	Medical Assistance Program	622,143,791
	Medicaid Cluster Total	$ 625,253,476
Disability Insurance/SSI Cluster		
96.001	Social Security – Disability Insurance (DI)	$ 6,810,382
96.006	Supplemental Security Income (SSI)	164,067
	Disability Insurance/SSI Cluster Total	$ 6,974,449

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SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	*Unqualified*			
Internal control over financial reporting:				
• Material weakness 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 weakness 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:

Block Grants for the Prevention and Treatment of Substance Abuse **– Qualified**
Low–Income Home Energy Assistance Program **– Qualified**
Weatherization Assistance For Low-Income Persons, ARRA **– Qualified**
Disaster Grants–Public Assistance **– Qualified**
Capitalization Grants for Clean Water State Revolving Fund, ARRA – **Qualified**
National Infrastructure Investments-TIGER Discretionary Grants – **Qualified**
Airport Improvement Program **– Qualified**
Special Education – Grants to States/Preschool Grants **– Qualified**
Improving Teacher Quality State Grants **– Qualified**
Twenty-first Century Community Learning Centers –**Qualified**
Social Security-Disability Insurance/Supplemental Security Income **–Qualified**
Veterans State Nursing Home Care **– 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, 2012

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
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
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
Vocational Rehabilitation Cluster	
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Aging Cluster	
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program
Immunization Cluster	
93.268	Immunization Cooperative Agreements
93.712	ARRA - Immunization
Child Care and Development Fund (CCDF) 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	
93.775	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
Disability Insurance/SSI Cluster	
96.001	Social Security – Disability Insurance
96.006	Supplemental Security Income (SSI)

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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
20.106	Airport Improvement Program
20.933	National Infrastructure Investments
64.015	Veterans State Nursing Home Care
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Fund
81.041	State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.128	Energy Efficiency and Conservation Block Grant Program
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Fund
93.069	Public Health Emergency Preparedness
93.283	Affordable Care Act: Centers for Disease Control and Prevention-Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs: **$5,593,051**

Auditee qualified as low-risk auditee: ____ yes X ____ no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part II - Financial Statement Finding

Finding 2012-1 was identified as a material weakness relating to the State's basic financial statements and is required to be reported in accordance with *Government Auditing Standards* in this section.

Part III – Schedule of Current Year Findings and Questioned Costs – Federal Awards

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-9.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

NH Department of Transportation	***Finding 2012-1***

Material Weakness: Accounting and Reporting of Capital Assets

During fiscal year 2012, the Department of Transportation (the Department) underwent an extensive effort to reconcile and inventory its non-Turnpike related infrastructure assets (roads and bridges). The results of this effort uncovered adjustments that were required to be made to the Department's infrastructure records, and, ultimately, the State's financial statements.

The errors uncovered by the Department include the following:

- Infrastructure assets missing from the capital asset accounting records;
- Lack of removal from the records and statements of infrastructure assets that had been disposed of or replaced; and
- Misclassification of capital assets between Turnpike and non-Turnpike capital asset accounting records.

These errors were corrected in the capital asset records in 2012, however, certain errors related to prior periods. The correction of these prior period errors caused a net misstatement in the State's 2012 government-wide financial statements of approximately $118.5 million.

We do note that this is the result of continued efforts by the Department to accurately and completely report its infrastructure assets. However, the errors demonstrate the need for improving internal controls over accounting and financial reporting for capital assets on an ongoing basis.

Recommendation:

In 2012, the Department took strides to improve the accuracy of its historic capital asset records and its internal controls over the ongoing reporting of capital assets. We recommend that the Department continue with its efforts to formally implement a set of internal controls that address the ongoing risks of misstatement associated with accounting for and reporting capital assets, particularly in the area of completeness of infrastructure assets.

Management's Response:

The Department concurs.

The auditors properly report that the Department of Transportation underwent an extensive internal effort to reconcile inventory and fixed assets and as a result, correcting adjustments were identified and posted to the financials by Finance Division staff.

The auditor's recommendation that the Department continue with its efforts to implement internal controls is consistent with the Department's own findings and formal written procedures are being drafted. It is anticipated that written procedures will be complete and in practice fiscal year 2013.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

PART III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

NH Department of Health and Human Services	***Finding 2012-2***
CFDA # 93.778 Medical Assistance Payments	
Grant Year and Award:	
10/1/2011 - 9/30/2012	***05NH5048***
10/1/2010 - 9/30/2011	***1105NH5048***
10/1/2010 - 9/30/2011	***1205NH5028***
10/1/2011 - 9/30/2012	***1205NH5028***
10/1/2010 - 9/30/2011	***ARRA1105NH5048***

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)).

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 sections1866(j), 1902(a)(39), 1902(a)(77), and 1902(a)(78) of the 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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. (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. (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 4,800 providers enrolled and active as Medicaid providers as of June 30, 2012. We also noted that of the 4,800 providers, approximately 1,030 that were enrolled on or after July 1, 2009.

The Department of Health and Human Services (HHS) 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 a total of 65 providers of which 29 were enrolled on or after July 1, 2009 and noted that the 29 providers were enrolled in accordance with the policies and procedures established by the State. Of the remaining selection of 36 providers which were enrolled prior to July 1, 2009, we noted that 14 were not revalidated.

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. We noted that the Department is in process of revalidating providers as they are currently preparing to implement the new Medicaid Management Information System (MMIS).

Cause:

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Effect:

The Department cannot ensure that all enrolled Medicaid providers are, and remain eligible for participation in the Federal program. Based on the providers enrolled, the Department is making Medicaid payment to some of the approximately 3,770 providers without having the revalidation of enrollment as required by Federal requirements.

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:

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 on April 1, 2013, several enhancements to the technical and operational environment will support improved compliance with the applicable federal regulations. The Department is currently in the process of re-enrolling all participating providers and capturing current licensure verification and disclosure information. On an ongoing basis, Xerox, 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 and screening process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Contact Person:

Nita E. Tomaszewski, Information Representative

Anticipated Completion Date:

April 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

U.S Department of Health and Human Services	***Finding 2012-3***
NH Department of Health and Human Services	
CFDA # 93.558 Temporary Assistance to Needy Families (TANF)	
Grant Year and Award:	
10/1/2010 - 9/30/2011	***1101NHTANF***
10/1/2011 – 9/30/2012	***1201NHTANF***

Finding: No internal controls established to ensure data quality, completeness, and accuracy of the ACF-204 Annual Report including the Annual Report on State Maintenance of Effort (MOE) programs

Criteria:

Each State must file an annual report containing information on the TANF program and the State's Maintenance of Effort (MOE) program(s) for that year, including strategies to implement the Family Violence Option, State diversion programs, and other program characteristics. Each State must complete the ACF-204 for each program for which the State has claimed basic MOE expenditures for the fiscal year. States may submit this report as a freestanding report or as an addendum to the fourth quarter TANF Data Report.

Key Line Items – The following ACF-204 line items contain critical information:

(1) *Program Name*
(2) *Description of Major Program Activities*
(3) *Program Purpose(s)*
(4) *Program Type*
(5) *Total State MOE Expenditures*
(6) *Number of Families Served with MOE Funds*
(7) *Eligibility Criteria*
(8) *Prior Program Authorization*
(9) *Total Program Expenditures in FY 1995*

The total MOE expenditures reported in item 5 of the ACF-204 should equal the total MOE expenditures reported in line 7, columns (B) plus (C) of the 4th quarter ACF-196 *TANF Financial Report*; or line 17, column (B) of the ACF-196-TR, *Territorial Financial Report.*

Condition:

The Department of Health and Human Services (the Department) is required to submit the annual report to the Federal Government during State fiscal year 2012 for the Federal fiscal year 2011 award. The Division of Family Assistance (the Division) has established a policy that the program personnel compile the data and submit the report for the applicable award annually.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

During our testwork, we selected the annual report that was submitted during the fiscal year and noted that there were multiple submissions of the report. However, we reviewed the fourth quarter ACF 196 *TANF Financial Report* for the Federal Fiscal Year 2011 (first State Fiscal Year during State Fiscal Year 2012) and noted there were no changes to the original Maintenance of Effort expenditures reported and submitted on December 22, 2011. We noted that the Division compiled and included the amounts and information incorrectly as the Division did not establish formal procedures to ensure that the ACF-204 reports submitted were properly reviewed and agreed to underlying documentation to verify accuracy and completeness of reported amounts and data. We determined that the first submission excluded amounts totaling approximately $347,000 and the second submission did not report the administrative expenditures accurately as part of the State program.

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 and approved for completeness and accuracy prior to submission.

Auditee Corrective Action Plan:

The Division of Family Assistance concurs and has implemented procedures to compile, review and approve these reports prior to them being submitted.

Contact Person:

Mary Calise, Division of Family Assistance, Financial Manager

Completion Date:

January 15, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012-4***
NH Department of Health and Human Services	
CFDA #93.558 Temporary Assistance for Needy Families	
Grant Year and Award:	
10/1/2010 - 9/30/2011	***1101NHTANF***
10/1/2011 – 9/30/2012	***1201NHTANF***

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.

We selected 25 cash draw downs for the TANF program of which 6 related to direct program draws. During our testwork, we noted that the 6 direct program cash draw downs were not drawn using the approved average clearance pattern/technique in accordance with the TSA as the CMIA system is not programmed with the correct clearance pattern/technique.

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, 2012

Cause:

The Department has implemented controls and uses the State CMIA system in order to ensure adherence to the TSA. However, the control used by the Department, the Lawson CMIA system, does not include the correct clearance patterns/techniques to ensure compliance with 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 with Treasury and implement controls to ensure that the State CMIA system is accurate.

Auditee Corrective Action Plan:

The DHHS concurs in part. The 0 day clearance pattern documented in the TSA is correct. However, the CMIA module in Lawson is different. State Treasury manages the clearance pattern defined in the State's CMIA financial module. DHHS will request that Treasury verify that the clearance patterns in the State's CMIA financial module are consistent with what is reported in the TSA.

Contact Person:

Anne Mattice, Business Administrator IV
Kathi Ingle, Business Administrator IV

Anticipated Completion Date: July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-5***
U.S. Department of Agriculture
NH Department of Health and Human Services

CFDA #10.561	***State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)***
CFDA #93.558	***Temporary Assistance for Needy Families***
CFDA #93.778	***Medical Assistance Program***

Grant Year and Award:

10/1/2010 - 9/30/2011	***4NH400403***
10/1/2011 - 9/30/2012	***4NH400403***
10/1/2010 - 9/30/2011	***1101NHTANF***
10/1/2011 – 9/30/2012	***1201NHTANF***
10/1/2010 - 9/30/2011	***1105NH5048***
10/1/2010 - 9/30/2011	***1205NH5028***
10/1/2011 - 9/30/2012	***1205NH5028***
10/1/2010 - 9/30/2011	***ARRA1105NH5048***

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)).

The State's 2012 TSA, specifies that Administrative Costs should be drawdown on a payroll cycle. The State shall request funds for all direct administrative costs such that they are deposited on the dollar weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time, which states ACH will be Next Day and Fedwire will be Same Day. The amount of funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds. This funding technique is interest neutral.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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 42 administrative cash draw downs (which 8 related to SNAP, 19 related to TANF, and 15 related to Medicaid) and noted that 36 of the 42 cash draw downs were not drawn using the approved average clearance pattern or technique included in the TSA. We reviewed the cash draw downs for each program included and 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 expense drawn bi-weekly on a payroll cycle, quarterly square up of actual program and administrative expense, as reported on the required quarterly federal reporting.	CAP - Monthly
TANF	Estimated expense drawn bi-weekly on a payroll cycle, quarterly square up of actual program and administrative expense, as reported on the required quarterly federal reporting.	Drawdowns on Payroll Cycle - 4 days
Medicaid – MT Administrative Costs	Estimated expense drawn bi-weekly on a payroll cycle, quarterly square up of actual program and administrative expense, as reported on the required quarterly federal reporting.	Drawdowns on Payroll Cycle - 4 days

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, 2012

Cause:

The Department has implemented controls and a technique in which the Department is able to draw the administrative program costs but the technique is different than the technique included in 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:

The DHHS concurs in part with KPMG. DHHS worked with State Treasury to ensure the TSA and internal draw procedures were accurately documented. DHHS and Treasury will review and update the TSA as needed to be compliant with DHHS administrative draw procedures.

Contact Person:

Anne Mattice, Business Administrator IV
Kathi Ingle, Business Administrator IV

Anticipated Completion Date:

September 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-6***
NH Department of Health and Human Services

CFDA # 10.557 Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Grant Year and Award:
October 1, 2010 – September 30, 2012 4NH700703
July 6, 2011- September 30, 2012 4NH700773

Finding: Direct program drawdowns not performed in accordance with the Treasury-State Agreement

Criteria:

The regulations codified at 31 CFR Section 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement, also known as the Treasury-State Agreement (TSA). The rules included in Subpart A of the codification are 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 requests Federal funds electronically from the United States Treasury. 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 requires the State to draw down funds relating to direct program costs using the Average Clearance technique.

We selected 40 direct program cash draw downs for testwork. During our testwork, we noted that 2 of the direct program cash draw downs were not drawn using the approved average clearance pattern of 5 days.

Cause:

The Department's controls need to be strengthened to ensure adherence with the TSA

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

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

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. There were two separate events resulting in the finding. In April 2012 DHHS was advised of a system "environmental" problem that delayed the daily run cycle of the NH First, impacting the QP178 job by one day. The second event was the result of a manual override of the CMIA clearing pattern administered by Treasury to affect a draw that would have crossed into the next State fiscal year.

Contact Person:

Anne Mattice, Kathi Ingle Bureau of Finance

Anticipated Completion Date:

Complete July 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S Department of Health and Human Services ***Finding 2012-7***
NH Department of Health and Human Services

CFDA # 93.044	***Special Programs for the Aging- Title III, Part B – Grants for Supportive Services and Senior Centers***
CFDA #93.045	***Special Programs for the Aging-Title III, Part C – Nutrition Services***
CFDA #93.053	***Nutrition Services Incentive Program***
CFDA #93.667	***Social Services Block Grant***
CDFA #93.283	***Center for Disease Control & Prevention***
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***

Grant Year and Award: ***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. 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 Federal Acquisition Regulations (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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

- 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 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:

Bureau of Elderly and Adult Services

During the procedures performed, we noted that the Bureau of Elderly and Adult Services (BEAS) submitted the required reports in accordance *with the Federal Funding Accountability and Transparency Act (FFATA)* for the Aging Cluster Program. However, we noted that the subawards were not reported by the end of the month following the month in which the subawards were made. Additionally, we noted that the amounts included in the report were actual expenditures and not the amounts of the approved subawards to contracted providers.

Further, during the procedures performed, we noted that the BEAS did not submit the required reports in accordance *with the Federal Funding Accountability and Transparency Act (FFATA)* for the Social Services Block Grant.

Center for Disease Control & Prevention (CDC) and Child Support

During the audit, we noted the State of New Hampshire's CDC, and Child Support Programs did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements as no FFATA reports were submitted.

Foster Care

We noted that one contract in the amount of $765,722 was not reported as required by FFATA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Child Care Development Fund

We noted that one contract was overstated as reported by $934,229 and two other contracts did not contain some of the required elements such as compensation and names of top five executives or the DUNS number of the contractor.

Cause:

The cause is due to the lack of properly designed and implemented controls to ensure data integrity and timely submission.

Effect:

The Department cannot ensure that reports submitted are complete, accurate and in accordance with the Federal regulations.

Questioned Costs:

None

Recommendation:

We recommend that the Department institute a system of policies, procedures, and internal controls over the FFATA reporting requirements of the federal programs received by the Department.

Auditee Corrective Action Plan:

Bureau of Elderly and Adult Services: We Concur. We are working with our Federal Partners to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

Anticipated Completion Date:

March 31, 2013

Contact Person:

Jennifer Doig, Business Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Division of Public Health Services(CDC): We concur. We have instituted a process to identify and enter/update the information by federal award. This process was initiated during April 2012.

Contact Person:

Dolores A Cooper, Business Administrator

Anticipated Completion Date:

August 2013

Division for Children, Youth and Families (Foster Care and Child Care Development Fund): We concur. We are working with our Federal Partners to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

Contact Person:

Dague B. Clark, Fiscal Administrator

Anticipated Completion Date:

March 31, 2013

Division of Child Support Services(Child Support): We concur. DCSS attempted to file the FFATA report in October 2012 and, with the help of the FSRS Help Desk, determined that DCSS could not file this report because the Federal Sub-award Reporting System had entered this grant under the incorrect DUNS number. DCSS is working with FSRS to correct prior submissions and will make sure that future submissions adhere to Federal regulations.

Contact Person:

Lori Anderson, Program Specialist IV

Anticipated Completion Date:

March 31, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-8***
NH Department of Health and Human Services

CFDA # 93.283 Centers for Disease Control & Prevention

Grant Year and Award:

6/30/11-6/29/12 ***5U58DP000798-05***

Finding: Controls over ensuring that in-kind matching was met and supported are not operating effectively

Criteria:

In accordance with 2 CFR Par 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 and 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 statue to be used for cost sharing or matching
(6) Are provided for in the approved budget when required by 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 shall be documented.

Condition:

During our testing of the matching requirements, it was noted that the Department of Health and Human Services' (the Department) controls identified over ensuring the federal match requirement was met were not operating effectively by not verifying timely the accuracy and completeness of the amounts and documentation received to support the in-kind match.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

A similar control 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

Effect:

Controls not operating effectively to ensure the amount of match received from third parties was approved by management, and deemed to be complete and accurate.

Recommendation:

We recommend that the Department ensure that all supporting documentation obtained from third parties and other Departments meets standards established to ensure that the match is properly supported with approved, accurate and complete documentation.

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur with the finding. We feel we did meet the match requirement. However, due to timing, the actual documentation received was not thoroughly reviewed before submitted to the auditors. One of the agencies supplying match documentation did not get listed on the summary provided to the auditors. In the future, the section's financial staff will review the match documentation before being submitted.

Contact Person:

Dolores Cooper, Business Administrator

Anticipated Completion Date:

July 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012 -9***
NH Department of Health and Human Services	
CFDA # 93.712 ARRA - Immunization	
Grant Year and Award:	
9/1/09 – 12/31/11	***3H23IP122555-07S1***

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 and accuracy 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 Federal Reporting.gov.

During our testwork, we selected the only 1512 report submitted during FY12, which was the final report that was required to be submitted. We noted that the Department did not establish procedures to ensure that the Section 1512 report was properly reviewed and agreed to underlying documentation to ensure the accuracy and completeness of reported amounts by someone other than the preparer. We determined the amounts compiled and reported were accurate. However, the Department does not have a formal policy which includes approval of the Section 1512 reports required for this program.

A similar finding was noted in prior year.

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, 2012

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:

Due to a change in the normal expense reporting process for ARRA funds, this discrepancy occurred. All expense reporting is initiated within the Finance section and reviewed with the bureau finance staff as well as key program people before reports are submitted.

Contact Person:

Dolores Cooper, Business Administrator

Completion Date:

December 2011

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-10***
NH Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness

Grant Year and Award:
8/10/10-8/9/13 2U90TP117011-11

Finding: Maintenance of Effort dollars are also used to support Matching Requirements

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 statue to be used for cost sharing or matching
(6) Are provided for in the approved budget when required
(7) Conform to other provisions of this part, as applicable."

Per grant agreement 2U90TP117011-11 dated 8/10/11, grantee matching expenditures may not be used to count toward any Maintaining State Funding requirement.

Condition:

During our testing of the matching requirement, it was noted that the Department of Health and Human Services (the Department) was utilizing Maintaining State Funding (MSF), also referred to as Maintenance of Effort (MOE), to support the 10% of Federal Funds matching requirement. Per the grant agreement, the Department was not in compliance with this requirement. The required match for the grant was $588,063. The Department was unable to provide support for matching funds separate from the MOE funding.

Cause:

The Department understands the requirement to be that MOE funding can also be used as support for State match.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

Full compliance with the matching requirements was not able to be determined. The Department not sufficiently matching federal funds could result in loss of funding.

Questioned Costs:

$588,063

Recommendation:

We recommend that the Department obtain further supporting documentation from the Centers for Disease Control and Prevention that states grantee matching expenditures may not be used to count toward Maintaining State Funding (MSF) for fiscal 2012.

Auditee Corrective Action Plan:

We do not concur that a finding actually exists. The wording within the Notice of Grant award, which KPMG used during this audit, has been clarified, in writing by the Centers for Disease Control (CDC), the grants awarding agency. We have worked with CDC to ensure that our documentation of the Maintenance of Funding (MOF) calculation is correct. CDC has approved our reporting of the MOF and match. We did request that CDC update the NGA in order to clarify, for our Auditors, the MOF language in the NGA relative to this grant period. CDC did follow through with the updated language but they put the updated language in the current grant years NGA and not the particular grant year involved in the audit. The timing of the updated language appears to be the issue. We did provide to KPMG, all written correspondence, as well as documentation of all phone conference calls relative to this clarification to the KPMG auditors.

Contact Person:

Dolores Cooper, Business Administrator

Anticipated Completion Date:

07/01/2012 Effective date on current year's NGA

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-11***
NH Department of Health and Human Services

CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund
CFDA#93.713 ARRA- Child Care and Development Block Grant

Grant Year and Award:

2010	***0901NHCCDF (ARRA)***
2011	***1101NHCCDF***
2012	***1201NHCCDF***

Finding: Health and safety requirements were not complied with as site visits were not performed for some providers

Criteria:

Lead Agencies must verify that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR 98.41).

Condition:

To ensure compliance with above requirements, the Department of Health and Human Services (the Department) requires on site licensing visits of child care providers prior to the issuance of a new license, and at least once annually for existing facilities.

We selected a sample of 25 providers out of a total of 784 licensed providers statewide. Seven instances of non-compliance were identified, as follows:

- For six providers, licensing site visits were not performed annually as required by Department policy.
- For one provider, the site visit documentation did not include evidence the immunization files were reviewed during the site visit.

Based on the above, the Department's controls were not effective in ensuring site visits were completed in accordance with Department policy.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Cause:

The Department was unable to complete all planned reviews during the period under review.

Effect:

The State may not be in compliance with immunization and health and safety standards.

Questioned Costs:

None

Recommendation:

The Department should review its current procedures and strengthen controls over performing on-site licensing visits to ensure health and safety requirements are complied with.

Auditee Corrective Action Plan:

We concur in part.

Currently, the Department's Child Care Licensing Unit (CCLU) field staff review immunization documentation during license renewal and/or monitoring visits. CCLU will review this process to determine whether the Department can increase monitoring of immunization by having field staff check documentation at all visits, including complaint visits. Additionally, Child Care Programs are required to report immunization completion to the NH Immunization Program at Public Health in an annual report per RSA 140-C:20-e, thus adding another mechanism to ensure the health and safety requirement for immunization.

CCLU conducted approximately 950 program visits in 2012 including, program visits with a follow up 6- month visit for each new program and a license renewal visit every three years. CCLU is also responsible for conducting complaint investigations for each complaint received. In 2012 CCLU conducted 184 complaint investigations (120 licensed/64 unlicensed).

We do not agree with the finding insofar as it states Department controls were not effective. CCLU prioritizes its monitoring visits based in part on the compliance history of individual programs and thus achieves effective health and safety compliance. CCLU continues to assess workloads, available resources and work processes in order to determine the most efficient way to achieve as many monitoring visits as possible.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Contact Person:

John Martin, Manager of Bureau and Licensing Certification

Anticipated Completion Date:

December 15, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-12***
NH Department of Health and Human Services

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

Grant Year and Award:

2010	***1001NHCCDF,***
2011	***1104NH4004, 1101NH1401***
2012	***1204NH4005, 1201NH1401***

Finding: Administrative draw downs are based on estimates which is not in accordance with the Treasury-State Agreement

Criteria:

The regulations codified at 31 CFR Section 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement, also known as the Treasury-State Agreement (TSA). The rules included in Subpart A of the codification are 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)).

Per the State's TSA section 6.2.2, Administrative Costs Drawdowns are to be performed on a payroll cycle. The State shall request funds for all direct administrative costs such that they are deposited on the dollar weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I, which states ACH will be Next Day and Fedwire will be Same Day. The amount of funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds. This funding technique is interest neutral.

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

We noted that timing of Administrative Draws for the programs noted above were bi-weekly on a payroll cycle as required by the Agreement. However, the draws were based on estimated expenses drawn bi-weekly on a payroll cycle, with a quarterly square up of actual program and administrative expenses, as reported on the quarterly federal reporting.

We tested the true ups for all four quarters, and noted that draws did not exceed the actual expenses for the full quarter for any of the four quarters during the year. However, we were unable to determine if each bi-weekly draw was fully supported by actual disbursements since the last request for funds.

The TSA language noted above does not specifically allow for draws based on estimated costs, and therefore the draw process does not appear to meet the requirements of the TSA.

Cause:

The Department has not implemented procedures to utilize actual costs for drawdowns.

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 based on actual costs in accordance with the Treasury-State Agreement.

Auditee Corrective Action Plan:

The DHHS concurs in part with KPMG. DHHS worked with State Treasury to ensure the TSA and internal draw procedures were accurately documented. DHHS and Treasury will review and update the TSA as needed to be compliant with DHHS administrative draw procedures.

Contact Person:

Anne Mattice, Business Administrator IV
Kathi Ingle, Business Administrator IV

Anticipated Completion Date:

September 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012-13***
NH Department of Health and Human Services	
CFDA #93.658 Foster Care – Title IV-E	
Grant Year and Award:	
2011	***1101NH1401***
2012	***1201NH1401***

Finding: Internal controls established for completing Foster Care licensing site visits were not fully effective

Criteria:

The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State or Tribal foster care licensing authority responsible for licensing such homes or child care institutions. The term "child care institution" as defined in 45 CFR section 1355.20 includes a private child care institution, or a public child care institution which accommodates no more than 25 children, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing or approval of institutions of this type, as meeting the standards established for such licensing, but does not include detention facilities, forestry camps, training schools, or facilities operated primarily for the purpose of detention of children who are determined to be delinquent (42 USC 671(a)(10) and 672(c)).

Condition:

To ensure foster homes meet all federal requirements, the Department of Health and Human Services (the Department) has a comprehensive application and review process in place. One of the procedures is a Department policy to visit a home by a licensing coordinator.

We selected a sample of 25 foster homes out of a total population of 275 foster care individual homes to ensure site visits were performed as required by Department policy. For two of the samples, the Department was unable to provide us with the standard site visit review forms documenting the procedures performed during the review. The Department was only able to provide information from caseworker date books that a visit had occurred on the date indicated.

Cause:

The Department's controls were not effective in ensuring support related to home licensing visit was completed and maintained in licensing files.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

We could not confirm if the Department was not in compliance with its internal policies for performing site visits for a licensing of individual Foster Care homes. Potential issues that could have impacted licensing or relicensing might not be addressed.

Questioned Costs:

None

Recommendation:

The Department should review their current controls to ensure that all required documentation such as site visit inspection forms are completed in accordance with Federal regulations and their own established policies and procedures.

Auditee Corrective Action Plan:

All District Office Resource Workers and Child Placing Agency Licensing Workers were notified via email that they are to put the dates of their relicensing visits on their renewal report.

In preparation for an upcoming audit, approximately all 150 foster parent records needed for the audit will be checked for this issue.

Contact Person:

Ann Abram, Resource Worker At-Large

Anticipated Completion Date:

Notification has been completed. In order for all foster parent records to have renewal visit dates on the reports will take at least 2 years. This is due to the fact that the renewal reports for a license are only written every other year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-14***
NH Department of Health and Human Services

CFDA #93.959 Block Grants for Prevention and Treatment of Substance Abuse

Grant Year and Award:

2012	***2B08TI010035-12***
2011	***2B08TI010035-11***
2010	***2B08TI010035-10***

Finding: Maintenance of Effort, Earmarking and Period of Availability requirements not met

Criteria:

The State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the two State fiscal years preceding the fiscal year for which the State is applying for the grant. The "principal agency" is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat Substance Abuse (SA) and related activities. (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and Federal Register, July 6, 2001 (66 FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, "Program Procedures – Availability of Other Program Information").

The State shall expend not less than 20 percent of Substance Abuse Block Grant Federal funds for primary prevention programs for individuals who do not require treatment of Substance Abuse. The programs should educate and counsel the individuals on such abuse and provide for activities to reduce the risk of such abuse by the individuals (42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125).

Any amounts awarded to the State for a fiscal year shall be available for obligation and expenditure until the end of the fiscal year following the fiscal year for which the amounts were awarded (42 USC 300x-62).

Condition:

During our testwork over expenditures related to the Block Grant for prevention and Treatment of Substance Abuse, we noted the following:

1. The State did not meet its required maintenance of effort for the year ended June 30, 2012 as the State did not incur expense at a level greater than the average of such expenditures in the prior two years. In order to meet the maintenance of effort requirement as of June 30, 2012, the State needed to expend $6,696,297 and fell short by 18% due to expending only $5,508,683 of State funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

2. The State did not meet the required 20 percent earmark related to prevention programs for the federal fiscal year grant that ended September 30, 2011. During our review of the documentation to support the earmark requirement, we noted $1,310 was paid subsequent to September 30, 2011 for services rendered after the federal grant period had ended and $27,255 was paid preceding the beginning of the federal grant period starting October 1, 2009 for services rendered before the grant period had started. In addition, as these costs were incurred outside the grant period, we are unable to conclude that these costs are allowable as they do not meet the period of availability requirements.

Cause:

The cause of the condition found related to the maintenance of effort requirement appears to be reductions in general fund appropriations for the state fiscal year ended June 30, 2012. The cause of the condition found related to the earmarking requirement is primarily due to a weakness in procedures and internal controls to monitor the period of availability of each federal grant to ensure that those costs incurred during the performance period are tracked separately for each individual federal grant.

Effect:

The Department did not meet the maintenance of effort, earmarking or period of availability compliance requirements for the state fiscal year ended June 30, 2012.

Questioned Costs:

Not determinable for Maintenance of Effort
$28,565 spent outside the period of availability

Recommendation:

We recommend that the Department review their existing procedures related to the tracking of maintenance of effort, earmarking and period of availability requirements to ensure that all requirements are properly met in the correct time period.

Auditee Corrective Action Plan:

Maintenance of Effort (MOE):

The Director of the Bureau of Drug & Alcohol Services made senior management at the Department of Health and Human Services and the legislature aware during the biennium budget process in the Spring of 2011, the state would not meet the Federal Substance Abuse Prevention and Treatment MOE requirements due to reductions in general funds appropriations for state fiscal years 2012 and 2013.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

The Bureau, with assistance from the Division of Community Based Care Services financial manager, has recently been able to negotiate certain funds being excluded from consideration, reducing the amount of the short fall from $2,965,184 to $1,187,614. The Department is currently working on a MOE waiver request and has been granted an extension deadline from March 4, 2013 to April 4, 2013.

We do agree that developing and utilizing expenditure reports will improve financial management functions.

Prevention Set Aside:
The Bureau does concur that prevention set aside (earmarks) were not met. The Bureau of Drug and Alcohol Services will review internal controls to prevent this from happening in the future.

Reporting:
The Bureau of Drug & Alcohol Services is currently working with the Reporting and Analysis unit to develop expenditure reports to use in completing the annual block grant report.

Contact Person:

Joseph Harding, Director; Linda Colby, Business Administrator

Anticipated Completion Date:

May 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy ***Finding 2012-15***
NH Office of Energy and Planning

CFDA #81.128 Energy Efficiency and Conservation Block Grant (EECBG)

Grant Year and Award:

9/10/2009 – 9/9/2012	***#EE0000668 ARRA***
6/1/2010 – 5/31/2013	***#DE-EE0003576 ARRA***

Finding: Internal Controls and Compliance over the Davis Bacon Requirements of the EECBG Should be Improved

Criteria:

Per the Wage Rate Requirements under Section 1606 of ARRA, the ARRA portion of the Energy Efficiency and Conservation Block Grant Program is subject to the requirements of the Davis Bacon Act. Accordingly, for federally funded construction contracts greater than $2,000, the State 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:

Our test work revealed that 2 out of the 25 payrolls tested were not properly certified by the contractor, as OEP was unable to provided copies of the certified payrolls for these selections. In these two instances, the contractor was paid, yet there was no evidence of receipt or review of the certified payroll before the corresponding invoices were paid.

Cause:

For one of the selections, the certified payroll was not submitted due to an over sight by the OEP in ensuring that the certified payroll was on hand.

The cause of the second error was due to a miscommunication between OEP and a subrecipient. OEP sent an email to the subrecipient stating that the subrecipient had failed to submit a certified payroll. The contractor's response was that a certified payroll hadn't been submitted since there was no work performed for the project in that week. OEP accepted this response, when in fact, there had been contractual labor performed for the week that OEP had originally requested support.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

By failing to provide evidence that certified payrolls were received and reviewed prior to the payment of the corresponding invoice, OEP is not in full compliance with the requirements of the Davis Bacon Act.

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 Energy Efficiency and Conservation Block Grant. The OEP should continue following its 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. In addition, OEP should ensure the certified payrolls are properly reviewed by appropriate program personnel prior to making payments.

Auditee Corrective Action Plan:

OEP concurs. OEP has implemented policies and procedures to ensure that the Davis Bacon requirements are met. The above-referenced issues occurred as these policies were being put into place. These procedures include OEP and the subrecipient tracking payrolls to ensure that they have been received. OEP logs payrolls as they are received, and the OEP Program Manager reviews and initials the certified payrolls. The fiscal office checks with the Program Manager prior to paying an invoice to make sure certified payrolls have been received and reviewed. OEP will continue to follow these procedures to ensure compliance with the Davis Bacon Act.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012-16***
NH Office of Energy and Planning	
CFDA # 81.128 Energy Efficiency and Conservation Block Grant Program (EECBG)	
Grant Year and Award:	
9/10/2009 – 9/9/2012	***#EE0000668 ARRA***
6/1/2010 – 5/31/2013	***#DE-EE0003576 ARRA***

Finding: Internal controls and compliance over the cash management of Energy Efficiency and Conservation Block Grant Program (EECBG) should be improved

Criteria:

(Reference: A-133 Compliance Supplement June 2012 3-C-2)
When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

(Reference: The U.S. Department of Treasury regulations at 31 CFR part 205)
§ 215.22 (b)(2) Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

§ 215.22 (f) If a recipient cannot meet the criteria for advance payments and the Federal awarding agency has determined that reimbursement is not feasible because the recipient lacks sufficient working capital, the Federal awarding agency may provide cash on a working capital advance basis. Under this procedure, the Federal awarding agency shall advance cash to the recipient to cover its estimated disbursement needs for an initial period generally geared to the awardee's disbursing cycle. Thereafter, the Federal awarding agency shall reimburse the recipient for its actual cash disbursements. The working capital advance method of payment shall not be used for recipients unwilling or unable to provide timely advances to their sub-recipient to meet the subrecipient's actual cash disbursements.

Condition:

Out of 26 EECBG expenditure transactions tested at the State Office of Energy and Planning (OEP), 4 were advances, totaling $536,535, which represent all of advances made during FY 2012. These were project advance payments to two communities. These advance payments were made in accordance with the contract, which was approved by Governor and Council (G&C). The contacts stipulate that the

advanced funds were to be used to fund community field office staff. OEP did not minimize the time elapsing between the transfer of funds from US Treasury and disbursements, because, reportedly, the amount of advance is for the field office payroll expense for the entire program year, rather than just for the initial period. OEP advised the subrecipients to deposit the advance in a non-interesting bearing account in order to avoid earning program income.

Cause:

Discussions with OEP personnel indicated that subrecipients requested advance payments to cover the field office payroll costs for the entire year, to minimize their work associated with frequent reimbursement request submissions.

Effect:

The OEP was not in compliance with the Federal Cash Management rules and regulations.

Questioned Costs:

Not determinable

Recommendation:

The OEP should perform federal drawdowns for the EECBG in accordance with the Federal Cash Management rules and regulations.

The OEP should reevaluate the policies and procedures associated with providing advance payments to program subrecipients to ensure compliance with applicable federal laws and regulations.

Auditee Corrective Action Plan:

OEP concurs in part with this finding. The intent of the advances and circumstances surrounding the advances were made known to and were approved by both Department of Energy (DOE) and G&C. A tracking system exists to monitor the progress of the advance spend-down with both the sub-recipient and OEP. OEP believes that this was appropriate in this unique situation, and does not intend to grant advances to any subrecipient in this manner going forward.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Not Applicable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-17***
NH Office of Energy and Planning	
CFDA #81.128 Energy Efficiency and Conservation Block Grant (EECBG)	
Grant Year and Award:	
9/10/2009 – 9/9/2012	***#EE0000668 ARRA***
6/1/2010 – 5/31/2013	***#DE-EE0003576 ARRA***

Finding: Control weakness and noncompliance over the reporting requirements of Federal financial reports

Criteria:

The New Hampshire Office of Energy and Planning (OEP) is responsible for carrying out New Hampshire's Energy Efficiency and Conservation Block Grant program (EECBG). Reporting is one of the applicable compliance requirements of the EECBG. Required reports for Federal awards are to include all activity of the reporting period, supported by applicable accounting or performance records, and fairly presented in accordance with governing requirements.

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.

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:

Although the OEP has implemented a review and approval control over EECBG Federal Financial Reports, requiring all reports to be subjected to the review and approval of OEP's Grants and Compliance Officer prior to submission; several errors were noted during the testing of Federal reports that were not detected and corrected during the review and approval process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The following errors were noted in three of the four Federal Financial reports tested.

Report Name	Report Date	Data Filed	Reported Amount	Amount per Supporting Documentation	Variance
SF425 – ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$2,373,732	$1,460,863	$912,869
SF425 – ARRA Financial	03/31/2012	Federal Share of Unliquidated Obligations	$3,567,321	$2,626,191	$941,130
SF425 – ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$7,294,421	$5,405,449	$1,888,972

Additionally, it was noted that the total amount of ARRA funds received/invoiced on the Section 1512 data spreadsheet for the formula and Better Buildings grants for the period ending June 30, 2012 did not agree with the information that was posted at www.recovery.gov. The formula grant for the period ending June 30, 2012 included an additional $9,336 for the total federal amount of ARRA funds that were received/invoiced. The Better Buildings grant for the same period ending June 30, 2012 included an additional $10,926 for the total federal amount of ARRA funds that were received/invoiced.

Cause:

Limited personnel resources contributed to the inclusion of erroneous data elements in EECBG Federal Reports and the failure of OEP's system of internal controls over Federal Reporting to prevent or detect those errors.

Effect:

Inadequate internal controls over the federal reporting requirements of the EECBG prevented errors in federal reports from being detected and corrected prior to submission.

Questioned Costs:

None

Recommendation:

The OEP should strengthen its system of internal controls over the federal financial reporting requirements of the EECBG Program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

OEP concurs with the EECBG reporting errors from the SF425 reports dated 3/31/12 and 6/30/12. The calculated amounts for the reports were incorrectly taken from the wrong remaining balance column from the internal Financial Reporting Tracking sheet, and will be corrected if made available from DOE.

OEP concurs with the errors between the 1512 spreadsheet and what was reported at www.recovery.gov. The Grants and Compliance Officer reviews the Internal FSR spreadsheets and will confirm with the Fiscal department that they are complete. The Grants and Compliance Officer will complete the 1512 spreadsheets using the confirmed completed Internal FSR prior to uploading.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

April 2013 during the second quarter 1512 reporting period

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-18***
NH Office of Energy and Planning	
CFDA #81.128 Energy Efficiency and Conservation Block Grant (EECBG)	
Grant Year and Award:	
9/10/2009 – 9/9/2012	***#EE0000668 ARRA***
6/1/2010 – 5/31/2013	***#DE-EE0003576 ARRA***

Finding: Internal controls and compliance over the subrecipient monitoring requirements of the EECBG should be improved

Criteria:

10 CFR 600.240(a) makes EECBG grantees responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

The State Office of Energy and Planning (OEP) is also 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 the subrecipient monitoring requirements of the EECBG program are being met.

Condition:

During our testing it was noted the OEP's system of internal controls over EECBG subrecipient monitoring were not in place and operating as intended. OEP utilizes a subrecipient risk assessment tool to assess each subrecipient's risk of non-compliance with program requirements. The assessment is used by the OEP to determine the frequency, extent, and nature of subrecipient monitoring necessary to provide the OEP with reasonable assurance the subrecipient is administering the EECBG in accordance with program requirements.

Management review and communication of identified risks to the subrecipient were not documented, and there is not sufficient evidence that results of the risk assessment were effectively evaluated and used for subsequent subrecipient monitoring activities.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

In addition, OEP monitors the subrecipients during the award through meetings, emails, and telephone calls, however, these activities are not formally documented. Therefore, we are unable to determine that OEP's monitoring activities provided reasonable assurance over the sub-recipient's compliance with the subgrant agreement, including the compliance with equipment management and compliance with the Buy American Act.

Cause:

The OEP lacks an effective monitoring control over subrecipient monitoring for the EECBG. An effective monitoring control would ensure through the normal course of business that control activities designed to ensure compliance with program requirements were in place and operating as intended.

Effect:

OEP's lack of an effective monitoring control over the subrecipient monitoring activities of the EECBG fostered an environment wherein effectively designed internal controls were not in place and operating as intended. OEP's failure to effectively implement the internal controls over the subrecipient monitoring activities of the EECBG resulted in noncompliance with the subrecipient monitoring requirements of the EECBG.

Questioned Costs:

Not determinable

Recommendation:

OEP should institute effective monitoring controls over the subrecipient monitoring requirements of the EECBG to ensure the policies and procedures designed to ensure compliance with program requirements are in place and operating as intended.

Auditee Corrective Action Plan:

OEP concurs in part with this finding, and has continued to make progress to improve fiscal monitoring within its resource constraints. There has been measurable improvement in the timeliness of auditing reports but due to staffing constraints, the financial specialist was not able to focus on monitoring until well into the fiscal year. Lack of staff resources continues to be a challenge, but OEP is evaluating staffing resources and expects to fully implement fiscal monitoring in the next fiscal year.

EECBG monitoring procedures are in place and operating. OEP Energy Staff uses a "hands-on" approach and are closely and actively involved in activities of their respective grants and subrecipients. *SEP Notice 10-015 Guidance for State Energy Programs for Monitoring Subrecipients says, " 6.2 Monitoring Methods and Frequency: DOE suggests States may use a variety of monitoring mechanisms including progress reports, site visits, financial reports, independent (third party) audits and/or internal (State conducted) financial audits."*

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Among the monitoring tools used during the audit period were weekly meetings, site visits to observe the projects in process, on-site Davis Bacon monitoring and worker interviews, review of A-133 financial audits, and multiple daily phone calls. Any situations which were deemed a higher risk were addressed with more frequent oversight and an increased hands-on approach. OEP is certain that the SEP projects were appropriately monitored and subject to detailed oversight.

The OEP will provide training on monitoring procedures and documentation for newly hired SEP staff on the importance of formal monitoring and OEP's responsibilities as the manager of federal funds. The Risk Assessment Checklist and monitoring checklists will be reviewed against Federal guidance for monitoring subrecipients and will be modified to include various levels of review and signoff.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-19***
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***
0/1/11 – 9/30/13	***G-12B1NHLIEA***

Finding*: *Federal drawdowns for LIHEAP 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 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 subject 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 the audit period. We tested 27 LIHEAP payment voucher transactions for their timeliness of federal reimbursements and noted the OEP did not request reimbursements for 9 of the twenty seven transactions (33.3%) timely in accordance with the Treasury-State Agreement. Out of the 9 untimely reimbursement requests noted in testing, 8 were related to direct program costs and were performed anywhere from 10 to 76 days after the associated expenditures were incurred. One of the untimely reimbursement requests noted in testing was related to administrative costs and was performed 102 days after the associated expenditure was incurred.

There have been similar findings in prior year audits of the LIHEAP program.

Cause:

Lack of resources 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, 2012

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

Recommendation:

The Office of Energy and Planning should perform federal drawdowns timely in accordance with the Treasury-State agreement.

Auditee Corrective Action Plan:

OEP concurs. OEP has created a multi-level internal controls system for all federal reporting requirements to ensure that the financial information reported for all grants is accurate and reported in a timely manner. This new system is fully operational for the LIHEAP program as of the dates listed below. OEP has experienced a shortage of personnel in the fiscal department due, in part, to the slowing and eventual end of the ARRA funded projects that allowed for the hiring of personnel whose employment had either ended or who were working toward an established end date. The quarterly reporting and financial closeouts for the ARRA programs, however, required a considerable amount of resources resulting in a lack of personnel to accomplish all needed non-ARRA tasks, such as draw downs, on a timely basis as required. Although the OEP is still currently under-staffed in the fiscal area, there is now a system in place to ensure that at least two fiscal staff members review all expenses by grant, calculate draw down amounts for all grants, and are able to perform draw downs. In addition, special procedures are now in place for the LIHEAP program to ensure that weekly draw downs of the direct program expenses are completed, especially during the height of the heating season.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The double verification control of draw downs has been in place since 12/30/2012. Weekly draw downs of the LIHEAP direct program expenses began on the week of 2/11/13.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy ***Finding2012-20***

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***
10/1/11 – 9/30/13	***G-12B1NHLIEA***

Finding: Internal controls and compliance over the subrecipient monitoring requirements of LIHEAP should be improved

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 sub-recipient 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 Office of Energy and Planning's (OEP) Fuel Assistance Program Procedural Manual for 2011 – 2012 program year states OEP will conduct program and fiscal monitoring of the subrecipients for compliance with Federal and State rules and regulations, which will be followed by a written monitoring report.

Condition:

During State fiscal year 2012, the OEP did not sufficiently monitor LIHEAP subgrant supported activities to assure subrecipients maintained compliance with applicable Federal requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

In accordance with the OEP's Fuel Assistance Program Procedural Manual, each LIHEAP sub-recipient 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. The results of these monitoring visits, including recommended and required corrective actions are communicated back to the sub-recipients in the form of a formal report.

During our audit, out of five subrecipients, we noted one instance of OEP not performing fiscal monitoring, and one instance of OEP not completing a fiscal monitoring report.

Our testing also indicated the OEP was not timely in their delivery of sub-recipient fiscal monitoring reports during the audit period. The reports were not communicated back to LIHEAP sub-recipients until between 33 and 113 days after the fiscal monitoring was concluded.

There have been similar findings in prior year audits of the LIHEAP program.

Cause:

OEP has one program manager dedicated to the LIHEAP program. Reported lack of resources and excessive work load has in part contributed to the issues noted above.

Effect:

OEP's lack of effective monitoring of all of the LIHEAP subrecipients resulted in noncompliance with the subrecipient monitoring requirements. This noncompliance could have a far-reaching effect on the subrecipients' compliance with the allowable activities and allowable costs.

Questioned Costs:

Not determinable

Recommendation:

We recommend that the OEP strengthen its internal controls over LIHEAP sub-recipient monitoring. Both application and fiscal monitoring should be performed and reporting should be completed and disseminated in a timely manner in accordance with the Fuel Assistance Program Procedural Manual.
OEP should also evaluate their staffing resources and internal control procedures over subrecipient monitoring, and ensure the procedure is designed effectively to prevent or detect and correct instances of noncompliance in a timely manner while being commensurate with available resources. OEP should also ensure internal controls are properly implemented and monitor its performance to ensure continued effectiveness.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

OEP concurs, and continues to evaluate our staffing resources and internal controls in light of staffing challenges. Despite these challenges, we have continued to make progress in fiscal monitoring of LIHEAP, including improvement in the timeliness of auditing reports. However, due to staffing transitions, the financial specialist was not able to focus on monitoring until well into the fiscal year. Lack of staff resources continues to be a challenge. OEP understands what needs to be addressed and expects to fully implement its fiscal monitoring plan as soon as practicable.

Over the last three years, OEP has developed and implemented new monitoring tools and procedures for application and fiscal monitoring. The application monitoring procedures include a complete review of applications from intake to payments to reimbursement by OEP. The fiscal monitoring procedures include a complete review of all of the expenditures for one month. Each monitoring requires 30-35 hours to complete. In addition, the FAP Manager monitors applications and processes on a daily basis as issues arise. Now that the monitoring procedures are in place, monitoring of the Community Action Agencies (the subrecipients) will be completed within each program year.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The end of the program year: September 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-21***
NH Office of Energy and Planning

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

Grant Year and Award:

10/01/09 – 9/30/11	***G-10B1NHLIEA***
10/1/10 – 9/30/12	***G-11B1NHLIEA***

Finding*: *OEP should improve internal controls over LIHEAP Federal financial reporting 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 financial 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 the Office of Energy and Planning (OEP) does not have a system of internal controls in place over the financial reporting requirements of the LIHEAP Program. Federal financial reporting data for the LIHEAP Program 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 OEP's ability to prevent or detect any potential errors in the financial reporting data elements in a timely manner.

There have been similar findings in prior year audits of the LIHEAP program.

Cause:

Reportedly, a lack of resources prevents the OEP from establishing and maintaining a system of internal controls over the federal financial reporting requirements of the LIHEAP Program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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 that the OEP institute a system of internal controls over the federal financial reporting requirements of the LIHEAP Program.

Auditee Corrective Action Plan:

OEP concurs and has created a multi-level internal controls system for all federal reporting requirements to ensure that the financial information reported for all grants is accurate and reported in a timely manner. This new system is fully operational for the LIHEAP program as of the dates listed below. OEP has experienced a shortage of personnel in the fiscal department due, in part, to the slowing and eventual end of the ARRA funded projects that allowed for the hiring of personnel whose employment had either ended or who were working toward an established end date. The quarterly reporting and financial closeouts for these ARRA programs, however, required a considerable amount of resources resulting in a lack of personnel to accomplish all required financial reporting and tasks, such as draw downs, for non-ARRA programs. This resulted in late reporting and untimely drawdowns in some instances. Although the OEP is still currently under-staffed in the fiscal area, there is now a system in place to ensure that at least two fiscal staff members review all expenses by grant, calculate draw down amounts for all grants, and are able to perform draw downs. In addition, a third person submits all calculations into the various federal reporting sites.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The double verification of financial information for federal reporting has been in place since 01/30/13. The submission of the federal reporting by a third individual (usually the Program Manager or Grants Manager) has been in place since 10/31/12.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012-22***
NH Office of Energy and Planning	
CFDA # 93.568 Low Income Home Energy Assistance Program (LIHEAP)	
Grant Year and Award:	
10/1/10 – 9/30/12	***G-11B1NHLIEA***
10/1/11 – 9/30/13	***G-12B1NHLIEA***

Finding*: *The Office of Energy and Planning (OEP) should establish internal controls over and comply with the reporting requirements of the Federal funding accountability and transparency act (FFATA)

Criteria:

As stated in the terms and conditions of the LIHEAP grant agreement for Federal Fiscal Year 2012, one of the administrative requirements of the program is compliance with the Office of Management and Budget's (OMB) OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the Single Audit Act of 1984 as amended.

The OMB Circular A-133 Compliance Supplement applicable to audits of fiscal years beginning on or after June 30, 2010 indicates sub-award reporting under the FFATA is applicable to the LIHEAP program.

Condition:

During our audit, we were informed that OEP did not submit the required FFATA reports for the LIHEAP program during state fiscal year 2012.

There was a similar finding in the prior year audit of the LIHEAP program.

Cause:

Reportedly, a lack of resources prevented the OEP from filing the required FFATA reports.

Effect:

OEP's non-performance resulted in non-compliance with LIHEAP reporting requirements

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

We recommend that the OEP comply with the FFATA reporting requirements of the LIHEAP Program.

Auditee Corrective Action Plan:

OEP concurs, and agrees that FFATA requirements were included as part of the contracts with the Sub-recipients. The Grants & Compliance Officer attempted to provide the information through the appropriate web portal on several occasions, but the website was down or not functioning. Due to reduced staffing resources, the Grants and Compliance Officer did not make further attempts to provide the information, resulting in OEP overlooking this reporting requirement.

OEP will comply with FFATA reporting requirements to collect and enter all data onto the FFATA reporting web portal.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

March 31, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding LIHEAP 2012-23***
NH Office of Energy and Planning

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

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

Finding: The time elapsing between the transfer of funds from the U.S. Treasury and disbursement by subgrantees was not minimized

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 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 requirements imposed on the LIHEAP are based on the application of 2 CFR 215.22(a) which requires of the grantee that; "Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients." This requirement is further imposed at the subrecipient level and applied to advance payments through 10 CFR 600.220(b)(7) which requires that; "The financial management systems of other grantees and subgrantees must meet the following standards:

> Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Condition:

OEP provides the LIHEAP funds in advance to subrecipients to provide sufficient cash flow to sustain LIHEAP activities throughout each program year. The advanced funds are then applied to subrecipient reimbursement requests throughout the program year until advanced funds are fully applied to program activities. During our audit, it was noted the OEP issued to program subrecipients administrative advance totaling $243,905 and program advances totaling $2,190,086 between October 28 and November 3, 2010.

During the remainder of the program year, which ended on September 30, 2011, the OEP applied $1,007,260 of advanced funds to subrecipient reimbursement requests for program year 2011 LIHEAP activities; leaving a total of $1,182,825, or 54% of advanced funds unspent. The subrecipients returned the unused advanced funds to the OEP in December 2011 and February 2012, which is 3 to 5 months after the program year ended. OEP then returned these funds to US HHS on April, 12, 2012, over 6 months after the program year ended.

Cause:

Per discussion with LIHEAP program personnel, subrecipients' cash flows are affected by many unpredictable factors, including the weather and subrecipients' vendors' invoicing timing. For this reason, the program personnel monitors the subrecipients' program costs closely to ensure their cash in-flows from OEP are timely and adequate, yet not excessive and not unspent for a prolonged period. During the State fiscal year 2012 this monitoring was not performed at times, reportedly due to the extended absence of program personnel.

Effect:

The OEP was not in compliance with the Treasury-State Agreement resulting in potential interest liability to the Federal government.

Questioned Costs:

Not determinable

Recommendation:

The Office of Energy and Planning should reevaluate the policies and procedures associated with providing advance payments to program subrecipients to ensure compliance with applicable federal laws and regulations.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

The OEP concurs with this finding. The OEP has started to implement procedures to properly draw down on program advances for program year 2013, and is in the process of evaluating advance procedures for implementation in PY 2014. All program advances will be returned to OEP by September 30 of each year. The advances discussed above were applied to program expenses after receipt at OEP, rather than being returned to HHS, but OEP agrees that the office will take additional steps to ensure compliance with 2 CFR 215.22.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

September 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy ***Finding 2012-24***
NH Office of Energy and Planning

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award:

07/01/06 – 06/30/12	***#DE-FG26- 06R130472***
04/17/09 – 09/30/12	***#DE-EE0000228 (ARRA)***

Finding: Internal controls over the Federal reporting requirements of the SEP should be strengthened

Criteria:

The New Hampshire Office of Energy and Planning (OEP) is responsible for carrying out New Hampshire's State Energy Program (SEP). Reporting is one of the applicable compliance requirements of the SEP. Required reports for Federal awards are to include all activity of the reporting period, supported by applicable accounting or performance records, and fairly presented in accordance with governing requirements.

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.

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:

Although the OEP has implemented a review and approval control over SEP Federal Reports, requiring all reports to be subjected to the review and approval of OEP's Grants and Compliance Officer prior to submission; several errors were noted during the testing of Federal reports that were not detected and corrected during the review and approval process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The following errors were noted in three of the four Federal Financial reports tested.

Report Name	Report Date	Data Filed	Reported Amount	Amount per Supporting Documentation	Variance
SF425 – Non ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$ 38,637	$ 30,321	$ 8,316
SF425 – ARRA Financial	12/31/2011	Federal Share of Unliquidated Obligations	$ 9,522,050	$8,670,453	$ 851,597
SF425 – ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$ 1,693,485	$ 1,633,478	$ 60,007
		Federal Program Income Earned	$ 90,000	$ 0	$ 90,000

Additionally, our testing of the American Reinvestment and Recovery Act 1512 report for the quarters ended March 31, 2012 and June 30, 2012 indicated the OEP reported transfers made to other state agencies performing SEP functions as subrecipient payments and payments made to two vendors as subrecipient payments in contrast with program guidance.

This resulted in OEP over-reporting the amount of SEP funds subawarded and distributed by the State. In the June 30, 2012 ARRA Section 1512 report, SEP funds subawarded was over-reported by $12,949,990 and subawarded funds distributed by the State was over-reported by $11,800,122.

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

Cause:

Employee attrition and limited personnel resources contributed to the inclusion of erroneous data elements in SEP Federal Reports and the failure of OEP's system of internal controls over Federal Reporting to prevent or detect those errors.

Effect:

Inadequate internal controls over the federal reporting requirements of the SEP prevented errors in federal reports from being detected and corrected prior to submission.

Questioned Costs:

None

Recommendation:

The OEP should improve its system of internal controls over the federal reporting requirements of the SEP.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

OEP concurs with this finding regarding the treatment of state agencies as subrecipients.

OEP classified other state agencies performing SEP functions as subrecipients and reported them as such on the OMB 1512 Reports in order to ensure that OEP could effectively monitor other state agencies who received ARRA funds. Although we understand that we should not consider other agencies to be subrecipients, OEP does intend to continue to carefully monitor other state agencies who receive federal funds to ensure that the state is in compliance with all applicable requirements.

Regarding Non ARRA SF425 for report date 6/30/12: The OEP concurs with the finding resulting in the Non ARRA reporting error for reporting date of 6/30/12 and has corrected our reported amounts on future dated SF425 reports.

Regarding the ARRA SF425 for report dates 12/31/11 and 6/30/12: The OEP concurs with the findings related to the ARRA SF425 reporting errors for report dates 12/31/11 and 6/30/12. In part, it was discovered that an obligated amount had in fact been liquidated at the time the 6/30/12 SF425 report was completed. This amount was inadvertently included in the reported total. The SF425 report will be corrected with the next quarterly submission (March 31, 2013).

Regarding the Program Income Earned finding for report date 6/30/12: The OEP concurs with the finding resulting in over reported Program Income during the 6/30/12 reporting period. At the time the utility rebates were received at OEP (August 2011), OEP sought advice with NH Department of Administrative Services (DAS) who suggested it should be considered Program Income. Since that time, OEP has learned of the specific guidance regarding Program Income allowed and disallowed in the form of OMB Circular A-133 Compliance Supplement 7. Because this issue encompasses two state fiscal years, OEP will work with DAS to correct this finding by the end of FY13.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Because there are several dates of completion discussed above, please refer to individual finding responses.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-25***
NH Office of Energy and Planning

CFDA # 81.041 State Energy Program (SEP)

Grant Year and Award:
4/17/09 – 9/30/12 ***#EE0000228 (ARRA)***

Finding*: *SEP Funds Should Only Be Used For Allowable Activities and Costs

Criteria:

10 CFR 420.18(a) states "No financial assistance provided to a State under this subpart shall be used for construction such as construction of mass transit systems and exclusive bus lanes, or for the ***construction or repair of buildings or structures***."

Condition:

During our audit, a review of supporting documentation for a loan issued under the Enterprise Energy Fund revolving loan program administered by the Community Development Finance Authority (CDFA), a subrecipient contracted by the OEP to administer the Enterprise Energy Fund, indicated a loan was issued for the "removal and replacement of the roof with an integrated structural insulated panel system" and the "removal and reinstallation of dormers and windows". The CDFA sought and received approval from the OEP prior to issuing the loan.

Although roof and attic insulating as well as window replacement are valid allowable costs for the SEP, the removal and replacement of the roof and the removal and reinstallation of the dormers would be considered costs associated with the construction or repair of buildings or structures. This determination was reinforced by reviewing a copy of the building permit issued by the City of Manchester for the roof replacement which states "remove existing shingles and *damaged substrate materials* from the roof and replace with…" The language used in the building permit indicates the roof was in need of repairs or replacement at the time of the loan application and therefore considered a repair of the building.

Cause:

As part of the administration of the Enterprise Energy Fund, both the OEP and the CDFA rely on the consultation of an organization contracted to provide assessments, recommendations, and project management for energy efficiency projects. Due to the nature and condition of the building being considered for eligible energy efficiency projects to be funded by the Enterprise Energy Fund, this organization recommended the replacement of the roof as one of the measures available to provide the loan applicant with improved energy efficiencies. OEP failed to consider the SEP's limitation on the use of funds that prohibits the use of SEP funds for the construction or repair of buildings or structures in their approval of the corresponding loan.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

The OEP approved the subrecipient's expenditure of SEP funds for the repair and replacement of the damaged roof thereby incurring questioned costs equivalent to the costs associated with the repair of the building. The total costs associated with the repair and replacement of the building's roof was $118,228.

Questioned Costs:

$118,228

Recommendation:

The Office of Energy and Planning should provide more consideration to the nature of proposed energy improvement projects to prevent SEP funds from being used for the construction or repair of buildings or structures.

Auditee Corrective Action Plan:

OEP does not concur with this finding.

Please note the following from the DOE website regarding SEP "Frequently Asked Questions" at http://www1.eere.energy.gov/eere_faq/detail_search.aspx?IDQuestion=480&pid=10&spid=3:

> *"Q: Under the State Energy Program (SEP), to what extent are construction and repair costs permissible uses of SEP funds?"*
> ***"A:** The SEP regulations prohibit the use of SEP funds for "construction, such as construction of mass transit systems and exclusive bus lanes, or for the construction or repair of buildings or structures." 10 CFR 420.18(a)(1). "*
>
> *"However, the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures, including reasonable design costs, are permissible uses of SEP funds (subject to certain conditions.) 10 CFR 420.18(e). In some instances, the installation of an energy efficiency measure or a renewable energy measure may require construction or repair work to be performed. For example, installation of solar panels on a building roof may require minor repairs to or reinforcement of the roof structure. Additionally, energy retrofit efforts may require inoperative building systems to be repaired.*
>
> *To the extent that SEP funds are used for construction or repair that is directly related to and required by the installation of an energy efficiency measure or renewable energy measure, then such use is permissible."*

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

DOE has approved roof repairs for EECBG projects based on Program Notice 10-021 which states,

> *"Measures undertaken to be in compliance with federal, state, and local laws and regulations such as asbestos removal, lead paint removal, ADA compliance and similar activities that are incidental to carrying out the eligible EECBG activity may be allowable in some cases. The compliance measure must be required in order to implement the EECBG activity and the EECBG activity must be the primary use of the EECBG funding. In such cases, the threshold is that all compliance measures, including health and safety measures that are incidental to carrying out the EECBG activity, cannot total more than 25% of the costs for the underlying EECBG activity. Therefore, 25% of the cost of an underlying eligible activity can be used for compliance measures. Any additional costs must be borne by the recipient."*

The decision to use an integrated structural insulated panel system (SIPS) where the SIPS was a part of the roof structure was based on a determination that this was the best way to make the building energy efficient with minimal disruption of the third floor tenants. In addition, removing and replacing the dormers was a requirement of the NH Historical Society as the building was considered "historic." As a result, those costs should not be considered a repair that is not allowed.

In sum, OEP approved the work based on the above information as it was directly related to and required by the efficiency project.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Not Applicable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services ***Finding 2012-26***
NH Office of Energy and Planning

CFDA # 81.041 State Energy Program (SEP)

Grant Year and Award:

4/17/09 – 9/30/12 ***#EE0000228 (ARRA)***

Finding*: *Repayments to and interest earned on a revolving fund were not disbursed prior to requesting additional cash payments

Criteria:

2 CFR 215.22(g) states "To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional payments."

This is reinforced in 2 CFR 215.24(b)(3) which states "program income earned during the project period shall be retained by the recipient and, in accordance with the Federal awarding agency regulations or the terms and conditions of the award, shall be … deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based."

Additionally, 10 CFR 600.220(b)(7) requires that; "The financial management systems of other grantees and subgrantees must meet the following standards:

> Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Condition:

Although the Office of Energy and Planning (OEP) does not generate any program income in the administration of the SEP, SEP subrecipients administering revolving loan funds generate program income in the form of interest associated with the repayments of loan principle. The Community Development Finance Authority (CDFA) is a SEP subrecipient contracted by the OEP to administer the Enterprise Energy Fund. The Enterprise Energy Fund is a program designed to offer low interest loans in conjunction with grants to businesses throughout the State for the purposes of improving energy efficiency.

Accordingly, the CDFA is required to apply program income to program expenditures prior to drawing additional federal funds. As the prime recipient of SEP funds, the OEP is responsible to assure subrecipient compliance with applicable grant requirements. OEP's failure to require the CDFA to apply program income to program expenditures before drawing additional federal funds resulted in OEP's payment of funds not properly due the CDFA. As of June 30, 2012, the CDFA had accumulated a total of $67,330 of program income that had not been applied to program outlays totaling $6,401,583.

Cause:

Discussions with OEP personnel and reviews of risk assessment documentation related to the CDFA subaward indicated the primary concern OEP had with the Enterprise Energy Fund was related to the timeliness of expenditures. With the ARRA grant period drawing to a close, the OEP was concerned with the CDFA's ability to expend the designated funds prior to the closing of the grant period.

OEP's concern with the subrecipient's ability to expend the allocated funds prior to the closing of the grant period contributed to the OEP's oversight of the requirement that program income be applied to federal expenditures prior to requesting additional federal funds.

Effect:

The OEP was not in compliance with the Cash Management and Program Income requirements of the SEP.

Questioned Costs:

Not determinable

Recommendation:

The Office of Energy and Planning should require all subrecipients earning program income to apply program income to federal expenditures prior to requesting additional federal funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

OEP does not concur with this finding.

The CDFA returns all repayments and interest/program income for the EEF Revolving Loan Fund (RLF) to the program/RLF as specified in 10 CFR 600.225(g)(2).

However, due to guidance from DOE regarding the need to expend ARRA funds as a first priority, OEP sought clarification on the order of priority in spending funds from ARRA and funds from interest/program income. OEP received the following guidance from DOE via email: *funds [should] be held in an insured, interest bearing account by CDFA for future lending, with interest rolled back into the escrow account, with escrow funds held and re-loaned once the DOE funds are exhausted. This approach would a) ensure ARRA funds are fully utilized and b) establish a permanent loan fund for future post-grant loans.*

As a result of this guidance, OEP focused on ensuring that ARRA funds were fully utilized as a first priority, so that interest/program income would be spent after ARRA funds were exhausted.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Not Applicable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy ***Finding 2012-27***
NH Office of Energy and Planning

CFDA #81.041 State Energy Program (SEP)

Grant Year and Award:
4/17/09 – 9/30/12 ***#EE0000228 (ARRA)***

Finding: Internal controls and compliance over the subrecipient monitoring requirements of the SEP should be improved

Criteria:

10 CFR 600.240(a) dictates SEP grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

The State Office of Energy and Planning (OEP) is also 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 the subrecipient monitoring requirements of the SEP program are being met.

Condition:

During our testing it was noted the OEP's system of internal controls over SEP subrecipient monitoring were not in place and operating as intended. OEP utilizes a subrecipient risk assessment tool to assess each subrecipient's risk of non-compliance with program requirements.

In addition to the risk assessment tool, OEP documents subrecipient monitoring activities using either a monitoring checklist or some other form of documentation such as handwritten notes or meeting minutes. The results of OEP's subrecipient monitoring activities are then formalized into a report which is then subjected to the review and approval of OEP management prior to being disseminated to the subrecipient and the Director of the OEP.

During our testing, it was noted that the risk assessments for two of five subrecipients tested were not documented. Additionally, it was noted one of the documented risk assessments appeared to document the risk assessment of two separate subrecipients and did not evidence the review of OEP management. The risk assessment also appeared to determine the subrecipient was a medium – high risk subrecipient and identified several areas of high risk, yet did not generate a letter notifying the subrecipient of the areas of risk identified.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

During our testing it was also noted the OEP did not produce a formal report detailing the results of subrecipient monitoring activities to the subrecipient or the Director of the OEP for three of the five subrecipients tested and that there was no documentation available indicating that one of these three subrecipients was subjected to subrecipient monitoring activities.

Cause:

The OEP lacks an effective monitoring control over subrecipient monitoring for the SEP. An effective monitoring control would ensure through the normal course of business that control activities designed to ensure compliance with program requirements were in place and operating as intended.

Effect:

OEP's lack of an effective monitoring control over the subrecipient monitoring activities of the SEP resulted in noncompliance with the subrecipient monitoring requirements of the SEP.

Questioned Costs:

Not determinable

Recommendation:

OEP should institute effective monitoring controls over the subrecipient monitoring requirements of the SEP to ensure the policies and procedures designed to ensure compliance with program requirements are in place and operating as intended.

Auditee Corrective Action Plan:

OEP concurs with this finding. OEP Energy Staff used a "hands-on" approach and were closely and actively involved in all stages of their respective grants and with their subrecipients. *SEP Notice 10-015 Guidance for State Energy Programs for Monitoring Subrecipients says, " 6.2 Monitoring Methods and Frequency: DOE suggests States may use a variety of monitoring mechanisms including progress reports, site visits, financial reports, independent (third party) audits and/or internal (State conducted) financial audits."*

Among the monitoring tools used were weekly meetings, site visits to observe the projects in process, on-site Davis Bacon monitoring and worker interviews, review of A-133 financial audits, and multiple daily phone calls. Any situations which were deemed a higher risk were addressed with more frequent oversight and an increased hands-on approach. As a result, SEP projects were being monitored and subject to detailed oversight.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The OEP will provide training on monitoring procedures and documentation for newly hired SEP staff on the importance of formal monitoring and OEP's responsibilities as the manager of federal funds. The Risk Assessment Checklist and monitoring checklists will be reviewed against Federal guidance for monitoring subrecipients, and will be modified to include appropriate levels of review and signoff.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-28***
NH Office of Energy and Planning	
CFDA #81.041 State Energy Program (SEP)	
Grant Year and Award:	
4/17/09 – 9/30/12	***#EE0000228 (ARRA)***

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

Criteria:

Per the Wage Rate Requirements under Section 1606 of 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:

Our testwork revealed that all payrolls tested were properly certified by the contractor; however, out of 32 payrolls tested, we noted one instance where a contractor invoice was paid prior to the receipt or review of certified payrolls, and two instances where the contractor invoices were paid after the receipt of the contractor's certified payrolls but before the review of these payrolls.

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. All of the errors noted during testing occurred early in the fiscal year, prior to the OEP's transition to the newly designed policies and procedures.

Effect:

By failing to withhold corresponding payments until certified payrolls are received and reviewed, the OEP is not in full compliance with the requirements of the Davis Bacon Act.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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 continue following its 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. In addition, OEP should ensure the certified payrolls are properly reviewed by appropriate program personnel prior to making payments.

Auditee Corrective Action Plan:

As noted in the above "Cause" section, OEP implemented newly designed policies and procedures which addressed the issues identified in this finding. The OEP will continue to follow its new policies and procedures to ensure compliance with the Davis Bacon Act.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services	***Finding 2012-29***
NH Office of Energy and Planning	
CFDA # 81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/12	***#EE0000161 (ARRA)***
4/1/09 – 6/30/13	***#EE0000060***

Finding*: *Federal drawdowns for the Weatherization Assistance Program were not performed in accordance with program requirements and advances of funds were not paid out timely to minimize the time elapsing between transfers to subrecipients and final disbursement

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 Treasury-State Agreements that prescribe specific methods of drawing down Federal funds for selected large programs.

The Office of Energy and Planning's (OEP) WAP 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 weekly federal drawdowns for direct program costs of the WAP. The Treasury-State Agreement also specifies "The State shall be liable for interest on federal funds from the date the federal funds are credited to a state account until the date those funds are paid out for program purposes."

The requirements imposed on the WAP are based on the application of 2 CFR 215.22(a) which requires of the grantee that; "Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients." This requirement is further imposed at the subrecipient level and applied to advance payments through 10 CFR 600.220(b)(7) which requires that; "The financial management systems of other grantees and subgrantees must meet the following standards:

> Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Condition:

The OEP did not perform federal drawdowns in accordance with the TSA during the audit period. We tested 25 WAP expenditure transactions and noted the OEP did not request reimbursements for 20 of the 25 transactions (80%) in accordance with the TSA. Program draws were performed approximately monthly regardless of the nature of the associated costs.

Additionally it has been the practice of the OEP to advance WAP funds to subrecipients to provide sufficient cash flow to sustain WAP activities throughout each program year. The advanced funds are then applied to subrecipient reimbursement requests throughout the program year until advanced funds are fully applied to program activities. During the audit, it was noted the OEP issued program year 2011 advance payments to program subrecipients totaling $181,038 in January 2012. Two subrecipients did not conduct any program year 2011 WAP activities.

During the remainder of the program year, the OEP applied $41,079 of advanced funds to subrecipient reimbursement requests for program year 2011 WAP activities; leaving a total of $139,959 of advanced funds unspent during the six month period. The subrecipients returned the unused advanced funds to the OEP in June of 2012 at which time the OEP had outstanding expenditures sufficient to reduce the outstanding liability associated with the advanced funds to $129,046.

Cause:

Discussions with OEP personnel indicated the OEP was unaware of the WAP' inclusion in the most recent Treasury-State Agreement and therefore failed to implement policies and procedures designed to comply with the provisions of the agreement for the WAP. It was also noted the WAP has not been included in prior Treasury-State Agreements.

Discussions also indicated the unspent advanced funds held by program subrecipients and subsequently the OEP are the result of both the OEP' and the subrecipient's focus on fully expending WAP ARRA funds before the end of the ARRA funded period of performance. In order to fully execute subrecipient agreements for ARRA funded WAP activity; and because the OEP had the ability to carry forward unspent program year 2011 funds into future program years; the OEP and WAP subrecipients chose to forego program year 2011 WAP activities. This consequently resulted in insufficient program year 2011 spending to effectively absorb the advanced payments in a timely manner as required.

Effect:

The OEP was not in compliance with the Treasury State Agreement resulting in potential lost interest income for the State, and an interest liability to the Federal government.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Recommendation:

The Office of Energy and Planning should perform federal drawdowns for the WAP in accordance with the Treasury-State agreement.

The Office of Energy and Planning should reevaluate the policies and procedures associated with providing advance payments to program subrecipients to ensure compliance with applicable federal laws and regulations.

Auditee Corrective Action Plan:

OEP concurs with the policy recommendations in this finding, and has implemented a change in the issuance and collection of cash advances to prevent reoccurrence of the issues described above. The new policy provides the subrecipient a 90 day cash advance. Cash advances will be drawn down in 1/3 increments against invoices submitted for the first 3 months, or until the cash advance has been fully applied. If a subrecipient's production does not provide sufficient billing for adequate drawn down of the cash advance against invoices, any cash advance remaining at the end of 90 days is due back to OEP within 30 days. The advances dispersed in January 2012 were draw down within a week of disbursement. OEP does not anticipate a recurrence of this finding as this instance occurred due to receiving ARRA WAP funds that had to be expended prior to the funds awarded for the base WAP grant. The DOE requirement to spend ARRA funds prior to base funds was not known to OEP at the time the advances were sent out to the subrecipients (which is an annual practice approved through G&C). OEP could not have known in advance that several of the subrecipients would not be able to complete base WAP work due to the amount of ARRA WAP work remaining to be completed. Had that information been known, the advances would not have been issued.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

This policy was put into place with the distribution of WAP cash advances for PY12, with an effective date of November 29, 2012.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-30***
NH Office of Energy and Planning	
CFDA #81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/12	***#EE0000161 (ARRA)***
4/1/09 –06/30/13	***#EE0000060***

Finding: Internal controls and compliance over the subrecipient monitoring requirements and allowable cost limitations of the WAP should be improved

Criteria:

10 CFR 600.240(a) makes WAP grantees responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

In accordance with 10 CFR 600.240(a), the Department of Energy approved New Hampshire State Plan (State Plan) for WAP states "program monitoring of each subgrantee will occur on an annual basis with additional monitoring to be conducted as deemed necessary based on the results of previous monitoring activities." In accordance with WAP Grant Guidance Notice 10-9, the NH State Plan also states "technical onsite monitoring will take place at a minimum of 5% of the jobs completed". Although not specified in the State Plan, WAP Grant Guidance specifies the 5% minimum applies to each subrecipient of WAP funds.

Lastly, the State Office of Energy and Planning (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 the subrecipient monitoring and the allowable activities and costs requirements of the WAP program are being met.

Condition:

During fiscal 2012, the OEP did not sufficiently monitor WAP subgrant supported activities to assure subrecipients maintained compliance with applicable Federal requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The OEP monitors WAP subrecipients by conducting both program monitoring activities and field monitoring activities. The program monitoring activities are designed to evaluate a subrecipient's compliance with WAP requirements and the efficiency and effectiveness of the subrecipient's administration of and internal controls over the WAP. Field monitoring activities are designed to evaluate the quality of the actual weatherization work performed through the inspection of weatherized dwellings.

During the audit, it was noted the OEP did not conduct program monitoring for 2 of the 5 WAP subrecipients. For 1 of the 3 subrecipients monitored, the 2011 program monitoring report indicated a history of WAP work quality issues including incomplete work, poor quality final inspections, and poor production performance. The report also described general observations of incorrect calculations of the cost effectiveness of weatherization measures taken.

The subsequent 2012 program monitoring report for the same subrecipient indicated a continuance of some previously identified issues as well as the identification of new issues. The report states "staff is not always aware of program requirements and restrictions for the WAP. This has caused multiple findings in the field…" The report notes observations indicating improper prioritization of WAP eligible individuals, incomplete WAP packages, the identification of disallowed costs, slow responses to findings of non-compliance, and an inadequate understanding of the compliance requirements related to health and safety measures.

Although it appears the OEP's follow up procedures for specific instances on noncompliance noted during the subrecipient monitoring were appropriate; the OEP failed to increase the frequency of monitoring visits or increase the sample sizes it monitored in response to the documented history of work quality issues, non-compliance, and questioned costs thereby not obtaining reasonable assurance the subrecipient executed their subrecipient agreement in full compliance with the requirements of the WAP.

During the audit it was also noted the OEP did not conduct sufficient field monitoring activities to achieve the 5% minimum prescribed in the NH State Plan. The OEP did not meet the 5% minimum for five of six ARRA subrecipients and did not conduct any field monitoring activities on Non-ARRA units weatherized.

OEP's internal controls over subrecipient monitoring are based on the WAP Program Manager's review and approval of subrecipient monitoring reports prior to their dissemination to subrecipient's and the subsequent oversight of any necessary corrective actions. OEP's lack of appropriate response to a subrecipient's documented history of noncompliance indicates the control was not designed effectively to ensure program compliance.

Furthermore, the policies and procedures designed to ensure compliance with the allowable activities and cost requirements of the WAP are dependent on the effectiveness of OEP' subrecipient monitoring activities.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

WAP subrecipient reimbursement requests consist of subrecipient expenditure, production, and status reports that are submitted to the OEP absent of any documentation supporting the validity of the reports. The reimbursement requests are reviewed and approved for payment by the WAP Program Manager on the premise that its subrecipient monitoring activities provide the OEP with reasonable assurance the information contained in the subrecipient reports is reliable and includes only allowable costs incurred during the performance of program activities. The absence of, or deficiencies in, subrecipient monitoring activities described above, significantly diminishes OEP's assurance subrecipient reimbursement requests represent only allowable costs incurred while performing allowable activities of the WAP.

Accordingly, we were unable to conclusively determine if costs submitted for reimbursement by either of the two subrecipients who were not subjected to program monitoring activities or by the subrecipient with a history of noncompliance and unresolved findings resulting from OEP's subrecipient monitoring activities were allowable costs incurred in the performance of allowable activities of the WAP. The cumulative program expenditures of these three subrecipients during fiscal year 2012 amounted to $5,619,972; representing 73% of the total $7,741,002 of payments made to WAP subrecipients.

Cause:

The instances of noncompliance and the deficiencies of internal controls described above are the result of a decrease in WAP staffing levels at the OEP. In January of 2012 the WAP Program Manager resigned. OEP subsequently promoted the WAP Technical Manager to WAP Program Manager while leaving the technical manager position vacant, essentially halving program staffing levels.

Decreased staffing levels have resulted in OEP's internal controls over the subrecipient monitoring requirements of the WAP becoming solely dependent on the performance and professional judgment of one individual, the WAP Program Manager.

Effect:

OEP's lack of effective monitoring of all of the WAP subrecipients resulted in noncompliance with the subrecipient monitoring requirements and allowable cost restrictions of the WAP. Design deficiencies in OEP's internal controls over subrecipient monitoring prevented the controls from preventing or detecting and correcting those instances of noncompliance.

Questioned Costs:

Not determinable

Recommendation:

OEP should comply with the subrecipient monitoring requirements of the WAP. When subrecipient noncompliance is noted, or a subrecipient is determined to be at high risk for noncompliance, the OEP should take appropriate actions to reduce those risks and ensure subrecipient compliance.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

OEP should also evaluate its staffing resources and system of internal controls over compliance with the requirements of the WAP program and ensure the system is designed effectively to prevent or detect and correct instances of noncompliance in a timely manner. OEP should also ensure internal controls are properly implemented and monitor their performance to ensure continued effectiveness.

Auditee Corrective Action Plan:

OEP concurs with this finding, and has continued to make progress towards improving fiscal monitoring. We have experienced measurable improvement in the timeliness of auditing reports, but due to fiscal staffing issues, and because the financial specialist was not able to focus on monitoring until well into the fiscal year we have more work to do. OEP is evaluating its staffing and priorities, and will make any additional adjustments in monitoring as soon as practicable.

However, the finding does not recognize that OEP did take risks into account, and acted appropriately within the constraints of available resources. Additionally, the subrecipient with continued poor performance had both a reduction in their ARRA funding of $225,000, and an increase in monitoring to almost 9.9% of production. The audit also does not recognize that one of the subrecipients that did not have a site monitoring performed also had $114,000 of ARRA funding withdrawn and field monitoring increased to 8%. In both of these cases, risk was reduced as a result of increased field inspections.

The second subrecipient not having a site monitoring is the state's largest and has been identified in prior site monitoring and field inspections to have few concerns and generally excellent quality work, and only minor compliance concerns with no disallowed costs. This subrecipient could be classified as a low-risk subrecipient. However, even as a low risk subrecipient, this agency still had almost 6% of production inspected.

In all cases for field inspections, OEP has been closely monitoring and reviewing the electronic energy audit models that are used by the subrecipients to determine cost effectiveness and allowed costs for field projects. These models were also reviewed when waivers for some projects were requested. This additional oversight in the form of desk monitoring is another step in reducing overall risk for disallowed costs.

OEP concurs that no Annual DOE units were inspected for program year (PY)11. This program only had 98 units weatherized; at 5%, this requires only 5 units to be inspected. OEP was utilizing a contracted service for performing field inspections. This contract was paid for solely with ARRA funds so we could not utilize those services on Annual program projects.

OEP believes that the risk associated with not performing these 5 inspections is extremely low at best, for two reasons. First, OEP did not notify subrecipients that Annual production would not be inspected, so that subrecipients continued to believe that any unit could be inspected at any time, and that all projects, regardless of funding source, follow the same standards. Second, ARRA inspections exceeded the minimum required level of inspections and the nearly 4,000 units produced under ARRA far exceed the less than 100 units produced under the Annual program. As a result, the additional ARRA units inspected far exceeds the minimum of 5 required for the Annual program. Finally, the PY11 Training

and Technical Assistance (T&TA) report filed with DOE for the period ending 6/30/2012 states that no units in the Annual program for the PY12 performance period received inspections; the T&TA report was reviewed and approved by DOE and a subsequent PY12 application was approved.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

OEP has taken steps to address many issues in this finding, and we are currently evaluating staff and priorities in order to address any remaining issues as soon as practicable.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-31***
NH Office of Energy and Planning	
CFDA #81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/12	***#EE0000161 (ARRA)***

Finding: The communication of sub-recipient monitoring requirements should be properly applied and adhered to

Criteria:

Per 2 CFR 176.210, prime recipients of ARRA funds are required to separately identify to each sub-recipient, 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:

Although the State Office of Energy and Planning (OEP) has separately identified to each sub-recipient of ARRA funded Weatherization Assistance funds, and documented at the time of the sub-award, the Federal award number, CFDA number, and the amount of ARRA funds, our testing has indicated the OEP did not, at the time of disbursement; specifically identify this same information to each sub-recipient in 79% of the ARRA transactions tested.

Cause:

Prior to a fiscal year 2011 Single Audit finding; OEP management considered a reference to the sub-award contract specifying the required information sufficient for the satisfaction of this compliance requirement. However, in response to the finding, OEP revised its policies to require an explicit reference to the CFDA number in addition to the reference to the sub-award contract. However, these policy changes were implemented by the OEP in March of 2012. Our testing did not indicate any instances of noncompliance during or after March of 2012.

Effect:

By not identifying to each sub-recipient, at the time of the disbursement of ARRA funds, the Federal award number, CFDA number, and the amount of ARRA funds, OEP is not in full compliance with the sub-recipient monitoring requirements of the ARRA funded Weatherization Assistance Program for fiscal year 2012.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Recommendation:

The OEP should maintain newly established policies and procedures designed to ensure that at the time of the disbursement of Weatherization Assistance ARRA funds, the Federal award number, CFDA number, and the amount of ARRA funds are identified to each sub-recipient.

The OEP should periodically review their policies and procedures to evaluate their continued effectiveness in maintain program compliance.

Auditee Corrective Action Plan:

As indicated within this finding, the corrective action was implemented in March 2012 and has been determined to be effective.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Complete

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy ***Finding 2012-32***
NH Office of Energy and Planning

CFDA #81.042 Weatherization Assistance Program (WAP)

Grant Year and Award:
4/1/09 – 9/30/12 #EE0000161(ARRA)

Finding: Certified payrolls subject to the requirements of the Davis Bacon Act should be received weekly

Criteria:

Per the Wage Rate Requirements under Section 1606 of 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 State 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 (29 CFR sections 5.5 and 5.6).

Condition:

All Weatherization work funded by the Weatherization Assistance Program through OEP is performed by local Community Action Agencies (CAAs). There are five 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.

Our testing indicated that although the OEP made efforts to obtain certified payrolls from WXN contractors and sub-contractors weekly for each week in which contract work was performed, certified payrolls were persistently not received weekly. It was noted in 2 of the 40 selections tested that OEP did not withhold payments to contractors and sub-contractors pending receipt of certified payrolls.

Cause:

During the prior year audit, it was noted the policies and procedures implemented by the OEP for the processing of Davis Bacon Certified Payrolls for the Weatherization Assistance Program did not contain a mechanism designed to ensure certified payrolls were received and reviewed prior to making payments to the CAA's.

The two errors noted in our testing occurred prior to the communication of the formal audit finding to the OEP and therefore, prior to the OEP' implementation of additional procedures designed to prevent payments from being made prior to the collection of the necessary certified payrolls.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

By not receiving the certified payrolls weekly, OEP was not in full compliance with the requirements of the Davis Bacon Act.

Questioned Costs:

None

Recommendation:

OEP should continue to be vigilant in their execution of the established policies and procedures designed to ensure compliance with the Davis Bacon requirements of the WXN program. The OEP should also periodically review their established policies and procedures to ensure their continued effectiveness.

Auditee Corrective Action Plan:

As indicated in the audit, the corrective action has been implemented.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Complete

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Energy	***Finding 2012-33***
NH Office of Energy and Planning	
CFDA #81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/12	***#EE0000161(ARRA)***
4/1/09 –06/30/13	***#EE0000060***

Finding: Internal controls over the Federal Reporting requirements of the WAP should be strengthened

Criteria:

The New Hampshire Office of Energy and Planning (OEP) is responsible for administering New Hampshire's Weatherization Assistance Program (WAP). Reporting is one of the applicable compliance requirements of the WAP. Required reports for Federal awards are to include all activity of the reporting period, supported by applicable accounting or performance records, and fairly presented in accordance with governing requirements.

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.

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:

Although the OEP has implemented a review and approval control over WAP Federal Reports, requiring all reports to be subjected to the review and approval of OEP's Grants and Compliance Officer prior to submission; several errors were noted during the testing of Federal reports that were not detected and corrected during the review and approval process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The following errors were noted in three of the four Federal Financial reports tested.

Report Name	Report Date	Data Filed	Reported Amount	Amount per Supporting Documentation	Variance
SF425 – Non ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$0	$821,376	$ 821,376
SF425 – ARRA Financial	09/30/2011	Federal Share of Unliquidated Obligations	$4,880,191	4,884,641	$4,450
SF425 – ARRA Financial	06/30/2012	Federal Share of Unliquidated Obligations	$1,304,201	$613,130	$691,071

Additionally, our testing of the American Reinvestment and Recovery Act Section 1512 reports for the quarters ended March 31, 2012 and June 30, 2012 indicated the OEP failed to account for contract amendments made to WAP subawards during March 2012 in their reporting data. As a result, WAP subaward amounts reported in ARRA Section1512 reports were understated by $147,810 in the March report and overstated by $339,400 in the June report.

It was noted the total amount of subawards detailed on the OEP's data submission sheet did not agree with the total amount of subawards detailed at www.recovery.gov. Recovery.gov did not include subrecipient data for one subrecipient in the amount of $5,989,792 in the March report and in the amount of $6,155,401 in the June report.

Cause:

Employee attrition and limited personnel resources contributed to the inclusion of erroneous data elements in WAP Federal Reports and the failure of OEP's system of internal controls over Federal Reporting to prevent or detect and correct those errors.

Effect:

Inadequate internal controls over the federal reporting requirements of the WAP prevented errors in federal reports from being detected and corrected prior to submission.

Questioned Costs:

None

Recommendation:

The OEP should improve their system of internal controls over the federal reporting requirements of the SEP.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

OEP concurs and has corrected our reported amounts on the SF425 reports discussed above. OEP has created a multi-level internal controls system for all federal reporting requirements to ensure that the financial information reported for all grants is accurate and reported in a timely manner. Although OEP is still currently under-staffed in the fiscal area, a system is now in place to ensure that at least two fiscal staff members review all expenses and calculate financial reporting amounts for all grants, while a third person submits financial calculations into the various federal reporting sites.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Immediate. The enhanced verification of federal reporting has been in place since 01/30/13.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Homeland Security ***Finding 2012-34***
NH Department of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-9/3/15	***DRNH 4026 PA***
8/27/11-8/27/15	***DRNH 3333 EM***
12/5/11-12/5/15	***DRNH 4049 PA***
7/27/11-7/27/15	***DRNH 4006 PA***

Finding: Noncompliance with the Federal Funding Accountability and Transparency Act

Criteria:

The Federal Funding Accountability and Transparency Act of 2006 (FFATA) (P.L.109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (P.L. 110-252), requires full disclosure to the public of Federal spending through a single searchable database that identifies all entities or organizations receiving Federal funds.

Prime grant awardees of Federal grants of $25,000 or more must report associated grant first-tier sub-grants of $25,000 or more.

Sub-award information required for FFATA reporting:

- Name of entity receiving award
- Amount of award (obligated amount)
- Funding agency
- NAICS code
- Program source
- Award title descriptive of the purpose of the funding action
- Location of the entity (including congressional district)
- Place of performance (including congressional district)
- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

Condition:

The Department has not reported any information required by FFATA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The Department regularly subgrants the majority of its federal Public Assistance to subgrantees. During fiscal 2012, the Department subgranted $13.8 million or 99.86% of total federal funds received. The Department was not aware of the reporting requirements under FFATA and has never reported any of its subgrants as required by FFATA.

Cause:

The Department was not in compliance with the FFATA compliance requirements.

Effect:

The Department is not in compliance with the FFATA reporting requirement.

Questioned Costs:

None

Recommendation:

The Department should review the FFATA reporting requirements and establish controls procedures to report the required subgrant information and comply with FFATA.

Auditee Corrective Action Plan:

Homeland Security Emergency management (HSEM) will register with the FFATA system and begin to input data into the system. Data will be from all federal grants administered by HSEM.

Contact Person:

Elizabeth Peck, Assistant Planning Chief

Anticipated Completion Date:

To incorporate all grants received since October 2010, anticipated completion September 30, 2013.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Homeland Security ***Finding 2012-35***
NH Department of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:
2012 ***DRNH 4026 PA***

Finding: Controls over Cash Management monitoring must be established

Criteria:

Federal regulations 44 CFR section13.21 (c) and 33 CFR section 205.11 (a) and (b) state that grantees must "minimize the time elapsing between the transfer of funds" from the Federal government and the payout of funds by the grantee. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

According to a NH Department of Homeland Security and Emergency Management (Department) policy, subgrantees can request advance funding for amounts expected to be expended within 30 days of the receipt of federal funds.

Condition:

Controls over Cash Management monitoring have not been established and the Department has not established procedures for monitoring of its advance payments of federal funds to its subrecipients.

Several advance payments have been made to its subrecipients during fiscal year 2012. The Department does not track the advance payments made and cannot easily identify them. In addition, there is no subsequent review of the subrecipient's records to ensure that the advanced funds have been spent within the time limit established by the Department, 30 days.

Although FEMA conducts project closeouts during which subrecipient records, including invoices supporting project expenditures are reviewed, that review does not specifically address the subrecipients' compliance with the 30 day spending limit.

Cause:

The Department relies on FEMA's review for project compliance determination. Lack of resources also contributed to the condition.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

The Department was not able to provide us with a population of cash advances processed during fiscal 2012 and as a result, the Department cannot demonstrate its compliance with Cash Management advance requirements of the Public Assistance program.

Questioned Costs:

Not determinable

Recommendation:

The Department should establish adequate procedures to track all cash advances to its subrecipients. Controls over monitoring of those advances should be developed and implemented to ensure subrecipients expend the advanced funds within the allowed 30 days and the Department is in compliance with Cash Management compliance requirements.

Auditee Corrective Action Plan:

HSEM will modify the Access databases used to track awards to subgrantees. If a cash advance to a subgrantee is made based upon an unpaid invoice an indication will be made on the electronic record and a follow-up contact will be made within 45 days of payment for confirmation of the advancement and disbursement of the advance. A revision of the PA Administrative Plan will reflect the changes.

Contact Person:

Michael Poirier, Planning Chief

Anticipated Completion Date:

April 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Homeland Security ***Finding 2012-36***
NH Department of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-9/3/15	***DRNH 4026 PA***
8/27/11-8/27/15	***DRNH 3333 EM***
12/5/11-12/5/15	***DRNH 4049 PA***
4/27/11-3/31/12	***DRNH 1695 PA***
7/22/11-7/22/15	***DRNH 4006 PA***
3/29/10-3/29/14	***DRNH 1892 PA***
5/12/10-5/29/14	***DRNH 1913 PA***

Finding: Subrecipient Monitoring procedures must be established

Criteria:

Per 31 USC section 7502 (f)(2)(a), 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, and the name of the federal awarding agency) and identify applicable compliance requirements.

Additionally, OMB Circular A-133 Compliance Supplement, Subrecipient Monitoring, requires the recipients of federal funds to establish procedures to ensure that:

- The subrecipient provides a valid DUNS number before issuing the subaward,
- The pass-through entity properly identifies Federal award information and compliance requirements to the subrecipient,
- The pass-through entity monitors subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements and achieves performance goals,
- The pass-through entity ensures required audits are performed, issued a management decision on audit findings within 6 months after receipt of the subrecipients' audit report, and ensured that the subrecipient took timely and appropriate corrective action on all audit findings.

Condition:

The Department does not have adequate subrecipient monitoring procedures in place.

The Department communicates subgrantee federal compliance requirements to subgrantees through applicant briefing meetings and form letters attached to subgrantee payments. While these communications include the identification of the disaster number and federal awarding agency, the Department has not communicated the CFDA number and title to its subgrantees.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

In addition, the Department does not have adequate procedures in place to monitor subgrantees' compliance with the audit requirements. The Department established an audit tracking spreadsheet, which is used to document the audit reports received. The spreadsheet is not; however used to follow up with subgrantees who have not submitted the required reports. The Department reports that the spreadsheet has not been maintained since a Program Assistance position became vacant.

Out of a sample of 25 subgrantees, we noted one audit report on file. While the Department provided us with four additional reports, those reports included audits of the subgrantees' financial statements and not the A-133 audits of federal assistance.

Cause:

The Department reported that lack of resources contributed to the condition.

Effect:

The Department was not in compliance with the Subrecipient Monitoring compliance requirements during fiscal 2012.

Questioned Costs:

None

Recommendation:

The Department should establish adequate procedures to ensure that all required grant information, including the CFDA number and title, are communicated to the subgrantees. Adequate policies must be established to track, review, and follow up on subgrantee audits.

Auditee Corrective Action Plan:

HSEM will create a database that will monitor all subgrantees information to include DUNS number. Additionally, if a subgrantee is awarded pass through grants greater than $100,000 in a calendar year, the database will indicate the source. At the end of a calendar year subgrantees will be contacted and an inquiry will be made if the subgrantee exceeded $500,000. If so a copy of the subgrantee Single Audit will be requested. Any findings will be examined with the subgrantee and corrective actions will be developed. The database will incorporate all pertinent information.

The PA Administrative Plan will be revised to reflect these changes.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Contact Persons:

Michael Poirier, Planning Chief
Cindy Richards, Hazard Mitigation Officer

Anticipated Completion Date:

Database development: 05/15/2013
Incorporation of fiscal year 2012 information: 09/30/2013
Subsequent years beginning with 2013: analysis and interpretation by 03/31 the following year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Environmental Protection Agency ***Finding 2012-37***
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:

10/1/08-10/1/15	***2F96102301 – ARRA***
10/1/08-10/1/18	***FS99115009***
10/1/08-10/1/17	***FS99115008***
10/1/07-10/1/17	***FS99115007***
10/1/08-12/31/13	***2W33000209 – ARRA***
4/1/08-4/1/18	***CS33000107***
4/1/07-4/1/17	***CS33000106***

Finding: Noncompliance with the Treasury-State Agreement

Criteria:

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Annually, the State of New Hampshire negotiates the Treasury-State Agreement (TSA) with the Treasury which details the funding techniques to be used for the drawdown of federal funds and the terms for the transfer of financial assistance funds between the Federal government and the State of New Hampshire.

Direct Costs

In the TSA for the period July 1, 2011 – June 30, 2012, the funding technique agreed upon was the Capitalization Grants for State Revolving Funds Technique. This agreement also states the State shall request funds such that they are deposited on the average date of clearance for funds disbursed to loan recipients, as specified in the clearance pattern in Exhibit II of the TSA, which is 4 days.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Administrative Costs

In the Treasury-State Agreement for the period July 1, 2011 – June 30, 2012, the funding technique agreed upon was the Cost Allocation Plan - Monthly. This technique states the State shall request funds once a month, such that they are deposited on the median day of the month, to fund activity of the prior month. The amount of the request for a given month's activity shall be based on actual costs distributed in accordance with the State's approved cost allocation plan.

Condition:

During the audit, we noted for direct costs, the Department of Environmental Services (DES) did not comply with the applicable funding technique specified in the TSA. For both the CWSRF and DWSRF, we noted that in all of 15 cash draws tested for each program, DES paid the sub-recipient the same day as requesting federal funds from the federal government, instead of ensuring the 4 day clearance pattern was met.

During the audit, we noted DES did not comply with the applicable funding technique specified in the Treasury State Agreement for administrative costs. We noted that drawdowns were not being performed monthly as there were only 4 drawdowns for the CWSRF, and 3 drawdowns for the DWSRF program during fiscal year 2012.

Cause:

For the direct costs, DES misunderstood the funding technique to be utilized by the State. The State posted the expense to the general ledger, and then prepared a federal drawdown request four days later, and released the funds on this day.

For the administrative costs, DES did not perform the administrative drawdowns timely.

Effect:

DES was not in compliance with the funding technique specified in the Treasury State Agreement.

Recommendation:

Direct Costs

DES should institute processes and controls to calculate the timing of the draw from the Federal government and the disbursement of funds to ensure the approved clearance pattern of 4 days is met. Alternatively, DES may work with the State Treasury to amend the TSA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Administrative Costs

DES should implement policies and procedures to ensure monthly drawdown requests are being performed for administrative costs.

Questioned Costs:

None

Auditee Corrective Action Plan:

DES concurs with the administrative costs finding. DES is working with the Treasury Department to modify the Treasury State Agreement to reflect quarterly drawdowns for both CWSRF and DWSRF.

DES feels our direct cost funding technique and clearance pattern is appropriate. After discussion with the Treasury Department we have decided to amend the Treasury State Agreement to reflect the process, a zero day clearance pattern for both CWSRF and DWSRF.

Contact Person:

CWSRF: Paul Heirtzler, Administrator DWSRF: Sarah Pillsbury, Administrator

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Environmental Protection Agency ***Finding 2012-38***
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:

10/1/08-12/31/13	***2W33000209 - ARRA***
10/1/09-10/1/20	***FS99115010***
10/1/08-10/1/18	***FS99115009***
10/1/08-10/1/15	***2F-96102301 - ARRA***
10/1/08-10/1/17	***FS99115008***
10/1/07-10/1/17	***FS99115007***

Finding: Lack of internal controls over and noncompliance with 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 2012 for the CWSRF program, it was noted that one annual report should have been submitted during the year; however, it was not. The period end date was September 30, 2011 with a due date of December 31, 2011. As of the end of our fieldwork, the report still had not been submitted.

Per review of the Federal Financial Reports (Standard Form 425) submitted during fiscal year 2012 for the DWSRF program, it was noted that 5 reports were required to be submitted. Three of the 5 annual reports were submitted, but not within the 90 calendar day requirement. The remaining 2 were not submitted.

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, 2012

Cause:

Inadequate monitoring of reporting requirements and deadlines

Effect:

Insufficient expenditure information is reported to the Federal awarding agency.

Recommendation:

Appropriate monitoring procedures involving the identification of required reports when such reports are required to be filed should be established by the Department of Environmental Services (DES).

Questioned Costs:

None

Auditee Corrective Action Plan:

DES concurs with the finding. DES is aware of the reporting deadlines and attempts to file reports timely. DES will continue to attempt to file all necessary reports in a timelier manner.

Contact Person:

CWSRF: Paul Heirtzler, Administrator DWSRF: Sarah Pillsbury, Administrator

Anticipated Completion Date:

September 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Environmental Protection Agency ***Finding 2012-39***
NH Department of Environmental Services

CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)

Grant Year and Award:
10/1/08-12/31/13 2W-33000209 - 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 the CWSRF program, we tested Section 1512 reports for all quarters submitted during fiscal year 2012, and were unable to agree the amounts per the Grant Activity workbooks, which represent the accounting records, to the amounts per the Section 1512 reports.

The following is a summary of variances:

CWSRF Program:

Period Report	Reported on recovery.gov	Per Activity Variance	*Infrastructure Amount*
July 1 – September 30, 2011	$33,265,156	$34,477,692	(1,212,536)
October 1 – December 31, 2011	33,668,893	34,881,429	(1,212,536)
January 1 – March 31, 2012	35,513,329	35,806,544	(293,215)
April 1 – June 30, 2012	35,806,544	35,513,328	293,215

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Funds Invoiced/Received

July 1 – September 30, 2011	$34,142,695	$35,496,029	($1,353,334)
October 1 – December 31, 2011	34,682,298	36,035,631	($1,353,334)
January 1 – March 31, 2012	36,708,336	36,667,530	40,805
April 1 – June 30, 2012	37,105,577	37,064,772	(40,805)

Cause:

Insufficient records maintained by program management showing expenditures reported for Section 1512 reporting and inadequate monitoring controls over preparation of reports.

Effect:

Federal awards received and spent related to ARRA are not adequately reported.

Recommendation:

The State Department of Environmental Services (DES) 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 with the finding. The CWSRF state fiscal year 2012 reports have been corrected with the July-September 2012 reporting period.

Contact Person:

Paul Heirtzler**,** Administrator

Completion Date:

October 31, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Environmental Protection Agency ***Finding 2012-40***
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:

10/1/08-10/1/15	***2F96102301 – ARRA***
10/1/08-10/1/18	***FS99115009***
10/1/08-10/1/17	***FS99115008***
10/1/07-10/1/17	***FS99115007***
10/1/08-12/31/13	***2W33000209 – ARRA***
4/1/08-4/1/18	***CS33000107***
4/1/07-4/1/17	***CS33000106***

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.

Condition:

For the CWSRF and DWSRF programs, we reviewed a sample of 25 and 40 loan agreements, respectively, for both ARRA and non-ARRA loans. There was no evidence of an inspection checklist, which would indicate a 'site visit' was conducted, for one non-ARRA loan selected for the DWSRF program. The State's site visits are based on EPA's requirement that the State visit each project at least once a year.

It was also noted that the Department of Environmental Services (DES) does have procedures in place to obtain and review the OMB Circular A-133 audit reports of its subrecipients; however, it was not being followed. Therefore, the Department did not comply in (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.

For CWSRF - In 7 out of 15 non-ARRA subrecipients sampled, we noted the following:

- 7 out of 15 subrecipients were sent a letter requesting the subrecipients' audit report; however, no audit report was received and there was no evidence of follow-up.

For CWSRF - In 4 out of 10 ARRA subrecipients sampled, we noted the following:

- 1 out of 10 subrecipients were sent out a letter requesting the subrecipients audit report; however, no audit report was received and there was no follow up.
- 1 out of 10 subrecipients audit report was obtained; however, it was not reviewed.
- 2 out of 10 subrecipients were not included on the 'Audit Checklist' excel file maintained by accounting personnel; therefore, no letter was sent out requesting the subrecipients' audit report.

For DWSRF - In 19 out of 30 non-ARRA subrecipients sampled, we noted the following:

- 12 out of 19 subrecipients were not included on the 'Audit Checklist' excel file maintained by accounting personnel; therefore, no letter was sent out requesting the subrecipients' audit report.
- 5 out of 19 subrecipients were sent a letter requesting the subrecipients' audit report; however, no audit report was received and there was no evidence of follow-up.
- 2 out of 19 subrecipients' audit report was obtained; however, it was not reviewed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

For DWSRF - In 1 out of 10 ARRA subrecipients sampled, we noted the following:

- A letter was sent out requesting the subrecipients audit report; however, no audit report was received and there was no follow up.

Cause:

Accounting personnel did not follow the policies and procedures in place regarding obtaining and reviewing their subrecipients' OMB Circular A-133 audit reports. The subrecipient audit checklist was not appropriately monitored and updated to include all subrecipients.

As an oversight, the Program Manager and grant personnel did not conduct a site visit for one non-ARRA subrecipient for the DWSRF program.

Effect:

Subrecipients might have audit findings related to control weaknesses or compliance findings for these Federal programs and DES may not be aware of these.

The subrecipient administering Federal awards may not be in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Recommendation:

The policies and procedures in place should be followed to ensure that subrecipient audit reports are submitted to DES and reviewed by CWSRF and DWSRF program personnel. The subrecipient audit checklist should be continuously monitored to determine if any new loans have been issued to new subrecipients to ensure audit letters are sent to all subrecipients and reports obtained.

Questioned Costs:

None

Auditee Corrective Action Plan:

The DWSRF program concurs that a site visit was not made to one DWSRF construction projects in fiscal year 2012. We have amended our procedures to ensure that at least one site inspection is completed for each DWSRF project.

DES concurs with the finding regarding obtaining and reviewing subrecipients A-133 audit reports. DES will devote more staff time to obtaining and reviewing A-133 audit reports. Solicitation of the 2012 audit reports begins in March 2013. Procedures will be reviewed and modified to ensure that follow up occurs in a more timely manner.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Contact Person:

CWSRF: Paul Heirtzler, Administrator DWSRF: Sarah Pillsbury, Administrator

Anticipated Completion Date:

Completed for site visits; August 2013 for audit reports

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Environmental Protection Agency ***Finding 2012-41***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
10/1/08-10/1/15 ***2F-96102301 - ARRA***

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 $2,000 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:

Although the DWSRF program maintains a certified payroll tracking spreadsheet to ensure that weekly certifications are submitted by borrowers and reviewed by Program Managers, this control was not implemented until April 1, 2012.

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, 2012

Cause:

The DWSRF program hired a Davis-Bacon specialist who has been working closely with loan borrowers on a wide range of Davis-Bacon issues, including correct filing of certified payrolls. Also, DWSRF program management implemented a certified payroll tracking spreadsheet to ensure the weekly certified payrolls are submitted by borrowers; however, this control was not implemented until April 1, 2012.

Effect:

Davis-Bacon wage requirements may not be met if the State does not obtain and review the certified Davis Bacon certifications.

Recommendation:

Management should continue to follow the procedures to ensure that certified Davis Bacon certifications are submitted by subrecipients and reviewed by the Department.

Questioned Costs:

None

Auditee Corrective Action Plan:

The DWSRF program concurs and will continue to follow the procedures that were placed into action on April 1, 2012, as noted by the auditors, to ensure that Davis Bacon certifications are submitted by subrecipients and reviewed by the Department.

Contact Person:

Sarah Pillsbury, Administrator

Completion Date:

April 1, 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Labor	***Finding 2012-42***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2009	***UI-18035-09-55-A-33***
2010	***UI-19597-10-55-A-33(ARRA)***
2010	***UI-19597-10-55-A-33***
2011	***UI-21114-11-55-A-33***
2012	***UI-22327-12-55-A-33***

Finding: Federal reporting procedures need improvement

Criteria:

UI Reports Handbook No. 401 states:
"It is the policy of the Office of Workforce Security (OWS) to assure accuracy, uniformity, and comparability in the reporting of statistical data derived from state unemployment insurance operations through state adherence to Federal definitions of reporting items, use of specific formats, observance of reporting due dates, and regular verification of reporting items."

"All applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

"The ETA 581 report provides information on volume of work and state agency performance in determining the taxable status of employers and the processing of wage items; in the collection of past due contributions and payments in lieu of contributions, and delinquent reports; and in field audit activity. The data provide measures of the effectiveness of the tax program."

Condition:

The Department of Employment Security (Department) is responsible for submitting quarterly and 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.

- For four out of 12 reports tested the Department did not consistently evidence the review of reports performed prior to submission to the US Department of Labor (USDOL).

The Department ensures compliance with the UI reporting requirements by performing a review of the information included in the report prior to submission to the USDOL by an employee with a supervisory authority. A prior year finding noted this procedure was not able to be verified, as it was not evidenced

by all individuals performing the review. In fiscal year 2012, in the attempt to respond to the prior year finding, the Department strengthened its procedure by requiring supervisors with this responsibility to document their review using initials, signature, or electronic documentation.

Test results revealed this procedure was not applied by all Department sections, specifically for the ETA 581 Contribution Operations and ETA 227 Overpayment Detection Recovery reports. We also noted, one individual assigned to perform the review responsibility is also responsible for compiling some of the data included in the report.

- For four out of 12 reports tested, we noted supporting documentation or electronic data provided did not completely agree to all sections of reports tested. As a result, auditors were unable to obtain reasonable assurance reports were accurate and complete.

The Department was able to retrieve some data and historical reports to corroborate some amounts and information reported in the ETA 581 but was not able to completely demonstrate all of the information reported. Also, while reviewing worksheets supporting tax audit information, we noted not all the information was being captured by the report due to a formula error. The issue was brought to the Department's attention and the Department immediately corrected the formula and resubmitted the ETA 581 report for two quarters (one of them selected for testing).

For the ETA 227 report, auditors were able to agree some of the reported cases investigated but unable to agree amounts reported to documentation provided. In addition, the Department indicated overpayment activity reported during fiscal year 2012 was not accurate due to a problem with their NH Unemployment Insurance (NHUIS) system. The Department indicated this issue is known by US DOL and the Department is diligently working on resolving the problem and adjusting the system to be able to report additional information now required by the US DOL.

Cause:

ETA 581 and ETA 227 reports are largely system-generated and therefore, it appears the Department relies mostly on data validation tools provided by USDOL and reviews by supervisors are more for reasonableness rather than accuracy.

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

The Department should strengthen its controls over the Reporting Compliance requirement to ensure all activity of the reported period is accurate, reliable, supported by applicable accounting and performance records, and presented in accordance with applicable UI requirements. For example:

1. The Department should monitor its control procedure of reviewing and approving reports prior to submission to US DOL. The Department should ensure this responsibility is documented through Department policies, evidenced, and performed by individuals other than the ones compiling reports as an effort to demonstrate compliance with federal requirements.

2. The Department should continue to diligently work on correcting system errors, including manual formula verifications, to ensure underlying reporting data is correct and properly generated.

3. The Department should review current procedures for system-generated reports to ensure there is auditable evidence such as documentation or electronic data in order to demonstrate full compliance with the UI reporting requirements.

Auditee Corrective Action Plan:

1. Policy memo has been drafted, pending Commissioner approval, and will be issued regarding requirement of high-level review by someone with supervisory authority and not involved with compilation of data and documentation of review. List of ETA reports compiled with responsible administrator. (This will be complete by 2/28/2013.)

2. Department continues to work with vendor and other stakeholders to improve the integrity of all reports. ETA 227 improvements implemented in production January 2013. Focus of 2013 is on integrity – ensuring that all system processes in NHUIS that impact overpayments and reporting of same are complete and accurate. The Business Process Review began first quarter 2013 and is dissecting not only NHUIS but also business processes that can be streamlined and/or updated for efficiency and effectiveness. The process of BPR, evaluation and prioritization of recommendations, and final implementation of same is expected to take no less than one year.

3. Once details have been provided regarding exactly what data was not able to be produced for the audit, NHES will work with appropriate parties to correct. Data Validation process and results continue to be primary source for identification of reporting issues.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Contact Person:

Dianne Carpenter, UCB Director

Anticipated Completion Date:

January 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Labor ***Finding 2012-43***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2009	***UI-18035-09-55-A-33***
2010	***UI-19597-10-55-A-33(ARRA)***
2010	***UI-19597-10-55-A-33***
2011	***UI-21114-11-55-A-33***
2012	***UI-22327-12-55-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:

Similar to a prior year finding, controls were not in place during fiscal year 2012 to ensure appropriate cash management stipulations, such as the funding technique and clearance pattern were included in the approved TSA for State fiscal year 2012.

The funding technique and clearance pattern included in the TSA and approved by the US Treasury and the New Hampshire State Treasurer during fiscal year 2012 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 the TSAs for last few fiscal years are listed below:

	Fiscal Year 2012	*Fiscal Year 2011*	*Prior Fiscal Years*
Funding Technique:	Actual Clearance	Cost Allocation Plan – Other	Average Clearance
Clearance Pattern:	Not Applicable	Not Applicable	4 Days

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Cause:

Miscommunications have existed between the New Hampshire 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 awareness of the final changes.

Effect:

The Department was not in compliance with the TSA in effect for fiscal year 2012, as required by the Cash Management compliance requirement for the Unemployment Insurance Program (UIP). The TSA for fiscal year 2012 was approved without regard to historical program operation.

Questioned Costs:

None

Recommendation:

The State Treasury should implement controls to ensure proper cash management stipulations are included in the approved TSA for all applicable programs, including the proper Funding Technique and Clearance Pattern.

The Department should continue working with the State Treasury and other departments, as applicable, to ensure the State is in compliance with all federal requirements including the ones that affect the Cash Management compliance requirement for the UIP.

Auditee Corrective Action Plan:

The Department will continue working with the State Treasury as well as other departments to ensure the State is in compliance with all federal requirements.

Contact Person:

Jill Revels, Business Administrator

Anticipated Completion Date:

Immediate

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Labor	***Finding 2012-44***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2009	***UI-18035-09-55-A-33***
2010	***UI-19597-10-55-A-33(ARRA)***
2010	***UI-19597-10-55-A-33***
2011	***UI-21114-11-55-A-33***
2012	***UI-22327-12-55-A-33***

Finding: Controls over Suspension and Debarment requirements should be strengthened

Criteria:

29 CFR 97.35 states in part, "Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs."

Condition:

After reviewing a sample of 40 expenditures, we noted the Department of Employment Security (Department) did not have documentation to support their verification of one vendor against the Excluded Parties List System (EPLS) to ensure the vendor was not suspended or debarred from participating in federal programs managed by the Department.

The Department's procedure is to perform verifications against the EPLS system once per year for all contracts, including statewide (multiagency) contracts. The verification is coordinated among several employees in the Department. In addition, vendors are notified of the suspension and debarment requirements by including a certification statement in the Exhibit C of all Department contracts: "This is to certify that the primary participant, and its principals, to the best of its knowledge and belief, are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal department or agency. It is the Contractor's responsibility to inform N.H. Employment Security of any changes in the status regarding this statement"

Cause:

The Department indicated documentation must have been misfiled, as employees responsible for this task believe the search against the EPLS was performed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

If no verification was performed, there is the potential for the Department to contract with or make subawards to suspended or debarred parties.

Questioned Costs:

None

Recommendation:

The Department should continue improving its controls that ensure compliance with the suspension and debarment requirement. The Department should monitor its current process and determine whether the Department is properly assigning control responsibilities and that verifications are adequately documented.

The Department should also consider working with the Department of Administrative Services to ensure vendors in a multiagency contract are also notified of the Suspension and Debarment requirements through a certification statement included in the statewide contract.

Auditee Corrective Action Plan:

The Department will continue to follow the same process with one additional change if it can be achieved: Currently there are hard copies maintained by the reception person after he investigates the Contractor on the proper EPLS web. He then also scans the documents onto the "S" hard drive. E-mails are then sent to the purchasing person responsible for that account and to Fiscal.
In addition to this, the Department will investigate having a check box added to the NHES Requisitions titled "EPLS". This will be a reminder that EPLS has to have been verified. We need to verify this document change can be done with our DoIT staff before we implement it.

Contact Person:

Ernie Liakas, Administrative Services Supervisor

Anticipated Completion Date:

March 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Labor	***Finding 2012-45***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2009	***UI-18035-09-55-A-33***
2010	***UI-19597-10-55-A-33(ARRA)***
2010	***UI-19597-10-55-A-33***
2011	***UI-21114-11-55-A-33***
2012	***UI-22327-12-55-A-33***

Finding: Controls over contract revisions should be improved

Criteria:

Appendix A to 2 Code of Federal Regulations, Part 225, paragraph C.1., *General Principals for Determining Allowable Costs, Basic Guidelines.*

"…Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

… c. Be authorized or not prohibited under State or local laws or regulations…"

Condition:

After reviewing a sample of 40 expenditures, we noted the Department of Employment Security (Department) overpaid one vendor by $75 per month for four months during fiscal year 2012, totaling $300, for cleaning services provided to the Laconia office. Amount overpaid represented an amount not authorized under a revised service contract negotiated by the statewide contracting agency and the Department. The Department was able to recover the full amount after the issue was brought to the Department's attention.

Cause:

The Department stated the overpayment was due to an oversight, as the contract revision was not timely communicated to the Accounts Payable unit within the Department. The contract revision reduced the contract period and the monthly payment amount from $595 to $520.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

The Department overpaid one vendor by $75 per month for four months during fiscal year 2012, totaling $300. However, the Department recovered the amount overpaid with the September invoice. Therefore, it appears no liability to the federal government exists for this expenditure.

Questioned Costs:

None

Recommendation:

The Department should improve controls over contract revisions to ensure any changes are timely communicated to the Account Payable unit in order to prevent unallowable and unauthorized payments to vendors.

The Department should formalize improvements in writing and properly communicate those revisions to the applicable sections within the Department.

Auditee Corrective Action Plan:

The Department's contracts person will forward a copy of any and all Notice of Contracts (NoC) received from State Purchasing to the Fiscal Department as a file copy and back up.

Contact Person:

Ernie Liakas, Administrative Services Supervisor

Anticipated Completion Date:

March 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation ***Finding 2012-46***
NH Department of Transportation

CFDA # 20.933 TIGER II Discretionary Grants

Grant Year and Award:
11/30/11-8/2/13 ***FHWA TIGER II Grant No. C-02***

Finding: Controls over Federal reporting need improvement

Criteria:

"Consistent with the purposes of the TIGER II Discretionary Grant Program, to ensure accountability and transparency in Government spending, the Grantee shall submit quarterly progress reports and the Federal Financial Report (SF-425) to the contacts designated by the Government… on a quarterly basis, beginning on the 20th of the first month of the calendar year quarter following the execution of the Agreement and on the 20th of the first month of each calendar quarter thereafter until completion of the Project."

Pursuant to Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (FFATA), Prime Grant Recipients awarded a new Federal grant greater than or equal to $25,000 as of October 1, 2010 are subject to FFATA sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 27, 2010. The prime awardee is required to file a FFATA sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to $25,000.

Condition:

- Expenditures reported in the SF-425 report and quarterly progress reports did not agree to expenditures reported in the Current Bill system data, which supports the Schedule of Expenditures of Federal Awards, for quarters tested. The Current Bill system tracks federal grant expenditures, including the TIGER II program expenditures. Department of Transportation (DOT) personnel responsible for reporting financial data used a different source, apparently not reconciled to the federal expenditures that had been incurred for quarters tested. For example the two quarterly reports submitted included approximately $2.6 million for the first calendar quarter and $2.6 million for the second calendar quarter in calendar year 2012; however, actual expenditures were approximately $1.7 million and $16.6 million, respectively.

- Progress reports required in the TIGER II grant agreement appeared to include more expenditures than expended. Expenditures reported as of March 31, 2012 were approximately $3.7 million and as of June 30, 2012 were approximately $28 million. As noted above, actual expenditures through March 31, 2012 were approximately $1.7 million and through June 30, 2012 were approximately $18.3 million ($1.7 million + $16.6 million).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

- FFATA reports were not submitted for the TIGER II program during fiscal year 2012.

Cause:

Expenditure information included in the financial reports was not taken from Current Bill system data, which tracks TIGER II expenditures. Progress reports appeared to include more project expenditures than the ones funded with TIGER II funds.

Effect:

The Department reported inaccurate information to the Federal Highway Administration and therefore it is not in compliance with the reporting requirements of the TIGER II program.

Questioned Costs:

None

Recommendation:

The Department should implement controls over the reporting requirement to ensure accurate and complete information is reported to the FHWA. For example, the reports should be reviewed and approved prior to submission to the FHWA and the review should be segregated and performed by someone other than the preparer.

Reports required under the Transparency Act should be submitted.

Auditee Corrective Action Plan:

We concur. In fiscal year 2012, the current bill program was upgraded to a new system and within that process the links to on-line reports had not been updated to pull from the new system causing errors in reporting. The Department has worked closely with the Department of Information Technology (DOIT) to create reporting that accurately reflects the expenditures in Current Bill. This reporting will increase accuracy and ensure that the information required is directly from the current bill system. Reviews are in place and will continue to be performed to ensure accurate and complete information is reported to the FHWA. Transparency Act reports for this program will be completed by June 30, 2013.

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation	***Finding 2012-47***
NH Department of Transportation	
CFDA # 20.205 Highway Planning and Construction	
CFDA # 20.933 TIGER II Discretionary Grants	
Grant Year and Award:	
2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005	***Various (ARRA)***
11/30/11-8/2/13	***FHWA TIGER II Grant No. C-02***

Finding: Controls over the Schedule of Expenditures of Federal Awards (SEFA) submittal should be strengthened

Criteria:

Circular A-133, Subpart C, states that the auditee should identify on its accounts all federal awards received and expended, as well as federal programs under which they were received. Federal award identification includes, as applicable, the CFDA title and number, the award number and year, the name of the federal granting agency, and the name of the pass-through entity. Using this information the auditee should be able to reconcile amounts presented its financial statements to related amounts in the SEFA.

The Auditee is responsible for preparing appropriate financial statements, including the schedule of expenditures of Federal awards.

Condition:

The Department of Transportation (DOT) did not maintain adequate controls over the Schedule of Expenditures of Federal Awards (SEFA) submittal ensuring SEFA amounts were accurately reported and complete.

DOT charged, and was reimbursed for, indirect costs associated with the Highway Planning and Construction program and the TIGER II Discretionary Grants program expenditures during fiscal year ended June 30, 2012; however, approximately $14.9 million and $1.5 million, respectively, of those costs were not included in the SEFA. DOT is authorized to charge costs other than direct program costs to programs it administers using an approved indirect cost rate. The approved rate in effect during the State fiscal year 2012 was 10%.

Cause:

At the end of the fiscal year DOT performs a reconciliation of total expenditures between Current Bill System data (system that tracks federal expenditures) and NHFirst (State's accounting system); however, the reconciliation did not clearly identify federal expenditures by federal program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

DOT records reimbursement of direct program costs in restricted federal revenue accounts but records reimbursement of indirect costs in unrestricted federal revenue accounts in NHFirst. DOT used the restricted revenue information to identify federal expenditures by program; however, it disregarded the federal reimbursement recorded as unrestricted revenue, which related to both program indirect costs.

Effect:

Federal expenditures charged to the Highway Planning and TIGER II grant award were underreported in the SEFA for fiscal year ended June 30, 2012.

Questioned Costs:

None

Recommendation:

The Department of Transportation should strengthen its controls over the SEFA submittal ensuring SEFA amounts are accurate and complete. DOT should reconcile SEFA expenditures to its records and reconciliation should be reviewed and approved by someone independent of the reconciliation process. Further, the federal revenue received as reimbursement for the indirect costs, should be recorded and reported as restricted federal revenue to ensure a proper recording and matching of costs.

Auditee Corrective Action Plan:

We concur. The Department has worked closely with the Department of Information Technology (DOIT) to develop and create reporting that accurately reflects the expenditures for SEFA. This reporting will greatly reduce the time required and increase accuracy in the reconciliation process. The federal revenue received as reimbursement for the indirect costs, will be recorded and reported as restricted federal revenue to ensure a proper recording and matching of costs beginning in the fiscal year 2014-2015 biennium budgets. The current legislatively approved budget as requested by the Department has revenue classified as unrestricted; therefore, we are unable to make the change to restricted revenue for fiscal year 2012 or 2013. Nevertheless, the SEFA submittal for both fiscal years 2012 and 2013 will include the indirect costs.

Contact Person:

Leonard Russell, Finance Administrator

Completion Date:

July 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation ***Finding 2012-48***
NH Department of Transportation

CFDA #20.106 Airport Improvement Program

Grant Year and Award:

February 2009 – February 2013	***AIP #3-33-SBGP-07-2009***
February 2010 – February 2014	***AIP #3-33-SBGP-08-2010***
February 2010 – February 2014	***AIP #3-33-SBGP-09-2010***
February 2010 – February 2014	***AIP #3-33-SBGP-10-2010***
August 2011 – August 2015	***AIP #3-33-SBGP-14-2011***

Finding: Federal drawdowns should be performed on a reimbursement basis

Criteria:

31 CFR, Subpart B, Part 205.33 (a) requires States to minimize the time elapsing between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. The federal regulation requires the timing of the Federal disbursement to the State to be "as close as is administratively feasible to a State's actual cash outlay for direct program costs…". The State's grant agreement with the Federal Aviation Administration states, "the Sponsor (State) agrees to request cash drawdowns on the letter of credit only when actually needed for its **disbursements** (Emphasis added)".

Condition:

The Department of Transportation (Department) has not established procedures to minimize the time elapsing between the drawdown of Federal funds and their disbursement for Federal program purposes. We tested 10 federal program disbursements and noted the federal funds were drawn for seven selections prior to the disbursement of the funds by the State, ranging from six to 47 days prior to disbursement.

Cause:

The Department is aware federal drawdowns are to be performed on a reimbursement basis. However, the Department draws down the funds simultaneously with the approval of the airport's payment voucher.

Effect:

Federal funds are being advanced to the State resulting in a potential interest liability due to the Federal government.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Recommendation:

The Department should establish procedures to ensure compliance with 31 CFR, Subpart B, Part 205.33 (a). Federal drawdowns should be performed as the federal program disbursements are processed through NH First, the State's accounting system.

Auditee Corrective Action Plan:

We concur. The NHDOT, Bureau of Aeronautics will work with the NHDOT, Bureau of Finance to develop a process to ensure compliance with 31 CFR, Subpart B, Part 205.33 (a). The FAA drawdown will not occur until the payment to the sub-recipient has been issued.

Contact Person:

Tricia L. Schoeneck Lambert, Administrator, Bureau of Aeronautics

Completion Date:

Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation ***Finding 2012-49***
NH Department of Transportation

CFDA #20.106 Airport Improvement Program

Grant Year and Award:

May 2008 – May 2012	***AIP #3-33-SBGP-01-2008***
May 2008 – May 2012	***AIP #3-33-SBGP-02-2008***
February 2009 – February 2013	***AIP #3-33-SBGP-04-2009***
February 2009 – February 2013	***AIP #3-33-SBGP-07-2009***
February 2010 – February 2014	***AIP #3-33-SBGP-08-2010***
February 2010 – February 2014	***AIP #3-33-SBGP-09-2010***
February 2010 – February 2014	***AIP #3-33-SBGP-10-2010***
February 2011 – February 2015	***AIP #3-33-SBGP-11-2011***
May 2011 – May 2015	***AIP #3-33-SBGP-12-2011***
June 2011 – June 2015	***AIP #3-33-SBGP-13-2011***
August 2011 – August 2015	***AIP #3-33-SBGP-14-2011***
September 2011 – September 2015	***AIP #3-33-SBGP-15-2011***

Finding: Procedures over Subrecipient Monitoring should be improved and controls established

Criteria:

The OMB Circular A-133 Compliance Supplement states the pass-through entity is responsible for:

> *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 subrecipient's 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 and that the required audits are completed within 9 months of the end of the subrecipient's audit period.

The State's Memorandum of Agreement (MOA) with the Federal Aviation Administration (FAA), article 5.2, states, "(T)he State will be responsible for compliance monitoring through project closeout or until a subsequent FAA grant is issued, whichever comes first." Further, under FAA Oder 5100.38C, 1022a Sponsor Responsibility, states, "Airport planning and development projects are administered based on the philosophy that responsibility for assuring compliance with program requirements rests primarily with the sponsor."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Condition:

Although the Department of Transportation's (Department) procedures for monitoring the performance goals of airport projects appear robust, we noted the Department does not perform during-the-award monitoring of federal compliance requirements such as Davis-Bacon, Procurement and Suspension and Debarment, and Revenue Diversion.

We also noted the Department has not aggressively pursued receipt of subrecipient audit reports. Of the 7 subrecipients required to submit fiscal year 2011 audit reports, five reports were received by the Department between one and ten months late.

Cause:

The Department relies on required certifications included with subrecipient grant applications to ensure compliance with the Davis-Bacon, Procurement and Suspension and Debarment, and Revenue Diversion compliance requirements. More detailed reviews for compliance are performed by the Department if information comes to their attention suggesting noncompliance with the program requirements.

The Department reports they request copies of audit reports from the airports every few months but no further action has been taken by the Department when airports do not comply.

Effect:

The Department is not in compliance with the OMB Circular A-133 Compliance Supplement or the State's MOA with the FAA. Insufficient monitoring activities inhibit the Department's ability to gain reasonable assurance that Federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Questioned Costs:

None

Recommendation:

The Department should take a more active role in monitoring for compliance with federal requirements. For example, the Department should consider performing the following during-the-award monitoring procedures:

- Periodically reviewing a sample of construction contracts and verifying the required certified payrolls were submitted to ensure compliance with the Davis-Bacon Act.
- Periodically testing a sample of procurements to determine if the State's laws and procedures were followed.

- Periodically testing a sample of procurements against the System for Awards Management (SAM) to determine if covered transactions were awarded to suspended or debarred parties.
- Periodically testing a sample of airport revenue generating activities to determine that all airport-generated revenue is accounted for.
- Performing tests of expenditures of airport revenue to verify that airport revenue is used only for permitted purposes.

The Department should also be more aggressive in pursuing receipt of subrecipient audit reports. In instances where subrecipients are not responsive to requests for reports, the Department should consider taking further action to encourage compliance.

Auditee Corrective Action Plan:

During-the-Award Monitoring

We do not concur. The NHDOT, Bureau of Aeronautics has consulted with the Federal Aviation Administration. The FAA's response is as follows:

"We do not concur with the auditor's finding. NHDOT Aeronautics' monitoring is consistent with FAA's Practice.

47105. Project grant applications

(d) *CERTIFICATION OF COMPLIANCE.-The Secretary may require a sponsor to certify that the sponsor will comply with the subchapter in carrying out the project. The Secretary may rescind the acceptance of a certification at any time. This subsection does not affect an obligation or responsibility*.

§47128 State block grant program,

(A) GENERAL REQUIREMENTS.- The Secretary of Transportation shall issue guidance to carry out a state block grant program. The guidance shall provide that the Secretary may designate not more than 9 qualified States for fiscal years 2000 and 2001 and 10 qualified States for each fiscal year thereafter to assume administrative responsibility for all airport grant amounts available under this subchapter, except for amounts designated for use at primary airports.

FAA Order 5100.38C outlines the appropriate level of oversight for sponsor certifications. NHDOT Aeronautics is currently using the same process of sponsor certification used by FAA.

FAA Order 5100.38C, Para 1022
d. Appropriate FAA Oversight. Acceptance of sponsor certification does not inhibit our limit FAA's ability to request and review appropriate documentation to ensure the accuracy of a certification form. These certifications should be questioned when information becomes available indicating the sponsor may be in noncompliance with requirements or lacks the

knowledge and capability to complete an accurate certification. Under these circumstances, a more detailed oversight review by FAA together with an increased emphasis on educational activities is appropriate and should be performed.

We could find nothing that required that states to be held to a higher level of oversight than the FAA. The acceptance of certifications from sponsors is therefore appropriate."

Sub Recipient Audits

We partially concur. The NHDOT, Bureau of Aeronautics has an existing process in place to collect the sub-recipient audits. The Bureau will continue to make every effort to collect sub recipient audits in accordance to OMB Circular A-133. The Bureau has added an additional column to the existing checklist to document to correspondence with the sub-recipients regarding the collection of the single audit(s).

Contact Person:

Tricia L. Schoeneck Lambert, Administrator NHDOT, Bureau of Aeronautics

Completion Date:

Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation ***Finding 2012-50***
NH Department of Transportation

CFDA #20.205 Highway Planning and Construction

Grant Year and Award:
2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 Various (ARRA)

Finding: Noncompliance 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 (TSA) 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 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 we selected 8 drawdowns and noted in each the Department did not replicate the average clearance pattern technique defined in the TSA. The drawdowns occurred in 2, 3, and 0 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 and the Cash Management Improvement Act (CMIA).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

We recommend that the Department meet with Treasury to discuss the new billing system for Federal projects that is in place as of April 2012 and the possible adjustment to clearance patterns due to the new system.

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.

A new billing system went live in April 2012 and is functioning as expected, however as a result DOT will meet with Treasury to determine an accurate average clearance pattern that will coincide with cash flow needs and compliance with the TSA.

Contact Person:

Leonard Russell, Finance Administrator

Completion Date:

February 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Transportation	***Finding 2012-51***
NH Department of Transportation	
CFDA #20.205 Highway Planning and Construction	
Grant Year and Award:	
2012, 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.

For contracts, implementation was phased in for contracts based on their total dollar value. Based on the Federal Acquisition Regulations (FAR) interim final rule, Transparency Act reporting is required for:

- From July 8, 2010 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 FSRS and report subaward data through 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.

Grants 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 contract, the month in which a modification was issued that changed the previously reported information.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Condition:

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

Cause:

The Department is aware of the requirements of FFATA and is registered in the Central Contractor Registration (CCR). However, per discussion with the Finance Administrator, resources were not available in fiscal 2012 to comply as there are currently over 400 awards in the system since FFATA's beginnings that await proper response.

Effect:

Noncompliance with the FFATA requirements.

Recommendation:

We recommend that the DOT and DOIT work together to find available resources in an effort to develop a plan to comply with FFATA going forward.

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 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, 2012

The New Hampshire Department of Transportation (NHDOT) continues to review the requirements of FFATA. The Department is registered in the Central Contractor Registration (CCR) system and has reviewed its content. There are currently over 400 awards in the system since FFATA's beginning that awaits proper response. This will require a tremendous effort that will have to combine resources from both DOT and the Department of Information Technology (DoIT). Although resources and time were not available in FY 2012, every effort will be made to develop an action plan that will comply with the requirements of the Office of Management and Budget (OMB) in the upcoming year. We continue to emphasize that this Act will require a significant effort by the Department to fully implement.

Contact Person:

Leonard Russell, Finance Administrator

Completion Date:

September 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-52***
NH Department of Education

CFDA # 84.010 Title I- Grants to Local Educational Agencies
CFDA # 84.027 Special Education - Grants to States
CFDA # 84.173 Special Education - Preschool Grants
CFDA # 84.367 Title II - Improving Teacher Quality State Grants
CFDA # 84.389 Title I - Grants to Local Educational Agencies, Recovery Act
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 # 84.390 Rehabilitation Services - Vocational Rehabilitation Grants To States, Recovery Act
CFDA # 84.287 Twenty-First Century Community Learning Centers
CFDA # 96.001 Social Security Disability Insurance
CFDA # 96.006 Supplemental Security Income
CFDA # 84.410 Education Jobs Fund
CFDA # 10.553, 10.555, 10.559 Child Nutrition Cluster

Grant Year and Award:

7/1/2010 - 9/30/2011	*S010A100029 119 3261*
7/1/2011 - 9/30/2012	*S010A110029 219 1131*
7/1/2011 - 9/30/2012	*S010A110029 219 2183*
7/1/2011 - 9/30/2012	*S010A110029 219 3261*
7/1/2011 - 9/30/2012	*S010A110029 219 6114*
7/1/2010 - 9/30/2011	*H027A100103 123 4110*
7/1/2011 - 9/30/2012	*H027A110103 223 2184*
7/1/2011 - 9/30/2012	*H027A110103 223 4110*
7/1/2010 - 9/30/2011	*H173A100109 124 2184*
7/1/2011 - 9/30/2012	*H173A110109 224 2184*
7/1/2010 - 9/30/2011	*S367A100028 162 2183*
7/1/2011 - 9/30/2012	*S367A110028 262 2183*
7/1/2010 - 9/30/2011	*S367B100026 161 2183*
7/1/2011 - 9/29/2012	*S367B110026 261 2183*
2/18/2009 - 9/30/2010	*ARRA S389A090029A R93 80*
2/17/2009 - 9/30/2010	*ARRA H391A090103A R90 814*
2/17/2009 - 9/30/2010	*ARRA H392A090109 R91 815*
2/17/2009 - 9/30/2010	*ARRA H390A090042 R98 817*
7/1/2009 - 9/30/2010	*S287C090029 043 3277*
7/1/2010 - 9/30/2011	*S287C100029 143 3277*
7/1/2011 - 9/30/2012	*S287C110029 243 2183*
7/1/2011 - 9/30/2012	*S287C110029 243 3277*

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

7/1/2011 - 9/30/2012	***S287C110029 243 6114***
10/1/2011- 9/30/12	***04-1204NHD100 296 4040***
10/1/2010- 9/30/11	***04-1104NHD100 196 4040***
10/1/2009-9/30/10	***04-1004NHD100 096 4040***
10/1/2008-9/30/09	***04-0904NHD100 996 4040***
8/10/2010 - 9/30/2012	***S410A100030 127 7550***
10/1/2011-9/30/2012	***4NH300304***

Finding: Internal controls related to subrecipient monitoring requirements need improvement

Criteria:

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 sub-recipients 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 those performance goals are achieved.

Condition:

Per Department of Education's (the Department) policy, each subrecipient must submit a Report on Funds, which is a listing of the expenditures in the subrecipient's SEFA that are funded through the Department. The subrecipients also submit their completed A-133 reports to the Department. It is the Department's policy that staff in the Department reconciles the information noted in the Report on Funds to the subrecipient's SEFA, and investigate any differences noted. During our review of this reconciliation, for 16 of the 18 reconciliations in our sample, we noted discrepancies between the Report on Funds and the relevant sub-recipient's SEFA, for which the Department did not follow up.

Cause:

Although the reconciliations were completed, significant variances identified by the reconciliations exceeding established thresholds were not followed up on by the Department, with each subrecipient.

Effect:

Financial monitoring of the information provided by sub-recipients may not be adequately performed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Recommendation:

We recommend that the Department put procedures in place to ensure staff follows up on discrepancies found during the completion of this reconciliation.

Auditee Corrective Action Plan:

We concur. We will review current policies and procedures for verifying subrecipient SEFA reports. Now that most grants are processed through the Department's new Grants Management System, we have an opportunity to utilize reports from that system. We will look for a more efficient and effective method to verify sub-recipient reporting of federal grants and to document our review process.

Contact Person:

Nancy Heath, Agency Audit Manager

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-53***
NH Department of Education

CFDA # 84.027 Special Education - Grants to States
CFDA # 84.173 Special Education - Preschool Grants
CFDA # 84.367 Improving Teacher Quality State Grants

Grant Year and Award:

7/1/2010 - 9/30/2011	***H027A100103 123 4110***
7/1/2011 - 9/30/2012	***H027A110103 223 2184***
7/1/2011 - 9/30/2012	***H027A110103 223 4110***
7/1/2010 - 9/30/2011	***H173A100109 124 2184***
7/1/2011 - 9/30/2012	***H173A110109 224 2184***
7/1/2010 - 9/30/2011	***S367A100028 162 2183***
7/1/2011 - 9/30/2012	***S367A110028 262 2183***
7/1/2010 - 9/30/2011	***S367B100026 161 2183***
7/1/2011 - 9/29/2012	***S367B110026 261 2183***

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 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 sub-recipients 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 those performance goals are achieved.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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

> During-the-Award Monitoring – Monitoring the sub-recipient'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:

The Department of Education's (the Department) policy requires onsite visits to the districts receiving Title II and Special Education cluster funding. In fiscal 2012, the Department did not perform onsite visits/reviews of its subrecipients as part of its during-the-award monitoring.

Cause:

The cause was an apparent lack of personnel resources in 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 sub-recipient activities are meeting program objectives.

Questioned Costs:

None

Recommendation:

We recommend that the Department establish procedures to ensure the appropriate site visits and associated documentation are completed.

Auditee Corrective Action Plan:

For IDEA a new protocol for subrecipient onsite monitoring has been developed. Due to a staffing shortage, no visits have been made as of early March 2013. Visits will take place as soon as staffing issues are resolved.

For Title II-A subrecipient onsite monitoring occurred during the award period in FY11. Visits were suspended for FY12, but resumed for FY13. FY13 monitoring was completed during the first half of the fiscal year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Contact Person:

For IDEA contact Ralph Tilton, Program Specialist
For Title II-A contact Deborah Connell, Administrator

Anticipated Completion Date:

June 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-54***
NH Department of Education

CFDA # 84.389 Title I Grants to Local Educational Agencies, Recovery Act

Grant Year and Award:
2/18/2009 - 9/30/2010 ***ARRA S389A090029A R93 806***

Finding: Lack of 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 sub-recipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by ARRA.

Condition:

For Title I, we noted the 1512 reporting for the quarter ended December 31, 2011, was not filed. In addition, for the quarter ended June 30, 2012, we were unable to agree the supporting documentation for "funds invoiced/received" to the Section 1512 report. The Section 1512 report showed an amount that was $482,000 less than the Department of Education's (the Department) internal records.

Cause:

Insufficient monitoring controls over the preparation and submission of the report.

Effect:

Federal awards received and spent related to ARRA awards are not accurately reported.

Recommendation:

The Department should improve its monitoring controls over the preparation and submission of the Section 1512 reports to ensure that the information in such reports is accurate and is supported by the accounting records, and that the information is reported in a timely manner.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Auditee Corrective Action Plan:

We concur. Due to a position vacancy, no one was assigned this task during the December 2011 filing period. The vacant position is now filled, and reports are now submitted on time. The current process includes review by a second person to ensure accuracy, and maintenance of documentation that verifies amounts.

Since the information submitted on 1512 reports is cumulative data, no information has been lost; it has just been reported in a later quarter.

Contact Person:

Deborah Connell, Administrator

Anticipated Completion Date:

January 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-55***
NH Department of Education

CFDA # 84.010 Title I Grants to Local Educational Agencies
CFDA # 84.389 Title I Grants to Local Educational Agencies, Recovery Act

Grant Year and Award:

7/1/2010 - 9/30/2011	***S010A100029 119 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 1131***
7/1/2011 - 9/30/2012	***S010A110029 219 2183***
7/1/2011 - 9/30/2012	***S010A110029 219 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 6114***
2/18/2009 - 9/30/2010	***ARRA S389A090029A R93 806***

Finding: Internal controls established are not operating effectively to ensure data quality, completeness and accuracy of the amounts reported on the National Public Education Financial Survey (NPEFS)

Criteria:

The NPEFS is a National Center for Education Statistics data collection, state-level survey that includes all revenue and expenditures for public education (with the exception of revenues and expenditures for the state education agencies). The NPEFS provides the official revenue and expenditure statistics for public elementary and secondary education in the United States. The data generates a State per Pupil Expenditure (SPPE) figure that is used by the Department of Education (Department) in allocating funds for the Title I program and other Department programs. This reporting is authorized in Section 153(a)(1)(I) of the Education Sciences Reform Act of 2002 (P.L. 107-279), 20 U.S.C. 9543.

Condition:

For this special reporting requirement, we reviewed the most recent survey submitted in fiscal year 2012 for accuracy. We noted the Department of Education had overstated its contribution to the retirement system on behalf of teachers by $450,000. The original amount reported was $24,836,000. However, the correct amount is $24,386,000.

Cause:

Management failed to perform a proper review of the underlying data which is included in the survey prior to submission.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

Lack of proper review and consequent inaccurate reporting in the NPEFS survey impacts the Department of Education's ability to properly allocate funds to federal programs, as it is the basis for the SPPE figure that is used by the Department of Education (ED) in allocating funds for the Title I program and other Department programs.

Questioned Costs:

None

Recommendation:

We recommend that the Department perform additional review of all its inputs and underlying data to the NPEFS survey to ensure the accurate reporting to the Census Bureau.

Auditee Corrective Action Plan:

We concur. A transposition error was discovered in the course of the audit. The New Hampshire Department of Education was able to revise the FY2011 NPFES submission before the September 1, 2012 deadline.

Procedures now call for a second person to review the revenue and expense compilation, and also verify the report after it has been entered into the US Department of Education on-line system but before it is submitted.

Contact Person:

Ron LeClerc, System Development Specialist

Anticipated Completion Date:

September 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-56***
NH Department of Education

CFDA # 84.010 Title I Grants to Local Educational Agencies
CFDA # 84.027 Special Education - Grants to States
CFDA # 84.173 Special Education - Preschool Grants
CFDA # 84.367 Improving Teacher Quality State Grants

Grant Year and Award:

7/1/2010 - 9/30/2011	***S010A100029 119 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 1131***
7/1/2011 - 9/30/2012	***S010A110029 219 2183***
7/1/2011 - 9/30/2012	***S010A110029 219 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 6114***
7/1/2010 - 9/30/2011	***H027A100103 123 4110***
7/1/2011 - 9/30/2012	***H027A110103 223 2184***
7/1/2011 - 9/30/2012	***H027A110103 223 4110***
7/1/2010 - 9/30/2011	***H173A100109 124 2184***
7/1/2011 - 9/30/2012	***H173A110109 224 2184***
7/1/2010 - 9/30/2011	***S367A100028 162 2183***
7/1/2011 - 9/30/2012	***S367A110028 262 2183***
7/1/2010 - 9/30/2011	***S367B100026 161 2183***
7/1/2011 - 9/29/2012	***S367B110026 261 2183***

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.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Sub-award Reporting System (FSRS) and report sub-award 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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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 sub-award by the end of the month following the month in which the sub-award 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 Education (the Department) did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements for the Title I program.

For Special Education Cluster and Improving Teacher Quality, during our testing of 24 FFATA reports submitted for the period, the Department provided us with DUNS numbers and amounts reported, per their internal records. For 20 of the selections, we were not able to locate records for the same amounts on usaspending.gov.

Cause:

There was turnover in the Department during the year, and the FFATA reporting for Title I did not get completed as a result.

For the Special Education Cluster and Improving Teacher Quality, per discussions with management there were revisions to the allocations based on communications with the funding agencies, but the Department did not resubmit the revised allocations. As a result, the Department's internal records did not match what was reported in usaspending.gov.

Effect:

The Department was not in compliance with the FFATA regulations and reporting for fiscal year 2012.

Questioned Costs:

None

Recommendation:

The Department should strengthen its 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. In addition, the Department should maintain supporting documentation for all amounts reported under FFATA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Auditee Corrective Action Plan:

We concur. The Department has developed training materials for FFATA reporting. This material covers FFATA requirements, internal procedures and the technical aspects of submitting a report. Procedures include verification by a second person before submission. The first internal training session was held in February 2013. At this time, all positions responsible for reporting are staffed.

Contact Person:

Sallie Fellows, Systems Development Specialist

Anticipated Completion Date:

April 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-57***
NH Department of Education

CFDA # 84.287 Twenty-First Century Community Learning Centers
CFDA # 96.001 Social Security Disability Insurance (SSDI) Cluster
CFDA # 96.006 Supplemental Security Income

Grant Year and Award:

7/1/2009 - 9/30/2010	***S287C090029 043 3277***
7/1/2010 - 9/30/2011	***S287C100029 143 3277***
7/1/2011 - 9/30/2012	***S287C110029 243 2183***
7/1/2011 - 9/30/2012	***S287C110029 243 3277***
7/1/2011 - 9/30/2012	***S287C110029 243 6114***
10/1/2010-9/30/2011	***04-1104NHD100 196 4040***
10/1/2011-9/30/2012	***04-1204NHD100 296 4040***

Finding: Administrative draws are not adequately supported.

Criteria:

The administrative draws for the 21st Century Community Learning Centers and the SSDI Cluster do not fall within the Treasury-State Agreement (TSA). As such, the general requirements for cash management apply. Specifically, according to 31CFR 205 Subpart B, a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Condition:

Of the 80 transactions tested, while all were determined to be allowable costs, we were unable to directly correlate the individual expenses to the cash drawdowns for 23 transactions related to the SSDI cluster and 21 transactions for the 21st Century Community Learning Centers program.

Cause:

The Department of education (the Department) did not consistently maintain detailed supporting documentation for administrative amounts drawn.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

We are unable to determine the timing between expenditure and cash reimbursement for the transactions noted.

Questioned Costs:

None

Recommendation:

The Department should maintain documentation for the administrative costs drawn from the federal government to support the timing of expenditure as required by 31 CFR 205 Subpart B.

Auditee Corrective Action Plan:

We concur. To comply with 31 CFR 205, our process is to estimate cash disbursements as only a percentage of accrued expenditures for a period. As noted, this process does not support tying specific disbursements to a draw. We will review our policies and accounting system options with the objective of finding an effective and efficient way to have timely draws and supporting documentation for those draws.

Contact Person:

Susan Folsom, Accountant

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-58***
NH Department of Education

CFDA # 84.010	***Title I - Grants to Local Educational Agencies***
CFDA # 84.027	***Special Education - Grants to States***
CFDA # 84.173	***Special Education - Preschool Grants***
CFDA # 84.367	***Improving Teacher Quality State Grants***
CFDA # 84.389	***Title I - Grants to Local Educational Agencies, Recovery Act***
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:

7/1/2010 - 9/30/2011	***S010A100029 119 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 1131***
7/1/2011 - 9/30/2012	***S010A110029 219 2183***
7/1/2011 - 9/30/2012	***S010A110029 219 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 6114***
7/1/2010 - 9/30/2011	***H027A100103 123 4110***
7/1/2011 - 9/30/2012	***H027A110103 223 2184***
7/1/2011 - 9/30/2012	***H027A110103 223 4110***
7/1/2010 - 9/30/2011	***H173A100109 124 2184***
7/1/2011 - 9/30/2012	***H173A110109 224 2184***
7/1/2010 - 9/30/2011	***S367A100028 162 2183***
7/1/2011 - 9/30/2012	***S367A110028 262 2183***
7/1/2010 - 9/30/2011	***S367B100026 161 2183***
7/1/2011 - 9/29/2012	***S367B110026 261 2183***
2/18/2009 - 9/30/2010	***ARRA S389A090029A R93 806***
2/17/2009 - 9/30/2010	***ARRA H391A090103A R90 814***
2/17/2009 - 9/30/2010	***ARRA H392A090109 R91 815***

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

Criteria:

Per 31 CFR 205 Subpart A, a Treasury-State Agreement (TSA) documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of Treasury and the State. The TSA contains detailed instructions for clearance techniques to be used in estimating cash needs to support cash drawdowns.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Condition:

We selected a total of 40 transactions from the four Special Education grants above, of which draws for 36 transactions were not disbursed within the TSA requirement of 2 days average clearance technique. The late draws ranged from 3 to 23 days. We selected draws for 25 transactions from the Title I and Title I-ARRA grants, of which 18 were not disbursed within the 5 day requirement, per the TSA. The late draws ranged from 6 to 22 days. We selected draws for 25 transactions from the Title II grant, of which 19 were not disbursed within the 5 day requirement, per the TSA. The late draws ranged from 6 to 9 days.

Cause:

The Department of Education (the Department) has not implemented controls that ensure adherence to the TSA, or has not communicated with the Treasury Department to update the TSA to more properly reflect the practice of the direct payment draw-downs for the grants included in this finding.

Effect:

The State is not in compliance with the Treasury-State Agreement, as relates to the Title I, Title I-ARRA, Title II, and Special Education grants.

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:

We concur. We will review our policies and accounting system options with the objective of finding an effective and efficient way to have draws that fully comply with the TSA.

Contact Person:

Susan Folsom, Accountant

Anticipated Completion Date:

June 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Education ***Finding 2012-59***
NH Department of Education

CFDA # 84.010 Title I Grants to Local Educational Agencies
CFDA # 84.389 Title I Grants to Local Educational Agencies, Recovery Act

Grant Year and Award:

7/1/2010 - 9/30/2011	***S010A100029 119 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 1131***
7/1/2011 - 9/30/2012	***S010A110029 219 2183***
7/1/2011 - 9/30/2012	***S010A110029 219 3261***
7/1/2011 - 9/30/2012	***S010A110029 219 6114***
2/18/2009 - 9/30/2010	***ARRA S389A090029A R93 806***

Finding: Internal controls established to monitor schools previously identified as Local Education Agencies (LEA) needing improvement were not operating effectively

Criteria:

Each State Educational Agency (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:

Of the 25 schools selected for testing (LEAs) from the Consolidated State Performance Report (CSPR) which is submitted by the Department of Education (the Department) to the U.S. Department of Education (ED), we noted 2 LEAs did not submit school improvement plans within the thirty day time frame required by ED, and the Department did not follow up with these LEAs to obtain the plans timely. These plans are used by the Department to review school improvement initiatives and to determine professional development funding under Title I.

Cause:

Follow-up was not performed by the Department due to an apparent lack of personnel resources in the Department.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

Information relating to schools needing improvement may not be accurately reported to Federal Department of Education

Questioned Costs:

None

Recommendation:

The Department should improve its monitoring controls over the collection of school improvement plans to ensure timely collection prior to the reporting deadline.

Auditee Corrective Action Plan:

We concur. Corrective action has been taken. A reminder outlining the requirements and deadlines related to improvement plans was sent to all contractors and NHDOE Title I Consultants involved in the process. This requirement will be reviewed each year.

Contact Person:

Deborah Connell, Administrator

Anticipated Completion Date:

December 2012

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Veterans Affairs ***Finding 2012-60***
New Hampshire Veterans Home

CFDA # 64.015 Veterans State Nursing Home Care

Grant Year: 2012

Finding: Controls over the Schedule of Expenditures of Federal Awards (SEFA) should be strengthened

Criteria:

Federal Office of Management and Budget (OMB) Circular A-133 requires the State to prepare a Schedule of Expenditures of Federal Awards (SEFA) that reflects all federal funds expended by the State during its fiscal year ended June 30.

Condition:

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

The Veterans Home did not maintain adequate controls over the SEFA submittal ensuring amounts were complete and accurately reported as they did not include approximately $7 million of expenditures federally reimbursed under CFDA# 64.015 in the SEFA.

Cause:

The SEFA is prepared by DAS and documentation supporting amounts received and explanations provided from individual state departments and agencies is at times insufficient to enable verification of amounts entered by the agencies. Further, the SEFA is not adequately reviewed in detail by DAS personnel prior to it being provided to us for audit.

For the Veterans Home, the federal revenues received as reimbursement for the per diem rates were not appropriately associated with a federal cfda program, and therefore not included in the SEFA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

It is important that the SEFA be complete and accurate. If the schedule is incomplete or inaccurate, Federal programs could be erroneously reported to the Federal government.

Questioned Costs:

None

Recommendation:

We recommend that the SEFA be properly analyzed and reviewed, as proper internal control procedures dictate, to identify discrepancies prior to being finalized. Part of this review would include strengthening DAS' controls over the revenue reconciliation reports and assisting in the determination of whether expenditures are required to be reported in the SEFA.

The NH Veterans Home should strengthen its controls over the SEFA submittal ensuring amounts are accurate and complete. As with any federal revenue source, the information needs to be reviewed to determine which federal compliance requirements need to be complied with.

Auditee Corrective Action Plans:

Department of Administrative Services:

DAS has taken steps over the last couple of years to improve and strengthen control procedures to ensure completeness of the SEFA including the addition of more resources and the expansion of levels of review. As was stated, DAS does rely on agency and departmental expertise when items are noted during review and reconciliation. It should be noted that DAS did question the NH Veterans Home (VH), regarding the absence of expenditures from their SEFA submission, related to the federal revenue received on this program. Going forward, DAS will request from agencies and departments documentation to support their conclusion to exclude expenditures from their SEFA submission. This will allow DAS to assess the appropriateness of agency conclusions.

Veterans Home:

The Home concurs that we should strengthen our controls over the SEFA submittal process. The Home will ensure that amounts are accurate and complete. The Home will review all federal monies received and determine federal compliance requirements are met.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Contact Persons:

Department of Administrative Services: Stephen Smith, Financial Reporting Administrator
Veterans Home: Margaret D. LaBrecque, Commandant

Anticipated Completion Dates:

Department of Administrative Services: December 31, 2013
Veterans Home: July 30, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Veterans Affairs ***Finding 2012-61***
NH Veterans Home

CFDA # 64.015 Veterans State Nursing Home Care

Grant Year: 2012

Finding: Controls over processing and accounting for federal revenues should be improved

Criteria:

38 CFR 51.43(b) states in part, "VA pays per diem on a monthly basis. To receive payment, the State must submit to the VA medical center of jurisdiction a completed VA Form 10-5588, State Home Report and Statement of Federal Aid Claimed." Form 10-5588 requires the State certify the accuracy of same.

Condition:

Errors noted in the Veteran Home's (the Home) fiscal year 2012 requests for federal per-diem contributions indicate controls over that process are not adequate and require improvement.

Our testing of federal revenues revealed the Home was not consistent in preparing complete and accurate requests for federal per-diem reimbursements. The Home's requests for federal reimbursements during fiscal year 2012 were at times based on incorrect resident census numbers, including miscalculations of the Home's daily cost of care, misapplied the Home's daily rate, and credited amounts in the wrong revenue accounts. In addition, the Home did not retain documentation of its daily census counts, the basis for its census recordkeeping and reporting, which is used in the determination of the monthly federal reimbursement.

The net effect of the noted errors on the Home's revenues for fiscal year 2012 was an excess draw of approximately $7,000 of federal funds and an incorrect allocation of revenues. Revenues were understated in the federal per-diem account by approximately $638,000 and overstated in the resident room and board account by approximately $600,000 in the State accounting system, NHFirst.

Cause:

Ineffective design and establishment of the control process over the preparation and review and approval of requests for federal contributions contributed to the above noted problems.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect:

The control process in place did not consistently support the determination of accurate amounts, accurate fiscal year end cutoffs, or use of correct accounts.

Questioned Costs:

$7,000

Recommendation:

The Home should establish effective controls over its processing and accounting for federal revenues. The requests for federal per-diem contributions should be subject to an effective review and approval control that includes verification of significant information that affects amounts requested and accounts and fiscal periods impacted. Additionally, source documents supporting census data need to be maintained.

Auditee Corrective Action Plan:

The Home concurs that we should establish effective controls over our processing and accounting for federal revenues. The Home will establish a policy that puts into place an effective review and approval control that includes verification of significant information that affects the amounts requested and accounts and fiscal periods. The source documents supporting the census data will be maintained.

Contact Person:

Margaret D. LaBrecque, Commandant

Anticipated Completion Date:

April 15, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Veterans Affairs ***Finding 2012-62***
NH Veterans Home

CFDA # 64.015 Veterans State Nursing Home Care

Grant Year: 2012

Finding: Significant expenditures should be subject to contract provisions

Criteria:

Per 2 CFR section 215.43, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

Further, per the OMB Circular A-133 Compliance Supplement, States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

Condition:

During fiscal year 2012, the Home paid a patient transport service approximately $33,000 for the regular transport of a resident to medical appointments. Neither the selection of the vendor nor the establishment of the rate was subject to bid, contract, or other formal agreement process.

The transport of a resident to regularly scheduled medical appointments as identified above is a service that warrants a competitive proposal and contracting process.

Cause:

The Home reported that in the 2008-2009 timeframe it had issued a request for proposal to contract for similar services but had not been able to contract with a vendor at that time.

Effect:

The Home's procurement of patient transport services is not controlled and protected by contracted provisions.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation:

The Home should again issue a request for proposal for medical transport services not met by the Home's capacity to provide such services.

Any agreements resulting from the request for proposal should be formalized by contract, subject to appropriate State approval processes, including Governor and Executive Council approval.

Auditee Corrective Action Plan:

The Home concurs that the medical transport services should be obtained with a request for proposal. The request for proposal will go before Governor and Council and the Home will follow all Administrative Rules pertaining to the obtaining of services.

Contact Person:

Margaret D. LaBrecque, Commandant

Anticipated Completion Date:

Request for Proposal issued before April 15, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Veterans Affairs ***Finding 2012-63***
NH Veterans Home

CFDA # 64.015 Veterans State Nursing Home Care

Grant Year: 2012

Finding: Suspension and debarment certifications should be included and verified for all contracts over covered transactions

Criteria:

2 CFR 180.300 states that "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the Excluded party list system; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person."

A covered transaction is described in 2 CFR 180.220 (2) (1) as a contract awarded by a participant in a nonprocurement transaction that is covered under section 180.210 and the amount of the contract is expected to equal or exceed $25,000.

Condition:

The Veterans Home (the Home) does not have any controls in place to ensure contracts over covered transactions include a Certification regarding Debarment, Suspension, and other Responsibility matters in the contract. For 3 out of 3 vendor contracts tested, all failed to include this certification, and none were subjected to verification of their suspension/debarred status through a review of the Excluded party listing system (EPLS).

Cause:

The Home did not realize that these provisions were required under this program.

Effect:

By failing to include the Certification regarding Debarment, Suspension, and Other Responsibility Matters in contracts for covered transactions, or verifying the suspended or debarred status of the vendors on the EPLS; the Home is not in compliance with 2 CFR 180.300.

Additionally, failure to include the certification and verify the suspended or debarred status of vendors creates a situation wherein the home risks inadvertent contracting with suspended or debarred parties.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Questioned Costs:

None

Recommendation:

We recommend that the Home institute policies and procedures designed to ensure that Suspension and Debarment Certifications are included and verified for all covered transactions.

Auditee Corrective Action Plan:

The Home concurs and will institute policies and procedures designed to ensure that Suspension and Debarment Certificates are included and verified for all covered transactions.

Contact Person:

Margaret D. LaBrecque, Commandant

Anticipated Completion Date:

May 1, 2013

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SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS					
2011-3	*NH Department of Health and Human Services*	93.778 93.558 93.714 93.596 93.658 10.557	Direct program draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved for 93.558 and 10.557* *See G-16 and related findings* *2012-4 and 2012-6*
2011-4	*NH Department of Health and Human Services*	10.561 93.558 93.714 93.563 93.596 93.658 93.767 93.778	Administrative draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved* *See G-19 and related findings* *2012-5 and 2012-12*
2011-5	*NH Department of Health and Human Services*	93.778	Updated provider disclosures are not obtained from all required providers	None	*Unresolved* *See G-22 and related finding 2012-2*
2011-6	*NH Department of Health and Human Services*	93.778	Disproportionate share hospital cost recoupment does not comply with current Federal rules	$8,412,822	*Unresolved* *See G-26*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-7	*NH Department of Health and Human Services*	93.069	In-Kind matching requirements are not properly monitored	None	*Resolved*
2011-8	*NH Department of Health and Human Services*	93.712	No internal controls established to ensure data quality, completeness, accuracy, and timeliness of the Section 1512 reports	None	*Unresolved* *See G- 30 and related finding 2012-09*
2011-9	*NH Department of Health and Human Services*	93.268 93.712	Noncompliance with control, accountability and safeguarding of vaccines requirement	None	*Resolved*
2011-10	*NH Department of Health and Human Services*	93.710	No internal controls established to ensure data quality, completeness, accuracy, and timeliness of the Section 1512 reports	None	*Resolved*
2011-11	*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	*Resolved*
2011-12	*NH Department of Health and Human Services*	93.283	In-Kind matching requirements are not properly monitored	None	*Unresolved* *See G- 32 and related finding 2012-8*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-13	*NH Department of Health and Human Services*	93.563	Interstate case activities not performed within required timeframes - Responding	None	*Resolved*
2011-14	*NH Office of Energy and Planning*	93.568	Federal drawdowns for the LIHEAP program not performed timely	None	*Unresolved* *See G- 35 and related finding 2012-19*
2011-15	*NH Office of Energy and Planning*	93.568	The OEP should improve internal controls over and compliance with LIHEAP subrecipient application monitoring requirements	None	*Unresolved* *See G- 37 and related finding 2012-20*
2011-16	*NH Office of Energy and Planning*	93.568	The OEP should improve internal controls over and compliance with LIHEAP subrecipient fiscal monitoring requirements	None	*Unresolved* *See G- 41 and related finding 2012-20*
2011-17	*NH Office of Energy and Planning*	93.568	Internal controls over LIHEAP federal financial reporting requirements need improvement	None	*Unresolved* *See G-45 and related finding 2012-21*
2011-18	*NH Office of Energy and Planning*	93.568	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved* *See G-47 and related finding 2012-22*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-19	*NH Office of Energy and Planning*	81.041	Certified payrolls subject to the requirements of the Davis-Bacon Act not received	None	*Unresolved* *See G- 50 and related finding 2012-28*
2011-20	*NH Office of Energy and Planning*	81.041	Internal Controls over federal financial reporting requirements need improvement	None	*Unresolved* *See G-52 and related finding 2012-24*
2011-21	*NH Office of Energy and Planning*	81.041	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	None	*Resolved*
2011-22	*NH Office of Energy and Planning*	81.042	Certified payrolls subject to the requirements of the Davis-Bacon Act were not received timely nor reviewed	None	*Unresolved* *See G- 54 and related finding 2012-32*
2011-23	*NH Office of Energy and Planning*	81.042	Earmarking requirements of the Weatherization Assistance Program not met	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-24	*NH Office of Energy and Planning*	81.042	Subrecipient monitoring requirements related to ARRA award identification not met	None	*Resolved*
2011-25	*NH Office of Energy and Planning*	81.042	OEP did not comply with the federal financial reporting requirements of the Weatherization Assistance Program	None	*Unresolved* *See G-57 and related finding 2012-33*
2011-26	*NH Department of Resources and Economic Development*	17.258 17.259 14.260 17.278	Did not comply with subrecipient monitoring requirements related to award identification for ARRA and non-ARRA awards	None	*Resolved*
2011-27	*NH Department of Resources and Economic Development*	17.258 17.259 17.260 17.278	Did not comply with subrecipient monitoring requirements related to during–the-award monitoring	None	*Resolved*
2011-28	*NH Department of Resources and Economic Development*	17.258 17.259 17.260	No internal controls established to ensure data quality, completeness and accuracy of the Section 1512 reports	None	*Resolved*
2011-29	*NH Department of Employment Security*	17.225	Ineffective information technology general controls (ITGC) related to the NH Unemployment Insurance System	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-30	*NH Department of Employment Security*	17.225	Controls over federal reporting and the accuracy of data included in federal reports need improvement	None	*Unresolved* *See G- 59 and related finding 2012-42*
2011-31	*NH Department of Employment Security*	17.225	No Evidence of work search obtained prior to payment of benefits	None	*Resolved*
2011-32	*NH Department of Employment Security*	17.225	Benefits accuracy measurement cases reviewed did not comply with State law and policy	Unable to Determine	*Resolved*
2011-33	*NH Department of Employment Security*	17.225	Prevention controls in NHUIS system regarding employer charges should be implemented	None	*Resolved*
2011-34	*NH Department of Employment Security*	17.225	Controls over the FUTA certification file transmission should be implemented	None	*Resolved*
2011-35	*NH Department of Employment Security*	17.225	Controls over the Treasury-State Agreement should be implemented	None	*Unresolved* *See G-62 and related finding 2012-43*
2011-36	*NH Department of Transportation*	20.205	Federal draw downs not in compliance with the Treasury-State Agreement	None	*Unresolved* *See G- 64 and related finding 2012-50*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-37	*NH Department of Transportation*	20.205	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved* *See G- 66 and related finding 2012-51*
2011-38	*NH Department of Transportation*	20.205	Subrecipient Monitoring – Award Identification	None	*Resolved*
2011-39	*NH Department of Education*	84.027 84.173 84.391 84.392	Did not comply with subrecipient monitoring requirements related to award identification and during-the-award monitoring	None	*Unresolved for 84.027 and 84.173* *See G- 69 and related finding 2012-53*
2011-40	*NH Department of Education*	84.027 84.173 84.391 84.392	Administrative draws not performed in accordance with the Treasury-State Agreement	None	*Resolved*
2011-41	*NH Department of Education*	84.391 84.392 84.389	Cannot adequately support expenditure amounts reported for ARRA Section 1512 reporting	None	*Unresolved for 84.389* *See G- 72 and related finding 2012-54*
2011-42	*NH Department of Education*	84.010 84.389	The school's report card data was incorrectly included in the report submitted to the U.S. Department of Education (ED)	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-43	*NH Department of Education*	84.410	No internal controls established to ensure data quality, completeness and accuracy of the Section 1512 reports	None	*Resolved*
2011-44	*NH Department of Education*	84.410	Did not comply with subrecipient monitoring requirements related to during-the-award monitoring	None	*Resolved*
2011-47	*NH Department of Environmental Services*	66.468	Principal forgiveness incorrectly calculated	None	*Resolved*
2011-48	*NH Department of Environmental Services*	66.468	Loan fee not transferred into separate bank account	None	*Resolved*
2011-49	*NH Department of Environmental Services*	66.468	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Resolved*
2011-50	*NH Department of Environmental Services*	66.458 66.468	Cannot Adequately support expenditure amounts reported for ARRA Section 1512 reporting	None	*Unresolved for 66.458* *See G- 75 and related finding 2012-39*
2011-51	*NH Department of Environmental Services*	66.468	Lack of formalized supplemental loan agreements upon project completion	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2011-52	*NH Department of Environmental Services*	66.468	No controls in place over ensuring that certified payrolls for subrecipients receiving ARRA funding is received	None	*Unresolved* *See G- 78 and related finding 2012-41*
2011-53	*NH Department of Environmental Services*	66.458 66.468	Noncompliance with subrecipient monitoring requirements	None	*Unresolved* *See G- 81 and related finding 2012-40*
2011-54	*Department of Environmental Services*	66.468	Lack of timely submission of reports	None	*Unresolved* *See G- 84 and related finding 2012-38*
2011-55	*Department of Environmental Services*	66.458	Lack of timely submission of reports	None	*Unresolved* *See G- 86 and related finding 2012-38*
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 TSA	None	*Unresolved for 93.558* *See G-88 and related finding 2012-4*
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 for 10.561, 93.563, 93.558,and 93.778* *See G- 90 and related findings 2012-5 and 2012-12*
2010-13	*NH Department of Health and Human Services*	93.778	Updated Provider Disclosures are not obtained from all required providers	$112,969	*Unresolved* *See G- 93 and related finding 2012-2*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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	*Resolved*
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	*Resolved*
2010-16	*NH Department of Health and Human Services*	93.069	Payroll costs were not properly supported	$10,651	*Resolved* *Questioned costs remain open*
2010-18	*NH Department of Health and Human Services*	93.283	In-Kind matching requirements are not properly monitored	None	*Unresolved* *See G- 96 and related finding 2012-8*
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-99 and related finding 2012-06*
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 for 66.458* *See G- 101and related finding 2012-39*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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- 104 and related finding 2012-41*
2010-25	*NH Department of Environmental Services*	66.458 66.468	Lack of Timely submission of reports	Unable to Determine	*Unresolved* *See G-107 and related finding 2012-38*
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	*Unresolved* *See G- 111 and related finding 2012-40*
2010-28	*NH Department of Transportation*	20.205	Cash management – draw downs not in compliance with the Treasury-State Agreement	None	*Unresolved* *See G- 116 and related finding 2012-50*
2010-30	*NH Department of Health and Human Services*	93.268 93.712 93.069	Reconciliation of vaccine records not performed	None	*Resolved*
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-118 and related finding 2012-20*
2010-32	*NH Office of Energy and Planning*	93.568	LIHEAP reports were not adequately supported, contained errors, and were not filed timely	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2010-33	*NH Office of Energy and Planning*	93.568	Federal drawdowns for the LIHEAP program not performed timely	None	*Unresolved* *See G- 121 and related finding 2012-19*
2010-35	*NH Office of Energy and Planning*	81.042	WXN reports not adequately supported, reviewed, and not filed timely	None	*Unresolved* *See G-123 and related finding 2012-33*
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- 126 and related finding 2012-32*
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-129 and related finding 2012-28*
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-132 and related finding 2012-24*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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	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	*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	*Resolved*
2010-53	*NH Department of Employment Security*	17.225	No evidence of work search obtained prior to payment of benefits	None	*Resolved*
2010-54	*NH Department of Employment Security*	17.225	Ineffective Information technology General Controls (ITGC) related to the New Hampshire Unemployment Insurance System	None	*Resolved*
2010-56	*NH Department of Employment Security*	17.225	Accuracy and availability of data used in Federal reports needs improvement	None	*Unresolved* *See G-135 and related finding 2012-42*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

2010-59	*NH Department of Health and Human Services*	95.563	Interstate case activities not performed within required timeframes - Responding	None	*Resolved*
2009-9	*NH Department of Health and Human Services*	93.268	Reconciliation of Vaccine Records Not Performed	None	*Resolved*
2009-11	*NH Department of Health and Human Services*	93.283	Non-compliance with In-kind Federal Matching Requirement	None	*Resolved*
2009-13	*NH Department of Health and Human Services*	93.778	Updated Provider Disclosures are not Obtained from all Required Providers	None	*Unresolved* *See G-138 and related finding 2012-2*
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- 141 and related finding 2012-6*
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-144 and related findings 2012-4 and 2102-5*
2009-26	*U.S Department of Transportation*	20.205	Cash Management	None	*Unresolved* *See G- 146 and related finding 2012-50*
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-148*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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-150 and related finding 2012-20*
2009-35	*Office of Energy and Planning*	93.568	Low-Income Home Energy Assistance Program (LIHEAP) Drawdowns Not Performed Timely	None	*Unresolved* *See G-154 and related finding 2012-19*
2008-7	*NH Department of Health and Human Services*	93.778	DSH Calculation Methodology Noncompliant with Federal and State Requirements	$17,622,736	*Resolved Question costs remain.* *See G-156*
2008-11	*NH Department of Health and Human Services*	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Unable to Determine	*Resolved*
2008-15	*NH Department of Health and Human Services*	93.778	Provider Disclosures Are Not Obtained From All Required Providers	Unable to Determine	*Unresolved* *See G- 159 and related finding 2012-2*
2008-37	*NH Department of Fish and Game*	15.605 15.611	No Reconciliation of Department and State Accounting Systems	None	*Partially Resolved* *See G-162*
TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2013:				**$ 26,159,178**	

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Anticipated Completion Date:

July 1, 2011

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plans at 2012-4 and 2012-6.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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 cash draw downs for the programs selection) and noted that 37 of the 39 cash draw downs were not drawn

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plans at 2012-5 and 2012-12.

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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.

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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:

April, 2013

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Status as of March 2013:

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) in April 2013, 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 are being required to enroll and provide current licensure verification and disclosure information. On an ongoing basis, Xerox, formally 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 impeding 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.

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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.

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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

Status as of March 2013:

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

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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.

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Cause:

Lack of properly designed and implemented controls to ensure data integrity

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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:

January 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-09.

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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.

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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.

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Contact Person:

Dolores A Cooper, DPHS Business Administrator

Anticipated Completion Date:

June 30, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-8.

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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.

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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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-19.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-20.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-20.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-21.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-22.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

Completed

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-28.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-24.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-32.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-33.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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."

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of January 2013:

Partially resolved. Some improvements and changes have been implemented to specific reports that have improved the accuracy of said reports. With additional SBR funds recently received, all reports that are impacted by overpayments are being evaluated as part of an overall Business Process and System Review that is expected to start second quarter 2013. This process and the subsequent changes to NHUIS are expected to take approximately one year, with target for completion by June 2014. USDOL has also selected NH to receive focused assistance regarding its Data Validation program, which is expected to begin the first quarter 2013. This assistance will be welcomed. The duration of the assistance is undetermined at this time. While specific written policy that includes the maintenance of documented report review prior to submission has not yet been provided, the ELMI Bureau, responsible for submitting the majority of the Federal reports, has been maintaining proof of review. A document will be written and disseminated documenting this process no later than 1/31/2013.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-43.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Partially implemented. 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 new billing system went live in April 2012 and is functioning as expected. DOT will be meeting with Treasury to determine an accurate average clearance pattern that will coincide with cash flow needs and compliance with the TSA.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

September 30, 2012

Status as of March 2013:

NHDOT finance has met with officials of another state agency regarding the implementation of the Federal Funding 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.

The New Hampshire Department of Transportation (NHDOT) continues to review the requirements of FFATA. The Department is registered in the Central Contractor Registration (CCR) system and has reviewed it content. There are currently over 400 awards in the system since FFATA's beginning that awaits proper response. This will require a tremendous effort that will have to combine resources from both NHDOT and the DOIT. Although resources and time were not available in FY 2012, every effort will be made to develop an action plan that will comply with the requirements of the Office of Management and Budget (OMB) in the upcoming year.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

The Department has established the policies for the review of the sub recipient monitoring and are in the process of confirming dates with the districts that are to be reviewed. The visits will occur starting in February 2013.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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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.

Effect:

Federal awards received and spent related to ARRA awards are not accurately reported.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

Completed

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-54.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-39.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Cause:

Lack of oversight by program management

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 2012

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-41.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-40.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Effect:

Insufficient expenditure information is reported to the Federal awarding agency.

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-38.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

Recommendation:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-38.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

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

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 March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-4.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Effect:

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

Questioned Costs:

None

Recommendation:

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

Auditee Corrective Action Plan:

The Department of Health and Human Services concurs with KPMG's finding 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 March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plans at 2012-5 and 2012-12.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Additionally, we noted that 1 of the 40 providers did not have an updated license on file to document that the provider is licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid Program. The amount paid to the provider is included as a questioned cost.

A similar finding was noted in the prior year single audit report and the Department indicated that all providers will be required to re-enroll and provide updated disclosures when the State implements the new MMIS system.
The implementation was postponed during State fiscal year 2010 and has not been implemented to date. Therefore, the re-enrollment was delayed.

Cause:

The cause is due to the lack of a formal policy to obtain updated disclosures from the required providers in accordance with the Federal requirements.

Effect:

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

Questioned Costs:

$112,969

Recommendation:

We recommend that the Department implement policies and procedures to ensure that timely receipt and consideration of provider ownership, control, Medicaid fraud, and other information necessary to ensure enrolled providers remain eligible for continued program participation.

Auditee Corrective Action Plan:

The Department is in agreement with the finding and has put in place a process to request updates to license renewals from respective licensing boards, as well as, from providers. This process, however, is sometimes faced with its own issues. Since the many of the boards are computerized and are understaffed, requests for copies of paper or electronic licenses are not always fulfilled on a timely basis.

Upon implementation of the State's new MMIS, several enhancements to the technical and operational environment will support improved compliance with the applicable federal regulations. Prior to transition to the new system, all participating providers will be required to reenroll and provide current licensure verification and disclosure information. On an ongoing basis, ACS, the new MMIS fiscal agent, is obligated to routinely obtain updates to that information from all enrolled providers. The system has automated triggers to flag upcoming license expiration dates and to schedule routine revivification of other provider profile data including disclosure information. The new MMIS has electronic interfaces

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Anticipated Completion Date:

June 30, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-2.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

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the in-kind match requirements were not adequately supported, documented or reviewed by the Department. In addition, the Department currently has no controls or documented processes in place over ensuring the federal matching requirement is met. The Department is unable to provide sufficient evidence over its in-kind contributions and without key controls in place, is unable to determine the credibility of such information.

Cause:

The Department appears to lack controls and processes to mitigate the risk of non-compliance with the federal in-kind matching requirements, such as verifying the amount of matching funds received from other Departments and/or contractors.

A similar finding was noted in fiscal year 2009.

Effect:

Compliance with in-kind matching requirements was not able to be determined. The Department not sufficiently matching federal funds could result in loss of funding.

Questioned Costs:

$921,550

Recommendation:

We recommend that DHHS implement effective controls and procedures to properly monitor the federal matching requirements. As part of this process, in-kind contributions used to meet the match must be sufficiently and appropriately documented as required by federal regulation. We also recommend the DHHS complete and maintain weekly or monthly match calculations, which should be prepared and reviewed by separate staff members, to assist in determining the amount required to meet such match.

Auditee Corrective Action Plan:

Division of Public Health will implement effective controls and procedures to properly monitor financial matching requirements.

Contact Person:

Barbara Cotton, Financial Manager

Anticipated Completion Date:

February 2012

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-8.

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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.

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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.

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 March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-06.

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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:

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> "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."

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.

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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.

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 March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-39.

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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.

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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

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.

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Contact Person:

Sarah Pillsbury, DWSRF

Anticipated Completion Date:

April 1, 2012

Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-41.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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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".

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.

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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.

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.

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Contact Person:

Sarah Pillsbury, DWSRF

Paul Heirtzler, CWSRF

Anticipated Completion Date:

July 1, 2012

Status as of March 2013:

Unresolved. Similar findings were identified on the 2012 single audit report. See findings and corrective action plans at 2012-38.

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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:

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- 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.

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.

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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.

Program management was not aware of the requirement regarding obtaining and reviewing their subrecipients' A-133 audit reports.

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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

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Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-40.

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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:

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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 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 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

Status as of March 2013:

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 new billing system went live in April 2012 and is functioning as expected. DOT will be meeting with Treasury to determine an accurate average clearance pattern that will coincide with cash flow needs and compliance with the TSA.

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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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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 March 2013:

Unresolved. Similar findings were identified on the 2012 single audit report. See findings and corrective action plans at 2012-20.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Questioned Costs:

None

Recommendation:

The Office of Energy and Planning should perform federal drawdowns timely in accordance with the Treasury-State agreement.

Auditee Corrective Action Plan:

Drawdowns of program costs are currently done within 7 days of payment of the reimbursement request. These costs include the fuel payments and administrative costs of the Community Action Agencies (i.e., all contractual costs). The only costs that are not done within this schedule are OEP's administrative costs. Since OEP needs to allocate its administrative costs to several programs and NH First can only assign an employee to one accounting unit, OEP has to manually allocate its administrative costs. This is done on a quarterly basis. Once NH First can assign employees to multiple accounting units, OEP will be able to drawdown our administrative costs more frequently. Please note that OEP's administrative costs are only about 3% of the total costs of the program.

Contact Person:

Joanne Morin, Director

Anticipated Completion Date:

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

Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-19.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Cause:

According to the WXN Program Manager, the data supporting the production activities was manually compiled by her and apparently was erroneously added. OEP did not implement any formalized controls over the WXN reporting process to ensure that the reports are reviewed by an independent person for accuracy before submittal.

According to the WXN Program Manager, the late filing of the Annual Training and Technical Assistance, Monitoring, and Leveraging report was an oversight. In addition, she stated that DOE personnel had access to and has reviewed the documentation supporting the reported activities prior to the official submittal of the report.

Effect:

The quarterly WXN program report was not properly supported and the annual Training and Technical Assistance, Monitoring, and Leveraging 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 March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-33.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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 March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-32.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

Contact Person:

Joanne Morin, Director Office of Energy and Planning

Anticipated Completion Date:

Completed

Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-28.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

Anticipated Completion Date:

Completed

Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-24.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

February 1, 2012

Status as of January 2013:

Partially resolved. Some improvements and changes have been implemented to specific reports that have improved the accuracy of said reports. With additional SBR funds recently received, all reports that are impacted by overpayments are being evaluated as part of an overall Business Process and System Review that is expected to start second quarter 2013. This process and the subsequent changes to NHUIS are expected to take approximately one year, with target for completion by June 2014. USDOL has also selected NH to receive focused assistance regarding its Data Validation program, which is expected to begin the first quarter 2013. This assistance will be welcomed. The duration of the assistance is undetermined at this time. While specific written policy that includes the maintenance of documented report review prior to submission has not yet been provided, the ELMI Bureau, responsible for submitting the majority of the Federal reports, has been maintaining proof of review. A document will be written and disseminated documenting this process no later than 1/31/2013.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

June 30, 2012

Status as of March 2013:

Unresolved. A similar finding was identified on the 2012 single audit report. See finding and corrective action plan at 2012-2.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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 March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-6.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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.

Anticipated Completion Date:

June 30, 2011

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plans at 2012-4 and 2012-5.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

March 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-50.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Effect:

Without reconciling the two systems, the Department cannot be assured that it is not claiming duplicate costs.

Questioned Costs:

None

Recommendation:

The Department should implement a process where records of Federal Expenditures and Revenues maintained in their stand-alone accounting system are reconciled in a timely manner to the State of New Hampshire's financial management system. Without such a control, the Department will be unable to determine if it is claiming duplicate costs.

Auditee Corrective Action Plan:

The Department continues to utilize the Lawson financial system implemented July 2009. However, the human resource module has not been implemented and will not be for quite some time. We cannot reconcile the State's accounting system to our system until the ERP system contains both the federal grants module and the human resources component.

Contact Person:

Kathy LaBonte, Business Administrator

Status as of March 2013:

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 2011, 2010, 2009, AND 2008

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 2011, 2010, 2009, AND 2008

> 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

- 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.

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.

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

Anticipated Completion Date:

July 1, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-20.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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 March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-19.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

$17,662,736 as of March 2013

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Anticipated Completion Date:

Upon receipt of approval from CMS of the State Plan Amendments

Status as of March 2013:

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 and approved. The issue of questioned costs was pursued through the federal appeal process. The State is repaying the questioned costs at equal amounts over eight quarters. As of June 30, 2013 the Department will have reimbursed six of the eight quarters.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

Contact Person:

Mary Gaye Grizwin, Contract Administrator, Office of Medicaid Business and Policy.

Anticipated Completion Date:

June 30, 2012

Status as of March 2013:

Unresolved. A similar finding was identified in the 2012 single audit report. See finding and corrective action plan at 2012-2.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2011, 2010, 2009, AND 2008

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.

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 March 2013:

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.

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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
0600	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
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
5600	Education, Department of
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
8600	NH Racing and Charitable Gaming Commission
8700	Police Standards and Training Council
8900	Tax and Land Appeals, Board of
9500	Health and Human Services, Department of (all divisions combined)
9600	Transportation, Department of
9700	Developmental Disabilities Council

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2

AGENCY NUMBER	AGENCY NAME
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
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
0600	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
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
3800	State Treasury
8900	Tax and Land Appeals, Board of
9600	Transportation, Department of
5000	University of New Hampshire
6600	Veterans Council
4300	Veterans Home