STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2013

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2013

STATE OF NEW HAMPSHIRE
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FOR THE YEAR ENDED JUNE 30, 2013

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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LINDA M. HODGDON
Commissioner
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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, 2013. 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, 2013, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 25, 2014

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, 2013

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 2013 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 $5,300,469. 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 2013, 35 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2013, the State administered 324 federal programs, with total federal expenditures of approximately $1.8 billion. Of those programs, Type A programs/clusters accounted for 90% of total federal expenditures, with the Medicaid program cluster accounting for 37% 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, 2013

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Adjutant General	12.401	National Guard Operations and Maintenance	$ 18,477,307	$ 18,477,307
		Other Programs		2,744,049
		Total Adjutant General		$ 21,221,356
Administrative Services	Various	Child Nutrition Cluster	4,232	$ 4,232
		Other Programs		5,382,475
		Total Administrative Services		$ 5,386,707
Agriculture		Other Programs		$ 780,006
Commission On Disability		Other Programs		$ 102,634
Corrections		Other Programs		$ 335,356
Cultural Resources		Other Programs		$ 2,672,942
Development Disabilities Council		Other Programs		$ 520,013
Education	Various	Child Nutrition Cluster	26,675,090	
	Various	Title I, Part A Cluster	45,091,194	
	Various	Special Education Cluster	52,175,377	
	Various	School Improvement Cluster	5,450,471	
	84.048	Career and Technical Education	5,492,310	
	84.126	Vocational Rehabilitation Grants	13,265,380	
	84.287	Twenty-First Century Community	5,865,928	
	84.367	Improving Teacher Quality	12,192,646	
	96.001	Social Security - Disability Insurance	6,128,342	$ 172,336,738
		Other Programs		26,599,120
		Total Education		$ 198,935,858
Employment Security	17.225	Unemployment Insurance	164,727,604	
	93.563	Child Support Enforcement	3,867	$ 164,731,471
		Other Programs		6,681,464
		Total Employment Security		$ 171,412,935

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2013

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Energy & Planning	81.128	Energy Efficiency and Conservation	7,609,086	
	93.568	Low-Income Energy Assistance	28,679,273	$ 36,288,359
		Other Programs		4,704,836
		Total Energy & Planning		$ 40,993,195
Environmental Services	66.458	Clean Water Revolving Fund	18,466,306	
	66.468	Drinking Water Revolving Fund	8,510,881	
	66.605	Performance Partnership Grants	5,401,956	$ 32,379,143
		Other Programs		10,154,262
		Total Environmental Services		$ 42,533,405
Fish & Game Department	Various	Fish and Wildlife Cluster	8,250,852	$ 8,250,852
		Other Programs		2,308,308
		Total Fish and Game		$ 10,559,160
Health & Human Services	Various	SNAP Cluster	173,484,149	
	10.557	Supplemental Food Program	10,818,667	
	Various	Aging Cluster	6,492,601	
	93.268	Immunization Cooperative Agreements	9,778,960	
	93.558	TANF	26,788,918	
	93.563	Child Support Enforcement	10,344,991	
	93.575	Child Care and Development	7,672,709	
	93.596	Child Care Mandatory and Matching Funds of the CCDF	11,111,777	
	93.658	Foster Care	16,539,534	
	93.667	Social Services Block Grant	6,392,728	
	93.767	Children's Health Insurance Program	13,472,860	
	Various	Medicaid Cluster	657,166,365	
	93.959	Substance Abuse Treatment	6,407,622	$ 956,471,881
		Other Programs		62,960,732
		Total Health & Human Services		$ 1,019,432,613
Highway Safety		Other Programs		$ 3,654,485
Human Rights Commission		Other Programs		$ 111,250
Insurance		Other Programs		$ 1,684,223
Judicial Branch		Other Programs		$ 291,651

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2013

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Justice	Various	Medicaid Cluster	642,739	$ 642,739
		Other Programs		7,879,413
		Total Justice		$ 8,522,152
Public Utilities Commission		Other Programs		$ 605,143
Resources & Economic Development	Various	WIA Cluster	6,305,567	
	Various	Highway Planning And Construction Cluster	660,107	$ 6,965,674
		Other Programs		6,626,542
	Total Resources & Economic Development			$ 13,592,216
Safety	97.036	Disaster Grants-Public Assistance	9,867,767	
	97.067	Homeland Security Grant Program	15,190,702	$ 25,058,469
		Other Programs		13,723,259
		Total Safety		$ 38,781,728
Secretary Of State		Other Programs		$ 895,340
Transportation	Various	Highway Planning And Construction Cluster	153,956,550	
	20.106	Airport Improvement Program	10,342,902	$ 164,299,452
		Other Programs		11,054,341
		Total Transportation		$ 175,353,793
Veterans Home	64.015	Veterans State Nursing Home Care	7,737,861	$ 7,737,861
		Other Programs		706,895
		Total Veterans Home		8,444,756
		TOTAL EXPENDITURES	**$ 1,593,644,178**	**$ 1,766,822,917**

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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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Liquor Commission, Turnpike System and the Lottery Commission, which represent 59.0% and 79.8% of the assets and revenues of the business-type activities, respectively, and 100% of the assets and revenues of the respective major funds. We also did not audit the 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 14.8% and 17.3% of the assets and revenues of the aggregate discretely presented component units, respectively. Further, we did not audit the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 3.2% and 10.9% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for these entities, is based solely 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

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require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Hampshire's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2013

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, 2013. 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 Position: The total assets of the State exceeded total liabilities at fiscal year ending June 30, 2013 by $2.7 billion. This amount is presented as "Total Net Position" on the Statement of Net Position for the Total Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, $683.0 million is reported as a deficit in unrestricted net position, representing a deficiency of unrestricted, non-capital assets, to liabilities other than capital debt.

Changes in Net Position: The State's total net position increased by $257.7 million, or 10.4% in fiscal year 2013. The net position of governmental activities increased by $138.3 million (10.9%), and net position of the business-type activities showed an increase of $119.4 million (9.9%). Expenses for the period are reported as $91.1 million or 1.6% higher than fiscal year 2012 and revenues were approximately $15.5 million or 0.3% higher than fiscal year 2012.

Non-Current Liabilities: The State's total non-current liabilities increased by $179.8 million or 8.0% during the current fiscal year. Long-term bonded debt increased $100.6 million or 6.5% as new issuances exceeded payments of outstanding debt. Also, an additional $86.5 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 2013, the State's governmental funds reported a combined balance of all funds of $608.0 million, an increase of $119.1 million from the prior year. This year, the General Fund ended the year with an Unassigned Fund Balance of $81.5 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 Position 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 Position**, beginning on page 28 presents all of the State's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net position" instead of fund balance as shown on the Fund Statements. Over time, increases or decreases in the net position 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 30, presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position 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 34 through 37.

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 35 and 37.

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

The State's non-major governmental funds include Fish and Game Fund, Capital Fund and Permanent Funds.

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 40 through 43.

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 45-46 include the:

- **Pension Trust Funds** which account 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 48 and 49.

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 51.

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 Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $2.7 billion at the end of 2013, compared to $2.5 billion at the end of the previous year.

Net Investment in Capital Assets: The largest portion of the State's net position (90%) 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 $52.8 million from prior year. This increase was the result of a net increase in capital assets of $164.6 million during the year combined with an increase in capital related debt of $111.8 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 position ($963.1 million) 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 $171.8 million from prior year due largely to increases in funds received during fiscal year 2013 restricted for environmental remediation (see Note 13- *State of New Hampshire v. Amerada Hess, et al*) and assets restricted for unemployment benefits.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $683.0 million which is an improvement (deficit reduction) of $33.1 million from the previous year. A significant component of the deficit is attributable to net other postemployment benefit obligation, which at June 30, 2013 was $765.7 million.

Comparative Net Position as of June 30, 2013 and 2012

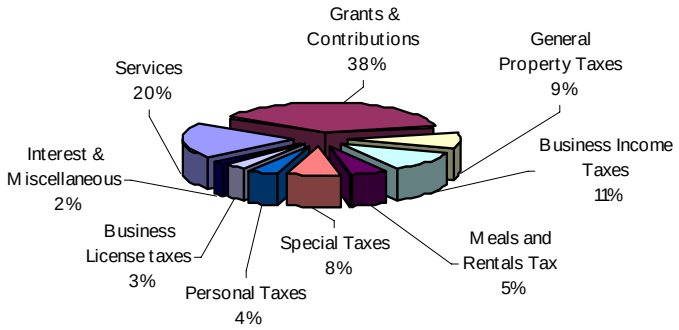
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current assets	$ 1,093,563	$ 1,030,906	$ 741,803	$ 567,204	$ 1,835,366	$ 1,598,110
Capital assets	2,720,450	2,624,079	874,712	806,517	3,595,162	3,430,596
Other assets	128,841	101,200	296,674	303,595	425,515	404,795
Total assets	3,942,854	$ 3,756,185	1,913,189	1,677,316	5,856,043	$ 5,433,501
Noncurrent liabilities	1,972,082	1,904,580	445,499	333,204	2,417,581	2,237,784
Current liabilities	558,647	577,765	144,216	140,043	702,863	717,808
Total liabilities	2,530,729	2,482,345	589,715	473,247	3,120,444	2,955,592
Net Position:						
Net Investment in capital assets	2,022,477	1,992,798	433,001	409,841	2,455,478	2,402,639
Restricted	106,027	23,722	857,061	767,581	963,088	791,303
Unrestricted	(716,379)	(742,680)	33,412	26,647	(682,967)	(716,033)
Total net position	$ 1,412,125	$ 1,273,840	$ 1,323,474	$ 1,204,069	$ 2,735,599	$ 2,477,909

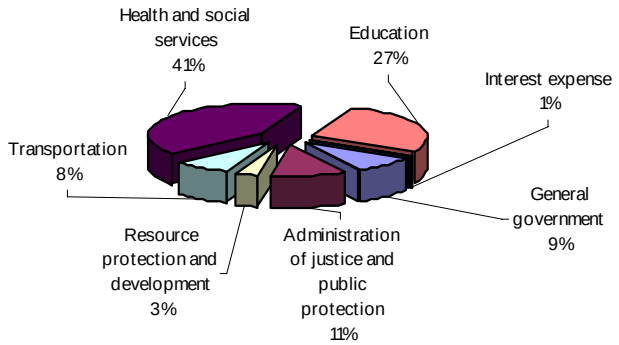
Comparative Changes in Net Position
For Fiscal Years Ending June 30, 2013 and 2012
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 956,630	$ 962,723	$ 1,249,912	$ 1,278,842	$ 2,206,542	$ 2,241,565
Operating grants & contributions	1,602,922	1,622,317	25,031	21,869	1,627,953	1,644,186
Capital grants & contributions	183,676	193,546	5,446	201	189,122	193,747
General revenues:						
General Property Taxes	400,563	397,716			400,563	397,716
Business Income Taxes	538,365	486,535			538,365	486,535
Meals and Rentals Tax	248,574	239,067			248,574	239,067
Special taxes	359,967	370,050			359,967	370,050
Personal taxes	205,849	214,928			205,849	214,928
Business License taxes	144,023	143,888			144,023	143,888
Interest	13,167	10,968			13,167	10,968
Miscellaneous	71,028	46,985			71,028	46,985
Total revenues	4,724,764	4,688,723	1,280,389	1,300,912	6,005,153	5,989,635
Expenses						
General government	428,738	467,022			428,738	467,022
Administration of justice and public protection	528,734	520,958			528,734	520,958
Resource protection and development	156,148	142,153			156,148	142,153
Transportation	410,758	310,736			410,758	310,736
Health and social services	2,009,403	1,959,017			2,009,403	1,959,017
Education	1,329,015	1,342,002			1,329,015	1,342,002
Interest Expense	27,666	41,349			27,666	41,349
Turnpike System			88,119	86,166	88,119	86,166
Liquor Commission			463,843	433,631	463,843	433,631
Lottery Commission			207,509	190,566	207,509	190,566
SRF Fund			19,950	33,031	19,950	33,031
Unemployment Compensation			168,280	220,391	168,280	220,391
Total expenses	4,890,462	4,783,237	947,701	963,785	5,838,163	5,747,022
Increase (decrease) in net position before transfers and other items	(165,698)	(94,514)	332,688	337,127	166,990	242,613
Special Item - Environmental Litigation Settlements	90,700				90,700	
Transfers & Other Items	213,283	88,737	(213,283)	(159,861)		(71,124)
Increase (Decrease) in net position	138,285	(5,777)	119,405	177,266	257,690	171,489
Net position, beginning of year	1,273,840	1,279,617	1,204,069	1,026,803	2,477,909	2,306,420
Net position, end of year	$ 1,412,125	$ 1,273,840	$ 1,323,474	$ 1,204,069	$ 2,735,599	$ 2,477,909

Governmental Activities - Revenues
Fiscal Year Ending June 30, 2013



Governmental Activities - Expenses
Fiscal Year Ending June 30, 2013



Changes in Net Position

The State's total net position increased by $257.7 million, or 10.4%, during the current fiscal year. Total revenues were $6,005.2 million, an increase of $15.5 million (0.3%) as compared to the prior year, and total reported expenses were $5,838.2 million, an increase of $91.1 million (1.6%) as compared to the prior year. In addition, the State received $90.7 million in environmental litigation settlements during the current year, which are reported as a special item.

More than half of the State's revenue (67%) 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 34.4% and 22.8% of total expenses, respectively.

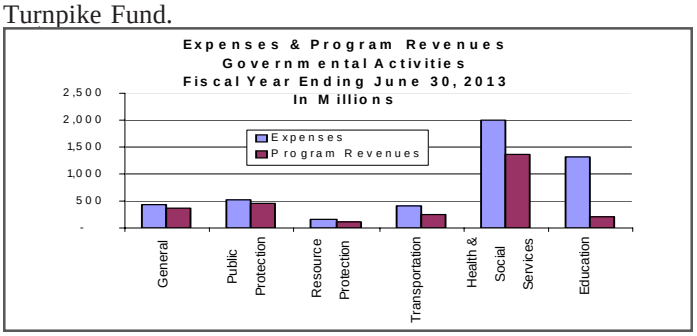
Governmental Activities

Governmental activities decreased the State's net position by $165.7 million, before transfers and other items. Revenues increased by $36.0 million or 0.8% from prior year to total $4.7 billion. Operating grants and contributions, which includes federal programs, decreased $19.4 million or 1.2%, while taxes and other revenues increased $55.4 million or 1.8%. The reported increase in expenditures was $107.2 million or 2.2%.

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 position increasing by $332.7 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 $139.7 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 generated net income of $77.7 million, an increase from prior year of $7.3 million, which was transfered to the Education fund.

Turnpike System net position increased by $42.9 million. During fiscal year 2013, the Turnpike System billed approximately $4 million of administrative fee revenue; however, because the State has been unable to determine when the administrative fees meet the definition of revenue in accordance with generally accepted accounting principles, the revenue has not been included as part of the financial statements as of June 30, 2013. The historical collectibility of administration fees is approximately 20%.

The operations of the Unemployment Compensation fund yielded an increase in net position of $60.3 million, and State Revolving Fund activities generated an increase in net position of $21.4 million.

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, 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 $119.1 million in fiscal year

Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2013 Compared to 2012
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	(6.1)	-0.6%	(28.9)	-2.3%	(35.0)	-1.6%
Operating grants & contributions	(19.4)	-1.2%	3.2	14.5%	(16.2)	-1.0%
Capital grants & contributions	(9.9)	-5.1%	5.2	100.0%	(4.7)	-2.4%
General revenues:						
General Property Taxes	2.9	0.7%			2.9	0.7%
Business Income taxes	51.8	10.7%			51.8	10.7%
Meals and Rental Taxes	9.5	4.0%			9.5	4.0%
Special taxes	(10.1)	-2.7%			(10.1)	-2.7%
Personal taxes	(9.1)	-4.2%			(9.1)	-4.2%
Business License taxes	0.1	0.1%			0.1	0.1%
Interest	2.2	20.0%			2.2	20.0%
Miscellaneous	24.1	51.4%			24.1	51.4%
Total revenues	36.0	0.7%	(20.5)	-1.6%	15.5	0.3%
Expenses						
General government	(38.3)	-8.2%			(38.3)	-8.2%
Administration of justice and public protection	7.8	1.5%			7.8	1.5%
Resource protection and development	14.0	9.8%			14.0	9.8%
Transportation	100.0	32.2%			100.0	32.2%
Health and social services	50.4	2.6%			50.4	2.6%
Education	(13.0)	-1.0%			(13.0)	-1.0%
Interest Expense	(13.7)	-33.1%			(13.7)	-33.1%
Turnpike System			2.0	0.1%	2.0	2.3%
Liquor Commission			30.2	7.0%	30.2	7.0%
Lottery Commission			16.9	8.9%	16.9	8.9%
SRF Fund			(13.1)	-39.6%	(13.1)	-39.6%
Unemployment Compensation			(52.1)	-23.6%	(52.1)	-23.6%
Total expenses	107.2	2.2%	(16.1)	-1.7%	91.1	1.6%

2013. A deficiency of revenues over expenditures of $310.4 million was funded by more than $340 million of transfers from Enterprise Funds, Other Financing Sources and the environmental settlement received in fiscal year 2013, 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 balance at June 30, 2013 is $340.0 million. The general fund unassigned fund balance, comprising Revenue Stabilization (Rainy Day fund) amount of $9.3 million and other designated fund balance of $72.2 million, ended the year at $81.5 million, a increase of $58.3 million from the prior year.

Revenues in the general fund were $3,327.8 million, $15.2 million (0.5%) higher than the prior year. Additionally, approximately $90.7 million was received for an environmental settlement (MtBE litigation settlement receipts). Total expenditures increased by $35.0 million (1.1%) to $3,314.5 million which was net of a decrease in debt service of $11.5 million.

Education Fund

The education fund, before year-end transfers from other funds, had a deficit balance of $198.7 million. The general fund made a transfer from unassigned fund balance of $121.0 million to bring the unassigned fund balance to zero at June 30, as required by law.

Highway Fund

The highway fund ended the year with an assigned undesignated fund balance of $46.3 million. Included in this amount is $43.3 million available for Highway Operating funds and $3.0 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-tye 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 83.

General Fund:

The net increase in expenditure from the original budget of $4,014.9 million to the final budget of $4,162.5 million is $147.6 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2012 primarily in the following categories of government: Health & Social Services ($89 million), Justice & Public Protection ($29 million) and Resource Protection and Development ($20 million). The $71.6 million increase from original budgeted revenues to the final budgeted revenues was primarily due to increases in federal and private and local grants.

Actual total revenue was less than the final budget by approximately $523.7 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $508.2 million was due primarily to the timing of program expenditures. This unfavorable increase along with others were partially offset by an increase in miscellaneous revenues as a result of MtBE settlements of $91 million and additional tobacco settlement revenue of $21 million. Total actual expenditures were approximately $890.6 million lower than the final budget primarily within the Department of Health & Human Services (Commissioner's Office, Office of Health Management & Elderly and Adult Services), the Department of Safety, the Department of Education, and the Department of Environmental Services.

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, 2013, amounted to $6.5 billion, with accumulated depreciation amounts of $2.9 billion, leaving a net book value of $3.6 billion, an increase of approximately $0.2 billion 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 $2.0 billion, representing a $.2 billion increase from the prior year. 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 $1,646.9 million. Of this amount, $1,011.4 million are general obligation bonds, which are backed by the full faith and credit of the State and $192.9 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 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 are being used 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.

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 October 2013 unemployment rate of 5.1% (seasonally adjusted) continues to be below the national average of 7.3%.

Between July and November 2013, the state had received approximately $689.4 million in General and Education Fund revenues for fiscal year 2014 as compared to the year-to-date Plan of $666.1 million. This increase of approximately $23.3 million or 3.5% was primarily the result of year-to-date increases in various taxes and revenue sources (Business Taxes, Meals & Rentals, Liquor Revenues, Real Estate Transfer Taxes and Tobacco Taxes); however, at least $4 million of this favorable increase is deemed to be the result of early revenue receipts which were planned for later in fiscal year 2014 (Other revenues and Utility Property Taxes).

Versus the prior year, the year-to-date November fiscal year 2014 revenues are reported as $28.4 million higher (4.3%). Although certain taxes and revenues are significantly higher than the prior year (Meals & Rentals, Tobacco Tax, Liquor Revenues, Real Estate Transfer Taxes, Medicaid Enhancement Revenues), the Board and Care Revenue is lower as a result of a budget change in fiscal year 2014 (revenue is now budgeted as restricted revenue within the Department of Health and Human Services Budget) and additionally Communications taxes are lower. On an annual basis, the fiscal year 2014 General and Education Funds revenue Plan of $2,241.6 million is approximately $34.0 million lower (1.5%) than the actual revenue realized in fiscal year 2013 ($2,275.6 million). However, fiscal year 2013 unrestricted revenues, excluding Board & Care Revenue, of $2,249.2 million (assuming Board & Care is restricted as budgeted in fiscal year 2014), are only $7.6 million higher than the 2014 plan.

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 if 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.

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Basic Financial Statements

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STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 376,529	$ 81,035	$ 457,564	$ 118,595
Cash and Cash Equivalents-Restricted	151,834	513,197	665,031	11,984
Investments				141,712
Investments - Restricted		18,734	18,734	
Receivables (Net of Allowances for Uncollectibles)	536,821	20,859	557,680	43,647
Other Receivables-Restricted	47	67,521	67,568	
Internal Balances Receivable (Payable)	6,363	(6,363)		
Internal Notes Receivable (Payable)	4,814	(4,814)		
Inventories	17,155	47,193	64,348	
Other Current Assets		4,441	4,441	16,541
Total Current Assets	1,093,563	741,803	1,835,366	332,479
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	7,663		7,663	56,142
Other Receivables-Restricted	5,230	313,766	318,996	
Internal Notes Receivable (Payable)	23,385	(23,385)		
Investments	18,425		18,425	554,304
Investments-Restricted	74,138		74,138	
Bond Issue Costs		2,158	2,158	
Other Assets		4,135	4,135	10,701
Capital Assets:				
Land & Land Improvements	628,040	116,770	744,810	23,612
Buildings & Building Improvements	751,050	32,899	783,949	1,732,399
Equipment & Computer Software	341,880	49,726	391,606	128,663
Construction in Progress	247,733	152,542	400,275	83,655
Infrastructure	3,350,208	851,117	4,201,325	
Less: Allowance for Depreciation	(2,598,461)	(328,342)	(2,926,803)	(812,845)
Net Capital Assets	2,720,450	874,712	3,595,162	1,155,484
Total Noncurrent Assets	2,849,291	1,171,386	4,020,677	1,776,631
Total Assets	3,942,854	1,913,189	5,856,043	2,109,110
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives				30,631
Accounting Loss on Debt Refinancings, net				5,661
Total Deferred Outflows of Resources				36,292

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	269,944	73,754	343,698	61,217
Accrued Payroll	28,231	1,827	30,058	5,711
Unearned Revenue	71,475	14,386	85,861	36,931
Unclaimed Property & Prizes	16,587	8,716	25,303	
General Obligation Bonds Payable	87,854	756	88,610	
Federal Highway Grant Anticipation Bond Payable	11,065		11,065	
Claims & Compensated Absences Payable	43,246	2,340	45,586	6,810
Other Liabilities	30,245	24,832	55,077	7,306
Revenue Bonds Payable		17,605	17,605	54,689
Total Current Liabilities	$ 558,647	$ 144,216	$ 702,863	$ 172,664
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	$ 911,161	$ 11,591	$ 922,752	
Federal Highway Grant Anticipation Bond Payable	181,837		181,837	
Revenue Bonds Payable, Net		425,022	425,022	$ 390,957
Claims & Compensated Absences Payable	73,709	5,815	79,524	30,832
Postemployment Benefits Payable	765,699		765,699	54,505
Derivative Instruments - Interest Rate Swaps				30,631
Other Noncurrent Liabilities	39,676	3,071	42,747	77,816
Total Noncurrent Liabilities	1,972,082	445,499	2,417,581	584,741
Total Liabilities	2,530,729	589,715	3,120,444	757,405
NET POSITION				
Net Investment in Capital Assets	2,022,477	433,001	2,455,478	709,179
Restricted for Debt Repayments		52,720	52,720	
Restricted for Uninsured Risks		3,005	3,005	
Restricted for Unemployment Benefits		249,162	249,162	
Restricted for Permanent Funds-Expendable	11,987		11,987	
Restricted for Permanent Funds-Non-Expendable	7,076		7,076	
Restricted for Prize Awards - MUSL & Tri-State		4,135	4,135	
Restricted for Environmental Remediation	81,688		81,688	
Restricted for Environmental Loans	5,276	548,039	553,315	
Restricted Component Unit Net Position				372,469
Unrestricted Net Position	(716,379)	33,412	(682,967)	306,349
Total Net Position	$ 1,412,125	$ 1,323,474	$ 2,735,599	$ 1,387,997

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, 2013
(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	$ 428,738	$ 310,150	$ 52,680	
Administration of Justice & Public Protection	528,734	340,088	103,439	$ 34
Resource Protection and Development	156,148	58,460	50,038	
Transportation	410,758	46,543	18,586	180,892
Health and Social Services	2,009,403	189,426	1,182,786	
Education	1,329,015	11,963	195,393	2,750
Interest Expense	27,666			
Total Governmental Activities	4,890,462	956,630	1,602,922	183,676
Business-type Activities:				
Turnpike System	88,119	121,112		5,446
Liquor Commission	463,843	603,575		
Lottery Commission	207,509	285,232		
SRF Fund	19,950	11,381	25,031	
Unemployment Compensation	168,280	228,612		
Total Business-type Activities	947,701	1,249,912	25,031	5,446
Total Primary Government	$ 5,838,163	$ 2,206,542	$ 1,627,953	$ 189,122
COMPONENT UNITS				
University System of New Hampshire	$ 746,045	$ 542,320	$ 190,498	$ 7,286
Non-Major Component Units	154,682	111,988	21,743	2,841
Total Component Units	$ 900,727	$ 654,308	$ 212,241	$ 10,127

General Revenues:
- General Property Taxes
- Business Income Taxes
- Meals and Rental Taxes
- Special Taxes
- Personal Taxes
- Business License Taxes
- Interest & Investment Income
- Miscellaneous

Special Item - Environmental Litigation Settlements
Payments from State of New Hampshire
Transfer of Capital Assets
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
Net Position - July 1
Net Position - June 30

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (65,908)		$ (65,908)	
(85,173)		(85,173)	
(47,650)		(47,650)	
(164,737)		(164,737)	
(637,191)		(637,191)	
(1,118,909)		(1,118,909)	
(27,666)		(27,666)	
(2,147,234)		(2,147,234)	
	38,439	38,439	
	139,732	139,732	
	77,723	77,723	
	16,462	16,462	
	60,332	60,332	
	332,688	332,688	
$ (2,147,234)	$ 332,688	$ (1,814,546)	
			$ (5,941)
			(18,110)
			$ (24,051)
400,563		400,563	
538,365		538,365	
248,574		248,574	
359,967		359,967	
205,849		205,849	
144,023		144,023	
13,167		13,167	58,533
71,028		71,028	
90,700		90,700	
			102,445
(4,484)	4,484		
217,767	(217,767)		
2,285,519	(213,283)	2,072,236	160,978
138,285	119,405	257,690	136,927
1,273,840	1,204,069	2,477,909	1,251,070
$ 1,412,125	$ 1,323,474	$ 2,735,599	$ 1,387,997

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, 2013
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 311,479	$ 140,179		$ 35,555	$ 487,213
Investments	18,425	55,427		18,711	92,563
Receivables (Net of Allowances for Uncollectibles)	397,022	58,173	$ 70,684	8,392	534,271
Inter-Fund Note Receivable		28,199			28,199
Due from Other Funds	21,473	1,663	1,151	2,750	27,037
Inventories	5,092	11,552		511	17,155
Loan Receivables	12,940				12,940
Total Assets	$ 766,431	$ 295,193	$ 71,835	$ 65,919	$ 1,199,378
LIABILITIES					
Accounts Payable	$ 216,693	$ 35,693	$ 1,681	$ 15,001	$ 269,068
Accrued Payroll	22,377	5,272		582	28,231
Due to Other Funds	3,820		16,854		20,674
Deferred Revenue	166,870	35,797	53,300	819	256,786
Unclaimed Property	16,587				16,587
Other Liabilities	62				62
Total Liabilities	426,409	76,762	71,835	16,402	591,408
FUND BALANCES					
Nonspendable:					
Inventories	5,092	11,552		511	17,155
Permanent Fund Principal				7,076	7,076
Restricted	104,687	134,797		39,377	278,861
Committed	123,245	12,918		1,130	137,293
Assigned	25,509	59,164		1,423	86,096
Unassigned:					
Revenue Stabilization	9,312				9,312
Other	72,177				72,177
Total Fund Balances	340,022	218,431		49,517	607,970
Total Liabilities and Fund Balances	$ 766,431	$ 295,193	$ 71,835	$ 65,919	$ 1,199,378

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 POSITION
JUNE 30, 2013
(Expressed in Thousands)

Total fund balances for governmental funds		$ 607,970
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,720,450
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	$ 142,839	
Banking Assessments	1,000	
Highway Fund Federal and Municipal Billings	4,589	
Highway Fund Note Receivable from Turnpike System	28,199	
Indigent Representation Advances	3,408	
Other Loans	5,276	185,311
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 Position.		25,777
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation	(99,907)	
Other Postemployment Benefits	(765,699)	
Pollution Remediation Obligation	(36,348)	
Capital Lease Obligations	(2,402)	
Bond Payables	(1,191,917)	
Litigation Payable	(13,766)	
Advance Construction Commitments to Municipalities	(3,280)	
Interest Payable	(14,064)	(2,127,383)
Net Position of Governmental Activities		$ 1,412,125

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, 2013
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$ 242		$ 396,920		$ 397,162
Special Taxes	915,606		244,742		1,160,348
Personal Taxes	126,218		79,631		205,849
Business License Taxes	19,713	$ 144,023			163,736
Non-Business License Taxes	93,937	84,106		$ 8,796	186,839
Fees	152,550	23,277		954	176,781
Fines, Penalties and Interest	6,163	7,727	3	117	14,010
Grants from Federal Government	1,412,418	146,913	509	43,292	1,603,132
Grants from Private and Local Sources	157,946	34,303		173	192,422
Rents and Leases	2,253	143			2,396
Interest, Premiums and Discounts	13,968			574	14,542
Sale of Commodities	13,012	11,824		235	25,071
Sale of Service	51,083	22,582			73,665
Assessments	60,777				60,777
Grants from Other Agencies	47,836	8,412		4,424	60,672
Miscellaneous	254,095	9,133	40,000	11,287	314,515
Total Revenues	3,327,817	492,443	761,805	69,852	4,651,917
EXPENDITURES					
Current:					
General Government	328,506				328,506
Administration of Justice and Public Protection	390,142	74,636		1,645	466,423
Resource Protection and Development	115,133	1,303		26,114	142,550
Transportation	7,875	285,804			293,679
Health and Social Services	1,969,108			173	1,969,281
Education	376,473		960,473		1,336,946
Debt Service	105,008	19,323		450	124,781
Capital Outlay	22,253	154,650		123,223	300,126
Total Expenditures	3,314,498	535,716	960,473	151,605	4,962,292
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,319	(43,273)	(198,668)	(81,753)	(310,375)
OTHER FINANCING SOURCES (USES)					
Transfers In	793		120,960	5,213	126,966
Transfers in from Enterprise Funds	145,027		77,708		222,735
Transfers Out	(125,928)	(6,003)		(3)	(131,934)
Capital Lease Acquisition	189				189
Installments on Sale of Assets		24,262			24,262
Bond Premiums				12,820	12,820
Bond Issuance				85,625	85,625
Total Other Financing Sources	20,081	18,259	198,668	103,655	340,663
SPECIAL ITEM - ENVIRONMENTAL LITIGATION SETTLEMENTS	90,700				90,700
Net Change in Fund Balances	124,100	(25,014)		21,902	120,988
Fund Balances - July 1	216,721	244,354		27,789	488,864
Change in Inventory	(799)	(909)		(174)	(1,882)
Fund Balances - June 30	$ 340,022	$ 218,431	$ -	$ 49,517	$ 607,970

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, 2013
(Expressed in Thousands)

Net change in fund balances - total governmental funds, including change in inventory		$ 119,106
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		(17,800)
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	$ (1,168)	
Buildings & Building Improvements	16,767	
Equipment & Computer Software	28,622	
Construction in Progress	(13,592)	
Infrastructure	150,901	
Accumulated Depreciation, net of Disposals	(85,159)	96,371
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.		9,944
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.		
Bond Proceeds & Premiums Received	(89,636)	
Repayment of Bond Principal & Interest	94,449	
Accretion of Bonds Payable	(1,507)	
Accrued Interest & Amortization	6,866	10,172
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	215	
Other Postemployment Benefits	(86,480)	
Pollution Remediation Obligation	(6,462)	
Legal Contingency	12,728	
Change in Capital Lease Obligation	454	
Advance Construction Commitments to Municipalities	(480)	
Other loan program	517	(79,508)
Change in net position of governmental activities		$ 138,285

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. Additionally the Racing and Charitable Gaming Commision activities are included in this fund. 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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2013
(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	$ 59,605	$ 12,643	$ 8,787			$ 81,035	$ 41,150
Cash and Cash Equivalents-Restricted	73,047	5,820		$ 209,131	$ 225,199	513,197	
Investments - Restricted	18,734					18,734	
Receivables (Net of Allowances for Uncollectibles)	5,955	11,613	3,291			20,859	2,550
Other Receivables-Restricted				21,171	46,350	67,521	
Due from Other Funds			504			504	
Inventories	1,544	44,622	1,027			47,193	
Other Current Assets			53	4,388		4,441	
Total Current Assets	158,885	74,698	13,662	234,690	271,549	753,484	43,700
Noncurrent Assets:							
Other Receivables-Restricted				313,766		313,766	
Bond Issue Costs	2,158					2,158	
Capital Assets:							
Land & Land Improvements	113,692	3,078				116,770	
Buildings & Building Improvements	6,715	26,184				32,899	
Equipment & Computer Software	44,151	4,969	606			49,726	
Construction in Progress	152,542					152,542	
Infrastructure	851,117					851,117	
Less: Allowance for Depreciation & Amortization	(310,286)	(17,585)	(471)			(328,342)	
Net Capital Assets	857,931	16,646	135			874,712	
Other Assets - Restricted			4,135			4,135	
Total Noncurrent Assets	860,089	16,646	4,270	313,766		1,194,771	
Total Assets	1,018,974	91,344	17,932	548,456	271,549	1,948,255	43,700
LIABILITIES							
Current Liabilities:							
Accounts Payable	11,158	60,117	2,085	394		73,754	875
Accrued Payroll	479	1,140	208			1,827	
Due to Other Funds	593	1,200	1,151		3,923	6,867	
Deferred Revenue	11,153	2,184	1,049			14,386	
Unclaimed Prizes			8,716			8,716	
General Obligation Bonds Payable		756				756	
Revenue Bonds Payable-Current	17,605					17,605	
Note Payable to Highway Fund	4,814					4,814	
Accrued Interest Payable	6,216					6,216	
Claims & Compensated Absences Payable	805	1,372	163			2,340	17,048
Other Liabilities	115	15		23	18,464	18,617	
Total Current Liabilities	52,938	66,784	13,372	417	22,387	155,898	17,923
Noncurrent Liabilities:							
General Obligation Bonds Payable		11,591				11,591	
Revenue Bonds Payable	425,022					425,022	
Note Payable to Highway Fund	23,385					23,385	
Claims & Compensated Absences Payable	2,524	2,865	425			5,814	
Other Noncurrent Liabilities	2,674	397				3,071	
Total Noncurrent Liabilities	453,605	14,853	425			468,883	
Total Liabilities	506,543	81,637	13,797	417	22,387	624,781	17,923
Net Position							
Net Investment in Capital Assets	423,161	9,707	133			433,001	
Restricted for Debt Repayments	52,720					52,720	
Restricted for Uninsured Risks	3,005					3,005	
Restricted for Prize Awards - MUSL & Tri-State			4,135			4,135	
Restricted for Environmental Loans				548,039		548,039	
Restricted for Unemployment Benefits					249,162	249,162	
Unrestricted Net Position (Deficit)	33,545		(133)			33,412	25,777
Total Net Position	$ 512,431	$ 9,707	$ 4,135	$ 548,039	$ 249,162	$ 1,323,474	$ 25,777

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 POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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		$ 588,729	$ 285,181	$ 11,280	$ 223,975	$ 1,109,165	$ 261,005
Toll Revenue Pledged for Repaying Revenue Bonds	$ 117,819					117,819	
Total Operating Revenue	117,819	588,729	285,181	11,280	223,975	1,226,984	261,005
OPERATING EXPENSES							
Cost of Sales and Services		418,380				418,380	
Lottery Prize Awards			197,601			197,601	
Unemployment Insurance Benefits					168,280	168,280	
Principal Forgiveness				12,287		12,287	
Insurance Claims							239,325
Administration	48,581	44,178	9,878	7,663		110,300	11,736
Depreciation	21,491	966	30			22,487	
Total Operating Expenses	70,072	463,524	207,509	19,950	168,280	929,335	251,061
Operating Income (Loss)	47,747	125,205	77,672	(8,670)	55,695	297,649	9,944
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,206				4,206	
Beer Taxes		12,689				12,689	
Investment Income	98		51	101	4,637	4,887	
Miscellaneous	3,195	(2,049)				1,146	
Federal Grant Revenue				25,031		25,031	
Interest on Bonds	(17,575)	(319)				(17,894)	
Amortization of Bond Issuance Costs	(472)					(472)	
Total Nonoperating Revenues (Expenses)	(14,754)	14,527	51	25,132	4,637	29,593	
Income Before Capital Grant Contributions	32,993	139,732	77,723	16,462	60,332	327,242	9,944
Capital Contributions and Grants	9,930					9,930	
Income Before Transfers	42,923	139,732	77,723	16,462	60,332	337,172	9,944
Transfers (To) From Governmental Funds		(145,027)	(77,708)	4,968		(217,767)	
Change in Net Position	42,923	(5,295)	15	21,430	60,332	119,405	9,944
Net Position - July 1	469,508	15,002	4,120	526,609	188,830	1,204,069	15,833
Net Position - June 30	$ 512,431	$ 9,707	$ 4,135	$ 548,039	$ 249,162	$ 1,323,474	$ 25,777

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, 2013
(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				$ 7,981	$ 33,056	$ 41,037	
Receipts from Customers	$ 118,523	$ 588,227	$ 152,165		204,730	1,063,645	$ 38,756
Receipts from Interfund Charges							221,673
Payments to Employees	(16,516)	(24,745)	(4,569)			(45,830)	
Payments to Suppliers	(35,800)	(427,995)	(11,711)	(7,295)		(482,801)	(11,723)
Payments to Prize Winners			(56,475)			(56,475)	
Payments for Insurance Claims					(165,627)	(165,627)	(239,660)
Payments for Interfund Services		(4,572)	(56)	(494)		(5,122)	
Net Cash Provided by Operating Activities	66,207	130,915	79,354	192	72,159	348,827	9,046
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(151,920)	(76,003)			(227,923)	
Receipts from Federal Agencies				25,031		25,031	
Contributions from Other Funds				4,968		4,968	
Proceeds from Collection of Licenses and Beer Tax		16,895				16,895	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(135,025)	(76,003)	29,999		(181,029)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal , Sale and Construction of Capital Assets	(75,593)	(2,208)	(121)			(77,922)	
Interest Paid on Bonds	(22,313)	(319)				(22,632)	
Principal Paid on Bonds	(19,460)	(246)				(19,706)	
Principal Paid on Notes	(24,262)					(24,262)	
Net Proceeds from Issuance of Bonds	118,651	8,500				127,151	
Net Receipts from Agent on Refunding Bonds	536					536	
Payments for Underwriter Discount/Premium	(666)					(666)	
Receipts from Federal Agencies	3,131					3,131	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(19,976)	5,727	(121)			(14,370)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	38,885					38,885	
Purchase of Investment	(58,284)					(58,284)	
Receipts from borrowers				36,896		36,896	
Payments to borrowers				(38,367)		(38,367)	
Interest and Other Income	324	3,127	25	101	4,637	8,214	
Net Cash Provided by (Used for) Investing Activities	(19,075)	3,127	25	(1,370)	4,637	(12,656)	
Net Increase in Cash & Cash Equivalents	27,156	4,744	3,255	28,821	76,796	140,772	9,046
Cash and Cash Equivalents - July 1	105,496	13,719	5,532	180,310	148,403	453,460	32,104
Cash and Cash Equivalents -June 30	$ 132,652	$ 18,463	$ 8,787	$ 209,131	$ 225,199	$ 594,232	$ 41,150

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, 2013
(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
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$ 47,747	$ 125,205	$ 77,672	$ (8,670)	$ 55,695	$ 297,649	$ 9,944
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation	21,491	966	30			22,487	
Principal Forgiveness				12,287		12,287	
Interest Income on Loans				(4,026)		(4,026)	
Miscellaneous Income	654					654	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(502)	(604)	(1,273)	(501)	16,746	13,866	(576)
Change in Inventories	(68)	(3,157)	(249)			(3,474)	
Change in Other Current Assets			(4)	1,230		1,226	
Change in Restricted Deposits-MUSL			(1)			(1)	
Change in Accounts Payable and Other Accruals	(4,356)	8,403	(1,176)	(128)	(282)	2,461	13
Change in Claims Payable			4,369			4,369	(335)
Change in Deferred Revenue	1,241	102	(14)			1,329	
Net Cash Provided by (Used In) Operating Activities	$ 66,207	$ 130,915	$ 79,354	$ 192	$ 72,159	$ 348,827	$ 9,046

Turnpike Non-Cash Capital and Related Financing Activities:

Capital Contributions	$ 9,930
I-95 Bridge Paint Maintenance	$ 144

SRF Non-Cash Investing Activities:

Principal Forgiveness	$ 12,287

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 POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 7,956	$ 5,874	$ 79	$ 15,095
Receivables:				
Due from Employers	34,459			
Due from Group I Teacher OPEB Plan	10,882			
Due from Plan Members	22,087			
Due from Brokers for Securities Sold	275,684			
Interest and Dividends	17,715		57	
Other	3,957			
Total Receivables	364,784		57	
Investments	6,391,748	3,723	186,056	20
Other Assets	306			
Total Assets	6,764,794	9,597	186,192	15,115
LIABILITIES				
Management Fees and Other Payables	8,612		22	
Due to Group II Police & Fire OPEB Plan	2,829			
Due to Group I Political Subdivision OPEB Plan	8,053			
Due to Brokers for Securities Purchased	278,171			
Custodial Funds Payable				15,115
Other Liabilities			79	
Total Liabilities	297,665		101	15,115
Net Position Held in Trust for Benefits & Other Purposes	$ 6,467,129	$ 9,597	$ 186,091	$ -

RECONCILIATION OF NET POSITION HELD IN TRUST:			
Employees' Pension Benefits	$ 6,444,104		
Employees' Postemployment Healthcare Benefits	23,025		
Net Position for Pool Participants in External Investment Pool			$ 186,091
Other Purposes		$ 9,597	
Net Position Held in Trust for Benefits & Other Purposes	$ 6,467,129	$ 9,597	$ 186,091

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 302,333		
Plan Members	197,035		
From Participants		$ 29,546	$ 196,532
From Gifts, Bequests, and Endowments		19	
Total Contributions	499,368	29,565	196,532
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	691,657	606	
Interest Income	65,830	86	
Dividends	82,601		
Alternative Investment Income	5,015		
Net Increase in Joint Value from Investment Income			164
Gross Income from Investing Activities	845,103	692	164
Less: Investment Activity Expenses:			
Investment Management Fees	19,918		
Custodial Fees	1,527		
Investment Advisor Fees	680		
Total Investment Activity Expenses	22,125		
Total Net Income from Investing Activities	822,978	692	164
Interest Income	933		
Other	111		
Total Additions	1,323,390	30,257	196,696
DEDUCTIONS			
Benefits/Distributions to Participants	633,737	15,015	164
Refunds of Contributions	23,191		
Administrative Expense	7,247		
Professional Fees	977		
Interest Expense	933		
Other	822	13,727	220,832
Total Deductions	666,907	28,742	220,996
Change in Net Position	656,483	1,515	(24,300)
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	5,810,646	8,082	210,391
Net Position - June 30	$ 6,467,129	$ 9,597	$ 186,091

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 POSITION
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 77,749	$ 40,846	$ 118,595
Cash and Cash Equivalents - Restricted		11,984	11,984
Operating Investments	141,712		141,712
Accounts Receivable	22,513	3,309	25,822
Other Receivables	1,107	5,250	6,357
Notes Receivable - Current Portion	4,855	12,970	17,825
Prepaid Expenses & Other	8,824	1,360	10,184
Total Current Assets	256,760	75,719	332,479
Noncurrent Assets:			
Investments	545,418	8,886	554,304
Notes & Other Receivables	23,304	32,838	56,142
Other Assets		10,701	10,701
Capital Assets:			
Land & Land Improvements	12,312	11,300	23,612
Building & Building Improvements	1,465,155	267,244	1,732,399
Equipment	102,431	26,232	128,663
Construction in Progress	61,704	21,951	83,655
Less: Accumulated Depreciation	(670,787)	(142,058)	(812,845)
Net Capital Assets	970,815	184,669	1,155,484
Total Noncurrent Assets	1,539,537	237,094	1,776,631
Total Assets	1,796,297	312,813	2,109,110
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decrease in Fair Value of Hedging Derivatives	30,631		30,631
Accounting Loss on Debt Refinancings, net	5,661		5,661
Total Deferred Outflows of Resources	36,292		36,292
LIABILITIES			
Current Liabilities:			
Accounts Payable	55,301	5,916	61,217
Accrued Salaries and Wages		5,711	5,711
Accrued Employee Benefits - Current	6,776	34	6,810
Other Payables & Accrued Expenses		6,901	6,901
Other Liabilities-Restricted		405	405
Deposits and Deferred Revenues	32,679	4,252	36,931
Long Term Debt - Current Portion	51,686	3,003	54,689
Total Current Liabilities	146,442	26,222	172,664
Noncurrent Liabilities:			
Revenue Bonds Payable	390,957		390,957
Accrued Employee Benefits	30,832		30,832
Postemployment Medical Benefits	54,505		54,505
Derivative Instruments - Interest Rate Swaps	30,631		30,631
Other Long Term Debt	18,381	59,435	77,816
Total Noncurrent Liabilities	525,306	59,435	584,741
Total Liabilities	671,748	85,657	757,405
NET POSITION			
Net investment in Capital Assets	549,124	160,055	709,179
Restricted:			
Nonexpendable	209,875		209,875
Expendable	119,604	42,990	162,594
Unrestricted	282,238	24,111	306,349
Total Net Position	$ 1,160,841	$ 227,156	$ 1,387,997

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, 2013
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$ 746,045	$ 154,682	$ 900,727
Program Revenues:			
Charges for Services:			
Tuition & Fees	451,221	71,155	522,376
Student Financial Aid	(131,340)	(1,449)	(132,789)
Sales, Services, & Other Revenue	222,439	42,282	264,721
Operating Grants & Contributions	190,498	21,743	212,241
Capital Grants & Contributions	7,286	2,841	10,127
Total Program Revenues	740,104	136,572	876,676
Net Expenses	(5,941)	(18,110)	(24,051)
Interest & Investment Income	57,406	1,127	58,533
Payments from State of New Hampshire	60,451	41,994	102,445
Change in Net Position	111,916	25,011	136,927
Net Position - July 1	1,048,925	202,145	1,251,070
Net Position - June 30	$ 1,160,841	$ 227,156	$ 1,387,997

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

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For the Year Ended June 30, 2013

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. 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 and the primary government is in a relationship of financial benefit/burden with the organization.

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. 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-seven 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 which impose a specific financial burden on the State. 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, 2013, 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. Additionally, CDFA imposes a financial burden on the State as 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, 2013, 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 Portsmouth. It is governed by a single board of trustees with 23 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 which impose a specific financial burden on the State.

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. During fiscal year 2012, all remaining capital assets attributable to CCSNH were transferred pursuant to Chapter 199 Laws of 2011 and as of June 30, 2013, the debt retained by the State for CCSNH assets was approximately $20.9 million. 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 13 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, and circuit 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 of appointing voting members of the governing boards of the following legally separate organizations; however, the State is not financially accountable for these organizations. Although the Treasurer may serve as a Trustee and have certain involvement with the organizations, the organizations are not fiscally dependent upon the primary government and the organizations do not provide specific benefit to or impose burden on the primary government. Exclusion of these organizations from the State's financial statements would not render the financial statements to be misleading.

Related Organizations Excluded :
· Maine – New Hampshire Interstate Bridge Authority
· New Hampshire Health and Education Facilities Authority
· New Hampshire Housing Finance Authority
· New Hampshire Municipal Bond Bank
· Nuclear Decommissioning Trust

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements
The Statement of Net Position 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 Position* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position from net investment in capital assets includes capital assets net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as part of restricted net position. The remaining net position is considered unrestricted.

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.

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 as part of the Proprietary Fund Financial Statements:

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 Commission and the State's Racing & Charitable Gaming activities.

The *Turnpike System* accounts for the revenues and expenses used in the construction, maintenance and operations of three limited access highways: the Blue Star Turnpike (I-95), the Spaulding Turnpike and the Central Turnpike. The Turnpike System primarily serves the major cities located in the central and eastern sections of southern New Hampshire.

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.

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

Fish and Game Fund – accounts for the operation of fish hatcheries, inland and marine fisheries and wildlife areas and functions related to law enforcement, land acquisition and wildlife management and research. Principal revenues include fees from fish and game licenses, the marine gas tax, penalties, recoveries, federal grants-in-aid related to fish and game management and other funding as approved by the Legislature.

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 employees and retirees 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, 2013, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2012.

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 and are stated at cost.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund, which are reported using the amortized cost method of valuation provided that amortized cost approximates the fair value of a security.

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 primarily 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 relending, 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. ACCOUNTS PAYABLE

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2013.

K. COMPENSATED ABSENCES

All full-time State employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, should generally be taken within one year or in accordance with applicable collective bargaining agreements.

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 is 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."

L. FUND BALANCES

Fund balances for all governmental funds are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of the 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 the amount 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.

M. 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.

N. 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 generally 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 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.

O. 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 include 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). 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.

P. 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.

Governmental activities generally 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.

Q. 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, state departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of

budgetary control is generally 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 generally 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.

R. 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.

S. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2013, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs),* (GASBS 60) establishes recognition, measurement and disclosure requirements for SCAs for both transferors and governmental operators. GASBS 60 requires governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The implementation of GASBS 60 did not have an impact on the financial statements.

GASBS No. 61, *The Financial Reporting Entity* (GASBS 61), modifies existing requirements used for assessing potential component units in determining what should be included in the financial reporting entity and disclosure requirements. Implementing this statement resulted in no changes to the financial reporting entity however, the note disclosures were revised to reflect the new disclosure requirements.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA (American Institute of Certified Public Accountants) Pronouncements,* (GASBS 62) improves financial reporting by incorporating into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. Adoption of GASBS 62 did not have an impact on the financial statements.

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* (GASBS 63) provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts required to be reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount of net position, rather than net assets. The provisions of GASBS 63 required these changes and replaces the statement of net assets with the statement of net position for accrual basis financial statements.

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 provided temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The provisions were in effect from December 31, 2010 to December 31, 2012. This special temporary unlimited coverage expired on January 1, 2013. As a result, beginning on January 1, 2013, all deposits at FDIC-insured depository institutions (including noninterest bearing accounts) were insured by the FDIC up to the standard maximum amount of $250,000 for each deposit insurance ownership category.

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, 2013, the State's carrying value for deposits was $911.3 million. The table below details the state's bank balances at June 30, 2013 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	$ 1,242	$ 388,697	64,368	$ -	$ 10,780	$ 17
Money Market		32,480	$ 466,448	-	-	6,355
Savings Accounts				-	5,995	-
CDs	500	3,005	12,065	-	-	-
Total	$ 1,742	$ 424,182	$ 542,881	$ -	$ 16,775	$ 6,372

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

INVESTMENTS:

The State Treasury 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, 2013, the State had the following types of investments:

	(Fair values in thousands)	
Investment Type	**Governmental & Business Type**	**Fiduciary**
Stocks	$ 19,644	
Corporate Bonds	724	
US Treasury	367	
US Government Agencies	79,265	
Municipal Bonds	83	
Equity Open Ended Mutual Funds	10,494	$ 1,196
Fixed Income Open Ended Mutual Funds	5,409	2,529
Unemployment Compenation External Pool (special issue bonds guaranteed by US government)	225,220	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		82
External Portion of NH Public Deposit Investment Pool		186,056
Totals	$ 341,206	$ 189,863

The table below reconcils 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 Position	Primary Government	$ 457,564	$ 18,425	$ 665,031	$ 92,872	$ 1,233,892
Per Statement of Fiduciary Net Position	Private Purpose	5,874	$ 3,723			- 9,597
	Investment Trust	79	186,056			186,135
	Agency Funds	15,095	20			15,115
Total per Financial Statements		**$ 478,612**	**$ 208,224**	**$ 665,031**	**$ 92,872**	**$ 1,444,739**

Per Footnote	
Cash On Hand	$ 2,320
Carrying Amount of Deposits	911,350
Investments	531,069
Total Per Footnote	**$ 1,444,739**

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, 2013, the State did not have any repurchase agreements outstanding.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2013 are noted below (expressed in thousands):

	Governmental Activities			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc	$ 5,638		$ 5,638	51.0%
AT&T Inc	1,085	73	$ 1,158	10.5%
Warning Management Services Inc	1,000		$ 1,000	9.1%
Prudential Financial Inc	807		$ 807	7.3%
Verizon Communications Inc	464	47	$ 511	4.6%
Manulife Financial Inc	482		$ 482	4.4%
Comcat Corp	437		$ 437	4.0%
Exxon Mobil Corp	212	133	$ 345	3.1%
Vodafone Group Plc ADR	338		$ 338	3.1%
Loew's Corp	333		$ 333	3.0%

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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.

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	$ 724		4.0			
US Treasury	367		2.8			
US Government Agencies	79,265		2.6			
Fixed Income Open Ended Mutual Funds		$ 5,409	5.2		$ 2,529	5.3
Municipal Bonds	83		5.7			
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	225,220	1.0	-	-	-

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 corporate issuers at June 30, 2013 are listed below (expressed in thousands):

Issuer	Governmental & Business Type Fair Value	% of Total
General Elec Cap Corp	$ 142	19.6%
BB&T Corp	111	15.4
Conocophillips	106	14.6
National Rural Utils Coop FI	105	14.5
Bank of America Corp	104	14.4
E I Du Pont De Nemours	53	7.4
Illinois Tool Works	52	7.1
Bank New York Inc	51	7.0
	$ 724	100.0%

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

Cash and Cash Equivalents (expressed in thousands):
Cash equivalents represent amounts invested for the purpose of satisfying current operating liabilities and include repurchase agreement, money market funds and other mutual funds. Repurchase agreements are limited to overnight investments only. Cash and cash equivalents at June 30 consisted of the following ($ in thousands):

	2013
Cash & Repurchase agreements	$ 15,348
Money Market Funds	62,401
Total Cash & Cash Equivalents	$ 77,749

Included in the cash and repurchase agreements balances at June 30, 2013 were $11,911 in repurchase agreements, and $3,437 in cash. 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
Short-term investments are highly liquid amounts held to support specific current liabilities. The components of operating investments at June 30 are summarized below ($ in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$ 2,902	5-10 years
Certificates of Deposit and Money Market Funds	17,004	Less than 1 year
Other Mutual Funds	121,690	1-5 years
Other Accounts	116	Less than 1 year
Total:	$ 141,712	

Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk.

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

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, 2013 (expressed in thousands):

Money Market Funds	$ 26,481
Other Mutual Funds	185,418
Fixed income securities	10,677
Commingled Funds	290,915
Common/Preferred Stocks	13,112
Other Investments	18,815
Total endowment and similar investments	$ 545,418

The fair value of investments is based on quoted market prices when available. The estimated fair value of investments without traditional markets (eq. private equity and non-marketable real assets) is based on valuations provided by primary fund managers and reviewed by management. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investments existed, and such differences could be material. Flexible capital investments include various hedge funds holding long/short positions, and investing in special situations, relative value and other strategies.

Uncalled commitments with various private equity and similar alternative investment funds total $12,848,000 for USNH and $4,305,000 for UNFH at June 30, 2013. This compares to $4,534,000 and $2,077,000, respectively, at June 30, 2012.

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2013 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$ 31,372		$ 31,372	
Business Taxes	150,068		150,068	
Tobacco	13,996		13,996	
Real Estate Transfer	9,957		9,957	
Interest & Dividends	23,342		23,342	
Communications	4,422		4,422	
Utility Property Tax	18,800		18,800	
Gasoline Road Toll	10,494		10,494	
Subtotal	262,451		262,451	
Other Receivables:				
Turnpike System		$ 5,955	5,955	
Liquor Commission		11,613	11,613	
Lottery Commission		3,291	3,291	
Unemployment Trust Fund		72,258	72,258	
Internal Service Fund	2,550		2,550	
Board and Care	2,617		2,617	
Federal Grants	214,669		214,669	$ 18,604
Local Grants	25,474		25,474	
Miscellaneous	78,344		78,344	6,294
Short Term Portion Of State Revolving Loan Funds		21,171	21,171	
Short Term Portion Of Note/Pledge Receivable				5,962
Subtotal	323,654	114,288	437,942	30,860
Total Current Receivables (Gross)	586,105	114,288	700,393	30,860
Long Term Receivables				
State Revolving Loan Funds		313,766	313,766	
Miscellaneous	12,894		12,894	
Note/Pledge Receivable				27,252
Total Long Term Receivables (Gross)	12,894	313,766	326,660	27,252
Allowance for Doubtful Accounts	(49,238)	(25,908)	(75,146)	(6,333)
Total Receivables (Net)	$ 549,761	$ 402,146	$ 951,907	$ 51,779

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 FY2013, totaled $12.3 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.

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, 2013, the various components of deferred revenue ($248.9 million) reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Taxes & Fees receivable	$ 147,246		$ 147,246
Loans receivable	33,475		33,475
Federal/Local receivables	4,590		4,590
Receipts in advance of eligibility requirements		$ 71,475	71,475
Total	$ 185,311	$ 71,475	$ 256,786

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 524,703	$ 12,590	$ (14,194)	$ 523,099
Construction in Progress	261,325	158,848	(172,440)	247,733
Work in Progress Computer Software	25,415	14,969	(510)	39,874
Total Capital Assets not being depreciated	811,443	186,407	(187,144)	810,706
Other Capital Assets:				
Equipment & Computer Software	287,843	19,350	(5,187)	302,006
Buildings & Building Improvements	734,283	16,863	(96)	751,050
Land Improvements	104,505	436		104,941
Infrastructure	3,199,307	159,953	(9,052)	3,350,208
Total Other Capital Assets	4,325,938	196,602	(14,335)	4,508,205
Less accumulated depreciation for:				
Equipment & Computer Software	(234,558)	(25,578)	4,004	(256,132)
Buildings & Building Improvements	(336,378)	(19,654)	922	(355,110)
Land Improvements	(88,585)	(1,768)		(90,353)
Infrastructure	(1,853,781)	(49,624)	6,539	(1,896,866)
Total Accumulated Depreciation	(2,513,302)	(96,624)	11,465	(2,598,461)
Other Capital Assets, Net	1,812,636	99,978	(2,870)	1,909,744
Governmental Activities Capital Assets, Net	$ 2,624,079	$ 286,385	$ (190,014)	$ 2,720,450
Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 112,519	$ 1,175	$ (2)	$ 113,692
Construction in Progress	159,803	82,946	(90,207)	152,542
Capital Assets not being depreciated	272,322	84,121	(90,209)	266,234
Other Capital Assets:				
Equipment and Computer Software	39,057	6,033	(939)	44,151
Buildings & Building Improvements	6,145	570	-	6,715
Infrastructure	764,384	87,825	(1,092)	851,117
Total Capital Assets	1,081,908	178,549	(92,240)	1,168,217
Less accumulated depreciation for:				
Equipment	(32,339)	(4,317)	939	(35,717)
Buildings & Building Improvements	(2,191)	(172)	(1)	(2,364)
Infrastructure	(256,300)	(17,125)	1,220	(272,205)
Total Accumulated Depreciation	(290,830)	(21,614)	2,158	(310,286)
Turnpike Capital Assets, Net	$ 791,078	$ 156,935	$ (90,082)	$ 857,931
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 2,080	$ -	$ -	$ 2,080
Other Capital Assets:				
Equipment	4,747	379	$ (157)	4,969
Buildings & Building Improvements	24,377	1,818	(11)	26,184
Land Improvements	998	-	-	998
Total Capital Assets	32,202	2,197	(168)	34,231
Less accumulated depreciation for:				
Equipment	(4,238)	(303)	156	(4,385)
Buildings & Building Improvements	(11,805)	(641)	-	(12,446)
Land Improvements	(733)	(21)	-	(754)
Total Accumulated Depreciation	(16,776)	(965)	156	(17,585)
Liquor Capital Assets, Net	$ 15,426	$ 1,232	$ (12)	$ 16,646
Lottery Commission:				
Equipment	$ 482	$ 146	$ (22)	$ 606
Less Accumulated Depreciation for Equipment:	(469)	$ (24)	22	(471)
Lottery's Capital Assets, Net	$ 13	$ 122	$ -	$ 135

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

Governmental Activities:	
General Government	$ 12,176
Administration of Justice and Public Protection	14,476
Resource Protection and Development	3,852
Transportation	61,725
Health and Social Services	4,029
Education	366
Total Governmental Activities Depreciation Expense	$ 96,624

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	$ 12,312	$ -		$ 12,312
Building and Building Improvements	1,384,386	84,103	$ (3,334)	1,465,155
Equipment	91,469	12,117	(1,155)	102,431
Construction in Progress	90,752	35,071	(64,119)	61,704
Subtotal	$1,578,919	$ 131,291	$ (68,608)	$1,641,602
Less: Accumulated Depreciation	(622,319)	(51,999)	3,531	(670,787)
Total	$ 956,600	$ 79,292	$ (65,077)	$ 970,815

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $516.7 million at June 30, 2013. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$ 119.2
Federal Highway/Garvees	295.0
Turnpike System	102.5
Total	$ 516.7

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 $655 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, 2013
Governmental Fund Types (General Obligation Bonds):	
December, 2006	$ 12,800
April 8, 2010	143,440
Subtotal	$ 156,240

Bond Issues:

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 are being used 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 Turnpike System.

Bond Issues Continued:

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.

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	$ 1,007,530	$ 1,507	$ 90,848	$ 100,870	$ 999,015	$ 87,854	$ 911,161
Federal Highway Grant Anticipation Bonds	194,995			2,093	192,902	11,065	181,837
Compensated Absences	79,215			990	78,225	21,121	57,104
Claims Payable	38,289		245,647	245,206	38,730	22,125	16,605
Other Postemployment Benefits	679,219		162,896	76,416	765,699		765,699
Pollution Remediation Obligation	29,886		7,544	1,082	36,348	887	35,461
Capital Lease	2,856		189	643	2,402	570	1,832
Advance Construction Commitments	2,800		3,280	2,800	3,280	897	2,383
Legal Contingency (See Footnote 13)	29,400		5,135	20,569	13,966	13,966	
Total Governmental	$ 2,064,190	$ 1,507	$ 515,539	$ 450,669	$ 2,130,567	$ 158,485	$1,972,082
Business-Type Activities							
Turnpike System							
Revenue Bonds	$ 343,791		$ 195,410	96,574	$ 442,627	$ 17,605	$ 425,022
Note Payable	52,461			24,262	28,199	4,814	23,385
Pollution Remediation Obligation	2,855		27	93	2,789	115	2,674
Claims & Compensated Absences Payable	3,114		215		3,329	805	2,524
Total	$ 402,221		$ 195,652	$ 120,929	$ 476,944	$ 23,339	$ 453,605
Liquor Commission							
General Obligation Bonds Payable	$ -		$ 12,592	245	$ 12,347	$ 756	$ 11,591
Capital Lease	424			$ 12	$ 412	$ 15	$ 397
Claims & Compensated Absences Payable	3,742		495		4,237	1,372	2,865
Total	$ 4,166		$ 13,087	$ 257	$ 16,996	$ 2,143	$ 14,853
Lottery Commission							
Claims & Compensated Absences Payable	$ 632			$ 44	$ 588	$ 163	$ 425
Total	$ 632		$ -	$ 44	$ 588	$ 163	$ 425
Total Business-Type	$ 407,019		$ 208,739	$ 121,230	$ 494,528	$ 25,645	$ 468,883

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

Bond Anticipation Notes: As of June 30, 2013, 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 three issues in this group have matured leaving only three capital appreciation bonds outstanding. At June 30, 2013, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $156.2 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 $36.3 million and $2.8 million were reported for governmental activities and business-type activities, respectively, at June 30, 2013. 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			
			Federal			Liquor Commission	Turnpike System				Less: Federal	
Payable June 30,	General Fund	Highway Fund	Highway (GARVEE)	Self Liquidating	Total	General Obligations	Revenue	Note Payable	Principal	Interest	Interest Subsidy	Net Total
2014	$ 67,198	$ 8,267	$ 11,065	$ 12,389	$ 98,919	$ 756	$ 17,605	$ 4,814	$ 122,094	$ 71,273	$ 6,803	$ 186,564
2015	68,251	8,317	$ 11,290	12,166	100,024	755	22,875	5,009	128,663	66,262	6,803	188,122
2016	63,952	8,151	11,800	12,019	95,922	756	19,455	5,213	121,346	60,885	6,803	175,428
2017	61,316	8,089	12,390	11,905	93,700	756	27,855	5,425	127,736	55,604	6,803	176,537
2018	57,973	8,056	12,985	11,292	90,306	756	15,615	7,738	114,415	49,839	6,767	157,487
2019-2023	233,162	30,054	72,110	44,374	379,700	3,714	85,706	-	469,120	174,077	31,077	612,120
2024-2028	117,793	19,835	46,610	29,988	214,226	2,609	70,520	-	287,355	84,846	17,906	354,295
2029-2033	40,744	2,070		9,796	52,610	2,245	57,695	-	112,550	37,572	7,648	142,474
2034-2038							60,020	-	60,020	18,786	3,681	75,125
2039-2043							45,500	-	45,500	3,993	350	49,143
Subtotal	$ 710,389	$ 92,839	$ 178,250	$ 143,929	$ 1,125,407	$ 12,347	$ 422,846	$ 28,199	$ 1,588,799	$ 623,137	$ 94,641	$ 2,117,295
Unamortized (Discount) / Premium	63,852	(87)	14,652	(155)	78,262		23,524		101,786			101,786
Unamortized Loss on Refunding	(11,752)				(11,752)		(3,743)		(15,495)			(15,495)
Total	$ 762,489	$ 92,752	$ 192,902	$ 143,774	$ 1,191,917	$ 12,347	$ 442,627	$ 28,199	$ 1,675,090	$ 623,137	$ 94,641	$ 2,203,586

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 $429.1 million; capital lease obligations of $13.5 million; deferred obligations interest swaps of $30.6 million; accrued employee benefits and compensated absences of $37.6 million; other postemployment benefits of $54.5 million; and other liabilities of $18.4 million.

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$ 607,096	$ 16,284	$ 39,612	$ 583,768	$ 58,462	$ 525,306

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2014	$ 51,363	$ 18,928	$ 70,291
2015	32,077	18,315	50,392
2016	11,028	16,802	27,830
2017	36,257	16,517	52,774
2018	11,872	14,635	26,507
2019-2023	140,778	52,693	193,471
2024-2028	77,217	25,595	102,812
2029-2033	47,795	13,500	61,295
2034-2036	28,010	2,759	30,769
Subtotal	436,397	179,744	616,141
Unamortized Discounts/Premium, net	6,246		6,246
Total	$ 442,643	$ 179,744	$ 622,387

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 provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 39 such commercial insurance programs in effect. These include, but are not exclusive to, State owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage; however, two currently outstanding claims under the fleet automobile policies have the potential to exceed the insurance coverage. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs; however, the State's exposure per claimant is limited by law to a total of $475 thousand pursuant to RSA 541-B:14 and the State's current fleet policy coverage is $275 thousand per claimant.

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 2013, this reserve equaled $14.7 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 13 actuarial study, the Selected Ultimate Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is $7 million as of June 30, 2013.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2012 and 2013 (In Thousands):

Governmental Activities	6/30/2011 Balance	Increases	Decreases	6/30/2012 Balance	Increases	Decreases	6/30/2013 Balance	Current	Long-Term
Workers Compensation Claims Payable....	$ 22,306	$ 4,481	$ 5,881	$ 20,906	$ 6,657	$ 5,881	$ 21,682	$ 5,077	$ 16,605
Health Claims Payable*.....	18,645	240,205	241,467	17,383	238,990	239,325	17,048	17,048	
Total.....	$ 40,951	$ 244,686	$ 247,348	$ 38,289	$ 245,647	$ 245,206	$ 38,730	$ 22,125	$ 16,605
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable....	$ 1,990	$ 383	$ 384	$ 1,989	$ 678	$ 463	$ 2,204	$ 501	$ 1,703
Total.....	$ 1,990	$ 383	$ 384	$ 1,989	$ 678	$ 463	$ 2,204	$ 501	$ 1,703
Liquor Commission									
Workers Compensation Claims Payable....	$ 1,668	$ 695	$ 504	$ 1,859	$ 1,437	$ 827	$ 2,469	$ 895	$ 1,574
Total.....	$ 1,668	$ 695	$ 504	$ 1,859	$ 1,437	$ 827	$ 2,469	$ 895	$ 1,574
Lottery Commission									
Workers Compensation Claims Payable....	$ 13	$ 4	$ 1	$ 16	$ 6	$ 1	$ 21		$ 21
Total.....	$ 13	$ 4	$ 1	$ 16	$ 6	$ 1	$ 21	$ -	$ 21
Total Business-Type.....	$ 3,671	$ 1,082	$ 889	$ 3,864	$ 2,121	$ 1,291	$ 4,694	$ 1,396	$ 3,298

* 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, 2013 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$ 1,070	General Fund	$ 1,070
Highway Fund	593	Turnpike System	593
General Fund	808	Liquor Commission	808
General Fund	3,923	Unemployment Compensation	3,923
General Fund	16,742	Education Fund	16,742
Education Fund	1,151	Lottery Commission	1,151
Non-Major Fund	2,750	General Fund	2,750
Lottery Commission	112	Education Fund	112
Lottery Commission	392	Liquor Commission	392
Total	$ 27,541	Total	$ 27,541

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 $6.4 million from business-type activities represents the "internal balances" amount on the statement of net assets. The $20.6 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, 2013, internal note receivable (payable) balances consist of $28.2 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 To					
Transferred From	General Fund	Education Fund	Non-Major Funds	Total Governmental Fund	SRF Fund	Total
Governmental Funds						
General Fund		$120,960		$ 120,960	$4,968	$ 125,928
Highway Fund	$ 790		$ 5,213	6,003		6,003
Non-Major Funds	3			3		3
Total Governmental Funds	* 793	* 120,960	* 5,213	* 126,966	4,968	131,934
Proprietary - Enterprise Funds						
Liquor Commission	145,027			145,027		145,027
Lottery Commission		77,708		77,708		77,708
Total Proprietary - Enterprise Funds	$145,027	$ 77,708		$ 222,735		$ 222,735

* 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 $77.7 million to fund education
- Transfer of Liquor Commission profits of $145.0 million to general fund for government operations
- $121.0 million transfer from the general fund to eliminate education fund deficit

Pursuant to RSA 260:61, $0.8 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, $1.2 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 2013, $4.5 mllion of assets were transferred and reported by Turnpike System as contributed capital, and as a transfer of capital assets on the governmnet-wide statement of activities.

9. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $111.8 million at June 30, 2013. This represents total obligations of $330.5 million less $218.7 million in estimated federal aid.

Encumbrances: Encumbrances by fund for the State at June 30, 2013 were as follows:

Expressed in Millions	
General Fund	$ 220.6
Highway Fund	9.0
Non-Major Governmental Funds	67.1
	$ 296.7

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 as of January 1, 2012 and five years for members not vested as of 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. 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, 2013, 2012, and 2011 were $61.6 million, $69.2 million, and $117.9 million, respectively. Included in these contributions for FY 2013, FY 2012 and FY 2011 is an amount for other postemployment benefits of $11.1 million, $6.6 million, and $12.0 million, respectively. The State's contributions for the fiscal year ended June 30, 2013 and 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, 2013, the date of the most recent actuarial valuation, the net position held in trust to pay pension benefits, at actuarial value, was reported by the New Hampshire Retirement System to be $6,070 million. The total pension liability at June 30, 2013 using the entry age normal actuarial cost method was $10,708 million, resulting in a funded ratio of 56.7% and projected pension liability in excess of assets of $4,638 million.

OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses. These benefits include group hospitalization, hospital medical care, surgical care and other medical 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 benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. 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 group health plan (Plan), which is the state's self-insurance internal service fund implemented in October 2003 for active state employees and retirees. The Plan funds the cost of medical claims by charging actuarially developed working rates to State agencies for participating employees, retirees and eligible spouses. 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 $12.4 million for the fiscal year ended June 30, 2013.

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 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 2013 (dollar amounts in thousands):

Annual Required Contribution	$ 132,331
Interest on net OPEB obligation	30,565
Adjustment to annual required contribution	(25,084)
Annual OPEB cost	137,812
Contributions made (pay-as-you-go)	(51,332)
Increase in Net OPEB Obligation	86,480
Net OPEB Obligation - Beginning of Year	679,219
Net OPEB Obligation - End of Year	**$ 765,699**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013, 2012 and 2011 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/13	$ 137,812	$ 51,332	37.25%	$ 765,699
06/30/12	171,912	50,997	29.66	679,219
06/30/11	162,120	54,418	33.57	558,304

As of December 31, 2012, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $1,857 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,857 million. The covered payroll (annual payroll of active employees covered by the plan) was $518.7 million during fiscal year 2013 and the ratio of the UAAL to the covered payroll was 358 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, a 3.75 percent inflation rate and projected salary increases of 3.75 percent per annum. The projected medical cost trend rate for under age 65 retirees is 6 percent initially, decreasing at .25% for 4 years to an ultimate level of 5%. The projected medical cost trend rate for age 65 and over retirees is 5%. The drug cost trend rate is 6 percent initially, decreasing at .25% for 4 years to an ultimate level of 5%. The UAAL is being amortized using level percent of pay, open amortization method. The remaining amortization period at December 31, 2012, 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 atleast 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, 2012, 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 $42.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was $71.3 million, resulting in a funded ratio of 58% and projected liability in excess of assets of $29.8 million. Annual covered payroll was $6.6 million resulting in an unfunded actuarial liability of 454% of covered payroll. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 7.0% and salary growth of 0.0% for the next two years, and 3.0% thereafter, and the unfunded actuarial liability is amortized as a level dollar over a decreasing number of years. As of January 1, 2010, the amortization period was extended to 30 years to reflect an amendment to RSA 100-C13. As a closed amortization period is being used, 28 years remain as of January 1, 2012. 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
2012	$ 2,786	$ 2,786	100.00%
2011	2,356	2,356	100.00
2010	1,905	1,905	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 $109.6 million of contingent liabilities and the statutory limits as of June 30, 2013 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2013 PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds	485-A:7	$ 50,000	$ 48,362	$ 1,450	$ 188	$ 1,638
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	5,213	25,213
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	35,598	508	36,106
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	95,000	* 39,402	55,598	5,721	61,319
School Construction Bonds	195-C:2	95,000	48,352	32,669	13,979	46,648
Solid Waste Bonds	149-M:31	10,000	10,000			
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	$ 166,416	$ 89,717	$19,888	$109,605

*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, 2013 (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. Although the amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, the State is aware of some awards that have significant questioned costs as of June 30, 2012 which are still being resolved by the respective State and Federal Agencies. Note: Questioned costs as of June 30, 2012 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2013.

Significant questioned costs were identified within the June 30, 2012 report in the following areas: 1) The resolution of the DSH calculation methodology which had remaining questioned costs as of March 2013 of $17.6 million. This amount is scheduled to be paid back to the Federal Agency on a quarterly basis and the remaining amount due as of June 30, 2013 ($8.9 million) has been recorded as a liability in the government wide statements. (See Note 13 - Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments). 2) New Hampshire Hospital (NHH) had questioned costs of $8.4 million in 2011 related to disproportionate share hospital cost recoupment. The ultimate liability or additional federal revenue is dependent on language in federal Medicaid rules pending final issuance. In the event that an unfavorable determination is made regarding the NHH 2011 questioned costs, additional costs in years subsequent to 2011 may also be questioned.

Requests for Medicaid Enhancement Tax Refund/Credit:

Since June of 2011, the Department of Revenue Administration (DRA) has received requests for refund or credit of the Medicaid Enhancement Tax (MET) from 20 of the 28 hospital taxpayers for prior fiscal periods ending June 30, 2008 through June 30, 2013, totaling $109 million. Refund and credit requests received by the DRA for fiscal period 2013 were immaterial. Soon after receipt, the DRA denied $20 million of

those requests related to fiscal year 2008 as being outside the statute of limitations. The appeal period for those denials expired and no hospital appealed. The DRA has reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to $67.6 million of the $89 million in MET refund and credit requests for fiscal years 2009 through 2013, and denied $7 million in requests related to fiscal year 2012, leaving $14.4 million in requests outstanding.

Additionally, the DRA issued tax notices for fiscal year 2012 for $13 million, of which $11 million in tax notices have settled and/or paid and $2 million in tax notices remain outstanding.

During fiscal year 2013, as a result of the settlement agreements for fiscal years 2009 through 2013, the State received approximately $5.4 million of MET revenue and granted $3.6 million in credits to be applied in fiscal year 2014 and $3.6 million in credits to be applied in fiscal year 2015. The DRA continues to work to reach settlement agreements with the other hospitals for the remaining outstanding amounts related to fiscal years 2009 through 2013 ($14.4 million of refund and credit requests and $2 million of outstanding tax notices). See Note 13 for additional information.

Superior court litigation (Catholic Medical Center et al v. Department of Revenue (See Note 13)) challenging the constitutionality of the MET as to the fiscal year 2011 MET payment brought by three hospitals was converted to a declaratory judgment, meaning there can be no fiscal impact on the State for the fiscal periods 2009 through 2013 in the event of an adverse ruling. Any potential fiscal impact will apply only to fiscal years 2014 and beyond.

12. LEASE COMMITMENTS

OPERATING LEASES

The State has lease commitments for equipment and space requirements which are accounted for as operating leases. Rental expenditures for fiscal year 2013 for governmental activities and business-type activities were approximately $36.5 million and $4.6 million, respectively. The leases for space, which are subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. The following is a schedule of future minimum space rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2013 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2014	$ 8,819	$ 2,667
2015	5,675	2,519
2016	3,032	2,451
2017	2,733	2,026
2018	1,662	1,597
2019-2023	4,257	1,141
2024-2028	3,471	-
2029-2033	310	-
Total	$ 29,959	$ 12,401

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, 2013, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2014	$ 673	$ 113
2015	608	114
2016	496	115
2017	218	125
2018	209	125
2019-2023	570	354
Total	2,774	946
Amount Representing Interest	(372)	(534)
Present Value of Minimum Lease Payments	$ 2,402	$ 412

The assets aquired through capital leases and included in capital assets at June 30, 2013 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 6,728	$ 563
Buildings & Building Improvements	10,227	1,563
Total	16,955	2,126
Less: Accumulated Depreciation	(15,422)	(1,277)
Net	$ 1,533	$ 849

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 plus an estimated interest cost of $.4 million. 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 (principal and interest) are being made, in accordance with the agreement, as follows: FY12 $9 million, FY13 $17.9 million, and FY14 $8.9 million. The matter is closed, contingent on the remaining payments being made in fiscal year 2014.

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. However, HB 486-FN was adopted in 2013 providing the funding ($2.7 million general funds and $1.3 million federal funds) and the judgment was paid in FY13.

There are similar claims by some of the same providers pending in the Department's administrative appeals unit for FY2007-FY2010. The Department estimates the potential liability for the outstanding additional years is between $2 million and $4 million (general fund portion only). Although it is difficult to predict the outcome of this case at this time, the State believes that the legal liabilities recorded as of June 30, 2013 within the government-wide financial statements are reasonably adequate to absorb all or the majority of this liability (general fund portion) if there is a ruling against the State.

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 required 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., has 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. The Court scheduled a hearing for December 20, 2012 and invited the Secretary of the U.S. Department of Health and Human Services to provide information to the Court. Prior to December 20, 2012, CMS approved several State Plan Amendments (SPAs), including the 2010 SPAs that memorialized the 2008 rate reductions and several of the other issues raised by plaintiffs. Following the SPA approvals, the State made a verbal request to renew the motion to dismiss at the December 20, 2012 hearing. Plaintiffs argued that there was an outstanding issue regarding use of the 2008 rates prior to the effective date of the SPA approvals. The court set a schedule for further briefing on that issue. Rather than submit any further briefing, plaintiffs filed a motion to stay the action and at the same time filed with CMS a request to reconsider the SPA approvals. On March 13, 2013 CMS approved the 2011 SPAs containing the remaining changes that relate to the reductions in DSH for the last biennium. The Court denied the motion to stay and denied the renewed motion to dismiss without prejudice and set a status hearing to determine what if anything remained in light of further recent court decisions in other jurisdictions. Following that action, the plaintiffs voluntarily dismissed this lawsuit in November 2013, therefore this matter is closed. However, two other lawsuits were filed by six of the ten plaintiffs, one in state court and one in federal court related to only the 2008 rates (see Frisbie Memorial Hospital et al. v. Toumpas and Frisbie Memorial Hospital et al. v. Sebelius).

Dube 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.

On February 9, 2012, six State residents who have received mental health services from either New Hampshire Hospital or Glencliff Home filed a class action lawsuit in the U.S. District Court alleging New Hampshire has failed to provide adequate community-based mental health services. USDOJ has joined the lawsuit. The State challenged class certification. On September 17, 2013, the Court granted class certification. Trial was scheduled for June 2014. The State appealed the class certification decision to the First Circuit Court of Appeals. Due to the settlement discussions, the District Court and First Circuit were stayed to give the parties an opportunity to determine if settlement is possible. On December 19, 2013, the parties reached a settlement. Because the Court allowed the case to proceed as a class action, a notice to all class members must be published. The class members have until mid January 2014 to object. The Court is expected to hold a hearing on approval of the settlement in mid February, 2014.

The tentative settlement includes new and additional community-based services for individuals with serious mental illness. The estimated increase in general fund expenditures for fiscal years 2014-2015 is approximately $6 million. In fiscal years 2016-2017, the expected increase in general fund expenditures is approximately $23.7 million. The State has also agreed to pay for the plaintiffs $2.4 million for legal fees and expenses over the course of approximately four years from the effective date of the agreement.

Gary Dube et al. v. State of New Hampshire

Harbor Homes, Inc., a provider of Medicaid-funded community mental health services, and four individuals who had been receiving services from Harbor Homes prior to June 30, 2011 sued the State and DHHS, challenging the State's decision to consolidate delivery of community mental health services in the approved community mental health program for Region 6. The core issue is whether the State rules requiring an interagency agreement with a community mental health program is a reasonable qualification in order to qualify as a community mental health provider of Medicaid-funded services. On January 25, 2012, the Court issued an order granting, in part, the State's Motion for Summary Judgment, but left open the plaintiffs' claim whether the State violated Harbor Homes' due process rights with respect to the Greater Nashua Mental Health Center's refusal to enter into a new interagency agreement upon expiration of the prior agreement. On August 2, 2012, the Court issued an order granting the State's Motion for Summary Judgment on the plaintiff's due process claim. On August 31, 2012, the plaintiffs filed a motion for voluntary non-suit without prejudice of the remaining claims. The motion for voluntary non-suit was granted. The plaintiffs have appealed the issues decided in the two motions for summary judgment. Oral argument was held before the New Hampshire Supreme Court on November 13, 2013. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Wallace *et al*. v. State of NH DHHS

On August 16, 2013, 13 persons who receive long-term services pursuant to Medicaid waivers through Area Agencies, 9 Area Agencies (providers of such services), and Community Support Network (an advocacy group that represents the interests of the other plaintiffs) initiated a lawsuit, against the State of New Hampshire and DHHS. The plaintiffs seek a declaration that RSA 126-A:5, XIX, which directs DHHS to implement a managed care system for delivery of Medicaid-funded services, is not intended to include long-term care services provided to developmentally disabled persons and those with acquired brain disorders. The case may have an impact on budget assumptions for savings in FY 2015 or later years, although the impact of a decision for the plaintiffs has not been calculated. No discovery has been exchanged and preliminary dispositive motions have been filed. The court denied DHHS's motion to dismiss. The plaintiffs filed a motion for summary judgment on December 6, 2013. DHHS intends to object to that motion and file a cross-motion for summary judgment. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Frisbie Memorial Hospital et al. v. Toumpas

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in Strafford Superior Court against DHHS claiming that the 2008 rate reductions to inpatient and outpatient hospital rates are void due to lack of proper notice and failure to submit a state plan amendment ("SPA") and to provide comment opportunity before the changes were made and that they are therefore entitled to payment at higher rates under the existing state plan language for the time period July 1, 2008 to November 19, 2010, the effective date of a SPA approved by CMS that ultimately contained each change. The plaintiffs assert damages of approximately $20 million. A motion to dismiss has been filed on behalf of the State. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Frisbie Memorial Hospital et al. v. Sebelius

Six Hospitals, Frisbie, Wentworth-Douglas, Exeter, LRGH, Southern NH, and St. Joseph's, filed suit on October 10, 2013 in federal court in an Administrative Procedures Act challenge to CMS' approval of two State Plan Amendments ("SPA") submitted in 2010 that authorized the State to add the current 2008 rates for inpatient and outpatient. The plaintiffs allege that the notice of these proposed SPAs did not specifically include that these rates would be imbedded in these SPAs. The State is not a defendant in this lawsuit. These SPAs, however, are important to the State and the State will seek permission to intervene. If plaintiffs are successful, additional claims would likely be made against the State for the period from November 2010 until March 20, 2012. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Department of Revenue Administration

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

CMC, Exeter Hospital and St. Joseph's Hospital have filed three separate lawsuits challenging the constitutionality, both facially and as applied, of RSA 84-A, the Medicaid Enhancement Tax ("MET"). The hospitals claim the MET 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 initially sought full reimbursement of the tax it paid in 2011 totaling $31.5 million. Northeast Rehabilitation Hospital filed a similar lawsuit seeking $1.5 million of reimbursement for the tax paid in 2011. The CMC, Exeter, and St. Joseph's lawsuits have been consolidated (collectively the "CMC Litigation"), and the parties have drafted an agreed stipulation of facts, and have filed cross-motions for summary judgment. The parties in the Northeast Rehabilitation Hospital litigation have agreed to draft an agreed stipulation of facts and litigate the case through cross-motions for summary judgment. The parties in the Northeast Rehabilitation litigation agreed to seek an extension of time of the deadline to reach an agreed statement in that case to sometime after December 31, 2012. During fiscal year 2013, the parties in the CMC Litigation settled the 2011 claims, and agreed the remainder of the case will be only for FY 2014 and beyond. The parties have filed an agreed statement of facts and cross-motions for summary judgment. The hospitals filed an objection to the State's cross-motion for summary judgment in October 2013, and the State filed its reply in November. The potential MET revenue at risk for FY 2014 is approximately $200 million. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

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. The parties litigated the impact of alleged concessions through cross Motions in Limine. In September 2011, the Court granted the Motion in Limine, finding that the case was not narrowed by the statements made by State employees. In February 2013, this case settled with Petitioners paying DRA $1,350,000 to resolve all tax years in dispute.

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. The 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 parties agreed to continue the bench trial (scheduled for late September 2012) and file cross-motions for summary judgment. Cross motions for summary judgment were filed by the parties. The court granted the State's motion for summary judgment. The Plaintiffs appealed the trial court's decision to the Supreme Court. Oral argument was held on November 14, 2013. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

State v. Priceline, Inc. et al.

This action seeks to recover unpaid Meals and Rooms Taxes, and penalties under the Consumer Protection Act, against several online travel companies ("OTCs"). The lawsuit seeks to recover unpaid taxes on the difference between the wholesale and retail room and rental car rates. The Defendants only paid taxes on the wholesale rates over the last ten years. The State filed its complaint in Superior Court on October 16, 2013. It is not possible to predict the outcome at this time.

Retirement System

American Federation of Teachers - New Hampshire, et al v. State, Retirement System et al. ("AFT")

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. On July 15, 2013 the Court issued an Order holding that the Contracts Clause applies to employees who are vested in the retirement system (10 years), and the law is unconstitutional as to them. The Court also found that the COLA benefit was not contractually protected, and found that aspect of the law to be constitutional. He also found that the modification to the special account (removing the funding for medical subsidies) was necessary to serve a substantial public interest, and therefore does not violate the constitution. The Plaintiffs have filed a motion to reconsider. On November 18, 2013, the court denied the plaintiffs' motion to reconsider, and on December 3, 2013, the State filed a notice of appeal with the New Hampshire Supreme Court. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

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. The parties filed cross motions for summary judgment on the issue of whether the increase in the employee contribution is constitutional. On September 16, 2013, the Court granted summary judgment for the plaintiffs to the extent they are vested in the retirement system (ten years). The Court ruled that vested members have a contractual interest in their contribution rates, and legislative changes cannot substantially impair those rights. The State filed a notice of appeal on October 8, 2013, and the plaintiffs filed a cross appeal on October 9, 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 Constitu-

tion 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 was filed. The trial court issued a preliminary order on May 23, 2013 which held that employees have a contractual interest in their retirement benefit when they become "permanent employees" (approximately 1 year into employment). The Court found there is a factual question on whether the changes to the law resulted in a "substantial impairment." The case is stayed pending the outcome of the appeals in Firefighters I and AFT litigation. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Liquor Commission

Law Warehouses, Inc., v. New Hampshire State Liquor Commission

Law Warehouses Inc. ("LWI") has provided warehousing services to the New Hampshire State Liquor Commission ("NHSLC"). The parties' current contract ended on October 31, 2013. In March 2012, the NHSLC issued a RFP requesting bids for a 20-year warehousing services contract to begin upon the expiration of its current contract with LWI. In June 2012, LWI and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). LWI finished third under the NHSLC's bid scoring system. LWI did not participate in the protest process outlined in the RFP, but instead, on February 27, 2013, filed a civil action requesting that the court preliminarily enjoin performance of the contract between the NHSLC and Exel and order that a new bidding process take place. LWI contends that the NHSLC improperly modified the RFP in favor of Exel's bid in violation of New Hampshire's competitive bidding laws. The trial court denied LWI's motion for preliminary injunction. Trial is scheduled for the week of May 19, 2014. On September 3, 2013, LWI filed a Petition for Original Jurisdiction with the Supreme Court. The Supreme Court denied LWI's Petition for Original Jurisdiction. Discovery in the trial court is ongoing. It is not possible to predict the outcome of this case at this time.

XTL-NH, Inc., v. New Hampshire State Liquor Commission and Exel Inc.

In March 2012, the New Hampshire State Liquor Commission issued a RFP requesting bids for a 20-year warehousing services contract. In June 2012, XTL-NH, Inc. ("XTL") and four other vendors submitted bids under the RFP. On November 20, 2012, following a thorough review of each bid, the NHSLC awarded the warehousing contract to Exel, Inc. ("Exel"). XTL finished second under the NHSLC's bid scoring system. XTL participated in the two-level protest process outlined in the RFP. On March 8, 2013, the NHSLC denied XTL's protest. On March 12, 2013, XTL filed a civil action requesting that the Court enjoin performance of the contract between NHSLC and Exel and order the NHSLC to award the contract to XTL. XTL contends that as the lowest responsible bidder, it is entitled to the contract. Further, XTL argues that NHSLC improperly modified the RFP to favor Exel's bid in violation of New Hampshire's competitive bidding laws. On May 7, 2013, the trial court denied XTL's request for preliminary injunction. Trial is scheduled for August 4, 2014. It is not possible to predict the outcome of this case at this time.

Department of Corrections

Woods et al. v. Commissioner of the Department of Corrections

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a $38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). It is not possible to predict the outcome of this case at this time.

Environmental Litigation

State of New Hampshire v. Amerada Hess, et al.

The State filed this claim for damages, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with the gasoline additive Methyl tertiary-butyl ether ("MtBE"). The Defendants attempted to remove the case to federal court. The State was successful in its argument that the case should be heard in the state court and the case was remanded to the Merrimack County Superior Court. On September 17, 2008, the trial court granted the Defendants' Motion to Dismiss as it related to the State's claim based on nuisance. The Court denied the Defendants' Motion to Dismiss the other counts of the State's Petition. On September 30, 2008, the trial court granted the State's Motion to Dismiss the Defendants' counterclaims. The State has prevailed on a number of summary judgment motions, including a motion to seek damages for contamination to private wells. The State lost two summary judgment motions that eliminated its Trespass and Consumer Protection Claims. Further, the State dismissed on its own motion its claim under RSA 146-A. The State's remaining claims are 2 products liability claims and a negligence claim. The State's claim for damages was approximately $771 million. Settlements executed with all the defendants except Exxon/Mobil, totaled approximately $136.5 million. After reduction for legal and other settlement-related costs, approximately $90 million was received by the State during fiscal year 2013 and is recorded as a special item in the general fund. Approximately $81 million is restricted for environmental purposes and the remaining $9 million is unrestricted in accordance with the terms of the settlement agreements. Those settlements are subject to the terms of the settlement agreements, all of which have been approved by the trial court. Those are now final, and not subject to further amendments or appeal. Exxon/Mobil was the only defendant that did not settle before trial. After trial against Exxon/Mobil, the jury awarded the State $236 million. The trial court has ruled that the State is required to put $195 million of the jury's award in a trust. The State has filed an objection, which has not been ruled on. The trial court also awarded prejudgment interest but has not yet calculated the amount and will probably not do so while the appeal is pending. The defendant filed an appeal. It is not possible to predict the outcome at this time.

Aranosian Oil Co. et. al. v. State

On February 24, 2012 a number of independent oil dealers brought a petition for declaratory judgment and equitable relief seeking to recover money they previously paid into the Oil Discharge and Disposal Fund ("ODD Fund") in the event the State prevails in the matter of State v. Hess et al. The petition argues that the fees paid into the ODD fund are unconstitutional, and also argues theories of unjust enrichment and equitable right of subrogation. The petition is identical to one brought previously by a number of the same Plaintiffs, which was dismissed by the Superior Court on the issue of ripeness. The parties agreed to a stay of this case until such time as it ripens. The plaintiff filed a motion to lift the stay based upon a number of settlements in the MTBE case. The Superior Court lifted the stay and ordered discovery to commence. Trial has been rescheduled for April 2014. The plaintiffs allege damages of approximately $35 million. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

State v. Shell Oil Co.

The State has asserted a claim against Shell Oil Company and associated entities for unjust enrichment. The State has claimed that Shell received disbursements from the State's Oil Discharge and Disposal Fund ("ODD Fund") for remediation work it performed at contaminated sites in the state, then subsequently recovered money from its insurers for the same sites. The State arranged for a pre-litigation mediation session to occur in February 2013. The State filed suit in September 2013 in Superior Court against Shell Oil seeking $4.4 million plus fees, costs, and enhanced compensatory damages.

The State also has several unasserted claims against major oil companies currently (or previously) doing business in the state. The claims are of the same nature as the claims against Shell Oil Co. The State intends to assert these claims in the near future. 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 settlement was reached between 20 states and the tobacco companies, including New Hampshire. The settlement resolves the diligent enforcement dispute with the settling states through 2015. Under the terms of the settlement, the tobacco companies accepted a reduction in their claim for an NPM Adjustment against the settling states. The settlement resulted in the release by the tobacco companies of approximately $63.2 million to New Hampshire from the disputed payments account. In exchange, New Hampshire's 2013 annual tobacco payment was reduced by approximately $42.4 million, and its annual payment will be reduced in 2014 through 2017 by approximately $4 million, as payment for its share of the settlement agreement. An additional reduction in the State's annual payment is possible in 2014 and 2015 based upon a deficiency in escrow payments as determined by a comparison of escrow deposits and State excise tax paid.

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. In 2013, the parties settled this matter. Under the terms of the settlement, the State will pay $37,500. This matter is now closed.

The Sunapee Difference, LLC v. State of NH

The plaintiff sued the State for mandamus, breach of contract, promissory estoppel, breach of covenant of good faith and fair dealing and inverse condemnation arising out of the plaintiff's lease with the State to operate the Mt. Sunapee ski area. The plaintiff amended its complaint to add a claim for contract reformation. Specifically the plaintiff alleged that the State breached its promises to the plaintiff by failing to amend the leasehold description and/or by failing to amend the lease and operating agreement to permit expansion of the ski area. The plaintiff claimed over $14 million in damages.

A hearing was held on the State's Motion to Dismiss on October 10, 2008. By an order dated November 17, 2008, the Court denied the State's Motion to Dismiss with regard to Sunapee Difference's claims of breach of contract, estoppel, breach of implied covenant of good faith and fair dealing, and inverse condemnation. 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. Following a denial of the plaintiff's Motion for Reconsideration, the plaintiff filed an appeal with the New Hampshire Supreme Court. The Court issued an interim order on June 25, 2010 remanding the case back to the trial court for a ruling on whether the plaintiff has standing to bring the lawsuit. After hearing, the trial court issued an order ruling that Sunapee Difference has standing to seek reformation of the lease. The State appealed that decision to the Supreme Court. Oral argument was held on both the 2009 and 2012 appeals on September 13, 2012. On April 30, 2013, the Supreme Court affirmed in part, reversed in part, vacated in part, and remanded the case to the trial court. In its Order, the Supreme Court affirmed the trial court's order granting summary judgment for the State of Sunapee Difference's contract claim, but remanded the case for trial on the issues

of estoppel and reformation of contract. Trial is scheduled for April 2014. It is not possible to predict the outcome at this time.

TLT Construction Corp.

On September 14, 2011, the Executive Council approved a contract with TLT Construction Corp. to construct the Pembroke Regional Training Institute and Barracks for the N.H. Army National Guard. The contract amount of $24.6 million is 100% Federal funds, the expenditure of which is monitored and authorized by the National Guard Bureau in Washington, D.C. In late May 2012, the Bureau of Public Works (BPW) terminated TLT as the general contractor for the project. TLT has filed administrative appeals of the termination with the Department of Administrative Services and the Department of Transportation, but those matters have been stayed pending negotiations to resolve the dispute. Settlement terms were reached between the parties, and stipulations of dismissal have been filed in the two administrative proceedings. The State estimates the liability to be approximately $2 million to settle the majority of the claims, of that, the State expects to be reimbursed by approximately $1.5 million in federal funds. This liability has been recorded as of June 30, 2013 in the government-wide financial statements.

White Mountain Communications Co. v. New Hampshire Department of Administrative Services

This is a civil action initiated by a general contractor against the New Hampshire Department of Administrative Services ("DAS"), New Hampshire Department of Resources and Economic Development ("DRED") and two DAS employees. This matter relates to the construction of four mountaintop communication facilities. The plaintiff is alleging that the State breached its contract with the plaintiff by improperly terminating the construction contract in February of 2012 without just cause. The plaintiff has also made claims for unjust enrichment, fraud and breach of the implied covenant of good faith. The State has filed cross claims against the plaintiff in this matter. The plaintiff has disclosed an expert, who estimated total damages to be approximately $2.5 million. The plaintiff and their surety made a combined demand of approximately $1.3 million. Additionally, the plaintiff has indicated that it will add direct claims against the surety. Trial is currently scheduled for July 2014, but is expected to be continued in light of the new claims to be filed against the surety. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

Wendy Lawrence

The State has received notice that the estate of Wendy Lawrence intends to file suit against the State Police. Ms. Lawrence died following an officer involved shooting after she fled from State Police during a traffic stop in September 2013. The State anticipates that any suit filed would include a 42 USC § 1983, excessive force claim. We are unable to determine if an unfavorable outcome is likely or not, or the amount or range of loss if an unfavorable outcome occurs.

OTHER LITIGATION

The state, its agencies, officials and employees are defendants in numerous other lawsuits. Although the state is unable to predict the ultimate outcomes of these suits, based on the information provided by the Attorney General's Office, it does not appear that such litigation resulting, either individually or in the aggregate, in final judgments against the State, would materially affect its financial position. Accordingly, no detailed disclosures of these other lawsuits are provided herein and only immaterial provisions, if appropriate, for such ultimate liability has been made in the financial statements.

14. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of these contraints and related amounts by fund at June 30, 2013, follows:

Governmental Fund Balances - Restricted, Committed and Assigned

Governmental Fund Balance
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	$ 627	$ 20,855	$ 3,428
Administration of Justice & Public Protection	87,054	69,046	156
Resources Protection & Development	8,054	27,625	1,092
Transportation	-	1,203	2
Health & Human Services	8,637	-	20,582
Education	315	4,516	249
Total	$ 104,687	$ 123,245	$ 25,509
Highway Fund:			
Administration of Justice & Public Protection	$ 1,915	$ 1,569	$ 673
Resources Protection & Development	-	-	16
Transportation	132,882	11,349	58,475
Total	$ 134,797	$ 12,918	$ 59,164
Non-Major Governmental Funds			
Resources Protection & Development	$ 2,043	$ 1,130	$ 1,423
Other Purposes	37,334		
Total	$ 39,377	$ 1,130	$ 1,423

The State maintains a Revenue Stabilization account (the Rainy Day Fund) established by RSA 9:13-e. Pursuant to RSA 9;13-e, at the close of each fiscal biennium, any General Fund Unassigned Fund Balance (Surplus) remaining, as determined by the official audit performed pursuant to RSA 21-I:8, II(a), shall be transferred to this special nonlapsing account; provided, however, that in any single fiscal year the total of such transfer shall not exceed ½ of the total potential maximum balance allowable which is defined as 10% of the actual general fund unrestricted revenues for the most recently completed fiscal year. In the event of an operating budget deficit at the close of any fiscal biennium, as determined by the official audit, and upon approval of the Fiscal Committee of the General Court and the Governor to the extent available, sufficient funds can be transferred from this account to eliminate such deficit. Such transfer shall occur only when both of the following conditions are met:

1) A general fund operating budget deficit occurred for the most recently completed fiscal biennium and 2) Unrestricted general fund revenues in the most recently completed fiscal biennium were less than the budget forecast. No available balance in the revenue stabilization reserve account shall be utilized for any purpose other than deficit reduction without specific approval of 2/3 of each house of the General Court and the Governor.

Pursuant to Chapter 144:135, Laws 2013, any budget surplus for the close of the fiscal biennium ending June 30, 2013 shall not be deposited in the revenue stabilization reserve account but shall remain in the general fund. Accordingly, the remaining surplus as of June 30, 2013 has not been deposited to the Revenue Stabilization account. The balance at June 30, 2013 remained at $9.3 million, the same as at June 30, 2012.

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. At June 30, 2013 Tri-State reported total installment prize obligations owed to jackpot winners of $43.5 million, payable through the year 2033.

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, 2013. 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, 2013, the Lottery recognized $24.5 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 $1.1 million at June 30, 2013. 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

Pursuant to Chapter 173, Laws of 2012, the McAuliffe-Shepard Discovery Center was transferred effective January 1, 2013 from the State to a private nonprofit corporation. This law created a body politic and corporate which has a distinct legal existence separate from the State. Accordingly, the activity of the McAuliffe-Shepard Center is included within the Governmental Activities only to the extent as provided in the law through December 31, 2012. As of January 1, 2013, the McAuliffe-Shepard Center was no longer a department of state government. The state retained ownership to all equipment, software, buildings, and grounds and the state entered into a 10-year, renewable lease with the private operator to occupy and operate the discovery center buildings and grounds and utilize the equipment and software beginning on January 1, 2013, at a charge of $1 per year. Additionally, the State assumes building and grounds routine maintenance and repair costs as determined appropriated by the General Court which shall not exceed $70,000 annually.

17. SUBSEQUENT EVENTS

On December 5, 2013 the State issued two series of general obligation capital improvement bonds through back-to-back competitive sales. The state sold $59.1 million of federally tax-exempt bonds (2013 Series B) as well as $19.0 million of federally taxable bonds (2013 Series C). Proceeds from the Series B issue will be used for the sole purpose of financing various capital projects of the State. Proceeds from the Series C issue will finance state match funding for State Revolving Fund Loan programs as authorized in New Hampshire Laws of 2011, Chapter 253:1,VI, A and B. The Series B bonds mature over twenty years, carry coupons ranging from 4% to 5% , and sold with an overall total interest cost to the State of 3.10%. The Series C bonds mature over ten years, carry coupons ranging from .7% to 3.4% , and sold with an overall total interest cost to the State of 2.29%.

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, 2013
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
REVENUES				
General Property Taxes	$ 230	$ 230	$ 242	$ 12
Special Taxes	943,607	945,857	917,199	(28,658)
Personal Taxes	123,066	123,066	126,218	3,152
Business License Taxes	34,444	34,295	19,713	(14,582)
Non-Business License Taxes	90,268	90,233	93,937	3,704
Fees	165,667	172,152	152,366	(19,786)
Fines, Penalties and Interest	10,491	10,737	6,163	(4,574)
Grants from Federal Government	1,738,418	1,781,581	1,273,394	(508,187)
Grants from Private and Local Sources	156,818	190,057	168,432	(21,625)
Rents and Leases	12,916	13,629	10,267	(3,362)
Interest Premiums and Discounts	7,443	7,321	13,968	6,647
Sale of Commodities	11,796	16,977	13,126	(3,851)
Sale of Services	51,254	50,817	50,405	(412)
Assessments	104,813	105,052	70,352	(34,700)
Grants from Other Agencies	132,274	130,338	107,482	(22,856)
Miscellaneous	392,054	374,853	500,273	125,420
Total Revenue	3,975,559	4,047,195	3,523,537	(523,658)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	19,550	18,708	14,847	3,861
Executive	65,040	65,281	44,105	21,176
Information Technology	67,088	62,295	52,929	9,366
Executive Council	231	229	218	11
Off. Of Economic Stimulus	128	130	-	130
Administrative Services	126,319	131,382	119,523	11,859
Sec of State	11,122	12,082	8,519	3,563
Cultural Affairs	7,546	6,767	5,446	1,321
Revenue Administration	16,087	14,289	11,670	2,619
State Treasury	75,292	81,125	78,965	2,160
NH Retirement System	8,751	8,750	6,661	2,089
Boards and Commissions	2,685	2,607	2,282	325
Total	399,839	403,645	345,165	58,480
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	86,418	77,980	70,519	7,461
Adjutant General	32,312	34,008	21,280	12,728
Agriculture	5,356	5,634	4,375	1,259
Justice Department	35,429	44,313	26,523	17,790

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, 2013
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
Bank Commission	6,303	6,159	4,778	1,381
Highway Safety	6,051	6,051	3,478	2,573
Insurance	10,671	11,810	9,915	1,895
Labor	9,493	23,214	20,968	2,246
Public Utilities Commission	34,309	34,808	19,501	15,307
Safety	160,574	180,267	86,666	93,601
Corrections Department	115,777	104,889	100,218	4,671
Employment Security	50,380	52,938	30,478	22,460
Judicial Council	24,844	25,251	23,923	1,328
Human Rights Commission	578	559	533	26
Boards and Commissions	953	479	449	30
Total	579,448	608,360	423,604	184,756
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	74,846	92,104	57,229	34,875
Pease Development Authority	2,346	2,319	495	1,824
Environmental Services	177,569	180,666	70,867	109,799
Development Finance Authority	171	171	171	-
Boards and Commissions	50	68	68	-
Total	254,982	275,328	128,830	146,498
TRANSPORTATION				
Transportation	28,256	29,160	7,743	21,417
Total	28,256	29,160	7,743	21,417
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	712,620	751,624	642,248	109,376
Office of Health Management	108,921	114,274	74,093	40,181
Children and Youth	119,267	115,968	107,901	8,067
Transitional Assistance	100,774	98,332	76,017	22,315
Behavioral Health	120,111	123,658	115,551	8,107
Developmental Services	288,470	286,587	274,605	11,982
Developmental Disabilities Council	794	779	514	265
N H Hospital	66,618	61,255	54,000	7,255
Home for Elderly	14,408	13,737	13,061	676
N H Veterans Home	30,832	30,214	27,179	3,035
Veterans Council	434	431	405	26
Youth Development Services	29,805	28,506	25,895	2,611
Elderly and Adult Services	440,045	495,409	440,618	54,791
Board of Medicine	4,322	928	842	86
Boards and Commissions	3	4,170	2,949	1,221
Total	2,037,424	2,125,872	1,855,878	269,994

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, 2013
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
EDUCATION				
Department of Education	497,359	501,556	294,151	207,405
NH Comm. Tech. College System	31,973	31,974	31,544	430
Planetarium	(59)	1,037	1,127	(90)
Police Standards and Training Council	3,614	3,498	2,839	659
University of New Hampshire	54,650	54,650	53,647	1,003
Total	587,537	592,715	383,308	209,407
Debt Service	105,204	105,204	105,008	196
Capital Outlays	22,263	22,263	22,253	10
Total	4,014,953	4,162,547	3,271,994	890,553
Excess of Revenues Over Expenditures	(39,394)	(115,352)	251,543	366,895
Other Financing Sources (Uses)				
Transfers In	-	793	793	-
Transfers Out	-	(140,134)	(140,134)	-
Miscellaneous	-	-	(5,813)	(5,813)
Total Other Financing Sources (Uses)	-	(139,341)	(145,154)	(5,813)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(39,394)	(254,693)	106,389	361,082
Fund Balance - July 1	580,161	580,161	580,161	-
Fund Balance - June 30	540,767	325,468	686,550	361,082

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, 2013
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 152,816	$ 152,800	$ 144,023	$ (8,777)
Non-Business License Taxes	79,780	79,780	84,106	4,326
Fees	24,253	24,203	23,277	(926)
Fines, Penalties and Interest	8,934	8,921	7,727	(1,194)
Grants from Federal Government	472,658	502,088	149,702	(352,386)
Grants from Private and Local Sources	6,584	42,068	33,924	(8,144)
Rents and Leases	167	167	143	(24)
Sale of Commodities	1,156	19,054	18,552	(502)
Sale of Services	31,831	31,530	36,987	5,457
Grants from Other Agencies	4,844	7,394	9,931	2,537
Miscellaneous	67,797	69,866	32,534	(37,332)
Total Revenues	850,820	937,871	540,906	(396,965)
EXPENDITURES				
Justice and Public Protection	85,955	81,691	74,206	7,485
Resource Protection and Development	1,508	1,457	1,302	155
Transportation	882,407	952,199	448,202	503,997
Debt Service	19,323	19,323	19,323	-
Capital Outlays	15,687	15,687	15,687	-
Total Expenditures	1,004,880	1,070,357	558,720	511,637
Deficiency of Revenues Under Expenditures	(154,060)	(132,486)	(17,814)	114,672
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(6,003)	(6,003)	-
Miscellaneous	-	(48)	(48)	-
Total Other Financing Sources (Uses)		(6,051)	(6,051)	
Deficiency of Revenues and Other Sources Under Expenditures and Other Uses	(154,060)	(138,537)	(23,865)	114,672
Fund Balance - July 1	558,329	558,329	558,329	-
Fund Balance - June 30	$ 404,269	$ 419,792	$ 534,464	$ 114,672

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, 2013
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 391,400	$ 391,400	$ 396,920	$ 5,520
Special Taxes	298,193	298,193	322,450	24,257
Personal Taxes	95,899	95,899	79,631	(16,268)
Fines, Penalties and Interest	-	-	3	3
Grants from Federal Government	-	-	1,892	1,892
Miscellaneous	40,000	40,000	40,000	-
Total Revenues	825,492	825,492	840,896	15,404
EXPENDITURES				
Education	961,737	962,922	961,173	1,749
Total Expenditures	961,737	962,922	961,173	1,749
Deficiency of Revenues Under Expenditures	(136,245)	(137,430)	(120,277)	17,153
OTHER FINANCING SOURCES (USES)				
Transfers In	-	140,084	140,084	-
Total Other Financing Sources Uses		140,084	140,084	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(136,245)	2,654	19,807	17,153
Fund Balance - July 1	(139,344)	(139,344)	(139,344)	-
Fund Balance - June 30	$ (275,589)	$ (136,690)	$ (119,537)	$ 17,153

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, 2013

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 2013, 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 for those accounts included in the original budget. Therefore updated revenue estimates available for appropriations as of June 30, 2013 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 for budgeted accounts.

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, 2013 (expressed

	General Fund	Highway Fund	Education Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (Budgetary Basis)	$ 106,389	$ (23,865)	$ 19,807
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	(47,474)	23,002	701
To Record change in Accounts Receivable	40,009	(48,460)	(1,383)
To Record Other Financing Sources (Uses)	24,377	23,400	(19,125)
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis)	$ 123,301	$ (25,923)	$ -

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was $1,857 million, with no actuarial value of assets, resulting in UAAL of $1,857 million, as compared with a UAAL as of December 31, 2010 of $2,258 million. The decrease in the AAL and UAAL from the December 31, 2010 valuation is attributable to specific changes made to pricing of the prescription drug program, changes in plan design and premium contributions, and overall favorable health claim experience. The new valuation report was performed using updated data, a payroll growth assumption of 3.75% (down from 4.50%) and changes to mortality, disability, turnover and retirement rates consistent with changes made by the New Hampshire Retirement System based on its June 30, 2010 experience study. 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
12/31/12	$ -	$ 1,856,714	$ 1,856,714	0%	$ 518,664	357.98%
12/31/10	-	2,257,820	2,257,820	-	597,821	377.67
06/30/08	-	2,470,485	2,470,485	-	602,644	409.94

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
01/01/12	$ 41,547	$ 71,305	$ 29,758	58%	$ 6,553	454.11%
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

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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, in accordance with the 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire (the State), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 23, 2013. Our report includes a reference to other auditors who audited the financial statements of the Liquor Commission, Turnpike System, Lottery Commission, New Hampshire Public Deposit Investment Pool, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire, and the New Hampshire Judicial Retirement Plan, as described in our report on the State's basic 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. 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.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control 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, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings and questioned costs as item 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free from 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*.

Management's Response to the Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of current year findings and questioned costs. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 23, 2013

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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

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, 2013, except for 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.

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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

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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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in Findings 2013-005, 2013-013, 2013-021, 2013-023, 2013-037, 2013-041, 2013-044, 2013-049, and 2013-054 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
2013-005	93.044/93.045/ 93.053	Special Programs for the Aging-Title III Part B and Title III, Part C Nutrition Services Incentive Program	Period of Availability
2013-013	93.667	Social Services Block Grant	Earmarking
2013-021	66.605	Performance Partnership Grant	Reporting
2013-023	97.036	Disaster Grants- Public Assistance	Reporting
2013-037	93.568	Low Income Home Energy Assistance Program	Cash Management/ Allowability
2013-041/ 2013-044	15.605/15.611	Sport Fish Restoration Program Wildlife Restoration and Basic Hunter Education	Subrecipient Monitoring/ Reporting
2013-049	84.048/84.287/ 96.001	Career and Technical Education Twenty-First Century Community Learning Centers Social Security-Disability Insurance	Cash Management
2013-054	84.377/84.388	School Improvement Grants School Improvement Grants Recovery Act (ARRA)	Eligibility

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.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2013-003, 2013-004, 2013-006, 2013-007, 2013-008, 2013-009, 2013-011, 2013-012, 2013-015, 2013-016, 2103-017, 2013-018, 2013-020, 2013-022, 2013-024, 2013-025, 2103-026, 2013-027, 2103-028, 2013-029, 2013-030, 2013-031, 2013-032, 2013-033, 2013-034, 2013-035, 2013-038, 2013-040, 2013-042, 2103-043, 2013-045, 2013-046, 2013-047, 2103-048, 2013-050, 2013-051, 2013-052, 2013-053, 2013-055, 2013-056, and 2103-057. Our opinion on each of these major federal programs is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not 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 2013-002, 2013-003, 2013-004, 2013-005, 2013-012, 2013-013, 2103-014, 2013-015, 2013-017, 2013-018, 2013-019, 2013-021, 2013-023, 2013-024, 2013-025, 2013-027, 2013-029, 2013-030, 2013-032, 2013-034, 2013-035, 2013-037, 2013-040, 2013-041, 2013-042, 2013-043, 2013-044, 2013-047, 2013-048, 2013-049, 2013-050, 2013-054, 2013-055, and 2013-056 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 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, 2013-016, 2013-020, 2013-022, 2013-026, 2013-028, 2013-031, 2013-033, 2013-036, 2013-038, 2013-039, 2013-045, 2013-046, 2013-051, 2013-052, and 2013-053 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 23, 2013 which referred to the use of other auditors and which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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.

KPMG LLP

March 25, 2014

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care			
7500		10-9633-0174CA USDA CWD	8/1/2011 - 7/31/2012	$16,895	0%
		11-8233-0844-CA	9/1/2011 - 9/1/2012	$3,363	0%
		12-8233-0318-CA	1/1/2012 - 12/31/2012	$49,724	0%
		12-8233-0663-CA	9/1/2012 - 8/31/2013	$47,370	0%
		12-9633-1211CA	7/1/2012 - 6/30/2013	$14,587	0%
		13-8233-0318CA	1/1/2013 - 12/31/2013	$38,351	0%
			CFDA Total:	$170,290	
1800	10.162	Inspection Grading And Standardization			
		12-25-A-5511	9/30/2011 - 9/30/2012	$5,936	0%
		12-25-A-5545	9/30/2011 - 9/30/2012	$19,996	0%
			CFDA Total:	$25,932	
9500	10.477	Meat, Poultry, And Egg Products Inspection			
		FSISC16	9/30/2011 - 9/29/2012	$174,672	0%
		FSISC16	9/30/2012 - 9/29/2012	$111,047	0%
			CFDA Total:	$285,719	
1400	10.550	Food Donation (Note 3)			
		133(Q1-Q4)	7/1/2012 - 6/30/2013	$4,082,774	100%
			CFDA Total:	$4,082,774	
9500	**10.551**	**Supplemental Nutrition Assistance Program (Notes 3,7)**			
		4NH400403	**10/1/2011 - 9/30/2012**	**$41,303,319**	**0%**
		4NH400403	**10/1/2012 - 9/30/2013**	**$123,909,956**	**0%**
			CFDA Total:	**$165,213,275**	
5600	**10.553**	**School Breakfast Program (Note 7)**			
		4NH300304 275-05 3002	**10/1/2011 - 9/30/2012**	**$1,134,066**	**100%**
		4NH300304 375-05 3002	**10/1/2012 - 9/30/2013**	**$3,450,618**	**100%**
			CFDA Total:	**$4,584,684**	
5600	**10.555**	**National School Lunch Program (Note 7)**			
		4NH300304 275-02 3002	**10/1/2011 - 9/30/2012**	**$4,095,225**	**100%**
		4NH300304 275-02 3004	**10/1/2011 - 9/30/2012**	**$1,088,926**	**100%**
		4NH300304 375-02 3002	**10/1/2012 - 9/30/2013**	**$12,270,006**	**100%**
		4NH300304 375-02 3004	**10/1/2012 - 9/30/2013**	**$3,600,210**	**100%**
			CFDA Total:	**$21,054,367**	
5600	**10.556**	**Special Milk Program For Children (Note 7)**			
		4NH300304 275-68 3002	**10/1/2011 - 9/30/2012**	**$121,606**	**100%**
		4NH300304 375-68 3002	**10/1/2012 - 9/30/2013**	**$50,519**	**100%**
			CFDA Total:	**$172,125**	
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**			
		IW100344	**10/1/2011 - 9/30/2012**	**$1,674,633**	**82%**
		IW100344	**10/1/2012 - 9/30/2013**	**$2,297,930**	**82%**

(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 6/30/2013
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		IW100644	**10/1/2009 - 9/30/2010**	**$5,928**	**0%**
		IW100644	**10/1/2010 - 9/30/2011**	**$2,575**	**0%**
		IW100644	**10/1/2011 - 9/30/2012**	**$2,738,196**	**0%**
		IW100644	**10/1/2012 - 9/30/2013**	**$3,704,780**	**60%**
		IW101144	**7/6/2011 - 12/31/2012**	**$146,566**	**0%**
		IW500344	**10/1/2011 - 9/30/2012**	**$155,496**	**28%**
		IW550444	**10/1/2011 - 9/30/2012**	**$92,563**	**0%**
			CFDA Total:	**$10,818,667**	
1400	10.558	Child And Adult Care Food Program (Note 3)			
		133(q1-Q4)	7/1/2012 - 6/30/2013	$149,558	100%
5600		4NH300335 275-16/21/22 3949	10/1/2011 - 9/30/2012	$1,530,276	100%
5600		4NH300335 275-18 3002	10/1/2011 - 9/30/2012	$2,034	0%
5600		4NH300335 375-16/21/22 3949	10/1/2012 - 9/30/2013	$2,769,302	100%
5600		4NH300335 375-18 3002	10/1/2012 - 9/30/2013	$56,004	0%
5600		4NH310300 175-21B 3949	10/1/2010 - 9/30/2011	$31,491	0%
			CFDA Total:	$4,538,665	
1400	**10.559**	**Summer Food Service Program For Children (Note 7)**			
		133 (Q1-Q4)	**10/1/2012 - 9/30/2013**	**$4,232**	**100%**
5600		**4NH300304 275 14 3002**	**10/1/2011 - 9/30/2012**	**$18,674**	**0%**
5600		**4NH300304 275-23/24 3941**	**10/1/2011 - 9/30/2012**	**$814,310**	**100%**
5600		**4NH300304 375-14 3002**	**10/1/2012 - 9/30/2013**	**$30,930**	**0%**
			CFDA Total:	**$868,146**	
1400	10.560	State Administrative Expenses For Child Nutrition			
		300317	10/1/2011 - 9/30/2012	$61,641	0%
		300317	10/1/2012 - 9/30/2013	$68,340	0%
5600		4NH3000304 375-01 3004	10/1/2012 - 9/30/2014	$3,475	0%
5600		4NH3000304 375-01 3949	10/1/2012 - 9/30/2014	$2,618	0%
5600		4NH300301 258 3002	10/1/2011 - 9/30/2012	$90,757	0%
5600		4NH300312 275-01 3004	10/1/2011 - 9/30/2013	$1,081	0%
5600		4NH300312 275-01 3949	10/1/2011 - 9/30/2013	$1,708	0%
5600		4NH300312 275-01/01R 3002	10/1/2011 - 9/30/2013	$208,250	0%
5600		4NH300312 375-01 3002	10/1/2012 - 9/30/2014	$242,957	0%
			CFDA Total:	$680,827	
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 7)**			
		4NH400403	**10/1/2011 - 9/30/2012**	**$2,133,595**	**0%**
		4NH400403	**10/1/2012 - 9/30/2013**	**$6,137,279**	**0%**
			CFDA Total:	**$8,270,874**	
9500	10.565	Commodity Supplemental Food Program (Note 3,7)			
		IY800544	10/1/2011 - 9/30/2012	$188,299	90%
		IY800544	10/1/2012 - 9/30/2013	$261,558	90%
		N/A	7/1/2012 - 6/30/2013	$1,614,951	0%
			CFDA Total:	$2,064,808	
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 7)			

(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 6/30/2013
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		810808	10/1/2011 - 9/30/2012	$8,887	99%
		810808	10/1/2012 - 9/30/2013	$95,283	99%
			CFDA Total:	$104,170	
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3,7)			
		133 (Q1-Q4)	1/1/2012 - 12/31/2012	$377,367	100%
		133 (Q1-Q4)	1/1/2013 - 12/31/2013	$156,224	100%
			CFDA Total:	$533,591	
9500	10.576	Senior Farmers Market Nutrition Program			
		IY830344	10/1/2011 - 9/30/2012	$81,758	100%
		IY830444	10/1/2011 - 9/30/2012	$7,647	0%
		IY830444	10/1/2012 - 9/30/2013	$400	0%
			CFDA Total:	$89,805	
5600	10.579	Child Nutrition Discretionary Grants Limited Availability			
		8NH310000 263 ARTS 3002	8/18/2011 - 9/30/2014	$167,194	0%
		8NH310002 276 DCI 3002	7/28/2011 - 12/31/2012	$7,577	0%
			CFDA Total:	$174,771	
9500	10.580	Supplemental Nutrition Assistance Program, Process And Technology Improvement Grants			
		1A-FSPA09NH01	10/1/2012 - 9/30/2013	$410	0%
			CFDA Total:	$410	
5600	10.582	Fresh Fruit And Vegetable Program			
		4NH300304 287 3002	10/1/2011 - 9/30/2012	$463,083	99%
		4NH300304 387 3002	10/1/2012 - 9/30/2013	$1,353,155	98%
			CFDA Total:	$1,816,238	
3500	10.664	Cooperative Forestry Assistance			
		08-DG-11420004-040	4/1/2008 - 9/30/2012	$2,182,005	0%
		09-DG-11420004-310	8/13/2009 - 1/31/2013	$31,947	100%
		10-DG-11244225-117	7/15/2010 - 9/30/2012	$4,003	0%
		10-DG-11420004-070	7/1/2010 - 9/30/2013	$6,644	0%
		10-DG-11420004-070	7/1/2010 - 9/30/2013	$23,903	100%
		10-DG-11420004-120	6/1/2010 - 9/30/2013	$141,240	0%
		10-DG-11420004-120	6/1/2010 - 9/30/2013	$36,590	100%
		10-DG-11420004-120	6/1/2010 - 9/30/2013	$6,145	100%
		10-DG-11420004-124	10/1/2010 - 9/30/2013	$73,495	100%
		10-DG-11420004-134	7/1/2010 - 6/30/2013	$28,563	0%
		10-DG-11420004-233	9/1/2010 - 12/31/2013	$3,172	0%
		10-DG-11420004-290	8/1/2010 - 6/30/2013	$15,705	0%
		10-DG-11420004-291	8/1/2010 - 6/30/2013	$9,928	0%
		11-DG-11244225-163	7/15/2011 - 9/30/2013	$14,425	0%
		11-DG-11420004-181	10/1/2011 - 9/30/2013	$13,787	0%
		11-DG-11420004-182	7/1/2011 - 6/30/2013	$40,517	0%
		11-DG-11420004-183	10/1/2011 - 9/30/2013	$6,433	91%
		11-DG-11420004-183	10/1/2011 - 9/30/2013	$285	100%
		11-DG-11420004-184	6/1/2010 - 9/30/2013	$19,701	0%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Agriculture

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		11-DG-11420004-184	10/1/2010 - 9/30/2013	$316,265	0%
		11-DG-11420004-184	10/1/2010 - 9/30/2013	$39,971	100%
		11-DG-11420004-184	10/1/2010 - 9/30/2013	$79,495	100%
		12-DG-11420004-172	10/1/2012 - 9/30/2016	$1,145	0%
		12-DG-11420004-172	10/1/2012 - 9/30/2016	$9,360	100%
			CFDA Total:	$3,104,724	
5600	10.665	Schools And Roads - Grants To States			
		RSA227H:21-23 4060	9/4/1999 - 12/31/2009	$518,852	100%
			CFDA Total:	$518,852	
4400	10.762	Solid Waste Management Grants			
		3406********0618	8/2/2011 - 9/30/2013	$22	0%
			CFDA Total:	$22	
1800	10.902	Soil And Water Conservation			
		6814281103	3/28/2011 - 6/30/2013	$28,238	0%
			CFDA Total:	$28,238	
7500	10.912	Environmental Quality Incentives Program (EQIP)			
		6814281105 (NRCS)	8/1/2011 - 9/30/2013	$1,827	0%
			CFDA Total:	$1,827	
7500	10.914	Wildlife Habitat Incentive Program			
		6814281105 (NRCS)	8/1/2011 - 9/30/2013	$6,819	0%
			CFDA Total:	$6,819	
1800	10.917	Agricultural Management Assistance			
		12-25-A-5434	4/1/2011 - 4/1/2016	$19,475	0%
		12-25-B-0937	11/1/2009 - 12/1/2012	$12,785	0%
		12-25-B-1082	10/1/2010 - 12/31/2013	$71,939	0%
		12-25-B-1242	9/30/2011 - 9/29/2014	$180,782	0%
		12-25-B-1475	9/30/2012 - 9/29/2015	$47,300	0%
			CFDA Total:	$332,281	
			Department of Agriculture Total:	**$229,542,901**	

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 6/30/2013
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	$584,674	0%
			CFDA Total:	$584,674	
7500	11.407	Interjurisdictional Fisheries Act Of 1986			
		NA10NMF4070323	1/1/2011 - 12/31/2015	$3,172	0%
			CFDA Total:	$3,172	
4400	11.419	Coastal Zone Management Administration Awards			
		NA10NOS4190170	7/1/2010 - 12/31/2012	$129,917	0%
		NA11NOS4190079	7/1/2011 - 12/31/2012	$704,286	0%
		NA12NOS4190023	7/1/2012 - 12/31/2013	$14,844	0%
		NA12NOS4190085	7/1/2012 - 12/31/2013	$104,026	0%
			CFDA Total:	$953,073	
7500	11.420	Coastal Zone Management Estuarine Research Reserves			
		NA11NOS4200136	7/1/2011 - 12/31/2013	$109,126	0%
		NA12NOS4200109	7/1/2012 - 12/31/2013	$362,402	0%
			CFDA Total:	$471,528	
4400	11.452	Unallied Industry Projects			
		NA09NMF4520026	4/1/2009 - 6/30/2013	$283,306	0%
			CFDA Total:	$283,306	
7500	11.454	Unallied Management Projects			
		NA10NMF4540190	5/1/2010 - 8/31/2012	$3,823	0%
			CFDA Total:	$3,823	
4400	11.463	Habitat Conservation			
	ARRA	ARRA NA09NMF4630284	7/1/2009 - 12/31/2012	$9,128	0%
			CFDA Total:	$9,128	
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act			
		NA10NMF4740333	7/1/2010 - 6/30/2015	$16,870	0%
		NA10NMF4740359	4/1/2011 - 3/31/2016	$167,913	0%
			CFDA Total:	$184,783	
2300	11.555	Public Safety Interoperable Communications Grant Program			
		2007GSH70057	10/1/2007 - 6/30/2012	$1,814,357	4%
			CFDA Total:	$1,814,357	
9600	11.557	Broadband Technology Opportunities Program (BTOP)			
	ARRA	ARRA	7/1/2010 - 6/30/2013	$3,399,970	100%
			CFDA Total:	$3,399,970	
7500	11.999	No Program Title			
		JEA	8/1/2011 - 7/31/2012	$357,699	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 6/30/2013
Department of Commerce

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$357,699	
			Department of Commerce Total:	**$8,065,513**	

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 6/30/2013
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			
		SP4800-12-2-1268	3/1/2012 - 2/28/2013	$128,759	0%
		SP4800-13-2-1168	3/1/2013 - 2/28/2014	$57,985	0%
			CFDA Total:	$186,744	
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services			
		NH10-1	7/1/2010 - 6/30/2012	$79,880	0%
		NH12-1	7/1/2012 - 6/30/2014	$128,446	0%
			CFDA Total:	$208,326	
1200	12.400	Military Construction, National Guard			
		W912TF-09-2-2001	4/27/2009 - 12/14/2012	$1,439	0%
		W912TF-09-2-2002	4/27/2009 - 12/14/2024	$689,439	0%
		W912TF-12-2-2001	10/1/2011 - 9/30/2014	$1,690,019	0%
			CFDA Total:	$2,380,897	
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**			
	ARRA	**ARRAW912TF-09-2-9008**	**5/29/2009 - 9/30/2011**	**$301,585**	**0%**
		W912TF-10-2-3075	**10/1/2010 - 9/30/2012**	**$830,530**	**0%**
		W912TF-11-2-1001	**10/1/2010 - 9/30/2014**	**$9,614,191**	**0%**
		W912TF-11-2-1002	**10/1/2010 - 9/30/2014**	**$559,460**	**0%**
		W912TF-11-2-1003	**10/1/2010 - 9/30/2014**	**$616,499**	**0%**
		W912TF-11-2-1004	**10/1/2010 - 9/30/2014**	**$199,840**	**0%**
		W912TF-11-2-1007	**10/1/2010 - 9/30/2014**	**$427,575**	**0%**
		W912TF-11-2-1010	**10/1/2010 - 9/30/2014**	**$100,541**	**0%**
		W912TF-11-2-1014	**10/1/2010 - 9/30/2014**	**$76,299**	**0%**
		W912TF-11-2-1015	**10/1/2010 - 9/30/2014**	**$137,674**	**0%**
		W912TF-11-2-1021	**10/1/2010 - 9/30/2014**	**$2,012,733**	**0%**
		W912TF-11-2-1023	**10/1/2010 - 9/30/2014**	**$562,555**	**0%**
		W912TF-11-2-1024	**10/1/2010 - 9/30/2014**	**$3,037,825**	**0%**
			CFDA Total:	**$18,477,307**	
			Department of Defense Total:	**$21,253,274**	

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 6/30/2013
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 Grant Program			
		E-12-DC-33-0001	1/1/2012 - 12/31/2012	$556,120	96%
		E-S-11-DC-33-0001	1/1/2011 - 12/31/2011	$66,456	98%
			CFDA Total:	$622,576	
9500	14.235	Supportive Housing Program			
		NH0002B1T001002	2/1/2012 - 1/31/2013	$22,531	98%
		NH0003B1T001003	7/1/2011 - 6/30/2012	$40,231	100%
		NH0003B1T001104	7/1/2012 - 6/30/2013	$247,279	98%
		NH0004B1T001003	12/1/2011 - 11/30/2012	$33,404	98%
		NH0004B1T001104	12/1/2012 - 11/30/2013	$41,078	98%
		NH0006B1T001003	10/1/2011 - 9/30/2012	$32,139	98%
		NH0006B1T001104	10/1/2012 - 9/30/2013	$78,178	98%
		NH0007B1T001003	7/1/2011 - 6/30/2012	$6,354	100%
		NH0007B1T001104	7/1/2012 - 6/30/2013	$71,766	98%
		NH0008B1T001003	7/1/2011 - 6/30/2012	$9,479	100%
		NH0008B1T001104	7/1/2012 - 6/30/2013	$107,045	97%
		NH0011B1T001003	8/1/2011 - 7/31/2012	$27,550	99%
		NH0011B1T001104	8/1/2012 - 7/31/2013	$74,123	98%
		NH0012B1T001003	7/1/2011 - 6/30/2012	$13,762	100%
		NH0012B1T001104	7/1/2012 - 6/30/2013	$346,134	95%
		NH0013B1T001003	7/1/2011 - 6/30/2012	$12,112	100%
		NH0013B1T001104	7/1/2012 - 6/30/2013	$99,632	98%
		NH0014B1T001003	7/1/2011 - 6/30/2012	$20,365	100%
		NH0014B1T001104	7/1/2012 - 6/30/2013	$189,722	97%
		NH0015B1T001104	4/1/2012 - 3/31/2013	$71,589	98%
		NH0019B1T001003	7/1/2011 - 6/30/2012	$5,167	100%
		NH0019B1T001104	7/1/2012 - 6/30/2013	$61,889	97%
		NH0020B1T001104	7/1/2012 - 6/30/2013	$14,154	98%
		NH0021B1T001003	11/1/2011 - 10/31/2012	$46,803	98%
		NH0021B1T001104	11/1/2012 - 10/31/2013	$83,922	97%
		NH0022B1T001003	7/1/2011 - 6/30/2012	$4,130	100%
		NH0022B1T001104	7/1/2012 - 6/30/2013	$42,097	98%
		NH0023B1T011003	8/1/2011 - 7/31/2012	$18,415	99%
		NH0023B1T011104	8/1/2012 - 7/31/2013	$49,547	98%
		NH0026B1T011003	9/1/2011 - 8/31/2012	$21,109	99%
		NH0026B1T011104	9/1/2012 - 8/31/2013	$68,096	98%
		NH0035B1T021003	8/1/2011 - 7/31/2012	$4,454	99%
		NH0035B1T021104	8/1/2012 - 7/31/2013	$11,982	98%
		NH0043B1T021003	7/1/2011 - 6/30/2012	$49,290	100%
		NH0043B1T021104	7/1/2012 - 6/30/2013	$196,762	98%
		NH0053B1T000900	11/22/2010 - 11/21/2012	$60,305	98%
		NH0053B1T001101	11/1/2012 - 10/31/2013	$14,433	98%
		NH0060B1T001000	4/1/2012 - 3/31/2014	$48,798	98%
		NH0066B1T001100	11/1/2012 - 10/31/2015	$33,661	97%
			CFDA Total:	$2,379,487	
9500	14.238	Shelter Plus Care			
		NH0001C1T000800	12/10/2009 - 12/9/2014	$52,086	100%
		NH0005C1T001003	8/6/2011 - 8/5/2012	$69,722	100%
		NH0005C1T001104	8/6/2012 - 8/5/2013	$196,525	100%
		NH0057C1T001001	6/28/2011 - 6/27/2012	$4,732	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 6/30/2013
Department of Housing and Urban Development

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		NH0057C1T001102	6/28/2012 - 6/27/2013	$242,984	100%
			CFDA Total:	$566,049	
9500	14.241	Housing Opportunities For Persons With AIDS			
		NH-H090023	3/1/2010 - 2/28/2013	$216,219	98%
		NH-H110023	3/1/2012 - 2/28/2015	$329,537	97%
		NH-H120023	3/1/2013 - 2/29/2016	$60,909	96%
			CFDA Total:	$606,665	
9500	14.262	Homelessness Prevention and Rapid Re-Housing Program Technical Assistance			
	ARRA	ARRAS09DY330001	7/30/2009 - 7/30/2012	$51,522	97%
			CFDA Total:	$51,522	
			Department of Housing and Urban Development Total:	**$4,226,299**	

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 6/30/2013
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)**			
		F100R29	10/1/2011 - 9/30/2012	$3,736	0%
		F50R28F	7/1/2011 - 6/30/2012	$262,072	0%
		F50R28M	7/1/2011 - 6/30/2012	$40,409	0%
		F50R29F	7/1/2012 - 6/30/2013	$410,402	0%
		F50R29M	7/1/2012 - 6/30/2013	$66,163	0%
		F53E25A	7/1/2011 - 6/30/2012	$127,388	0%
		F53E25S	7/1/2011 - 6/30/2012	$35,930	0%
		F53E26A	7/1/2012 - 6/30/2013	$177,294	0%
		F53E26S	7/1/2012 - 6/30/2013	$50,005	0%
		F60D19F	7/1/2011 - 6/30/2012	$1,045,118	0%
		F60D19M	7/1/2011 - 6/30/2012	$21,328	0%
		F60D20F	7/1/2012 - 6/30/2013	$1,500,000	0%
		F60D20M	7/1/2012 - 6/30/2013	$33,161	0%
		F61R17	1/1/2012 - 12/31/2012	$439,499	0%
		F61R18	1/1/2013 - 12/31/2013	$161,875	0%
		F65L1	8/1/2012 - 6/30/2013	$566,250	0%
		F66R1	2/1/2013 - 12/31/2013	$2,872	0%
		FW17C37B	7/1/2011 - 6/30/2012	$2,403	0%
		FW17C37F	7/1/2011 - 6/30/2012	$4,609	0%
		FW17C37M	7/1/2011 - 6/30/2012	$8,884	0%
		FW17C38B	7/1/2012 - 6/30/2013	$6,075	0%
		FW17C38F	7/1/2012 - 6/30/2013	$26,852	0%
		FW17C38M	7/1/2012 - 6/30/2013	$7,572	0%
		FW25T18F	7/1/2011 - 6/30/2012	$17,244	0%
		FW25T19F	7/1/2012 - 6/30/2013	$2,019	0%
		FW25T19F	7/1/2012 - 6/30/2013	$14,031	51%
		FW25T19F	7/1/2012 - 6/30/2013	$3,246	100%
		FW28D17B	7/1/2011 - 6/30/2012	$187,586	0%
		FW28D17F	7/1/2011 - 6/30/2012	$16,212	0%
		FW28D18B	7/1/2012 - 6/30/2013	$336,614	0%
		FW28D18F	7/1/2012 - 6/30/2013	$822	0%
		FW30T13F	7/1/2011 - 6/30/2012	$27,541	0%
		FW30T13M	7/1/2011 - 6/30/2012	$3,060	0%
		FW30T14F	7/1/2012 - 6/30/2013	$62,752	0%
		FW30T14M	7/1/2012 - 6/30/2013	$6,973	0%
		FW3203F	7/1/2011 - 6/30/2012	$9,821	0%
		FW3203M	7/1/2011 - 6/30/2012	$4,095	0%
		FW3204F	7/1/2012 - 6/30/2013	$14,005	0%
		FW3204M	7/1/2012 - 6/30/2013	$3,870	0%
		FW33D1B	7/1/2011 - 12/31/2012	$96,355	0%
		FW33D1M	7/1/2011 - 12/31/2012	$48,177	0%
		FW34E1A(F)	7/1/2011 - 6/30/2014	$27,122	0%
		FW34E1M(S)	7/1/2011 - 6/30/2014	$6,205	0%
			CFDA Total:	**$5,887,647**	
7500	15.611	**Wildlife Restoration And Basic Hunter Education (Note 7)**			
		FW17C37W	7/1/2011 - 6/30/2012	$10,164	0%
		FW17C38W	7/1/2012 - 6/30/2013	$27,000	0%
		FW25T18W	7/1/2011 - 6/30/2012	$194,655	0%
		FW25T19W	7/1/2012 - 6/30/2013	$27,763	0%
		FW25T19W	7/1/2012 - 6/30/2013	$126,276	51%
		FW25T19W	7/1/2012 - 6/30/2013	$29,211	100%

(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
		FW30T13W	**7/1/2011 - 6/30/2012**	**$12,400**	**0%**
		FW30T14W	**7/1/2012 - 6/30/2013**	**$26,229**	**0%**
		FW3203W	**7/1/2011 - 6/30/2012**	**$23,172**	**0%**
		FW3204W	**7/1/2012 - 6/30/2013**	**$22,345**	**0%**
		FW33D1W	**7/1/2011 - 6/30/2012**	**$271**	**0%**
		FW33D1W	**7/1/2011 - 12/31/2012**	**$47,906**	**0%**
		W101L1	**7/15/2012 - 12/31/2013**	**$3,878**	**0%**
		W101L1	**7/15/2012 - 12/31/2013**	**$75,000**	**100%**
		W11D72	**7/1/2012 - 6/30/2013**	**$223,112**	**0%**
		W66S40	**7/1/2011 - 6/30/2012**	**$129,130**	**0%**
		W66S41	**7/1/2012 - 6/30/2013**	**$351,365**	**0%**
		W89R12	**7/1/2011 - 6/30/2012**	**$104,508**	**0%**
		W89R13	**7/1/2012 - 6/30/2013**	**$493,996**	**0%**
		W89R13	**7/1/2012 - 6/30/2013**	**$67,483**	**21%**
		W90R1	**11/1/2008 - 12/31/2014**	**$6,348**	**0%**
		W90R1	**11/1/2008 - 12/31/2014**	**$37,573**	**100%**
		W91D1	**7/1/2010 - 6/30/2012**	**$63,481**	**0%**
		W94T2	**7/1/2011 - 6/30/2012**	**$9,092**	**0%**
		W94T3	**7/1/2012 - 6/30/2013**	**$46,688**	**0%**
		W96R1	**12/1/2010 - 12/31/2013**	**$6,507**	**0%**
		W96R1	**12/1/2010 - 12/31/2013**	**$54,956**	**100%**
		W97R1	**12/1/2010 - 9/30/2013**	**$7,663**	**0%**
		W97R1	**12/1/2010 - 9/30/2013**	**$96,248**	**100%**
		W99L1	**7/1/2011 - 6/30/2012**	**$20,025**	**0%**
		WHIP	**7/1/2011 - 6/30/2012**	**$18,760**	**0%**
			CFDA Total:	**$2,363,205**	
3500	15.615	Cooperative Endangered Species Conservation Fund			
		96169501	10/1/2012 - 9/30/2013	$5,000	0%
7500		EW1-30	7/1/2011 - 6/30/2012	$14,863	0%
7500		EW1-31	7/1/2012 - 6/30/2013	$23,187	0%
			CFDA Total:	$43,050	
4400	15.616	Clean Vessel Act			
		V-8-D-1	6/11/2012 - 5/31/2014	$151,221	0%
			CFDA Total:	$151,221	
7500	15.626	Enhanced Hunter Education And Safety Program			
		FW34E1W	7/1/2011 - 6/30/2014	$45,646	0%
			CFDA Total:	$45,646	
4400	15.631	Partners For Fish And Wildlife			
		NA09NMF4630356	7/1/2009 - 6/30/2012	$40,372	0%
			CFDA Total:	$40,372	
7500	15.633	Landowner Incentive Program			
		I-1-4	7/1/2006 - 6/30/2013	$30,288	100%
			CFDA Total:	$30,288	
7500	15.634	State Wildlife Grants			

(Continued)

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		F67L1	2/21/2013 - 3/31/2014	$2,425	0%
		T-7-R-1	4/1/2007 - 3/31/2013	$43,673	0%
		T-7-R-1	4/1/2007 - 3/31/2013	$98,526	10%
		T-7-R-1	4/1/2007 - 3/31/2013	$156,801	98%
		T-8-R-1	9/1/2007 - 8/31/2013	$10,200	52%
		T-9-T-1	1/15/2008 - 6/30/2013	$24,959	0%
		T-9-T-1	1/15/2008 - 6/30/2013	$173,689	8%
		T-9-T-2	1/1/2013 - 12/31/2017	$58,069	0%
		T2-2-P-1	12/1/2011 - 11/30/2013	$30,615	0%
		T23R1	1/1/2013 - 12/31/2017	$59,746	0%
		U211R1	12/1/2011 - 11/30/2014	$1,001	0%
		U211R1	12/1/2011 - 11/30/2014	$63,364	89%
		U21R	5/1/2009 - 4/30/2012	$728	0%
		U23R1	5/20/2009 - 5/31/2014	$511	0%
		U23R1	5/20/2009 - 5/31/2014	$18,811	90%
		U24R1	5/20/2009 - 2/28/2013	$247,235	100%
		U28R1	7/1/2011 - 6/30/2014	$38,941	0%
		U28R1	7/1/2011 - 6/30/2014	$104,282	99%
			CFDA Total:	$1,133,576	
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds			
		53410-A-G017	7/1/2010 - 12/31/2012	$116	0%
		E2-TW-1	7/1/2010 - 6/30/2013	$14,086	0%
			CFDA Total:	$14,202	
4400	15.808	U.S. Geological Survey - Research And Data Collection			
		G11AC20527	10/1/2011 - 9/30/2013	$4,924	0%
		G11AP20182	7/1/2010 - 12/31/2013	$3,278	0%
			CFDA Total:	$8,202	
4400	15.810	National Cooperative Geologic Mapping Program			
		G11AC20494	9/15/2010 - 9/15/2012	$61,725	0%
		G12AC20123	9/15/2012 - 9/14/2013	$14,530	0%
			CFDA Total:	$76,255	
3400	15.904	Historic Preservation Fund Grants-In-Aid			
		33-11-31936	10/1/2010 - 9/30/2012	$64,360	100%
		33-12-51936	10/1/2012 - 9/30/2014	$210,334	100%
		33-13-51936	10/1/2012 - 9/30/2014	$413,154	100%
			CFDA Total:	$687,848	
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning			
		33-00682	4/1/2011 - 12/12/2012	$7,590	0%
		33-00683	9/8/2011 - 12/31/2012	$130,917	0%
		33-00684	7/1/2010 - 12/31/2014	$40,722	100%
		33-00687	7/1/2009 - 12/31/2014	$24,432	100%
		33-00689	3/5/2012 - 12/31/2013	$169,278	0%
			CFDA Total:	$372,939	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of the Interior

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			Department of the Interior Total:	**$10,854,451**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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			
		2010KFAX0024	8/1/2010 - 7/31/2012	$34,995	50%
		2011KFAX0015	8/1/2011 - 7/31/2013	$6,481	0%
		2011KFAX0015	8/1/2011 - 7/31/2013	$118,582	100%
		2012KFAX0021	8/1/2012 - 7/31/2014	$2,137	0%
		2012KFAX0021	8/1/2012 - 7/31/2014	$9,156	100%
			CFDA Total:	$171,351	
9500	16.523	Juvenile Accountability Block Grants			
		JBVX	10/1/2012 - 9/30/2013	$188,011	0%
		JLFX	10/1/2012 - 9/30/2013	$13,019	0%
			CFDA Total:	$201,030	
2000	16.527	Supervised Visitation, Safe Havens For Children			
		2010CWAXK001	10/1/2010 - 9/30/2014	$8,256	0%
		2010CWAXK001	10/1/2010 - 9/30/2014	$185,423	100%
			CFDA Total:	$193,679	
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life			
		2009EWAXK003	10/1/2009 - 6/30/2013	$71,764	98%
			CFDA Total:	$71,764	
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States			
		JFFX	10/1/2012 - 9/30/2013	$579,584	0%
			CFDA Total:	$579,584	
2000	16.542	Part D - Research, Evaluation, Technical Assistance And Training			
		2009AHFX0066	6/1/2009 - 9/30/2012	$42,141	100%
		2010AHFX0058	6/1/2010 - 5/31/2013	$1,581	100%
		2011AHFX0008	6/1/2011 - 5/31/2014	$3,389	0%
		2011AHFX0008	6/1/2011 - 5/31/2014	$235,692	100%
			CFDA Total:	$282,803	
9500	16.548	Title V - Delinquency Prevention Program			
		JPFX	10/1/2012 - 9/30/2013	$18,660	0%
			CFDA Total:	$18,660	
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers			
		2011BJCXK022	10/1/2011 - 3/31/2013	$42,667	100%
		2011BJCXK022	10/1/2011 - 3/31/2014	$3,698	0%
		2012BJCXK027	10/1/2012 - 6/30/2014	$5,019	0%
			CFDA Total:	$51,384	
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants			
		2010CDBX0042	10/1/2010 - 9/30/2013	$64,879	0%
		2010CDBX0042	10/1/2010 - 9/30/2013	$25,061	50%
		2011CDBX0043	10/1/2011 - 9/30/2013	$54,267	0%
		2011CDBX0043	10/1/2011 - 9/30/2013	$63,838	50%

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2012CDBX0062	10/1/2012 - 9/30/2014	$4,320	0%
		2012CDBX0062	10/1/2012 - 9/30/2014	$6,636	50%
			CFDA Total:	$219,001	
2000	16.575	Crime Victim Assistance			
		2009VAGX0020	10/1/2009 - 9/30/2012	$25,029	99%
		2010VAGX0062	10/1/2009 - 9/30/2013	$56,450	99%
		2011VAGX0014	10/1/2010 - 9/30/2014	$54,375	0%
		2011VAGX0014	10/1/2010 - 9/30/2014	$647,681	99%
4600		2012-VA-GX-00	7/1/2012 - 6/30/2013	$112,854	0%
		2012VAGX0008	10/1/2011 - 9/30/2015	$28,181	0%
		2012VAGX0008	10/1/2011 - 9/30/2015	$1,293,323	99%
			CFDA Total:	$2,217,893	
2000	16.576	Crime Victim Compensation			
		2011VCGX0024	10/1/2010 - 9/30/2014	$245,337	100%
			CFDA Total:	$245,337	
2000	16.579	Edward Byrne Memorial Formula Grant Program			
		2009DJBX0799	10/1/2008 - 9/30/2012	$37,680	75%
		2009DJBX0799	10/1/2009 - 9/30/2013	$164,855	75%
		2010DJBX0128	10/1/2009 - 9/30/2013	$131,394	0%
		2010DJBX0128	10/1/2009 - 9/30/2013	$948,539	75%
		2011DJBX2196	10/1/2010 - 9/30/2014	$64,930	0%
		2011DJBX2196	10/1/2010 - 9/30/2014	$41,782	75%
			CFDA Total:	$1,389,180	
2000	16.582	Crime Victim Assistance/Discretionary Grants			
		2009VFGXK008	9/1/2009 - 6/30/2014	$75,313	30%
			CFDA Total:	$75,313	
2000	16.585	Drug Court Discretionary Grant Program			
		2010DCBX0065	9/1/2010 - 8/31/2014	$91,696	100%
			CFDA Total:	$91,696	
2000	16.588	Violence Against Women Formula Grants			
		2010WFAX0042	7/1/2010 - 6/30/2013	$15,284	0%
		2010WFAX0042	7/1/2010 - 6/30/2013	$171,228	100%
		2011WFAX0032	7/1/2011 - 6/30/2014	$51,911	0%
		2011WFAX0032	7/1/2011 - 6/30/2014	$603,979	98%
		2012WFAX0004	7/1/2012 - 6/30/2014	$23,182	0%
		2012WFAX0004	7/1/2012 - 6/30/2014	$167,169	98%
		2912WFAX9994	7/1/2012 - 6/30/2014	$36,956	0%
			CFDA Total:	$1,069,709	
2000	16.593	Residential Substance Abuse Treatment For State Prisoners			
		2008RTBX0009	10/1/2007 - 9/30/2012	$10,604	100%
		2009RTBX0029	10/1/2008 - 9/30/2012	$13,558	100%
		2011RTBX0043	10/1/2010 - 9/30/2014	$5,078	0%

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2011RTBX0043	10/1/2010 - 9/30/2014	$76,732	100%
		2012RTBX0032	10/1/2011 - 9/30/2015	$5,272	0%
		2012RTBX0032	10/1/2011 - 9/30/2015	$20	100%
			CFDA Total:	$111,264	
4600	16.606	State Criminal Alien Assistance Program			
		2012-AP-BX-0191	7/1/2012 - 6/30/2013	$101,785	0%
			CFDA Total:	$101,785	
2000	16.609	Project Safe Neighborhoods			
		2009GPBX0086	10/1/2009 - 3/31/2013	$519	0%
		2009GPBX0086	10/1/2009 - 3/31/2013	$11,229	100%
		2010GPBX0092	10/1/2010 - 9/30/2014	$26,082	100%
		2011GPBX0095	8/1/2011 - 1/31/2014	$4,108	0%
4600		Federal Cost Reimb	10/1/2012 - 9/30/2013	$12,361	0%
			CFDA Total:	$54,299	
2300	16.710	Public Safety Partnership And Community Policing Grants			
		2006CKWX0210	11/22/2005 - 5/21/2014	$1,027,447	0%
		2008CKWX0079	12/26/2007 - 6/30/2012	$1,463	0%
			CFDA Total:	$1,028,910	
2000	16.740	Statewide Automated Victim Information Notification (SAVIN) Program			
4600		2011-VN-CX-0014	7/1/2012 - 9/30/2013	$9,795	0%
		2011VNCX0014	10/1/2011 - 9/30/2014	$7,097	0%
		2011VNCX0014	10/1/2011 - 9/30/2014	$9,719	100%
			CFDA Total:	$26,611	
2300	16.741	DNA Backlog Reduction Program			
		2012-DN-BX-0102	10/1/2012 - 3/31/2014	$218,029	0%
			CFDA Total:	$218,029	
2300	16.750	Support For Adam Walsh Act Implementation Grant Program			
		2008-AW-BX-0010	10/1/2008 - 3/31/2013	$117,885	0%
			CFDA Total:	$117,885	
4600	16.751	Edward Byrne Memorial Competitive Grant Program			
		2010-RR-BX-K071	2/21/2012 - 8/31/2013	$72,000	0%
			CFDA Total:	$72,000	
2000	16.753	Congressionally Recommended Awards			
2300		2010-DD-BX-0539	10/1/2010 - 6/30/2014	$322,749	0%
		2010DDBX0636	7/1/2010 - 6/30/2013	$48,501	0%
		2010DDBX0636	7/1/2010 - 6/30/2013	$136,055	75%
			CFDA Total:	$507,305	
2000	16.801	Recovery Act - State Victim Assistance Formula Grant Program			
	ARRA	2009SGB90113	3/1/2009 - 9/30/2012	$6,181	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 6/30/2013
Department of Justice

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
	ARRA	2009SGB90113	10/1/2009 - 9/30/2012	$10,160	98%
			CFDA Total:	$16,341	
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	$20,101	0%
	ARRA	2009SUB90019	3/1/2009 - 6/30/2013	$1,162,357	98%
	ARRA	2009SUB90019	3/1/2009 - 9/30/2014	$13,897	0%
			CFDA Total:	$1,196,355	
2000	16.812	Second Chance Act Prisoner Reentry Initiative			
		2010RNBX0015	10/1/2010 - 9/30/2012	$92,457	100%
		2010RNBX0015	10/1/2010 - 9/30/2013	$8,770	0%
			CFDA Total:	$101,227	
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act			
		2011RJBX0027	10/1/2011 - 9/30/2013	$2,053	0%
		2011RJBX0027	10/1/2011 - 9/30/2013	$96,255	100%
			CFDA Total:	$98,308	
4600	16.922	Equitable Sharing Program			
		None	7/1/2012 - 6/30/2013	$2,551	0%
			CFDA Total:	$2,551	
2300	16.999	No Program Title			
		2012-95	1/1/2012 - 12/31/2012	$19,984	0%
		Federal Forfeiture	7/1/2008 - 6/30/2014	$355,923	0%
			CFDA Total:	$375,907	
			Department of Justice Total:	**$10,907,161**	

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 6/30/2013
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2700	17.002	Labor Force Statistics			
		LM-20315-11-75-J-33	8/12/2011 - 9/30/2012	$119	0%
		LM-21484-12-75-J-33	10/1/2011 - 9/30/2012	$275,041	0%
		LM-23066-13-75-J-33	10/1/2012 - 9/30/2013	$660,917	0%
			CFDA Total:	$936,077	
3200	17.005	Compensation And Working Conditions			
		0S-21508-1275-J-33	7/1/2012 - 6/30/2013	$21,793	0%
			CFDA Total:	$21,793	
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 7)			
		ES-22077-11-55-A-33	7/1/2011 - 6/30/2012	$87,051	0%
		ES-23011-12-55-A-33	7/1/2012 - 6/30/2013	$3,144,422	0%
			CFDA Total:	$3,231,473	
2700	**17.225**	**Unemployment Insurance (Note 4)**			
		NONE	**7/1/2012 - 6/30/2013**	**$146,963,218**	**0%**
		UI-19597-10-55-A-33	**10/1/2009 - 9/30/2012**	**$1,049,702**	**0%**
		UI-21114-11-55-A-33	**9/8/2011 - 9/30/2012**	**$287,503**	**0%**
		UI-21114-11-55-A-33	**10/1/2011 - 9/30/2013**	**$128,622**	**0%**
		UI-22327-12-55-A-33	**7/1/2011 - 9/30/2012**	**$157,721**	**0%**
		UI-22327-12-55-A-33	**10/1/2011 - 9/30/2012**	**$1,566,201**	**0%**
		UI-22327-12-55-A-33	**4/1/2012 - 3/31/2013**	**$876,942**	**0%**
		UI-22327-12-55-A-33	**4/1/2012 - 12/31/2013**	**$203,637**	**0%**
		UI-22327-12-55-A-33	**10/1/2012 - 9/30/2014**	**$74,100**	**0%**
		UI-23906-13-55-A-33	**10/1/2012 - 6/30/2013**	**$417,893**	**0%**
		UI-23906-13-55-A-33	**10/1/2012 - 9/30/2013**	**$13,002,065**	**0%**
			CFDA Total:	**$164,727,604**	
3500	17.235	Senior Community Service Employment Program			
		AD-21844GKO	7/1/2011 - 6/30/2012	$71,501	100%
		AD-22894KRO	7/1/2012 - 6/30/2013	$429,103	99%
			CFDA Total:	$500,604	
2700	17.245	Trade Adjustment Assistance			
		TA-19721-10-55-A-33	10/1/2009 - 9/30/2012	$539,198	0%
		TA-21233-11-55-A-33	10/1/2010 - 9/30/2013	$731,255	0%
		TA-22670-12-55-A-33	10/1/2011 - 9/30/2014	$321,124	0%
		TA-24357-13-55-A-33	10/1/2012 - 9/30/2015	$131,589	0%
			CFDA Total:	$1,723,166	
3500	**17.258**	**WIA Adult Program (Note 7)**			
		AA-186568D	**4/1/2008 - 6/30/2011**	**$51,617**	**100%**
		AA-20208AS	**7/1/2010 - 6/30/2013**	**$37,292**	**0%**
		AA-20208CX	**10/1/2010 - 6/30/2013**	**$162,661**	**0%**
		AA-21410FO	**7/1/2011 - 6/30/2014**	**$7,288**	**0%**
		AA-22950JL	**7/1/2012 - 6/30/2015**	**$33,586**	**100%**
		AA-22950LX	**10/1/2012 - 6/30/2015**	**$139,097**	**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 6/30/2013
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$431,541**	
3500	**17.259**	**WIA Youth Activities (Note 7)**			
		AA-20208AF	**4/1/2010 - 6/30/2013**	**$218,457**	**100%**
		AA-21410EZO	**4/1/2011 - 6/14/2012**	**$541,096**	**82%**
		AA-22950JP	**4/1/2012 - 6/30/2015**	**$1,143,515**	**99%**
			CFDA Total:	**$1,903,068**	
3500	17.267	Incentive Grants - WIA Section 503			
		PI-23360FX	6/30/2012 - 6/30/2014	$395,407	100%
			CFDA Total:	$395,407	
2700	17.271	Work Opportunities Tax Credit Program (WOTC)			
		ES-22077-11-55-A-33	5/29/2012 - 9/30/2014	$30,661	0%
		ES-23011-12-55-A-33	10/1/2012 - 9/30/2013	$53,784	0%
			CFDA Total:	$84,445	
2700	17.273	Temporary Labor Certification For Foreign Workers			
		ES-19217-09-55-A-33	10/1/2009 - 9/30/2010	$10,676	0%
		ES-20765-10-55-A-33	10/1/2010 - 9/30/2011	$22,908	0%
			CFDA Total:	$33,584	
3500	17.276	Health Care Tax Credit (HCTC) National Emergency Grants (NEGs)			
	ARRA	EM-212926C	10/1/2010 - 9/30/2012	$202,057	99%
			CFDA Total:	$202,057	
3500	17.277	Workforce Investment Act (WIA) National Emergency Grants			
		EM-20528DEO	6/30/2011 - 6/30/2013	$371,400	99%
		EM-20528HJO	6/29/2012 - 6/30/2014	$521,281	100%
		EM-22112GPO	7/1/2011 - 6/30/2013	$23,199	96%
			CFDA Total:	$915,880	
3500	**17.278**	**WIA Dislocated Formula Grants (Note 7)**			
		AA-20208AU	**7/1/2010 - 6/30/2013**	**$87,043**	**0%**
		AA-20208CZ	**10/1/2010 - 6/30/2013**	**$431,503**	**64%**
		AA-21410FQ	**10/1/2011 - 6/30/2014**	**$154,776**	**100%**
		AA-21410HB	**10/1/2011 - 6/30/2014**	**$1,415,790**	**94%**
		AA-21410HD	**10/1/2011 - 6/30/2014**	**$1,229,183**	**93%**
		AA-22950JN	**7/1/2012 - 6/30/2015**	**$244,117**	**100%**
		AA-22950LZ	**10/1/2012 - 6/30/2015**	**$408,546**	**98%**
			CFDA Total:	**$3,970,958**	
3500	17.600	Mine Health And Safety Grants			
		MS-21374M11	10/1/2010 - 3/31/2012	$1,005	39%
		MS-23242M12	10/1/2011 - 9/30/2012	$33,216	100%
			CFDA Total:	$34,221	
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 7)			

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Labor

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		DV-19658-10-55-5-33	10/1/2011 - 9/30/2012	$110,417	0%
		DV-19658-10-55-5-33	10/1/2012 - 9/30/2013	$262,367	0%
			CFDA Total:	$372,784	
2700	17.804	Local Veterans` Employment Representative Program (Note 7)			
		DV-19658-10-55-5-33	10/1/2011 - 9/30/2012	$121,534	0%
		DV-19658-10-55-5-33	10/1/2012 - 9/30/2013	$178,401	0%
			CFDA Total:	$299,935	
			Department of Labor Total:	**$179,784,597**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	**7/1/2012 - 6/30/2013**	**$10,342,902**	**100%**
			CFDA Total:	**$10,342,902**	
9600	**20.205**	**Highway Planning And Construction (Note 7)**			
	ARRA	**ARRA**	**7/1/2012 - 6/30/2013**	**$604,230**	**0%**
		Various	**7/1/2012 - 6/30/2013**	**$153,352,320**	**7%**
			CFDA Total:	**$153,956,550**	
2300	20.218	National Motor Carrier Safety			
		FM-MCG-0106-12-01-00	10/1/2011 - 9/30/2013	$794,348	0%
		FM-MCG-0106-12001	10/1/2011 - 9/30/2013	$276,694	0%
		FM-MHP-031-11-01-01	10/1/2011 - 9/30/2013	$48,208	0%
			CFDA Total:	$1,119,250	
3500	**20.219**	**Recreational Trails Program (Note 7)**			
		NRT-00NH-8903	**10/1/2006 - 9/30/2013**	**$660,107**	**0%**
			CFDA Total:	**$660,107**	
2300	20.232	Commercial Driver`s License Program Improvement Grant			
		CD103310000000	4/1/2010 - 9/30/2012	$33,548	0%
			CFDA Total:	$33,548	
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort			
		TCP1 (003)	10/1/2007 - 10/1/2013	$2,777	0%
			CFDA Total:	$2,777	
9600	20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants			
		FR-HSR-0101-12-01-00	7/1/2012 - 6/30/2013	$15,853	0%
			CFDA Total:	$15,853	
9600	20.500	Federal Transit - Capital Investment Grants (Note 7)			
		Various	7/1/2012 - 6/30/2013	$527,021	100%
			CFDA Total:	$527,021	
9600	20.507	Federal Transit - Formula Grants (Note 7)			
	ARRA	ARRA NH-96-X006	7/1/2012 - 6/30/2013	$45,081	100%
		Various	7/1/2012 - 6/30/2013	$358,223	100%
			CFDA Total:	$403,304	
9600	20.509	Formula Grants For Rural Areas			
	ARRA	ARRA NH-86-X001	7/1/2012 - 6/30/2013	$122,320	100%
		Various	7/1/2012 - 6/30/2013	$3,517,588	89%
			CFDA Total:	$3,639,908	
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 7)			

(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 6/30/2013
Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		Various	7/1/2012 - 6/30/2013	$849,034	91%
			CFDA Total:	$849,034	
9600	20.516	Job Access - Reverse Commute (Note 7)			
		Various	7/1/2012 - 6/30/2013	$368,449	100%
			CFDA Total:	$368,449	
9600	20.521	New Freedom Program (Note 7)			
		Various	7/1/2012 - 6/30/2013	$201,213	100%
			CFDA Total:	$201,213	
9600	20.522	Alternative Analysis			
		E2009-ALTA-021	7/1/2012 - 6/30/2013	$40,903	100%
			CFDA Total:	$40,903	
2300	20.600	State And Community Highway Safety (Note 7)			
2500		18X9204020NH11/12	7/1/2012 - 9/30/2012	$703,420	88%
2500		18X9204020NH11/12	10/1/2012 - 9/30/2013	$1,006,971	85%
2500		18X9204020NH12	7/1/2012 - 9/30/2012	$55,800	0%
2500		18X9204020NH12	10/1/2012 - 9/30/2013	$120,353	0%
		DTNH22-12-H-00104	2/1/2012 - 1/31/2017	$21,012	0%
			CFDA Total:	$1,907,556	
2500	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I (Note 7)			
		none	7/1/2012 - 9/30/2012	$124,210	100%
		none	10/1/2012 - 9/30/2013	$629,969	100%
			CFDA Total:	$754,179	
2500	20.610	State Traffic Safety Information System Improvement Grants (Note 7)			
		None	7/1/2012 - 9/30/2012	$79,264	100%
		None	10/1/2012 - 9/30/2013	$791,174	89%
			CFDA Total:	$870,438	
2500	20.612	Incentive Grant Program To Increase Motorcyclist Safety (Note 7)			
		none	7/1/2012 - 9/30/2012	$80,992	100%
		none	10/1/2012 - 9/30/2013	$62,332	100%
			CFDA Total:	$143,324	
2300	20.615	E-911 Grant Program			
		NHTSA20080142	9/30/2009 - 9/30/2012	$227,013	0%
			CFDA Total:	$227,013	
8100	20.700	Pipeline Safety Program State Base Grant			
		DTPH56-12-G-PHPG27	1/1/2012 - 12/31/2012	$269,756	0%
		DTPH56-13-G-PHPG27	1/1/2013 - 12/31/2013	$263,335	0%
			CFDA Total:	$533,091	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Transportation

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants			
		HMHMP0239110100	9/30/2011 - 9/30/2012	$67,645	97%
		HMHMP0300120100	9/30/2012 - 9/30/2013	$105,798	97%
			CFDA Total:	$173,443	
8100	20.721	PHMSA Pipeline Safety Program One Call Grant			
		DTPH56-12-G-PHPC18	4/1/2012 - 3/31/2013	$44,955	0%
			CFDA Total:	$44,955	
9600	20.933	National Infrastructure Investments			
		TIGER II	11/30/2011 - 8/2/2013	$1,608,686	0%
			CFDA Total:	$1,608,686	
2300	20.999	No Program Title			
		FTE 010	10/1/2011 - 9/30/2013	$6,289	0%
			CFDA Total:	$6,289	
			Department of Transportation Total:	**$178,429,793**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	$111,250	0%
			CFDA Total:	$111,250	
			Equal Employment Opportunity Commission Total:	**$111,250**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	$127,617	100%
		33	7/1/2011 - 6/30/2013	$127,167	100%
		33	7/1/2012 - 6/30/2013	$127,617	100%
			CFDA Total:	$382,401	
3200	39.011	Election Reform Payments (Note 5)			
		Title I, 101	7/1/2012 - 6/30/2013	$175,405	0%
			CFDA Total:	$175,405	
			General Services Administration Total:	**$557,806**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	$6,392	100%
		11-6100-2063	7/1/2011 - 9/30/2012	$351,320	100%
		12-6100-2041	7/1/2012 - 12/31/2013	$443,047	100%
			CFDA Total:	$800,759	
3400	45.310	Grants To States			
		LS-00-12-0030-12	10/1/2011 - 9/30/2013	$943,108	100%
		LS-00-13-0030-13	10/1/2012 - 9/30/2014	$237,502	100%
			CFDA Total:	$1,180,610	
3400	45.312	National Leadership Grants			
		LG-41-09-0013-09	3/1/2009 - 10/31/2012	$3,725	100%
			CFDA Total:	$3,725	
			National Endowment for the Arts Total:	**$1,985,094**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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			
	ARRA	SBAHQ-11-IT-0038	10/1/2011 - 9/30/2013	$84,120	0%
		SBAHQ-12-IT-0059	9/30/2012 - 9/30/2013	$240,172	0%
			CFDA Total:	$324,292	
			Small Business Administration Total:	**$324,292**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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 - 6/30/2013	$584,235	0%
		FAI 33-009	7/1/2011 - 6/30/2015	$122,660	0%
			CFDA Total:	$706,895	
4300	**64.015**	**Veterans State Nursing Home Care**			
		Per Diem	**7/1/2012 - 6/30/2013**	**$7,496,439**	**0%**
		Pharmacy reimbursement	**7/1/2012 - 6/30/2013**	**$241,422**	**0%**
			CFDA Total:	**$7,737,861**	
1200	64.101	Burial Expenses Allowance For Veterans			
		None	10/1/2011 - 9/30/2014	$363,152	0%
			CFDA Total:	$363,152	
5600	64.124	All-Volunteer Force Educational Assistance			
		V101(223C) P-5186 336 1860	10/1/2011 - 9/30/2012	$29,671	0%
		V101(223C) P-5286 236 1860	10/1/2011 - 9/30/2012	$38,487	0%
			CFDA Total:	$68,158	
			Veterans Administration Total:	**$8,876,066**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.040	State Clean Diesel Grant Program			
		DS97191001	10/1/2008 - 9/30/2013	$290,159	0%
			CFDA Total:	$290,159	
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	$304	0%
			CFDA Total:	$304	
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 - 6/30/2013	$38,282	0%
		X796100701	5/1/2009 - 9/15/2013	$15,428	0%
			CFDA Total:	$53,710	
4400	66.454	Water Quality Management Planning			
		C600100210	10/1/2009 - 6/30/2013	$58,768	0%
		C600100211	10/1/2010 - 9/30/2013	$86,055	0%
		C600100212	10/1/2011 - 9/30/2014	$32,600	0%
			CFDA Total:	$177,423	
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Funds**			
	ARRA	**ARRA 2W-33000209**	**10/1/2008 - 12/31/2013**	**$2,007,537**	**94%**
		CS33000107	**4/1/2008 - 4/1/2018**	**$117,495**	**100%**
		CS33000108	**1/1/2009 - 1/1/2019**	**$6,498,240**	**100%**
		CS33000109	**1/1/2009 - 1/1/2019**	**$262,879**	**0%**
		CS33000109	**1/1/2009 - 1/1/2019**	**$6,498,240**	**100%**
		CS33000110	**7/1/2011 - 7/1/2021**	**$583,363**	**0%**
		CS33000110	**7/1/2011 - 7/1/2021**	**$2,498,552**	**100%**
			CFDA Total:	**$18,466,306**	
4400	66.460	Nonpoint Source Implementation Grants			
		C998132408	7/1/2007 - 9/30/2012	$10	0%
		C998132409	4/1/2008 - 9/30/2013	$45,721	0%
		C998132410	4/8/2009 - 9/30/2014	$179,245	0%
		C998132411	3/1/2010 - 9/30/2015	$164,663	0%
		C998132412	3/1/2011 - 9/30/2016	$208,420	0%
		C998132413	3/1/2013 - 9/30/2017	$8,649	0%
			CFDA Total:	$606,708	
4400	66.461	Regional Wetland Program Development Grants			
		CD96155401	9/30/2011 - 9/30/2013	$130,075	0%
		CD96155701	9/30/2011 - 9/30/2013	$200,892	0%
			CFDA Total:	$330,967	
4400	66.467	Wastewater Operator Training Grant Program			
		T98199301	10/1/2007 - 9/30/2013	$27,373	0%

(Continued)

The accompanying notes are an integral part of this schedule.

Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$27,373	
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund**			
	ARRA	**ARRA 2F-96102301**	**10/1/2008 - 10/1/2015**	**$102,102**	**98%**
		FS9911009	**10/1/2009 - 10/1/2019**	**$5,395,402**	**100%**
		FS99115010	**10/1/2009 - 10/1/2020**	**$771,774**	**100%**
		FS99115011	**10/1/2011 - 10/1/2018**	**$1,921,526**	**2%**
		FS99115012	**7/1/2012 - 7/1/2019**	**$320,077**	**5%**
			CFDA Total:	**$8,510,881**	
4400	66.471	State Grants To Reimburse Operators Of Small Water Systems For Training And Certification Costs			
		CT98149601	9/30/2002 - 9/30/2012	$107,259	0%
			CFDA Total:	$107,259	
4400	66.472	Beach Monitoring And Notification Program Implementation Grants			
		CU96127801	1/1/2011 - 4/1/2013	$73,935	0%
		CU97123902	10/1/2012 - 4/1/2014	$94,199	0%
			CFDA Total:	$168,134	
4400	66.474	Water Protection Grants To The States			
		WP96120101	10/1/2009 - 6/30/2014	$2,688	0%
		WP97172301	10/1/2007 - 9/30/2012	$655	0%
			CFDA Total:	$3,343	
4400	**66.605**	**Performance Partnership Grants**			
		BG99127308	**10/1/2006 - 9/30/2013**	**$102,187**	**0%**
		BG99127308	**10/1/2008 - 9/30/2013**	**$252,813**	**0%**
		BG99127308	**10/1/2010 - 9/30/2015**	**$54,319**	**0%**
		BG99127309	**10/1/2010 - 9/30/2015**	**$2,239,059**	**0%**
		BG99127310	**10/1/2012 - 9/30/2015**	**$2,753,578**	**0%**
			CFDA Total:	**$5,401,956**	
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants			
		PM99129403	4/1/2008 - 3/31/2013	$227,789	0%
			CFDA Total:	$227,789	
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance			
		OS83260901	10/1/2008 - 9/30/2012	$6,128	0%
		OS83307601	9/1/2009 - 9/30/2012	$994	0%
		OS83408001	9/1/2008 - 8/31/2012	$95	0%
		OS83437801	10/1/2005 - 9/30/2013	$10,645	0%
		OS83524601	10/1/2012 - 9/30/2014	$9,927	0%
		OS83610601	10/1/2011 - 9/30/2013	$2,429	0%
		OS88348301	8/1/2007 - 3/31/2013	$69,577	0%
			CFDA Total:	$99,795	
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements			

(Continued)

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		BG-97198303-5	10/1/2011 - 9/30/2014	$240,160	0%
			CFDA Total:	$240,160	
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements			
		K99144808-0	10/1/2010 - 9/30/2012	$108,307	0%
			CFDA Total:	$108,307	
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals			
		PB961031	6/1/2009 - 12/31/2013	$28,366	0%
		PB991512	10/1/2010 - 9/30/2013	$94,524	0%
			CFDA Total:	$122,890	
4400	66.708	Pollution Prevention Grants Program			
		NP96138901	10/1/2010 - 9/30/2012	$7,340	0%
		NP96145001	10/1/2011 - 9/30/2013	$47,554	0%
		NP96147601	10/1/2011 - 9/30/2013	$118,808	0%
		NP96162001	10/1/2012 - 9/30/2013	$36,952	0%
			CFDA Total:	$210,654	
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements			
		V96115301	8/1/2009 - 6/30/2014	$29,727	0%
		V96128101	8/1/2010 - 6/30/2013	$369,147	0%
		V96140701	5/3/2011 - 9/30/2013	$693,303	0%
		V96141201	2/2/2011 - 6/30/2013	$41,409	0%
		V96159601	7/1/2012 - 6/30/2013	$213,712	0%
		V96167201	8/20/2012 - 9/30/2013	$204,958	0%
		V96170901	12/1/2012 - 9/30/2013	$73,205	0%
		V96171101	1/1/2013 - 9/30/2013	$20,098	0%
		V97139301	7/1/2008 - 6/30/2013	$74,355	0%
		V97140401	7/1/2008 - 6/30/2014	$145,729	0%
		V97148901	8/10/2006 - 6/30/2013	$207,218	0%
		V97150401	10/1/2006 - 9/30/2013	$236,365	0%
		V97167901	7/1/2007 - 6/30/2014	$168,448	0%
		VC00173323	9/1/2012 - 8/31/2013	$40,423	0%
		VC00173324	9/1/2013 - 8/31/2014	$260,805	0%
			CFDA Total:	$2,778,902	
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program			
		L96147301	8/8/2011 - 12/31/2012	$282,007	0%
		L98138008	7/1/2012 - 12/31/2013	$185,913	0%
			CFDA Total:	$467,920	
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program			
		LS97199803	4/1/2011 - 3/31/2013	$437,136	0%
		LS97199804	4/1/2013 - 3/31/2015	$196,215	0%
			CFDA Total:	$633,351	
4400	66.817	State And Tribal Response Program Grants			

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Environmental Protection Agency

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		RP96128501	10/1/2010 - 9/30/2013	$142,538	0%
		RP96144001	10/1/2011 - 9/30/2013	$737,335	0%
			CFDA Total:	$879,873	
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements			
	ARRA	ARRA 2B-96120301	10/1/2009 - 9/30/2014	$255,932	97%
		BF96112501	8/3/2009 - 8/2/2012	$39,831	0%
		BF97130701	7/1/2005 - 9/30/2014	$400,000	100%
		BF97173201	10/1/2008 - 9/30/2012	$10,037	0%
		BL97130701	7/1/2005 - 9/30/2014	$22,744	0%
			CFDA Total:	$728,544	
4400	66.940	Environmental Policy And State Sustainability Grants			
		E197188001	10/1/2008 - 9/30/2012	$10,245	0%
			CFDA Total:	$10,245	
			Environmental Protection Agency Total:	**$40,652,953**	

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 6/30/2013
Department of Energy

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	81.041	State Energy Program			
	ARRA	ARRADE-EE0000228	4/17/2009 - 9/30/2013	$1,618,067	97%
		DE-EI0000930	9/15/2011 - 9/14/2013	$11,604	0%
		R130472	7/1/2011 - 6/30/2012	$25,798	32%
		R130472	7/1/2012 - 6/30/2013	$314,548	28%
			CFDA Total:	$1,970,017	
0240	81.042	Weatherization Assistance For Low-Income Persons			
	ARRA	ARRAEE00161	4/1/2009 - 9/30/2012	$983,145	95%
		EE00060	7/1/2012 - 9/30/2013	$1,340,377	91%
			CFDA Total:	$2,323,522	
4400	81.087	Renewable Energy Research And Delvelopment			
		EE0002850	5/24/2010 - 12/31/2013	$118,187	0%
			CFDA Total:	$118,187	
0240	81.119	State Energy Program Special Projects			
		DE-EE0005463	9/30/2011 - 9/30/2013	$111,365	79%
			CFDA Total:	$111,365	
0240	81.122	Electricity Delivery And Energy Reliability, Research, Delvelopment And Analysis			
8100	ARRA	ARRA DE-EE0000163	1/1/2010 - 12/31/2012	$27,097	0%
	ARRA	ARRADE-EE0000100	8/12/2009 - 2/14/2013	$95,303	85%
			CFDA Total:	$122,400	
0240	**81.128**	**Energy Efficiency and Conservation Block Grant Program**			
	ARRA	**ARRADE-EE0003576**	**6/1/2010 - 11/1/2014**	**$5,368,139**	**98%**
	ARRA	**ARRAEE0000668**	**9/10/2009 - 9/9/2012**	**$2,240,947**	**99%**
			CFDA Total:	**$7,609,086**	
			Department of Energy Total:	**$12,254,577**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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			
		37017	7/1/2012 - 6/30/2013	$10,924	0%
5600		V002A100030 116 7004	7/1/2010 - 9/30/2011	$96,547	100%
5600		V002A110030 216 7004	7/1/2011 - 9/30/2012	$991,491	100%
5600		V002A120030 316 7004	7/1/2011 - 9/30/2014	$612,591	50%
			CFDA Total:	$1,711,553	
5600	**84.010**	**Title I Grants To Local Educational Agencies (Note 7)**			
		S010A090029 019 3261	**7/1/2009 - 9/30/2010**	**$39,405**	**100%**
		S010A100029 119 3261	**7/1/2010 - 9/30/2011**	**$3,316,979**	**100%**
		S010A110029 219 3261	**7/1/2011 - 9/30/2012**	**$24,069,406**	**100%**
		S010A120029 319 1131	**7/1/2012 - 9/30/2014**	**$47,846**	**0%**
		S010A120029 319 2183	**7/1/2012 - 9/30/2014**	**$333**	**0%**
		S010A120029 319 3261	**7/1/2012 - 9/30/2014**	**$16,859,060**	**98%**
		S010A120029 319 6114	**7/1/2012 - 9/30/2014**	**$7,052**	**0%**
			CFDA Total:	**$44,340,081**	
5600	84.011	Migrant Education - State Grant Program			
		S011A100029 125 3261	7/1/2010 - 9/30/2011	$7,568	0%
		S011A100029 125 3266	7/1/2010 - 9/30/2011	$28,425	38%
		S011A110029 225 3261	7/1/2011 - 9/30/2013	$20,667	0%
		S011A110029 225 3266	7/1/2011 - 9/30/2013	$105,176	38%
		S011A120029	7/1/2012 - 9/30/2014	$39,154	0%
		S011A120029 325 3261	7/1/2012 - 9/30/2014	$8,188	0%
			CFDA Total:	$209,178	
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth			
		S013A090029 021 3261	7/1/2009 - 9/30/2010	$57,495	100%
		S013A100029 121 3261	7/1/2010 - 9/30/2011	$187,389	100%
		S013A110029 221 3261	7/1/2011 - 9/30/2013	$42,313	99%
		S013A120029 321 3261	7/1/2012 - 9/30/2014	$4,932	0%
			CFDA Total:	$292,129	
5600	**84.027**	**Special Education - Grants To States (Note 7)**			
		H027A100103 123 4110	**7/1/2010 - 9/30/2011**	**$9,782,139**	**100%**
		H027A110103 223 4110	**7/1/2011 - 9/30/2012**	**$14,595,272**	**99%**
		H027A120103 323 2184	**7/1/2012 - 9/30/2014**	**$93,501**	**0%**
		H027A120103 323 4110	**7/1/2012 - 9/30/2013**	**$26,075,657**	**94%**
		H027A120103 323 6156	**7/1/2012 - 9/30/2013**	**$53,915**	**0%**
			CFDA Total:	**$50,600,484**	
4600	**84.048**	**Career And Technical Education - Basic Grants To States**			
		25005	**3/23/2012 - 9/30/2012**	**$9,899**	**0%**
5600		**V048A100029 115 6032**	**7/1/2010 - 9/30/2011**	**$102,064**	**72%**
5600		**V048A110029 215 6032**	**7/1/2011 - 9/30/2012**	**$2,246,028**	**88%**
5600		**V048A120029 315 6032**	**7/1/2012 - 9/30/2014**	**$3,144,218**	**94%**
			CFDA Total:	**$5,502,209**	
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**			
		H126A120042 290 4020	**10/1/2011 - 9/30/2013**	**$8,579,313**	**53%**

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		H126A120042 290 4031	**10/1/2011 - 9/30/2013**	**$439,172**	**31%**
		H126A120042 290 4033	**10/1/2011 - 9/30/2013**	**$412,812**	**32%**
		H126A120042 290 4080	**10/1/2011 - 9/30/2013**	**$889,018**	**0%**
		H126A120042 390 4033	**10/1/2012 - 9/30/2014**	**$74,265**	**0%**
		H126A120042 390 4080	**10/1/2012 - 9/30/2014**	**$253,806**	**0%**
		H126A130042 390 4020	**10/1/2012 - 9/30/2014**	**$2,487,772**	**34%**
		H126A130042 390 4031	**10/1/2012 - 9/30/2014**	**$75,510**	**0%**
		H126A130042 390 6156	**10/1/2012 - 9/30/2014**	**$53,712**	**0%**
			CFDA Total:	**$13,265,380**	
5600	84.144	Migrant Education - Coordination Program			
		S144F100029 126 3268	7/1/2010 - 9/30/2011	$29,446	100%
		S144F110029 226 3266	7/1/2011 - 9/30/2013	$52,893	0%
		S144F110029 226 3268	7/1/2011 - 9/30/2013	$23,718	98%
		S144F120029 326 3266	7/1/2012 - 9/30/2014	$22,363	0%
		S144F120029 326 3268	7/1/2012 - 9/30/2014	$1,069	0%
			CFDA Total:	$129,489	
0205	84.161	Rehabilitation Services - Client Assistance Program			
		H161A110030	10/1/2010 - 9/30/2012	$9,198	0%
		H161A120030	10/1/2011 - 9/30/2013	$93,436	0%
			CFDA Total:	$102,634	
5600	84.169	Independent Living - State Grants			
		H169A120043 289 6485	10/1/2011 - 9/30/2013	$152,505	95%
		H169A130043 389 6485	10/1/2012 - 9/30/2014	$161,126	87%
			CFDA Total:	$313,631	
5600	**84.173**	**Special Education - Preschool Grants (Note 7)**			
		H173A110109 124 2184	**7/1/2010 - 9/30/2012**	**$812,619**	**100%**
		H173A110109 224 2184	**7/1/2011 - 9/30/2012**	**$4,424**	**11%**
		H173A120109 324 2184	**7/1/2012 - 9/30/2014**	**$757,850**	**92%**
			CFDA Total:	**$1,574,893**	
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind			
		H177B11029 193 4092	10/1/2010 - 9/30/2012	$25,110	100%
		H177B12029 293 4092	10/1/2011 - 9/30/2013	$70,375	54%
		H177B13029 393 4092	10/1/2012 - 9/30/2014	$149,727	37%
			CFDA Total:	$245,212	
9500	84.181	Special Education Grants For Infants And Families			
		H181A110127	7/1/2011 - 9/30/2012	$500,959	80%
		H181A120127	7/1/2012 - 9/30/2013	$1,585,768	76%
			CFDA Total:	$2,086,727	
5600	84.186	Safe And Drug-Free Schools And Communities - State Grants			
		Q186A090030 010 3095	7/1/2009 - 9/30/2010	$165,925	100%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$165,925	
5600	84.187	Supported Employment Services For Individuals With The Most Significant Disabilities			
		H187A120043 298 4029	10/1/2011 - 9/30/2013	$42,251	100%
		H187A130043 398 4029	10/1/2012 - 9/30/2014	$242,685	100%
			CFDA Total:	$284,936	
5600	84.196	Education For Homeless Children And Youth			
		S196A100030 145 3270	7/1/2010 - 9/30/2011	$34,491	100%
		S196A110030 245 3261	7/1/2011 - 9/30/2013	$24,610	0%
		S196A110030 245 3270	7/1/2011 - 9/30/2012	$59,430	96%
		S196A120030 345 3261	7/1/2012 - 9/30/2014	$6,610	0%
		S196A120030 345 3270	7/1/2012 - 9/30/2013	$49,959	97%
			CFDA Total:	$175,100	
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training			
		H265A100050 295 4081	10/1/2011 - 9/30/2012	$3,059	0%
		H265A100050 395 4081	10/1/2011 - 9/30/2012	$17,385	0%
		H265B100015 291 4081	10/1/2010 - 9/30/2011	$19,301	0%
		H265B100015 391 4081	10/1/2012 - 9/30/2013	$24,047	0%
			CFDA Total:	$63,792	
5600	84.282	Charter Schools			
		U282A100001 154 6424	8/1/2010 - 7/31/2015	$509,470	100%
		U282A100001 254 6424	8/1/2011 - 7/31/2015	$1,370,738	97%
		U282A100001 354 6424	8/1/2012 - 7/31/2015	$111,818	0%
			CFDA Total:	$1,992,026	
5600	**84.287**	**Twenty-First Century Community Learning Centers**			
		S287C100029 143 3277	**7/1/2010 - 9/30/2011**	**$211,944**	**100%**
		S287C120029 343 3277	**7/1/2012 - 9/30/2013**	**$2,077,689**	**91%**
		S287C120029 343 6114	**7/1/2012 - 9/30/2014**	**$17,631**	**0%**
		S387C110029 3277 243	**7/1/2011 - 9/30/2012**	**$3,558,664**	**99%**
			CFDA Total:	**$5,865,928**	
5600	84.318	Educational Technology State Grants			
		S318X090029 005 6101	7/1/2009 - 9/30/2010	$5,554	100%
		S318X100029 105 6101	7/1/2010 - 9/30/2011	$322,215	100%
			CFDA Total:	$327,769	
5600	84.323	Special Education - State Personnel Development			
		H323A070028-10 133 4107	9/1/2010 - 8/31/2011	$18,680	100%
		H323A070028-10 233 4107	9/1/2011 - 8/31/2012	$610,564	77%
		H323A120003 333 4107	9/1/2012 - 8/31/2017	$70,335	29%
			CFDA Total:	$699,579	
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)			

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		S330B110020 135 3273	3/1/2010 - 2/28/2011	$2,986	100%
		S330B120021 335 3273	8/1/2012 - 2/28/2013	$10,471	100%
			CFDA Total:	$13,457	
5600	84.358	Rural Education			
		S358B100029 149 3278	7/1/2010 - 9/30/2011	$173,417	100%
		S358B110029 249 3278	7/1/2011 - 9/30/2012	$451,591	100%
		S358B120029 349 2183	7/1/2012 - 9/30/2013	$36,295	0%
		S358B120029 349 3278	7/1/2012 - 9/30/2013	$216,766	99%
			CFDA Total:	$878,069	
5600	84.365	English Language Acquisition State Grants			
		T365A090029 065 6114	7/1/2009 - 9/30/2010	$110	100%
		T365A100029 165 3095	7/1/2010 - 9/30/2011	$1,634	0%
		T365A100029 165 6114	7/1/2010 - 9/30/2011	$275,939	100%
		T365A110029 265 2183	7/1/2011 - 9/30/2012	$1,530	0%
		T365A110029 265 6114	7/1/2011 - 9/30/2012	$450,227	77%
		T365A120029 265 3261	7/1/2011 - 9/30/2012	$8,203	0%
		T365A120029 365 6114	7/1/2012 - 9/30/2013	$72,242	89%
			CFDA Total:	$809,885	
5600	84.366	Mathematics And Science Partnerships			
		S366B100030 148 3279	7/1/2010 - 9/30/2011	$283,131	100%
		S366B110030 248 3279	7/1/2011 - 9/30/2012	$277,325	99%
		S366B120030 348 3279	7/1/2012 - 9/30/2013	$196,021	56%
		S366B120030 348 6424	7/1/2012 - 9/30/2013	$12,508	0%
			CFDA Total:	$768,985	
5600	**84.367**	**Improving Teacher Quality State Grants**			
		S367A090028 062 2183	**7/1/2009 - 9/30/2010**	**$85,371**	**80%**
		S367A100028 162 2183	**7/1/2010 - 9/30/2011**	**$2,647,848**	**100%**
		S367A100028 162 3095	**7/1/2010 - 9/30/2011**	**$30,808**	**0%**
		S367A110028 262 2183	**7/1/2011 - 9/30/2012**	**$4,873,211**	**99%**
		S367A120028 362 2183	**7/1/2012 - 9/30/2014**	**$4,216,141**	**96%**
		S367A120028 362 3261	**7/1/2012 - 9/30/2014**	**$3,219**	**0%**
		S367B100026 161 2183	**7/1/2010 - 9/30/2011**	**$246,892**	**100%**
		S367B110026 261 2183	**7/1/2011 - 9/29/2012**	**$73,209**	**98%**
		S367B120026 361 2183	**7/1/2012 - 9/30/2014**	**$15,947**	**0%**
			CFDA Total:	**$12,192,646**	
5600	84.368	Grants For Enhanced Assessment Instruments			
		S368A100008 5067 131	10/1/2010 - 5/31/2012	$879,202	100%
			CFDA Total:	$879,202	
5600	84.369	Grants For State Assessments And Related Activities			
		S369A100030 159 6422	7/1/2010 - 9/30/2011	$30,669	94%
		S369A110030 259 3261	7/1/2011 - 9/30/2012	$34,091	0%
		S369A110030 259 6422	7/1/2011 - 9/30/2012	$664,367	41%
		S369A120030 359 3261	7/1/2012 - 9/30/2014	$12,630	0%
		S369A120030 359 6422	7/1/2012 - 9/30/2014	$3,139,522	96%

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$3,881,279	
5600	84.371	Striving Readers			
		S371B100026 151 3274	10/1/2010 - 9/30/2011	$19,631	81%
			CFDA Total:	$19,631	
5600	84.372	Statewide Data Systems			
		R372A12011 330 6156	8/1/2012 - 7/31/2013	$837,901	0%
			CFDA Total:	$837,901	
5600	**84.377**	**School Improvement Grants (Note 7)**			
		S377A080031 917 1131	**7/1/2008 - 9/30/2009**	**$56,368**	**100%**
		S377A090030 017 1131	**7/1/2009 - 9/30/2010**	**$409,951**	**100%**
		S377A100030 117 1131	**7/1/2010 - 9/30/2011**	**$1,398,807**	**97%**
		S377A100030 117 3261	**7/1/2010 - 9/30/2011**	**$681**	**0%**
		S377A100030 317 2183	**7/1/2012 - 9/30/2013**	**$9,908**	**0%**
		S377A110030 317 1131	**7/1/2012 - 9/30/2013**	**$510,920**	**96%**
			CFDA Total:	**$2,386,635**	
5600	84.378	College Access Challenge Grant Program			
		P378A100050 137 1861	8/14/2010 - 8/30/2011	$308,283	88%
		P378A110050 237 1861	8/14/2011 - 8/30/2012	$707,802	97%
		P378A120050 337 1861	8/14/2012 - 8/30/2013	$708,514	99%
			CFDA Total:	$1,724,599	
5600	84.387	Education For Homeless Children And Youth, Recovery Act			
	ARRA	ARRA S387A090030 0811 R95	2/17/2009 - 9/30/2010	$(6,610)	100%
			CFDA Total:	$(6,610)	
5600	**84.388**	**School Improvement Grants Recovery Act (Note 7)**			
	ARRA	**ARRA S388A090030A R100 810**	**2/17/2009 - 1/3/2012**	**$3,063,836**	**96%**
			CFDA Total:	**$3,063,836**	
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**	**$751,113**	**100%**
			CFDA Total:	**$751,113**	
5600	84.410	Education Jobs Fund			
		S410A100030 7550 127	8/10/2010 - 9/30/2012	$1,383,643	100%
			CFDA Total:	$1,383,643	
5600	84.999	No Program Title			
		ED-03-CO-0067 6145	1/22/2008 - 9/30/2008	$8,698	0%
		ED-03-CO-0067 6421	1/22/2008 - 9/30/2008	$184,638	0%
		ED-08-CO-0078 6156 Can 932	7/8/2009 - 6/30/2010	$42,056	0%
			CFDA Total:	$235,392	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013

Department of Education

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			Department of Education Total:	**$159,768,318**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	$698,142	0%
			CFDA Total:	$698,142	
			U.S. Election Assistance Commission Total:	**$698,142**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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			
		STTMP051012	10/1/2012 - 9/30/2013	$141,774	0%
			CFDA Total:	$141,774	
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation			
		12AANHT7SP	10/1/2011 - 9/30/2012	$195	0%
		13AANHT7SP	10/1/2012 - 9/30/2013	$23,626	0%
			CFDA Total:	$23,821	
9500	93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals			
		12AANHT7SP	10/1/2011 - 9/30/2012	$23,240	0%
			CFDA Total:	$23,240	
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services			
		11AANHTS3P	10/1/2010 - 9/30/2011	$(3,995)	0%
		12AANHTS3P	10/1/2011 - 9/30/2012	$66,206	0%
			CFDA Total:	$62,211	
9500	**93.044**	**Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 7)**			
		12AANHT3SP	**10/1/2011 - 9/30/2012**	**$374,068**	**0%**
		13AANHT3SP	**10/1/2012 - 9/30/2013**	**$1,519,073**	**0%**
			CFDA Total:	**$1,893,141**	
9500	**93.045**	**Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 7)**			
		11AANHTS3P	**10/1/2010 - 9/30/2011**	**$280**	**0%**
		12AANHT3SP	**10/1/2011 - 9/30/2012**	**$1,318,505**	**0%**
		12AANHTS3P	**10/1/2011 - 9/30/2012**	**$1,309,123**	**0%**
		13AANHT3SP	**10/1/2012 - 9/30/2013**	**$680,293**	**0%**
		13AANHTS3P	**10/1/2012 - 9/30/2013**	**$110,963**	**0%**
			CFDA Total:	**$3,419,164**	
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects			
		90MP0073	9/30/2010 - 1/31/2012	$23,284	0%
		90MP0176	6/1/2012 - 5/31/2015	$158,573	0%
		90SP0029	9/30/2012 - 9/29/2013	$28,111	0%
			CFDA Total:	$209,968	
9500	93.052	National Family Caregiver Support, Title III, Part E			
		11AANHTS3P	10/1/2010 - 9/30/2011	$224,099	0%
		12AANHTS3P	10/1/2011 - 9/30/2012	$458,037	0%
			CFDA Total:	$682,136	
9500	**93.053**	**Nutrition Services Incentive Program (Note 7)**			
		12AANHNSIP	**10/1/2011 - 9/30/2012**	**$622,121**	**0%**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		13AANHNSIP	**10/1/2012 - 9/30/2013**	**$558,175**	**0%**
			CFDA Total:	**$1,180,296**	
9500	93.069	Public Health Emergency Preparedness			
		1U90TP000535	7/1/2012 - 6/30/2013	$3,891,684	36%
		UTP1170112	8/10/2011 - 8/9/2013	$1,400,411	36%
			CFDA Total:	$5,292,095	
9500	93.070	Environmental Public Health And Emergency Response			
		EH000509	9/1/2011 - 8/31/2012	$113,560	0%
		EH000509	9/1/2012 - 8/31/2013	$190,936	0%
		UEH000820	9/1/2011 - 5/31/2013	$170,618	0%
			CFDA Total:	$475,114	
9500	93.072	Lifespan Respite Care Program			
		90LR0009/01	9/30/2009 - 9/29/2012	$10,802	0%
			CFDA Total:	$10,802	
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program			
		01NHPREP	8/2/2010 - 9/30/2012	$195,951	0%
		01NHPREP	10/1/2010 - 9/30/2013	$196,891	0%
			CFDA Total:	$392,842	
9500	93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants			
		90FX000302	10/1/2011 - 9/30/2012	$678,323	0%
		90FX000303	10/1/2012 - 9/30/2013	$2,598,503	0%
			CFDA Total:	$3,276,826	
9500	93.103	Food And Drug Administration - Research			
		UFD003822-03	7/1/2011 - 9/15/2012	$146,568	0%
			CFDA Total:	$146,568	
9500	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED)			
		1H79SM060636-01	9/30/2011 - 6/29/2013	$224,261	100%
			CFDA Total:	$224,261	
9500	93.110	Maternal And Child Health Federal Consolidated Programs			
		H18MC00033	2/1/2012 - 11/30/2012	$69,426	0%
		H18MC00033	12/1/2012 - 11/30/2014	$41,779	0%
		H25MC00249C0	6/1/2011 - 7/31/2013	$11,216	0%
		H98MC21589	2/1/2011 - 8/31/2013	$120,629	0%
			CFDA Total:	$243,050	
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program			
		UPS1078689	1/1/2012 - 12/31/2012	$85,860	0%
		UPS1078689	1/1/2013 - 12/31/2013	$60,027	0%

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$145,887	
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices			
		U68HP11508	4/1/2012 - 3/31/2013	$45,346	0%
		U68HP11508	4/1/2013 - 3/31/2014	$20,398	0%
			CFDA Total:	$65,744	
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs			
		UCE002022	8/1/2011 - 7/31/2013	$166,719	0%
		VCE001133	11/1/2010 - 10/31/2012	$50,970	0%
		VCE002253	11/1/2012 - 10/31/2013	$56,288	0%
			CFDA Total:	$273,977	
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)			
		2X06SM016030-12	7/1/2012 - 6/30/2013	$297,724	97%
			CFDA Total:	$297,724	
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	$12,500	0%
		214-2012-M-5229	9/30/2012 - 9/29/2013	$26,698	0%
			CFDA Total:	$39,198	
4400	93.204	Surveillance of Hazardous Substance Emergency Events			
		5U61TS000176-03	4/1/2013 - 3/31/2014	$299,211	0%
			CFDA Total:	$299,211	
9500	93.217	Family Planning - Services			
		01H000036A	12/31/2011 - 12/30/2012	$504,020	68%
		HPA016063	12/31/2012 - 12/30/2013	$278,368	68%
			CFDA Total:	$782,388	
9500	93.235	Affordable Care Act (ACA) Abstinence Education Program			
		01NHAEGP	10/1/2010 - 9/30/2012	$73,031	100%
		01NHAEGP	10/1/2011 - 9/30/2013	$44,340	100%
			CFDA Total:	$117,371	
9500	93.236	Grants To States To Support Oral Health Workforce Activities			
		T12HP24715	9/2/2012 - 8/31/2013	$19,247	100%
			CFDA Total:	$19,247	
9500	93.241	State Rural Hospital Flexibility Program			
		H54RH00022	9/1/2011 - 8/31/2012	$150,159	0%
		H54RH0022	9/1/2012 - 8/31/2013	$145,847	0%
			CFDA Total:	$296,006	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance			
		10SP18654A	10/1/2012 - 9/30/2013	$37,659	0%
		12SP19425A	10/1/2012 - 9/30/2013	$474,891	0%
		HHSS2832007000201	12/21/2010 - 9/15/2011	$1,372	0%
		HHSS2832007000201	1/24/2011 - 9/29/2011	$67,260	0%
		HR1SM059985	9/30/2010 - 9/29/2013	$86,705	94%
			CFDA Total:	$667,887	
9500	93.251	Universal Newborn Hearing Screening			
		MC00034	4/1/2012 - 3/31/2013	$130,197	0%
		MC00034	4/1/2013 - 3/31/2014	$22,326	0%
			CFDA Total:	$152,523	
9500	93.262	Occupational Safety And Health Program			
		OH009853	7/1/2011 - 6/30/2012	$12,539	0%
		OH009853	7/1/2012 - 6/30/2013	$99,345	0%
			CFDA Total:	$111,884	
9500	**93.268**	**Immunization Cooperative Agreements (Note 3)**			
		CCH122555	**1/1/2012 - 12/31/2012**	**$1,216,932**	**0%**
		HIP000757	**1/1/2013 - 12/31/2013**	**$491,317**	**0%**
		N/A	**7/1/2012 - 6/30/2013**	**$8,070,711**	**100%**
			CFDA Total:	**$9,778,960**	
9500	93.270	Adult Viral Hepatitis Prevention And Control			
		UPS000887A	11/1/2011 - 10/31/2012	$51,078	0%
		UPS004062A	11/1/2012 - 10/31/2013	$62,681	0%
			CFDA Total:	$113,759	
9500	93.275	Substance Abuse And Mental Health Services - Access To Recovery			
		10T123117A	10/1/2012 - 9/30/2013	$1,796,597	0%
			CFDA Total:	$1,796,597	
9500	93.283	Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical			
		1U50OE000034	9/1/2012 - 8/31/2013	$4,157	0%
		DP000798	6/30/2011 - 6/29/2012	$491,462	0%
		DP001979	3/29/2012 - 3/28/2013	$1,005,687	7%
		DP001979	3/29/2013 - 3/28/2014	$220,693	7%
		UCK000256A	1/1/2012 - 12/31/2012	$245,828	0%
		UCK000256A	1/1/2013 - 12/31/2013	$33,452	0%
		UDD000827	7/1/2011 - 6/30/2012	$18,365	0%
		UDD000827	7/1/2012 - 6/30/2013	$109,630	0%
		UDP003930	6/30/2012 - 6/29/2013	$1,766,145	0%
		USO000011	3/29/2012 - 3/28/2013	$435,815	0%
		USO000011	3/29/2013 - 3/28/2014	$121,301	0%
			CFDA Total:	$4,452,535	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.301	Small Rural Hospital Improvement Grant Program			
		H3HRH00028	9/1/2011 - 8/31/2012	$112	0%
		H3HRH00028	9/1/2012 - 8/31/2013	$112,000	0%
			CFDA Total:	$112,112	
9500	93.448	Food Safety And Security Monitoring Project			
		FD003164	7/1/2012 - 6/30/2013	$413,237	0%
		UFD003822B-02	9/15/2012 - 8/31/2013	$253,723	0%
			CFDA Total:	$666,960	
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program			
		MC19420	7/15/2010 - 9/30/2012	$78,137	83%
		MC23118	9/30/2011 - 9/29/2013	$863,357	92%
		MC23153	9/30/2011 - 9/29/2012	$50,489	83%
		MC23153	9/30/2011 - 9/30/2014	$668,970	83%
			CFDA Total:	$1,660,953	
9500	93.507	PPHF 2012 National Public Health Improvement Initiative			
		001289IH	9/30/2012 - 9/29/2013	$129,476	0%
		001289NP	9/30/2011 - 9/29/2012	$124,853	0%
			CFDA Total:	$254,329	
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review			
		PRPPR120031-01-01	10/1/2011 - 9/30/2014	$1,537,761	0%
			CFDA Total:	$1,537,761	
9500	93.517	Affordable Care Act – Aging and Disability Resource Center			
		90RO002801	9/30/2012 - 9/29/2015	$21,263	0%
			CFDA Total:	$21,263	
9500	93.518	Affordable Care Act - Medicare Improvements For Patients And Providers			
		10AANHMADR	9/30/2010 - 9/29/2012	$14,325	0%
			CFDA Total:	$14,325	
9500	93.520	Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Preventi			
		001979TP-02	9/30/2010 - 9/29/2012	$57	100%
		001979TP-03	9/30/2011 - 9/29/2012	$80,488	100%
			CFDA Total:	$80,545	
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity			
		CI0000874	8/1/2011 - 7/31/2013	$64,563	0%
		CI000874	8/1/2011 - 7/31/2012	$640,024	0%
		CI000874-02S1	8/1/2011 - 7/31/2012	$33,342	0%
		CI000874-02S2	8/1/2011 - 7/31/2013	$69,858	0%

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$807,787	
2400	93.525	State Planning And Establishment Grants For The Affordable Care Act (ACA)s Exchanges			
		HBEIE130153-01-00	2/15/2013 - 2/14/2014	$146,462	0%
			CFDA Total:	$146,462	
9500	93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project			
		1B1CM330880-01	9/13/2011 - 9/12/2016	$1,664,410	90%
			CFDA Total:	$1,664,410	
9500	93.538	Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation			
		EH000947	8/1/2011 - 7/31/2012	$260,104	18%
		EH000947	8/1/2012 - 7/31/2013	$493,091	0%
			CFDA Total:	$753,195	
9500	93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated			
		001979CD	9/1/2011 - 8/31/2012	$138,061	0%
		001979CD	9/1/2012 - 8/31/2013	$114,333	0%
			CFDA Total:	$252,394	
9500	93.548	PPHF 2013: State Nutrition, Physical Activity and Obesity Program - financed in part by 2013 PPHF			
		DP001471	6/30/2011 - 6/29/2012	$80,843	0%
		DP001471	6/30/2012 - 6/29/2013	$299,135	0%
			CFDA Total:	$379,978	
9500	93.556	Promoting Safe And Stable Families			
		1201NHFPSS	10/1/2011 - 9/30/2012	$172,819	0%
		1211NHFPCV	10/1/2011 - 9/30/2012	$10,399	0%
		1301NHFPSS	10/1/2012 - 9/30/2013	$423,811	0%
		1311NHFPCV	10/1/2012 - 9/30/2013	$31,576	0%
			CFDA Total:	$638,605	
9500	**93.558**	**Temporary Assistance For Needy Families (TANF)**			
		1202NHTANF	**10/1/2011 - 9/30/2012**	**$8,595,462**	**0%**
		1302NHTANF	**10/1/2012 - 9/30/2013**	**$18,193,456**	**0%**
			CFDA Total:	**$26,788,918**	
2700	**93.563**	**Child Support Enforcement**			
9500		**1204NH4004-400**	**10/1/2011 - 9/30/2012**	**$2,552,643**	**0%**
9500		**1304NH4004-400**	**10/1/2012 - 9/30/2013**	**$7,779,858**	**0%**
9500	**ARRA**	**ARRA04NH4002**	**10/1/2012 - 9/30/2013**	**$12,490**	**0%**
		NONE	**7/1/2011 - 6/30/2012**	**$3,867**	**0%**

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$10,348,858**	
9500	93.566	Refugee And Entrant Assistance - State Administered Programs			
		1201NHCMAR	10/1/2011 - 9/30/2012	$151,994	0%
		1201NHRRSS	10/1/2011 - 9/30/2012	$80,122	0%
		1301NHCMAR	10/1/2012 - 9/30/2013	$581,377	0%
		1301NHRRSS	10/1/2012 - 9/30/2013	$418,691	0%
		90RX0601	10/1/2011 - 9/30/2012	$23,368	0%
		90RX0602	10/1/2012 - 9/30/2013	$77,426	0%
			CFDA Total:	$1,332,978	
0240	**93.568**	**Low-Income Home Energy Assistance**			
		G-11B1NHLIEA	**10/1/2010 - 9/30/2012**	**$2,712,322**	**100%**
		G-12B1NHLIEA	**10/1/2011 - 9/30/2013**	**$3,884,895**	**99%**
		G-13B1NHLIEA	**10/1/2012 - 9/30/2014**	**$22,082,056**	**99%**
			CFDA Total:	**$28,679,273**	
9500	93.569	Community Services Block Grant			
		12B1NHCOSR	10/1/2011 - 9/30/2012	$822,220	0%
		13B1NHCOSR	10/1/2012 - 9/30/2013	$2,627,343	0%
			CFDA Total:	$3,449,563	
9500	**93.575**	**Child Care and Development Block Grant (Note 7)**			
		1201NHCCDF	**10/1/2011 - 9/30/2012**	**$2,226,612**	**0%**
		1301NHCCDF	**10/1/2012 - 9/30/2013**	**$5,446,097**	**0%**
			CFDA Total:	**$7,672,709**	
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants			
		90RL016801	10/1/2012 - 9/30/2013	$12,157	0%
		90ZE012502	10/1/2011 - 9/30/2012	$33,086	0%
		90ZE016201	10/1/2012 - 9/30/2013	$161,861	0%
			CFDA Total:	$207,104	
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants			
		90RT015201	10/1/2011 - 9/30/2012	$38,191	0%
		90RT015202	10/1/2012 - 9/30/2013	$197,718	0%
			CFDA Total:	$235,909	
1000	93.586	State Court Improvement Program			
		2011G991512	10/1/2010 - 9/30/2012	$40,225	0%
		2011G991513	10/1/2010 - 9/30/2012	$75,168	0%
		2011G996437	10/1/2012 - 9/30/2012	$30,469	0%
		2012G991512	10/1/2011 - 9/30/2013	$7,266	0%
		2012G991513	10/1/2011 - 9/30/2013	$76,748	0%
		2012G996437	10/1/2011 - 9/30/2013	$61,775	0%
			CFDA Total:	$291,651	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 7)**			
		1201NHCCDF	**10/1/2011 - 9/30/2012**	**$2,718,421**	**0%**
		1301NHCCDF	**10/1/2012 - 9/30/2013**	**$8,393,356**	**0%**
			CFDA Total:	**$11,111,777**	
9500	93.597	Grants To States For Access And Visitation Programs			
		1201NHSAVP	10/1/2011 - 9/30/2012	$25,494	0%
		1301NHSAVP	10/1/2012 - 9/30/2013	$126,870	0%
			CFDA Total:	$152,364	
9500	93.599	Chafee Education And Training Vouchers Program (ETV)			
		1201NHCETV	10/1/2011 - 9/30/2012	$14,067	0%
		1301NHCETV	10/1/2012 - 9/30/2013	$46,127	0%
			CFDA Total:	$60,194	
9500	93.600	Head Start			
		01CD002401	10/1/2011 - 9/30/2012	$29,432	0%
		01CD002402	10/1/2012 - 9/30/2013	$101,635	0%
			CFDA Total:	$131,067	
9500	93.603	Adoption Incentive Payments			
		1101NHAIPP	10/1/2011 - 9/30/2012	$1,251	0%
		1201NHAIPP	10/1/2012 - 9/30/2013	$38,913	0%
			CFDA Total:	$40,164	
9500	93.609	The Affordable Care Act – Medicaid Adult Quality Grants			
		AMQG131103	10/1/2012 - 9/30/2013	$7,068	0%
			CFDA Total:	$7,068	
9500	93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance			
		1G1CMS331172-01	4/1/2013 - 9/30/2013	$14,954	0%
			CFDA Total:	$14,954	
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants			
		G994902	10/1/2012 - 9/30/2013	$520,013	0%
			CFDA Total:	$520,013	
2000	93.643	Children's Justice Grants To States			
		G-1001NHCJA1	10/1/2010 - 9/30/2012	$3,817	0%
		G-1001NHCJA1	10/1/2010 - 9/30/2012	$57,081	50%
		G-1101NHCJA1	10/1/2011 - 9/30/2013	$24,116	50%
		G1101NHCJA1	10/1/2011 - 9/30/2013	$61,338	0%
			CFDA Total:	$146,352	
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program			
		1201NH1400	10/1/2011 - 9/30/2012	$332,611	0%

(Continued)

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		1301NHCWSS	10/1/2012 - 9/30/2013	$1,083,362	0%
			CFDA Total:	$1,415,973	
9500	**93.658**	**Foster Care - Title IV-E**			
		1201NH1401	**10/1/2011 - 9/30/2012**	**$4,021,339**	**0%**
		1301NH1401	**10/1/2012 - 9/30/2013**	**$12,518,195**	**0%**
			CFDA Total:	**$16,539,534**	
9500	93.659	Adoption Assistance			
		1201NH1407	10/1/2011 - 9/30/2012	$1,042,990	0%
		1301NH1407	10/1/2012 - 9/30/2013	$3,114,550	0%
			CFDA Total:	$4,157,540	
9500	**93.667**	**Social Services Block Grant**			
		1101NHSOSR	**10/1/2011 - 9/30/2012**	**$1,931,626**	**0%**
		1201NHSOSR	**10/1/2012 - 9/30/2013**	**$4,461,102**	**0%**
			CFDA Total:	**$6,392,728**	
9500	93.669	Child Abuse And Neglect State Grants			
		1201NHCA01	10/1/2011 - 9/30/2012	$9,924	0%
		1301NHCA01	10/1/2012 - 9/30/2013	$22,138	0%
			CFDA Total:	$32,062	
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes			
		1201NHFVPS	10/1/2011 - 9/30/2012	$208,000	0%
		1301NHFVPS	10/1/2012 - 9/30/2013	$615,069	0%
			CFDA Total:	$823,069	
9500	93.674	Chafee Foster Care Independent Program			
		1201NH1420	10/1/2011 - 9/30/2012	$115,251	0%
		1301NH1420	10/1/2012 - 9/30/2013	$362,883	0%
			CFDA Total:	$478,134	
9500	93.719	ARRA - State Grants to Promote Health Information Technology			
	ARRA	ARRA90HT001301	10/1/2012 - 9/30/2013	$1,792,656	0%
			CFDA Total:	$1,792,656	
9500	93.723	ARRA - Prevention And Wellness - State, Territories And Pacific Islands			
	ARRA	001979OS	2/4/2010 - 7/3/2012	$1,736	0%
			CFDA Total:	$1,736	
9500	93.744	PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories Solely Financed by 2012 Prevention And Public Health Funds			
		DP004089	9/30/2012 - 9/29/2013	$72,994	0%
			CFDA Total:	$72,994	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	**93.767**	**Children`s Health Insurance Program**			
		1205NH5021	**10/1/2011 - 9/30/2012**	**$4,562,999**	**0%**
		1305NH5021	**10/1/2012 - 9/30/2013**	**$8,909,861**	**0%**
			CFDA Total:	**$13,472,860**	
9500	93.768	Medicaid Infrastructure Grants To Support The Competitive Employment Of People With Disabilities			
		1QACMS300123-05	1/1/2011 - 12/31/2012	$268,277	95%
			CFDA Total:	$268,277	
2000	**93.775**	**State Medicaid Fraud Control Units (Note 7)**			
		1201NH5050	**10/1/2012 - 9/30/2013**	**$642,739**	**0%**
			CFDA Total:	**$642,739**	
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVII) Medicare (Note 7)**			
		1205NH5000	**10/1/2011 - 9/30/2012**	**$365,534**	**0%**
		1205NH5001	**10/1/2011 - 9/30/2012**	**$178,121**	**0%**
		1205NH5002	**10/1/2011 - 9/30/2012**	**$19,707**	**0%**
		1305NH5000	**10/1/2012 - 9/30/2013**	**$1,207,944**	**0%**
		1305NH5001	**10/1/2012 - 9/30/2013**	**$443,625**	**0%**
		1305NH5002	**10/1/2012 - 9/30/2013**	**$94,569**	**0%**
			CFDA Total:	**$2,309,500**	
9500	**93.778**	**Medical Assistance Program (Note 7)**			
		05-1205NHBIPP	**4/1/2012 - 9/30/2015**	**$321,152**	**98%**
		1205NH5ADM	**10/1/2011 - 9/30/2012**	**$13,405,126**	**0%**
		1205NH5MAP	**10/1/2011 - 9/30/2012**	**$149,126,639**	**0%**
		1205NH5MAP	**10/1/2012 - 9/30/2013**	**$443,621,298**	**0%**
		1305NH5ADM	**10/1/2012 - 9/30/2013**	**$43,253,372**	**0%**
	ARRA	**ARRA05NHHITA**	**10/1/2012 - 12/31/2012**	**$5,062,963**	**0%**
		N/A	**10/1/2011 - 9/30/2012**	**$66,315**	**0%**
			CFDA Total:	**$654,856,865**	
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations			
		1LI300148A	10/1/2012 - 9/30/2013	$2,016,806	0%
		1N0CMS020220	9/28/1991 - 3/31/2016	$379,000	0%
		1X0CMS330779	9/30/2010 - 9/29/2012	$35,147	0%
			CFDA Total:	$2,430,953	
9500	93.889	National Bioterrorism Hospital Preparedness Program			
		1U90TP000535	7/1/2012 - 6/30/2013	$1,764,403	54%
			CFDA Total:	$1,764,403	
9500	93.913	Grants To States For Operation Of Offices Of Rural Health			
		H95RH00149	7/1/2012 - 6/30/2013	$154,793	0%
			CFDA Total:	$154,793	

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.917	HIV Care Formula Grants			
		HA00003	4/1/2012 - 3/31/2013	$872,440	0%
		HAX070003	4/1/2011 - 3/31/2012	$171,716	0%
			CFDA Total:	$1,044,156	
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	$7,500	100%
		5U87DP001217-05 250 3271	3/1/2011 - 2/28/2012	$183,300	9%
			CFDA Total:	$190,800	
9500	93.940	HIV Prevention Activities - Health Department Based			
		UPS003655A	1/1/2012 - 12/31/2012	$853,768	0%
		UPS003655A	1/1/2013 - 12/31/2013	$132,060	0%
		UPS123494	1/1/2011 - 12/31/2012	$2,661	0%
			CFDA Total:	$988,489	
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			
		UPS001029A	1/1/2012 - 12/31/2012	$88,928	0%
		UPS004014A	1/1/2013 - 12/31/2013	$44,006	0%
			CFDA Total:	$132,934	
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			
		DP002074	8/1/2011 - 7/31/2012	$3	0%
		UDP003156	9/30/2011 - 9/29/2012	$40,596	0%
		UDP003156	9/30/2012 - 9/29/2013	$81,434	0%
		UDP004029	9/1/2012 - 8/31/2013	$6,489	0%
			CFDA Total:	$128,522	
9500	93.958	Block Grants For Community Mental Health Services			
		3B09SM010035-11	10/1/2010 - 9/30/2012	$12,809	100%
		3B09SM010035-12	10/1/2011 - 9/30/2013	$1,466,616	97%
		3B09SM010035-13	10/1/2012 - 9/30/2014	$65,463	0%
		None	10/1/2006 - 9/29/2012	$61,967	80%
			CFDA Total:	$1,606,855	
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**			
		12B1NHSAPT	**10/1/2011 - 9/30/2012**	**$1,474,319**	**0%**
		13B1NHSAPT	**10/1/2012 - 9/30/2013**	**$4,933,303**	**0%**
			CFDA Total:	**$6,407,622**	
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants			
		HPS001345	1/1/2012 - 12/31/2012	$134,340	0%
		HPS001345	1/1/2013 - 12/31/2013	$65,850	0%
			CFDA Total:	$200,190	
9500	93.991	Preventive Health And Health Services Block Grant			

(Continued)

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Health and Human Services

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		B1NHPRVS	10/1/2010 - 9/30/2012	$417,374	0%
		B1NHPRVS	10/1/2011 - 9/30/2013	$448,257	0%
			CFDA Total:	$865,631	
9500	93.994	Maternal And Child Health Services Block Grant To The States			
		B1NHMCHS	10/1/2010 - 9/30/2012	$164,710	100%
		B1NHMCHS	10/1/2011 - 9/30/2013	$402,869	0%
		B1NHMCHS	10/1/2011 - 9/30/2013	$531,911	100%
		B1NHMCHS	10/1/2012 - 9/30/2014	$350,287	0%
			CFDA Total:	$1,449,777	
			Department of Health and Human Services Total:	**$857,911,994**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Executive Office of the President

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4600	95.001	High Intensity Drug Trafficking Areas Program			
		None	10/1/2012 - 9/30/2013	$3,187	0%
			CFDA Total:	$3,187	
			Executive Office of the President Total:	**$3,187**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Social Security Administration

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	**96.001**	**Social Security - Disability Insurance**			
		04-1004NHD100 096 4040	**10/1/2009 - 9/30/2010**	**$11**	**100%**
		04-1104NHD100 196 4040	**10/1/2010 - 9/30/2011**	**$486**	**26%**
		04-1204NHD100 296 4040	**10/1/2011 - 9/30/2012**	**$2,010,923**	**35%**
		04-1304NHD100 396 4040	**10/1/2012 - 9/30/2013**	**$4,116,922**	**26%**
			CFDA Total:	**$6,128,342**	
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries			
		010-056-4050	1/1/1995 - 12/1/2009	$865,520	63%
			CFDA Total:	$865,520	
			Social Security Administration Total:	**$6,993,862**	

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
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	10/1/2011 - 9/30/2012	$405,926	0%
		3312FAS120133	10/1/2012 - 9/30/2013	$709,125	0%
			CFDA Total:	$1,115,051	
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)			
		EMB-2012-GR-0938	10/1/2011 - 9/30/2012	$24,900	0%
		EMB-2013-GR-0951	10/1/2012 - 9/30/2013	$77,376	0%
			CFDA Total:	$102,276	
2300	97.029	Flood Mitigation Assistance			
		EMB-2008-FM-E003	8/15/2008 - 12/31/2012	$54,855	0%
		EMB-2009-FM-E003	9/18/2009 - 9/12/2012	$609	0%
		EMB-2011-FM-E001	5/12/2011 - 4/6/2014	$22,113	99%
		EMB-2011-FM-E003	9/28/2011 - 9/27/2014	$10,548	95%
		EMB-2011-PC-0001	5/28/2010 - 5/27/2014	$194,991	100%
			CFDA Total:	$283,116	
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters)**			
		DRNH 1892 PA	**3/29/2010 - 3/29/2014**	**$762,415**	**100%**
		DRNH 1913 PA	**5/12/2010 - 5/29/2014**	**$111,109**	**100%**
		DRNH 4006 PA	**7/22/2011 - 7/22/2015**	**$1,058**	**0%**
		DRNH 4026 PA	**9/3/2011 - 9/3/2015**	**$1,807,139**	**99%**
		DRNH 4049 PA	**12/5/2011 - 12/5/2015**	**$89,234**	**100%**
		DRNH 4065 PA	**6/15/2012 - 6/14/2016**	**$2,728,410**	**100%**
		DRNH 4095 PA	**11/4/2012 - 11/3/2016**	**$1,864,407**	**100%**
		DRNH 4105 PA	**3/19/2013 - 3/17/2017**	**$1,863,429**	**99%**
		EMNH 3360 PA	**11/4/2012 - 11/3/2016**	**$640,566**	**100%**
			CFDA Total:	**$9,867,767**	
2300	97.039	Hazard Mitigation Grant			
		DRNH 1695 HM	8/26/2008 - 12/31/2012	$201,311	93%
		DRNH 1782 HM	6/30/2009 - 12/31/2012	$63,403	100%
		DRNH 1787 HM	9/5/2008 - 12/11/2012	$470,726	100%
		DRNH 1799 HM	10/3/2008 - 12/11/2012	$319,685	100%
		DRNH 1812 HM	1/2/2009 - 12/31/2012	$529,774	100%
		DRNH 1892 HM	3/29/2010 - 3/29/2014	$436,094	100%
		DRNH 1913 HM	5/12/2010 - 6/30/2014	$115,397	100%
		DRNH 4026 HM	9/3/2012 - 9/3/2016	$240,858	100%
			CFDA Total:	$2,377,248	
4400	97.041	National Dam Safety Program			
		2010-RC-55-0024	10/1/2010 - 9/30/2012	$4,780	0%
		2011-GR-00006	9/30/2011 - 9/30/2012	$26,920	0%
		2012-GR-00067-S01	9/29/2012 - 9/28/2013	$64,499	0%
			CFDA Total:	$96,199	
2300	97.042	Emergency Management Performance Grants			
		2009EPE90044	10/1/2008 - 9/30/2012	$278,813	100%
		2010EPE00052	10/1/2009 - 9/30/2013	$829,827	100%

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		EMW2011EP00023	10/1/2010 - 9/30/2013	$955,078	100%
		EMW2012EP00015	10/1/2010 - 9/30/2014	$336,530	65%
		EMW2012EP00015	10/1/2011 - 9/30/2014	$288,077	0%
		EMW2013EP00015	10/1/2012 - 9/30/2013	$1,019,376	0%
			CFDA Total:	$3,707,701	
2300	97.043	State Fire Training Systems Grants			
		EMW2011GR00119	9/30/2011 - 9/29/2012	$8,337	0%
		EMW2012GR00024	9/30/2012 - 9/29/2013	$23,990	0%
			CFDA Total:	$32,327	
0240	97.045	Cooperating Technical Partners (CTP)			
		EMB-2012-CA-0940	9/15/2012 - 9/14/2013	$45,174	44%
			CFDA Total:	$45,174	
2300	97.047	Pre-Disaster Mitigation			
		EMB2008PC0003	9/8/2008 - 9/30/2012	$20,268	94%
		EMB2009PC0006	7/24/2009 - 7/10/2012	$122,408	99%
		EMB2010PC0005	9/7/2010 - 9/9/2013	$64,804	99%
		EMB2011PC0001	9/27/2011 - 9/18/2014	$5,693	100%
			CFDA Total:	$213,173	
2300	97.055	Interoperable Emergency Communications			
		2009IPT00042	6/1/2009 - 9/30/2012	$76,345	91%
		2010-IP-T0-0054	8/2/2010 - 5/31/2013	$102,482	96%
			CFDA Total:	$178,827	
2300	97.056	Port Security Grant Program			
		2010PUT00083	6/1/2010 - 5/31/2013	$22,784	0%
			CFDA Total:	$22,784	
2300	**97.067**	**Homeland Security Grant Program**			
		2007-GE-T7-0053	**7/1/2007 - 6/30/2012**	**$17,281**	**0%**
		2007GET70053	**7/1/2007 - 6/30/2012**	**$2,812**	**0%**
		2007GET70053	**7/1/2007 - 6/30/2012**	**$2,205,568**	**100%**
		2008-GE-T8-0043	**9/1/2008 - 2/28/2013**	**$1,359,879**	**100%**
		2008GET80043	**9/1/2008 - 2/28/2013**	**$222,852**	**0%**
		2008GET80043	**9/1/2008 - 2/28/2013**	**$1,933,366**	**100%**
		2009-SS-T9-0078	**8/1/2009 - 2/28/2013**	**$1,935,738**	**100%**
		2009SST90078	**8/1/2009 - 2/28/2013**	**$566,453**	**0%**
		2009SST90078	**8/1/2009 - 2/28/2013**	**$2,721,203**	**100%**
		2010-SS-T0-0069	**8/1/2010 - 7/31/2013**	**$266,782**	**0%**
		2010-SS-T0-0069	**8/1/2010 - 7/31/2013**	**$2,152,233**	**100%**
		2010SST00069	**8/1/2010 - 7/31/2013**	**$363,077**	**0%**
		2010SST00069	**8/1/2010 - 7/31/2013**	**$501,859**	**100%**
		EMW2011SS00079	**9/1/2011 - 8/31/2014**	**$169,752**	**0%**
		EMW2011SS00079	**9/1/2011 - 8/31/2014**	**$153,299**	**26%**
		EMW2011SS00079	**9/1/2011 - 8/31/2014**	**$555,568**	**100%**
		EMW2012SS00084	**9/1/2012 - 8/31/2014**	**$5,762**	**0%**
		EMW2012SS00084	**9/1/2012 - 8/31/2014**	**$57,218**	**100%**

(Continued)

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2013
Department of Homeland Security

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/ CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$15,190,702**	
0240	97.070	Map Modernization Management Support			
		EMB-2011-CA-0927	9/13/2011 - 9/13/2012	$57,179	85%
			CFDA Total:	$57,179	
2300	97.089	Driver's License Security Grant Program			
		2010DLT00007	6/1/2010 - 9/30/2013	$125,520	0%
			CFDA Total:	$125,520	
2300	97.092	Repetitie Flood Claims			
		EMB2011RC0001	9/22/2011 - 9/21/2014	$204,294	98%
			CFDA Total:	$204,294	
2300	97.110	Severe Repetitive Loss Program			
		EMB2011SR0001	4/7/2011 - 4/6/2014	$2,049	100%
			CFDA Total:	$2,049	
			Department of Homeland Security Total:	**$33,621,387**	
			Grand Total of All Federal Assistance:	**$1,766,822,917**	

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, 2013

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, 2013, 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 $5,300,469 in federal expenditures, distributions, or issuances for the year ended June 30, 2013. 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 2013. 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 $165,213,275 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, 2013.

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 7.79 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	$ 4,082,774
10.558	Child and Adult Care Food Program	4,538,665
10.565	Commodity Supplemental Food Program	2,064,808
10.569	Emergency Food Assistance Program (Food Commodities)	533,591
	Total	$ 11,219,838

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 $382,401 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 $8,070,711 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	$ 115,695,386
Unemployment Insurance - Administrative Grant	17,188,772
Unemployment Compensation for Ex-servicemen	1,162,957
Unemployment Compensation for Federal Employees	510,564
EUC08 (Non-ARRA)	29,895,113
FAC (Non-ARRA)	(106,435)
Trade Act	400,894
Extended Benefits (Non-ARRA)	(194,367)
ATAA	174,720
Total	$ 164,727,604

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, 2013, the State had expended a cumulative total of $8,620,799 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $9,401,004.

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	$ 165,213,275
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	8,270,874
	SNAP Cluster Total	$ 173,484,149
Child Nutrition Cluster		
10.553	School Breakfast Program	$ 4,584,684
10.555	National School Lunch Program	21,054,367
10.556	Special Milk Program for Children	172,125
10.559	Summer Food Service Program for Children	868,146
	Child Nutrition Cluster Total	$ 26,679,322
Food Distribution Cluster		
10.565	Commodity Supplemental Food Program	$ 2,064,808
10.568	Emergency Food Assistance Program (Administrative Costs)	104,170
10.569	Emergency Food Assistance Program (Food Commodities)	533,591
	Food Distribution Cluster Total	$ 2,702,569
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	$ 5,887,647
15.611	Wildlife Restoration and Basic Hunter Education	2,363,205
	Fish and Wildlife Cluster Total	$ 8,250,852

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA#	PROGRAM TITLE	EXPENDITURES
Employment Service Cluster		
17.207	Employment Service/Wagner – Peyser Funded Activities	$ 3,231,473
17.801	Disabled Veterans' Outreach Program (DVOP)	372,784
17.804	Local Veterans' Employment Representative Program	299,935
	Employment Service Cluster Total	$ 3,904,192
Workforce Investment Act (WIA) Cluster		
17.258	WIA Adult Program	$ 431,541
17.259	WIA Youth Activities	1,903,068
17.278	WIA Dislocated Worker Formula Grants	3,970,958
	WIA Cluster Total	$ 6,305,567
Highway Planning and Construction Cluster		
20.205	Highway Planning And Construction	$ 153,956,550
20.219	Recreational Trails Program	660,107
	Highway Planning and Construction Cluster Total	$ 154,616,657
Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants	$ 527,021
20.507	Federal Transit – Formula Grants	403,304
	Federal Transit Cluster Total	$ 930,325
Transit Services Programs Cluster		
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$ 849,034
20.516	Job Access – Reverse Commute	368,449
20.521	New Freedom Program	201,213
	Transit Services Programs Cluster Total	$ 1,418,696

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Highway Safety Cluster		
20.600	State and Community Highway Safety	$ 1,907,556
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	754,179
20.610	State Traffic Safety Information System Improvement Grants	870,438
20.612	Incentive Grant Program to Increase Motorcyclist Safety	143,324
	Highway Safety Cluster Total	$ 3,675,497
Title I, Part A Cluster		
84.010	Title I Grants to Local Educational Agencies	$ 44,340,081
84.389	Title I Grants to Local Educational Agencies, Recovery Act	751,113
	Title I, Part A Cluster Total	$ 45,091,194
Special Education Cluster		
84.027	Special Education-Grants to States	$ 50,600,484
84.173	Special Education-Preschool Grants	1,574,893
	Special Education Cluster Total	$ 52,175,377
School Improvement Grants Cluster		
84.377	School Improvement Grants	$ 2,386,635
84.388	School Improvement Grants, Recovery Act	3,063,836
	School Improvement Grants Cluster Total	$ 5,450,471
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 1,893,141
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	3,419,164
93.053	Nutrition Services Incentive Program	1,180,296
	Aging Cluster Total	$ 6,492,601

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Child Care and Development Fund (CCDF) Cluster		
93.575	Child Care and Development Block Grant	$ 7,672,709
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	11,111,777
	CCDF Cluster Total	$ 18,784,486
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ 642,739
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,309,500
93.778	Medical Assistance Program	654,856,865
	Medicaid Cluster Total	$ 657,809,104

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SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	**Unmodified**			
Internal control over financial reporting:				
• Material weakness identified?	_____	yes	X	no
• Significant Deficiencies identified that are not considered to be material weaknesses?	X	yes	_____	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:

Special Programs for the Aging-Title III Part B and Title III, Part C/ Nutrition Services Incentive Program- **Qualified**
Social Services Block Grant- **Qualified**
Performance Partnership Grant- **Qualified**
Disaster Grants-Public Assistance- **Qualified**
Low Income Home Energy Assistance - **Qualified**
SportFish Restoration Program/Wildlife Restoration and Basic Hunter Education- **Qualified**
Career and Technical Education- **Qualified**
Twenty First Century Community Learning Centers- **Qualified**
Social Security- Disability Insurance- **Qualified**
School Improvement Grants/ School Improvement Grants –ARRA - **Qualified**
All Other Major Programs- **Unmodified**

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, 2013

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
Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
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
School Improvement Grants Cluster	
84.377	School Improvement Grants
84.388	School Improvement Grants Recovery Act
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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Child Care and Development Fund (CCDF) Cluster	
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
20.106	Airport Improvement Program
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
66.605	Performance Partnership Grants
81.042	Weatherization Assistance for Low-Income Persons
81.128	Energy Efficiency and Conservation Block Grant Program
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation to States
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.268	Immunization Cooperative Agreements
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
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security – Disability Insurance
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs: **$5,300,469**

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part II - Financial Statement Findings

Finding 2013-001 was identified as a significant deficiency 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, 2013

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

NH Department of Health and Human Services	*Finding 2013-001*

Significant Deficiency: Controls over the Processing of Medicaid Claims at the Service Provider

The State of New Hampshire (the State) is responsible for administering the multi-billion dollar Medicaid program. Among its responsibilities related to Medicaid, the State is ultimately responsible for ensuring that Medicaid providers receive compensation for services provided to eligible Medicaid recipients.

The State is responsible for overseeing and paying for the billions of Medicaid claims processed annually. Due to the sheer volume and complexity of Medicaid claims, the State outsources the processing of those Medicaid claims to a third-party service organization. However, although the State outsources the responsibility for processing claims, it is still responsible for ensuring that the service organization has the proper internal controls in place and they are operating effectively to ensure the claims processed that are ultimately accounted for in the State's financial statements are complete and accurate.

To ensure that the service organization has proper internal controls, organizations, including the State, often require service organizations to undergo an audit in accordance with Statement on Standards for Attestation Engagements No. 16 – *Reporting on Controls at a Service Organization,* commonly referred to as a SOC 1 audit. Through fiscal year 2012, the State required its Medicaid service organization to undergo a SOC 1 audit, which the State would then review and rely on as evidence that controls at the service organization are operating effectively.

In March 2013, the State changed Medicaid service providers. The prior service organization last had a SOC 1 audit performed for the period ending June 30, 2012, while the new service organization did not have a SOC 1 audit performed for the period from the transition date through June 30, 2013. As a result, the State had no third-party assurance that the internal controls at either service organization were operating effectively during fiscal year 2013.

We did find that the State performed other procedures and analyses to help ensure that Medicaid-related amounts presented in the financial statements were complete and accurate, which helped mitigate the severity of this finding.

Recommendation:

We understand that the change in service organization precipitated this gap in SOC 1 coverage and the State will be obtaining a SOC 1 report from the new service organization going forward. In the future, should the State find itself in a similar situation with any of its service organizations, we recommend that the State work to ensure there is no gap in SOC 1 coverage during transition.

Management's Response:

We concur. The State has coordinated with the Medicaid service provider to have a SOC 1 audit performed for fiscal year 2014 as required by the contract with the service organization. In addition, the State has taken steps to identify similar service organization arrangements and will monitor that SOC 1 audits and reports are completed and that no gap periods occur in instances where a change in service organization occurs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

PART III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-002***
N.H. Department of Education
CFDA #84.048 Career and Technical Education- Basic Grants to States
CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States
CFDA #96.001 Social Security – Disability Insurance

U.S. Department of Health and Human Services
N.H. Department of Health and Human Services
CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants and Children
CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.268 Substance Abuse and Mental Health Services
CFDA #93.563 Child Support Enforcement (ARRA)
CFDA #93.658 Foster Care – Title IV-E
CFDA #93.667 Social Services Block Grant

U.S. Department of Defense
N.H. National Guard
CFDA #12.401 National Guard Military Operations and Maintenance (ARRA)

U.S. Department of Labor
N.H. Department of Employment Security
CFDA #17.225 Unemployment Insurance

U.S. Department of the Interior
N.H. Department of Fish and Game
CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award: Various

Finding: Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2CFR par 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. This includes establishing controls to provide reasonable assurance that only eligible individuals receive assistance under federal awards and the amounts provided to or on behalf of eligible individuals were calculated and are allowable in accordance with program requirements.

Condition:

On February 23, 2013, the NHFIRST Human Resources/Payroll Lawson System (Lawson or System) was implemented for certain state agencies. As a result of the system implementation of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System were determined to be ineffective.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

In the System, application roles are used to control user access privileges. However, we noted that privileged access (access to all application functions and capabilities) had been granted to 45 application users and the job responsibilities of some of these individuals was not properly aligned with their assigned roles.

The System utilizes an Oracle database. It was noted that system enforced password parameters, with the exception account lockout after 3 failed log-on attempts, were not in place.

For terminated users, access to system software should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to Lawson was not removed in a timely manner for the 5 sample selections made, with the duration of time between termination date and removal of access ranging from one month to six months.

As with most IT operations, formal testing and authorization of hardware and software changes, including application operating system changes, is required prior to migration to production. During our review, we determined that evidence of testing and subsequent authorization of changes was not consistently or comprehensively documented on the change request forms stored in the system's change tracking application, and for certain selected changes, the change request form was not available. Further, it was noted that one individual has the ability to both develop and migrate changes without involvement from any other parties.

Processing and monitoring of backup jobs should be monitored and backup tapes should be stored in a secure offsite storage area. During our review, we determined that documentation relative to monitoring of the daily backup process was not available for the entire fiscal year, and documentation related to the monitoring of backup tapes as they move from onsite storage to offsite storage was not available for review.

Cause:

Management of the Lawson application indicated that they planned to create new roles to better align application privileges to job responsibilities and to conduct periodic reviews of user access and access privileges, but due to limitations in time and resources, the roles have not yet been created nor the reviews conducted.

With regards to passwords parameters for the Oracle database that supports the Lawson application, management of the Lawson application indicated that the existing password parameters were not in accordance with the State's policy.

With regards to removal of access for terminated users, the policies and procedures related to removal of access for a terminated employee is decentralized to the various agencies, for which management of the Lawson application must rely on and has no control over.

With regards to documentation related to change management, management of the Lawson application expressed a need to tighten controls relative to the various aspects of the change management workflow (i.e. appropriate approvals, evidence of user acceptance testing, and appropriate monitoring), such that the documentation supporting the change management process can be more sufficient in nature.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

With regards to documentation relative to controls within the process for daily backups, various reports are used to monitor the success or failure of daily backup jobs; however, these reports are not printed and kept for support purposes. Further, documentation is not kept relative to the tracking and monitoring of the movement of backup tapes to an offsite storage location.

Effect:

Excessive access to application functions and capability increases the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error.

Lack of strong password parameters for the Oracle database increases the risk that unauthorized users gain access to the information stored in the database which could be used for inappropriate purposes, as well as increases the risk that the integrity of the data is not secure.

When accounts for terminated employees are not disabled and/or removed in a timely manner, there is a risk that unauthorized users may obtain access to the network or applications.

The absence of appropriate documentation supporting the change management function including documentation of appropriate approvals and user acceptance testing increases the risk that unauthorized or untested changes could be migrated into production. Further, weak controls over the individuals who can migrate changes into production increases the risk that unauthorized changes could be put into production.

Lack of appropriate controls relative to the monitoring of the daily backup process, including monitoring the process of moving backup tapes from onsite storage to offsite storage increases the risk that important backup information is not available to be restored when necessary.

Questioned Costs:

None

Recommendation:

While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history.

Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application occurs in a timely manner.

Management of the Lawson application should review change management procedures associated with the System.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

Auditee Corrective Action Plan:

Recommendation 1: While it is recognized that some experienced business users may need to be granted privileged user access to support and/or train the general business user community, the number of such users granted super-user privileges should be significantly reduced. Further, management of the Lawson application should ensure that existing and new roles support appropriate segregation of duty controls and provide users with the minimum access privileges necessary to do their jobs.

Management Response – Department of Administrative Services (DAS) Financial Data Management (FDM): We concur that roles should support segregation of duties and provide users with the minimum access privileges necessary to do their jobs. NHFIRST contains multiple security roles that are assigned to users based on their job duties for all agency access to financial, human resources, and payroll modules and for DAS access to the financial and payroll modules. Similarly, security roles segregated by job function for DAS access to the human resources modules were created. During implementation, it was discovered that these roles prevented access to key functions performed by the Division of Personnel (DOP) so a role giving broader access was assigned. FDM, in collaboration with Infor, is currently reviewing the custom security role related to position maintenance to modify it to give the access required. Upon completion of that role, FDM will investigate creating a custom security role for the employee maintenance functions performed in DOP. As each of these roles is created, the admin role will be removed from all DOP employees. Additionally, FDM is reviewing the assignment of roles to the reporting group within FDM. The reporting group needs read only access and does not need the configuration or admin functions. The goal is to complete these security changes by July 1, 2014.

Recommendation 2: Management of the Lawson application should establish password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history.

Management Response - Department of Information Technology (DoIT): The following password parameters have been aligned as closely as possible to the state's password policy and implemented:

- Maximum Password Age = Oracle "Password lifetime" setting= 90 days
- Minimum Password age = no corresponding Oracle parameter
- Enforce Password History = unlimited setting for "Password reuse max" in screen shot means passwords cannot be reused, all passwords are remembered (exceeds 5 password memory requirement)
- Account lockout threshold = setting of 3 for "Failed login attempts" in screen shot is one less failed login than required.
- Reset Account Lockout Counter After = no corresponding Oracle parameter
- Account Password Reset = "Password Lock", when set to unlimited does not unlock the account, which exceeds lockout requirement of 60 minutes. We do not unlock accounts until the reason for the lock has been investigated.
- Password complexity is being enforced by the OIT_VERIFY_FUNC function as seen in the "Password Verify Function" setting.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

- A function has been in place to verify the complexity of the password:
  Minimum length 10:
  Maximum length 25
  Combination of letters, numbers, and special characters: Cannot check for uppercase letter since in the database Oracle does not recognize upper vs. lower
  Doesn't equal UserID

Recommendation 3: Management of the Lawson application should establish policies and procedures to ensure that notification of termination for users of the Lawson application occurs in a timely manner.

Management Response - DAS FDM: We concur. FDM is planning to implement a process to remove access to NHFIRST for terminated employees 60 days after termination. This 60 day period is to allow the terminated employee to access pay statements including final payout which can take up to 60 days after the last date of employment. Access for "back-office" financial and human resources/payroll users should be reduced to employee only access upon leaving an agency whether because of transfer to another agency or termination of employment. FDM will implement a weekly process to identify transfers or terminations of employees with "back office" access and remove their "back office" access by July 1, 2014.

Recommendation 4: Management of the Lawson application should review change management procedures associated with the System

Management Response - DAS FDM: We concur. FDM has recently implemented a process, in collaboration with the DAS business unit, that requires a written Business Requirements Document (BRD) for all major changes. For all changes, FDM has implemented a change management process that requires a comprehensive project directory be created that contains written documentation of the change, including a description of the change, the specific changes that were made including screen prints as applicable, detailed testing process and results including all files used during the testing, and sign-off by the DAS business unit on the change and testing. Production migration is planned with the business unit that requested the change and coordinated by FDM with DoIT, including the submission of a written request using the Footprints Helpdesk ticket system. Migration requests require the written approval of the Director of FDM or a member of the FDM management team

Management Response - DoIT: There is existing standard documentation for program migrations. Migrations are to be requested by submission of a helpdesk ticket, and within the ticket approved by one of the FDM Managers defined in the documentation. The approval process was not being adhered to as closely as it should have been. When migrations were of an urgent nature, or under time constraints, verbal approval was being provided rather than through the ticketing process, and in some instances the ticket was being bypassed altogether. Both FDM and DoIT have reviewed the standard process and understand that exceptions cannot be made, this process must be followed.

The System Administrator that is required to migrate programs for FDM inherently has permissions to compile the programs, which means they could potentially be changed. In order to mitigate this risk FDM will need to verify that what has been implemented into Production is only what they expect. DoIT and FDM will need to work together to define a method to accomplish this.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation 5: Management of the Lawson application should establish policies and procedures to ensure that appropriate levels of documentation supporting the monitoring of the daily backup process, as well as monitoring of the movement of backup tapes from onsite storage to offsite storage exists and is available.

Management Response - DoIT: On September 11, 2013, we implemented a new process where daily reports are run from our central backup system to record the results of all the previous day's backups. These reports are disseminated to OPS personnel and managers for review. A report is then generated of failed and missing backups. These reports are now retained indefinitely. The backup system retention for keeping the status of the backups has also been extended to 1 year.

For tape movement, the current process has been to request tape movements via emails which include screenshots of the affected tape numbers to the tape librarian. The completed movements are acknowledged by return email from the tape librarian. These emails were not being kept for any standard length of time, they will now be kept indefinitely or until the tape has been released.

Contact Person:

Charles Russell, Director - FDM

Wendy Pouliot, Director of Operations - DoIT

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-003***
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:

10/1/2011 – 9/30/2012	***4NH400403***
10/1/2012 – 9/30/2013	***4NH400403***
10/1/2011 – 9/30/2012	***1201NHTANF***
10/1/2012 – 9/30/2013	***1302NHTANF***
10/1/2011 – 9/30/2012	***1205NH5MAP***
10/1/2012 – 9/30/2013	***1205NH5MAP***
10/1/2011 – 9/30/2012	***1205NH5ADM***
10/1/2012 – 9/30/2013	***1205NH5ADM***
10/1/2012 – 12/31/2012	***ARRA05NHHITA***

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 2013 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 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 or DHHS"), 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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 31 administrative cash draw downs (which 8 related to SNAP, 8 related to TANF, and 15 related to Medicaid) and noted that 31 of the 31 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 administrative costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	CAP - Monthly
TANF	Estimated administrative costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	Drawdowns on Payroll Cycle - 4 days
Medicaid – MT Administrative Costs	Estimated administrative costs drawn bi-weekly on a payroll cycle, quarterly square up of actual costs based on cost allocation	Drawdowns on Payroll Cycle - 4 days

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

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

The DHHS concurs in part. The DHHS method applied to complete the administrative draws for these programs has been the same for more the fifteen (15) years. The non-compliance finding related to the Treasury State Agreement (TSA) began in State's single audit of SFY 2010, the same year New Hampshire (NH) went live with a new statewide financial accounting system. The TSA for NH is completed by NH's State Treasury. DHHS planned to work with State Treasury to address the language in the TSA to meet compliance of this finding. However, the TSA template used to make changes is very restrictive, requiring Treasury to select from a drop down menu that did not adequately describe the actual method used.

It is DHHS's understanding that federal template used by States to complete the TSA has been updated for the 2014 submission, and that NH will be allowed to accurately document the method used to complete the administrative draw for each federal program beginning with the 2014 TSA, anticipated to be submitted by September 30, 2014.

Contact Person:

Anne Mattice/Kathi Ingle, Bureau of Finance

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-004***
NH Department of Health and Human Services	
CFDA #93.558 Temporary Assistance for Needy Families	
Grant Year and Award:	
10/1/2011 – 9/30/2012	***1201NHTANF***
10/1/2012 – 9/30/2013	***1302NHTANF***

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 or DHHS") 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 24 cash draw downs for the TANF program of which 16 related to direct program draws. During our testwork, we noted that the 16 direct program cash draw downs were not drawn using the approved average clearance pattern/technique in accordance with the TSA as the CMIA system does not appear to be programmed with the correct clearance pattern/technique. The calculated clearance for 14 cash draws was 4 days and for 2 cash draws was 5 days. The TSA includes a zero day clearance pattern.

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

The Department has implemented controls and uses the State's CMIA system in order to ensure adherence to the TSA. However, the control used by the Department, the State's 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 with this finding. The CMIA module is administered by the State Treasury. DHHS will work with State Treasury to accurately reflect the correct clearance/pattern technique in the CMIA.

Contact Person:

Anne Mattice/Kathi Ingle, Bureau of Finance

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-005***
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

Grant Year and Award:

10/1/2010 – 9/30/2011	***11AANHT3SP***
10/1/2011 – 9/30/2012	***12AANHT3SP***
10/1/2012 – 9/30/2013	***13AANHT3SP***

Finding: Funds obligated are not obligated during the period of availability

Criteria:

Funds are made available to the State annually and must be obligated by the State by the end of the Federal fiscal year in which they were awarded. The State has an additional 2 years to liquidate all obligations for its administration of the State Plan and for awards to the Area Agencies consistent with its intrastate allocation formula. Therefore, in any given year, multiple years of funding are being used to provide services statewide.

Whenever the Assistant Secretary on Aging determines that any amount allotted to a State under Parts B or C for a fiscal year will not be used to carry out the purpose for which the allotment was made, the funds may be reallotted to one or more other States. Any amount made available to a State as the result of a reallotment shall be regarded as part of the State's allotment for the same fiscal year in which the funds were appropriated, but shall remain available for obligation by the State until the end of the succeeding fiscal year (42 USC 3024 (b)).

Condition:

The Department of Health and Human Services, Bureau of Elderly and Adult Services (the "Bureau") has implemented a central process where the Bureau obligates Federal funding through the use of contracts to Local Agencies on an annual basis. Beginning in State fiscal year 2013, the Bureau began to reimburse Local Agencies for costs incurred under the contracts based on actual costs incurred each month. Prior to this, the Bureau paid each Local Agency 1/12th of the contracted amount on a monthly basis.

During our testwork over the period of availability, we noted that the Bureau does not track each federal grant year individually in order to ensure that each federal grant year is properly liquidated within the correct availability period. As a result, we noted per the final contract reconciliations performed by the Bureau related to State fiscal year 2013 contract payments, that as of September 30, 2013, the end of the liquidation period, federal and general funds remained unliquidated for all 6 contracts selected for testwork. It did not appear that the Bureau had returned the unliquidated funds so it is unclear as to whether or not those funds had been used for contract periods under subsequent federal funding years.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

We noted that the Bureau indicated that when entering into contracts with Local Agencies, the obligation periods of the contracts do not correspond with a particular Federal award year and that the 6 contracts we reviewed as part of our testwork were obligated using two different Federal award years (2012 and 2013). However, per review of the contracts, there was no audit evidence to support this assertion.

Cause:

The Bureau does not have a written process in place to support the liquidations of Federal funds by Federal award.

Effect:

The Bureau is not in compliance with the period of availability requirements relating to the obligation of Federal funds.

Questioned Costs:

Not determinable.

Recommendation:

We recommend that the Bureau review the procedures followed when subawarding Federal funds to Local Agencies and implement written procedures and controls to ensure that the correct amount is obligated in the Federal fiscal year in which funds are awarded to the Bureau. Additionally, the Bureau should implement written policies and procedures to track Federal grant activities (obligations and liquidations) by Federal award in order to ensure compliance with the period of availability requirements.

Auditee Corrective Action Plan:

BEAS Concurs. The Bureau will work with the Contract; Cost Allocation & Reporting; and, Finance units to develop written policies and procedures to track Federal grant activities (obligations and liquidations) by Federal award in order to ensure compliance with the period of availability requirements.

Contact Person:

Jennifer Doig, Financial Manager for Bureau of Elderly and Adult Services

Anticipated Completion Date:

June 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-006***
NH Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award:
7/1/12 – 6/30/13 ***1U90TP000535***

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

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 .300b 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.

Federal Financial Report (FFR) Instructions issued by Federal Office of Management and Budget (OMB) instructs how recipient share should be reported. The total recipient share required (i.e., match requirement) should be entered in FFR line 10i, and recipient share of actual cash disbursements or outlays should be entered in FFR line 10j.

Condition:

The recipient share reported in the annual Federal Financial Report (FFR) was not accurate.

For FFR period ending June 30, 2013, submitted on September 30, 2013 (not final), reported recipient share of expenditures were $835,615. For FFR period ending June 30, 2013, submitted on November 8, 2013 (final report), reported recipient share of expenditures were $488,145. The correct amount, based on the accounting record, should have been $1,116,117 for both reports. The errors resulted in understatements of recipient share for $280,502 in the September 30, 2013 report, and $629,972 in the November 8, 2013 report.

Cause:

Lack of adequate controls and processes to mitigate the risk of noncompliance with the federal reporting requirements

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect:

Inaccurate or incomplete data may be reported if the report review control is not operating as prescribed.

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. When the April – June quarterly report was prepared, the April – June match funds were omitted from the cumulative report. Due to staff shortages, this omission was not picked up during the review of the report. However, when the final report was submitted, the correct match was reported. Federal reporting is currently being centralized within the Office of Finance.

Contact Person:

Dolores A Cooper, Financial Manager, Division of Public Health Services

Anticipated Completion Date:

March 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-007***
NH Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award:
7/1/12 – 6/30/13 ***1U90TP000535***

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

Criteria:

Public Health Emergency Preparedness (PHEP) program is covered under the Treasury-State Agreement (TSA). Under the regulations codified at 31 CFR Part 205, according to the TSA, the PHEP funding technique is "Cost Allocation Plan – Other," where "State shall request funds once a month on the first business day after the allocation of funds for direct and indirect costs have been processed by the State's internal cost accounting system."

Condition:

Department of Health and Human Services' (DHHS) Cost allocation report is generated monthly. As soon as this report is released, the Business Administrator reviews and performs reconciliations to ensure its accuracy. The cash draw worksheet is forwarded to DHHS Office of Finance and cash is withdrawn as soon as possible, usually on the same day or the next business day, as is prescribed by the Treasury –State agreement. However, during our test of cash draws, we noted delays in 2 of 3 draws tested. For the August 2012 draw, we noted that the cost allocation report used by the Department to analyze the draw was available on September 12, 2012; however, the draw did not occur until September 27, 2012. Similarly, the cost allocation report used by the Department for the June 2013 draw, was available on July 3, 2013, but the draw did not occur until July 19, 2013. These delays do not appear to meet the "Cost Allocation Plan- Other" funding technique described above.

Cause:

Lack of resources to handle many activities at State's fiscal year-end

Effect:

The Department is not in compliance with Cash Management requirement, as specified in Treasury-State agreement.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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 or amend the Treasury-State Agreement to authorize a monthly cash draw.

Auditee Corrective Action Plan:

The DHHS concurs in part. The cash draws are done when the cost allocation process has been completed. That process entails not only the reports generated by the Reporting and Analysis Unit under Finance, but also requires the subsequent analysis and reconciliation of the internal financial procedures within the Division to validate the CAP reporting. While DHHS agrees a review of cash management practices may be warranted, the delay in the monthly draw may be necessary to complete the analytical required of the cap reporting cycle.

The TSA template used to make changes is very restrictive, requiring Treasury to select from a drop down menu that did not adequately describe the actual method used. How the “drop down” selection on the TSA has been defined, is subjective. It is DHHS’s understanding that federal template used by States to complete the TSA has been updated for the 2014 submission, and that NH will be allowed to accurately document the method used to complete the administrative draw for each federal program beginning with the 2014 TSA, anticipated to be submitted by September 30, 2014.

Contact Person:

Anne Mattice, Finance Director / Dolores Cooper, Finance Manager

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-008***
NH Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

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

Finding: Annual physical inventory of equipment not performed in accordance with the State's Long-Term Assets Policy and Procedures Manual

Criteria:

45 CFR Part 92.32 (2) – US Department of Health and Human Services states "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

OMB Circular A-133, Compliance Supplement states: " A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. "

State's Long-Term Assets Policy and Procedures Manual states: "All agencies shall take a complete physical inventory of their long-term assets at the end of each fiscal year. Such inventory shall be reconciled annually with the records maintained by the agency. "

Condition:

The Department of Health and Human Services (the Department) manages the Department's equipment centrally for all its divisions and bureaus. The Department has not taken a physical inventory for at least several years. Their Logistics Unit, responsible for equipment management, maintains the inventory records that are updated monthly. However, the records are not reconciled to the physical inventory annually as required by the State's policy.

Cause:

It appears that the Department's management made a decision that the Department will continue to report monthly inventory changes and update the inventory list, but not perform a physical inventory.

Effect:

The State is not in compliance with Equipment Management Federal Requirement as the State policy over equipment inventory has not been followed.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

The Department should review current equipment management practices and institute controls to ensure it uses, manages, and disposes of equipment acquired under a Federal grant in accordance with State laws and procedures.

Auditee Corrective Action Plan:

The Department concurs with this finding. Resource and financial constraints has impacted the DHHS' ability to "complete at least one inventory by the end of each fiscal year" in compliance the DAS Manual of Procedures (MOP) 2400. While there are physical and financial controls in place to maintain active equipment and disposition, formal procedures are not well documented. DHHS will formalize the inventory management procedures, and propose a plan to conduct physical review consistent with the guidelines outlined in MOP 2400.

Contact Person:

Anne Mattice/Cheryl Connor/Dolores Cooper

Anticipated Completion Date:

December 15, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-009***
NH Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award:
7/1/12 – 6/30/30 1U90TP000535

Finding: Documentation of employee time worked for the PHEP program appears inadequate. Employee time charged to PHEP program is questionable

Criteria:

Per OMB Circular A-87, Attachment A, C: Basic Guidelines, compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and to be allowable under Federal awards, costs must be adequately documented.

Condition:

The Department of Health and Human Services utilizes a cost allocation system to charge expenditures, including payroll costs, to various federal programs. Activities specific to a federal program are identified by job numbers. Employees' timecards do not consistently include job numbers. Further, a job number charged to an employee's timesheet did not change promptly when an employee's activity changed from PHEP to a non-PHEP activity. Management's approval of the job number assignment to an employee is not consistently documented.

Cause:

System issues associated with the implementation of the new timecard system in June 2012 may be the cause, as well as employee and supervisor's inattention at the time employee's activity changed. In addition, Department's recordkeeping for payroll needs improvement.

Effect:

There is an increased risk of unallowable activities being charged to the program.

Questioned Costs:

$3,852

Recommendation:

The Department should ensure employees' pay is charged to the federal programs accurately by ensuring the job numbers are included on the timecards properly and completely.

In addition, The Department should strengthen its record keeping procedures to ensure payroll costs supported by federal grants are adequately documented.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

We concur with the finding. The paperwork was submitted to change the payroll coding. However, due to staff shortages, the appropriate follow up was not performed. Process will be changed to ensure better follow-up with payroll coding changes.

Contact Person:

Dolores A Cooper, Financial Manager DPHS

Anticipated Completion Date:

March 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013 - 010***
NH Department of Health and Human Services

CFDA #93.268 Immunization Grants

Grant Year and Award:
1/1/11 – 12/31/12, 1/1/13-12/31/13 5H23IP122555-10

Finding: Controls need to be strengthened over the reconciliation of vaccines ordered and those tracked

Criteria:

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

Condition:

When performing a test of control to reconcile the Center for Disease Controls records of federal vaccines ordered by the NH Immunization Program and New Hampshire's Immunization Program's (NHIP) records of federal vaccines ordered, the reconciliation was being performed ineffectively. The NHIP's reconciliation calculation was being performed by taking the federally funded vaccine variance between the CDC and NHIP and dividing it by the total vaccine ordered (state and federally funded vaccine), resulting in variances below the NHIP calculated threshold which required further follow up.

Cause:

The design of the reconciliation control was not effective to maintain a proper accountability over the ordering and receipt of federally funded vaccine.

Effect:

Increased potential for the NHIP to be unable to detect errors in the reporting of their vaccines ordered by the CDC

Questioned Costs:

None

Recommendation:

The Department should ensure it establishes an effective reconciliation of federally funded vaccines in order to maintain proper accountability.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

We concur with the finding. We will review the process and make changes based on the recommendation.

Contact Person:

Dolores A Cooper, Financial Manager, DPHS

Anticipated Completion Date:

October 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-011***
NH Department of Health and Human Services

CFDA #93.563 Child Support Enforcement (ARRA)
CFDA #93.575 Child Care and Development Block Grant
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:

10/1/2011-9/30/2012	***1204NH4004-40,1202NHCCDF, 1201NH1401,1201NHCCDF***
10/1/2012-9/30/2013	***1304NH4004-400, ARRA04NH4002, 1301NHCCDF, 1301NH1401***

Finding: Administrative program draw downs 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)).

Per the State's TSA section 6.2.2, Administrative Costs Draw downs 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 or DHHS"), 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.

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 true up of actual program administrative expenses, as reported on the quarterly federal reporting.

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

Cause:

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

Effect:

The State is currently 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 TSA or amend the TSA to reflect current practice of drawing down estimates.

Auditee Corrective Action Plan:

The DHHS concurs in part. The DHHS method applied to complete the administrative draws for these programs has been the same for more than fifteen (15) years. The non-compliance finding related to the Treasury State Agreement (TSA) began in State's single audit of SFY 2010, the same year New Hampshire (NH) went live with a new statewide financial accounting system. The TSA for NH is completed by NH's State Treasury. DHHS planned to work with State Treasury to address the language in the TSA to meet compliance of this finding. However, the TSA template used to make changes is very restrictive, requiring Treasury to select from a drop down menu that did not adequately describe the actual method used.

It is DHHS's understanding that federal template used by States to complete the TSA has been updated for the 2014 submission, and that NH will be allowed to accurately document the method used to complete the administrative draw for each federal program beginning with the 2014 TSA, anticipated to be submitted by September 30, 2014.

Contact Person:

Anne Mattice/Kathi Ingle, Bureau of Finance

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-012***
NH Department of Health and Human Services	
CFDA # 93.563 Child Support Enforcement	
Grant Year and Award:	
10/1/2011-9/30/2012	***1204NH4004-400***
10/1/2012-9/30/2013	***1304NH4004-400***

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. 100-252) 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 for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

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

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS. To do so, they 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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 subward or obligation of $25,000 or greater was made, for contracts, the month in which modification was issued that changed previously reported information.

Condition:

We noted that the State of New Hampshire's Child Support Program did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements as 4 contracts requiring FFATA reporting were not submitted.

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

Cause:

The cause is due to 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:

The Department concurs. Discussions have already taken place to transfer FFATA reporting from the individual program divisions to the Financial Compliance Unit (FCU) of Contracts & Procurements effective March 1, 2014. FCU will collect certain FFATA financial information during the contract procurement and Governor & Council (G&C) approval process. The FCU has met with a number of the DHHS Divisions and has reviewed the most recent examples of FFATA reporting for the respective divisions in efforts to develop a template for financial information. The FFATA financial template will be supplied to division finance to fill out for each qualifying contract for their respective division or bureau. This information should be provided in conjunction with the contract procurement and G&C preparation process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

PJ Nadeau, Financial Manager for Contracts and Procurement Unit

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-013***
NH Department of Health and Human Services	
CFDA # 93.667 Social Services Block Grant	
Grant Year and Award:	
10/1/2012 - 9/30/2014	***G-1301NHSOSR***
10/1/2011 - 9/30/2013	***G-1201NHSOSR***
10/1/2010 - 9/30/2012	***G-1101NHSOSR***

Finding: Earmarking requirements were not met

Criteria:

The State shall use all of the amount transferred in from Temporary Assistance For Needy Families (TANF) (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)). Additional information on this transfer in is provided in IV, "Other Information."

The poverty guidelines are issued each year in the *Federal Register* and HHS maintains a web page that provides the poverty guidelines (http://aspe.hhs.gov/poverty/).

Condition:

The State transferred $909,225 from TANF to the Social Services Block Grant (SSBG). During our testwork over earmarking, we noted that 4 of the 25 expenditures selected for testwork did not appear to be for services to children or their families whose income is less than 200% of the official poverty guideline. As such, the State did not meet its earmarking requirement for the year ended June 30, 2013.

Cause:

The cause is due to the lack of properly designed and implemented controls to ensure proper spending of TANF funds through SSBG for the State fiscal year ended June 30, 2013.

Effect:

The Department did not meet the earmarking compliance requirements and appears to have expended Federal funds for unallowable costs during the State fiscal year ended June 30, 2013.

Questioned Costs:

$23,876

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the Department review their existing procedures related to the tracking of expenditures related to the earmarking requirement to ensure the requirement is properly met.

Auditee Corrective Action Plan:

The Department concurs that there was inadequate backup documentation to ensure that two of the exceptions were for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)). The Department will include a printout from NH Bridges system showing that the child or their families' income is less than 200 percent of the official poverty guideline with the invoice when they are submitted for reimbursement.

The Department concurs that for the other two exceptions, funds were inadvertently used and staff are reminded to no longer charge these types of invoices directly to SSBG, but will use an allocation method to all benefiting programs.

Contact Person:

Dague B. Clark, Fiscal Administrator

Anticipated Completion Date:

The Department will implement changes starting February 21, 2014.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-014***
NH Department of Health and Human Services	
CFDA #93.778 Medical Assistance Program	
Grant Year and Award:	
10/1/2011 – 9/30/2012	***1205NH5MAP***
10/1/2012 – 9/30/2013	***1205NH5MAP***
10/1/2011 – 9/30/2012	***1205NH5ADM***
10/1/2012 – 9/30/2013	***1205NH5ADM***
10/1/2012 – 12/31/2012	***ARRA05NHHITA***

Finding: Lack of independent review over the accuracy of Medicaid claims processed by third party service organization

Criteria:

The Medicaid Management Information System (MMIS) is the mechanized Medicaid benefit claims processing and information retrieval system that States are required to have, unless this requirement is waived by the Secretary of Health and Human Services (HHS). HHS provides general systems guidelines (42 CFR sections 433.110 through 433.131) but it does not provide detailed system requirements or specifications for States to use in the development of MMIS. As a result, MMIS systems will vary from State to State, and may be maintained and operated by the State or a contractor. The New Hampshire Department of Health and Human Services (the Department), contracts with a third party, and relies on this third party to process payments for most medical assistance services. Further, the third party, MMIS' Operations Management business area supports the Claims Receipt, Claims Adjudication, and Point-of-Service subsystems to process provider claims for Medicaid care and services to eligible medical assistance recipients. The MMIS incorporates many edits and controls to identify aberrant billing practices for follow-up by State staffs. The Department is required to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

As the Medicaid program is highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment of Medicaid benefits, States are required to establish a security plan for ADP systems that include policies and procedures to address (1) physical security of ADP resources; (2) equipment security to protect equipment from theft and unauthorized use; (3) software and data security; (4) telecommunications security; (5) personnel security; (6) contingency plans to meet critical processing needs in the event of short- or long-term interruption of service; (7) emergency preparedness; and (8) designation of an agency ADP security manager (45 CFR section 95.621).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Condition:

The Department contracts with a third party service organization to manage and operate the State of New Hampshire's Medicaid Management Information System (MMIS). To ensure adequate controls are in place over the accuracy of the claims that are processed through the MMIS system, on an annual basis, the Department has obtained a Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization (SSAE 16) Type II report from its service organization that reviews and tests the internal control environment for processing Medicaid claims, as well as the system security on an annual basis. The SSAE 16 report is also a critical component of the Department's ADP system security program.

During our testwork over Medicaid claims processing and the MMIS system, we noted that there was no SSAE 16 review performed over the MMIS system during the period ending June 30, 2013.

Cause:

The Department implemented a new MMIS system during fiscal 2013. The existing MMIS system was in operation through March 31, 2013. The Department obtained a bridge letter from its service organization that operated the MMIS from July 1, 2012 through March 31, 2013. The bridge letter indicated that during the 9 month period the MMIS system was in operation since the prior SSAE 16 was conducted and there were no changes to the controls that were in operation. While this letter was obtained, there was no independent verification that the controls in place over the processing and security of Medicaid claims were operating effectively for these 9 months.

Further, the new MMIS system is operated by a different third party service organization for the remaining 3 months of the fiscal year, April 1, 2013 through June 30, 2013. The new MMIS system has not yet been certified by Centers for Medicare and Medicaid Services (CMS) and a SSAE 16 review has not been performed for this 3 month period.

Effect:

During fiscal 2013, without a SSAE 16 type II report, the Department did not have adequate controls in place to ensure the accuracy of the claims processed by its third party service organizations. This includes reviewing claims to ensure allowable services are reimbursed at the correct rate, payments are made only on behalf of eligible participants, only enrolled providers are receiving reimbursement for services rendered, correct amounts are being reported and claimed, and ensuring adequate system security is in place related to the processing of claims paid.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the Department review its existing procedures for reviewing and monitoring claims processed and paid by the MMIS system. The Department should work with its existing service organization and ensure that a SSAE 16 is performed for fiscal 2014 to provide assurances that the third party contractors' controls are properly designed and operating effectively. The Department should consider whether a formal retrospective review of fiscal 2013 claims processed should be performed as no SSAE 16 review of either MMIS system occurred during this time.

Auditee Corrective Action Plan:

A SSAE 16 will be performed in state fiscal year 2014 as required by the contract with the third party service organization. The Department understands its obligation to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. The new MMIS operated by Xerox was in operation for less than six months. Paragraph A42 of SSAE No. 16 indicates that a type 2 report that covers a period of less than six months is unlikely to be useful to user entities and their auditors. SSAE 16 audits are only one part of the Medicaid program integrity function. Other elements include, but are not limited to the following:

- The Department's team implementing and managing the MMIS process has a comprehensive process for testing all elements of the system and has involved users from across the Department to ensure the system functions as intended. Functional elements of the system do not go live until the team is confident that they are operating as intended.

- The Department contracts with a Recovery Audit Contractor (RAC) which reviews Medicaid claims to identify payment potentially made in error and seeks recovery of overpayments. These reviews are formal retrospective reviews as recommended in the Finding.

- The Department contracts with a Quality Improvement Organization (QIO) which reviews Medicaid in-patient hospital claims and seeks recovery of claims deemed unnecessary. These are formal retrospective reviews as recommended in the Finding.

- The Department manages a provider enrollment function including site visits to review applications for entities seeking to be enrolled in the Medicaid program. The implementation of the new MMIS system included re-enrollment of all Medicaid providers.

- The Department maintains a federally approved Public Assistance Cost Allocation Plan (PCACAP) to ensure that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

- The Department of Justice, Medicaid Fraud Control Unit conducts investigations where fraud is suspected and which may result in prosecution.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

- Pursuant to the Deficit Reduction Act (DRA) of 2005, the Centers for Medicare & Medicaid Services' CMS operates the federal Medicaid Integrity Program (MIP) which uses contractors to review Medicaid provider activities, audit claims, identify overpayments, and educate providers and others on Medicaid program integrity issues.

- CMS Medicaid Integrity Group (MIG) conducts program integrity reviews focused on the activities of the Surveillance and Utilization Review Unit (commonly referred to as the SURS unit) within the Office of Improvement and Integrity (OII), which is responsible for implementing program integrity activities.

These and other related program integrity initiatives are designed to provide reasonable assurance that the costs of goods and services charged to the Medicaid program are allowable and in accordance with the applicable cost principles.

Contact Person:

Stephen Mosher, Chief Financial Officer

Anticipated Completion Date:

Ongoing

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-015***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/2012 - 9/30/2014	***2B08T1010035-13***
10/1/2011 - 9/30/2013	***2B08TI010035-12***
10/1/2010 - 9/30/2012	***2B08TI010035-11***

Finding: Maintenance of effort 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 2 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 SA and related activities. The Secretary may exclude from the aggregate State expenditures funds appropriated to the principal agency for authorized activities which are of a non-recurring nature and for a specific purpose (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").

Condition:

The State did not meet its required maintenance of effort for the year ended June 30, 2013 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, 2013, the State needed to expend $5,939,641 and fell short by 25% due to expending only $4,438,386 of State funds.

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

Cause:

The cause of the condition found appears to be reductions in general fund appropriations for the State fiscal year ended June 30, 2013.

Effect:

The Department did not meet the maintenance of effort compliance requirements for the State fiscal year ended June 30, 2013.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the Department review their existing procedures related to the tracking of maintenance of effort requirements to ensure that all requirements are properly met.

Auditee Corrective Action Plan:

It is acknowledged, however, that the State legislature significantly reduced the budget for alcohol and substance abuse services during the biennium budget process for State Fiscal Years 2012 and 2013. The Bureau of Drug & Alcohol Services has requested a waiver for SFY 2012 and is prepared to submit a similar waiver request for 2013.

Contact Person:

Joseph Harding, Director; Linda Colby, Business Administrator

Anticipated Completion Date:

April 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Agriculture – Food and Nutrition Services ***Finding 2013-016***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/11 – 9/30/12	***2012IW100344***
10/1/12 – 9/30/13	***2013IW100344***
10/1/11 – 9/30/12	***2012IW500344***

Finding: The Department of Health and Human Services (DHHS) should improve their internal controls over and compliance with the subrecipient monitoring requirements of the WIC Program

Criteria:

7 CFR 246.19 (b) requires the State's "Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems." It further requires the State to "conduct monitoring reviews of each local agency at least once every two years."

These requirements are also incorporated into the State's Federal Fiscal Year 2013 Consolidated State Plan of Program Operations and Administration for the WIC program which specifies the monitoring requirement are to be met using a combination of annual fiscal reviews and biennial management evaluations. The fiscal reviews evaluate the local agencies' financial management systems while the management evaluations review the local agencies' performance of the remainder of the elements required by 7 CFR 246.19 (b).

Condition:

The Department of Health and Human Services failed to conduct fiscal reviews of local agencies administering the WIC program in accordance with the requirements specified in 7 CFR 246.19(b) and the State's Federal Fiscal Year 2013 Consolidated Plan of Program Operations and Administration.

During our audit it was noted that although the State Plan specified the Department would conduct annual fiscal reviews on all local agencies, the schedule for fiscal reviews proposed within the State Plan indicated the annual fiscal reviews were actually scheduled to occur less frequently or approximately biennially. Additionally, our examination of the fiscal reviews performed by the Department over the most recent 5 year period revealed the Department has not been performing the fiscal reviews in accordance with WIC program requirements. Per our review, 7 of the 9 fiscal reviews conducted by the Department during the five year period occurred outside of the allowed 2 year period with reviews ranging from 25 – 35 months apart for the seven identified as untimely.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

While the WIC program is administered by the Department's Division of Public Health Services, the fiscal reviews of WIC local agencies are conducted by the Department's financial office. During our audit it was noted that the Division's system of internal controls over the subrecipient monitoring requirements of the WIC program did not include a mechanism to ensure the Department's financial office was performing the required financial reviews timely in accordance with federal requirements.

Cause:

The discrepancies within the State Plan regarding the frequency of the Department's financial reviews of WIC local agencies are the result of management oversight. Per discussions with WIC program management, the intent was to require the financial reviews on a biennial basis unless the results of such reviews reveal findings that would require more frequent reviews.

The required financial reviews untimeliness is the result of the Division not incorporating a mechanism in their system of internal controls to ensure the financial office performs the fiscal reviews timely in accordance with federal requirements and the State Plan.

Effect:

The Department was not in compliance with the subrecipient monitoring requirements of the WIC program. Additionally, the fiscal review component of the Department's subrecipient monitoring activities acts as a foundation upon which the Department uses to rely on simple expenditure reports, absent of supporting documentation, to determine payments made to local agencies are for the reimbursement of allowable costs incurred during the performance of allowable activities of the WIC program.

The fiscal review process samples and tests the transactions supporting the local agency's expenditure reports. The effective testing of these samples provides the Department with reasonable assurance the expenditure reports are reliable, accurate, and represent costs that are compliant with WIC program regulations. Accordingly, the timeliness and effectiveness of the fiscal reviews of local agencies is directly related to the strength and reliability of the documentation used to support payments made to local agencies.

Questioned Costs:

None

Recommendation:

We recommend the Department amend the state plan to reflect the Department's intended scheduling of financial reviews.

We also recommend the Department strengthen its internal controls over the subrecipient monitoring requirements of the WIC program to include a mechanism that ensures the timely performance of required subrecipient monitoring activities.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

We concur with the finding. The state plan is due for renewal and we will correct the state plan language to reflect the correct time span based on the regulation.

Contact Person:

Dolores A Cooper, Financial Manager, DPHS

Anticipated Completion Date:

August 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Agriculture – Food and Nutrition Services ***Finding 2013-017***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/11 – 9/30/12	***2012IW100344***
10/1/12 – 9/30/13	***2013IW100344***
10/1/11 – 9/30/12	***2012IW500344***

Finding: The Department of Health and Human Services (DHHS) should comply with the WIC subaward reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA)

Criteria:

2 CFR 170 specifies non-federal entities receiving federal financial assistance are required to report information on subawards and executive total compensation as required by FFATA. Additionally, one of the administrative requirements of the WIC 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, 2012 indicates sub-award reporting under the FFATA is applicable to the WIC program.

Condition:

The DHHS did not submit the required FFATA reports for the WIC program during state fiscal year 2013.

Cause:

The DHHS failed to report in compliance with reporting requirements under FFATA.

Effect:

The DHHS is not in compliance with the reporting requirement under FFATA.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend the Department review their current resources and prioritize responsibilities to ensure they comply with WIC program requirements.

Auditee Corrective Action Plan:

The Department concurs. Discussions have already taken place to transfer FFATA reporting from the individual program divisions to the Financial Compliance Unit (FCU) of Contracts & Procurements effective March 1, 2014. FCU will collect certain FFATA financial information during the contract procurement and Governor & Council (G&C) approval process. The FCU has met with a number of the DHHS Divisions and has reviewed the most recent examples of FFATA reporting for the respective divisions in efforts to develop a template for financial information. The FFATA financial template will be supplied to division finance to fill out for each qualifying contract for their respective division or bureau. This information should be provided in conjunction with the contract procurement and G&C preparation process.

Contact Person:

PJ Nadeau, Financial Manager for Contracts and Procurement Unit

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Agriculture – Food and Nutrition Services ***Finding 2013-018***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/11 – 9/30/12	***2012IW100344***
10/1/12 – 9/30/13	***2013IW100344***

Finding: The Department should improve their internal controls over and compliance with the cash management requirements of the WIC Program

Criteria:

U. S. Department of the Treasury (Treasury) regulations implementing the Cash Management Improvement Act of 1990 (CMIA) require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

Per the resulting Treasury State Agreement (TSA), the specific funding techniques prescribed for the WIC program require direct program costs to be drawn five days after payment of the related obligations and require administrative program costs to be drawn monthly.

Additionally, 2 CFR 215 dictates 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.

Condition:

The Department of Health and Human Services (the Department of DHHS) did not perform timely federal drawdowns for the WIC program during our audit period. During our testing it was noted the Department failed to draw federal funds in accordance with the clearance patterns and techniques prescribed within the TSA in 8 of 15 transactions related to the Department’s reimbursement of Nutrition Services and Administration (NSA) costs paid to local agencies and in 100% of the Department’s reimbursements for program administrative costs incurred by the Department. The untimely drawdowns identified during the audit were performed between one day earlier and one month later than prescribed by the TSA.

Additionally, we noted the Department failed to detect a clerical error in the calculation of administrative funds due for reimbursement of WIC administrative costs. The clerical error resulted in the Department’s overstatement of the draw amount of $1,122.

A similar finding has been noted in the prior single audit report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

Five of the eight transactions for the reimbursement of NSA costs to local agencies failed to meet the requirements of the TSA due to the Department's classification of the associated activity number used in the state's accounting system, NH First, as administrative program costs instead of direct program costs. This classification error also resulted in the direct program costs associated with these activity numbers being included in 100% of the Department's administrative draws during State fiscal year 2013.

The remaining three transactions identified failed to meet the requirements of the TSA. The Department's CMIA subsystem generates reports identifying expenditures that require federal reimbursements based on timing patterns associated with the transactions assigned activity number in NH First. Federal drawdowns are performed manually based on the CMIA reports; however, it is unknown if the errors identified in testing were associated with system programming within the CMIA or with the associated manual procedures.

Effect:

The Department was not in compliance with the cash management requirements of the WIC program.

Questioned Costs:

None

Recommendation:

The Department of Health and Human Services should strengthen their internal controls over and compliance with the cash management requirements of the WIC program.

Auditee Corrective Action Plan:

The DHHS concurs. The TSA for NH is completed by NH's State Treasury. DHHS planned to work with State Treasury to address the language in the TSA to meet compliance of this finding. However, the TSA template used to make changes is very restrictive, requiring Treasury to select from a drop down menu that did not adequately describe the actual method used.

It is DHHS's understanding that federal template used by States to complete the TSA has been updated for the 2014 submission, and that NH will be allowed to accurately document the method used to complete the administrative draw for each federal program beginning with the 2014 TSA, anticipated to be submitted by September 30, 2014.

The detected clerical error resulted from a formula error in the worksheet done for the WIC draw. The formula has since been corrected, worksheet updated, and is part of the documentation included in the request to draw the cash.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

Anne Mattice/Dolores Cooper, Bureau of Finance

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Agriculture – Food and Nutrition Services ***Finding 2013-019***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/10 – 9/30/11	***2010IW100644***
10/1/11 – 9/30/12	***2011IW100644***
10/1/12 – 9/30/13	***2012IW100644***
10/1/11 – 9/30/12	***2013IW100644***

Finding: The controls incorporated into a service organization's operations relative to the New Hampshire WIC program should be periodically evaluated to determine those controls continue to be effective

Criteria:

2 CFR 215 dictates 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.

In instances where program aspects and the related processes and internal controls are outsourced to organizations that provide services, and those program aspects and related processes and internal controls are significant to the State's compliance with the laws, regulations, and the provisions of grant agreements relative to the administration of federal awards; the State should periodically evaluate those program aspects and related processes and controls to determine they are and continue to be effective.

Condition:

The Department utilizes an integrated benefits management system, referred to as Starlinc, to administer the WIC program. The Department relies on this system to manage significant aspects of, and the related processes associated with, the issuance, tracking, and redemption of WIC food instruments issued in the form of paper vouchers by local WIC agencies and redeemed by program participants through WIC food vendors. The Department also relies on Starlinc to assist in the identification of high risk WIC vendors, track vendor activity, manage vendor payment discrepancies or denials, and calculate WIC food rebates due from manufacturers in accordance with contractual agreements. The Starlinc system is contractually hosted, maintained, and operated by a third party vendor.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

During our audit it was noted the Department does not periodically evaluate the design and operating effectiveness of the processes and controls used by the service organization to obtain reasonable assurance those processes and controls are designed effectively to prevent or detect and correct in a timely manner instances of non-compliance with the laws, regulations, and the provisions of WIC grant agreements.

The service organization has not provided, nor has the Department requested, a report on management's description of a service organization's system and the suitability of the design and operating effectiveness of controls (SOC 1 report). This report provides a description of the service organization's controls that may be relevant to a user organization's internal control, whether such controls were suitably designed to achieve specific control objectives, and whether they had been placed in operation as of a specific date. This report also provides for testing of the controls to determine that the controls were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the period specified.

Cause:

Management oversight

Effect:

The Department has not ensured the controls that were designated to be in place within the Starlinc system are designed effectively to prevent material non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program and are in place and operating as intended.

Questioned Costs:

None

Recommendation:

The Department should require the service organization contracted to host, maintain, and operate the Starlinc system to provide the Department with an annual SOC 1 report as a means of obtaining reasonable assurance the processes and internal controls incorporated into the Starlinc system are and continue to be designed properly and operate effectively to prevent non-compliance with the laws, regulations, and the provisions of contracts or grant agreements of the WIC program.

Auditee Corrective Action Plan:

We concur that we did not require the SOC 1 report as part of the current contract with StarLinc. We will review the documentation provided by the vendor and consider adding this report requirement to the future contract.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

Dolores A Cooper, Financial Manager, Division of Public Health Services.

Anticipated Completion Date:

The language will be put in the new contract starting July 1, 2014.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Agriculture – Food and Nutrition Services ***Finding 2013-020***
NH Department of Health and Human Services

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

Grant Year and Award:

10/1/11 – 9/30/12	***2012IW100644***
10/1/12 – 9/30/13	***2013IW100644***

Finding: The Department should improve their internal controls over and compliance with WIC Program requirements regarding the application of WIC rebate funds

Criteria:

7 CFR 246.14(f) dictates State agencies "must credit and report rebate payments received from manufacturers in the month in which the payments are received."

2 CFR 215 dictates 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.

Condition:

During state fiscal year 2013, the Department of Health and Human Services did not credit and report all rebate payments received from manufacturers in the month in which the payments were received as required. During our testing of the receipt and application of WIC manufacturer rebate funds it was noted the system of internal controls implemented by the Department to ensure compliance with 7 CFR 246.14(f) did not contain a mechanism that ensured rebate funds were credited against WIC food costs in the month in which the payments were received.

Of the 12 months of the fiscal year; rebates were credited against WIC food costs in the month subsequent to their receipt for 6 months of the year. However, by fiscal year end, only a deminimus amount of rebates had not been applied.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

The Department's current policies and procedures regarding the tracking and application of WIC rebate funds does not include a mechanism designed to ensure rebate funds are applied as credits against WIC food costs immediately upon receipt. WIC rebate funds are recorded as revenue in a separate accounting unit, where they are held until the Starlinc system used to manage the redemption and reimbursement of WIC food instruments produces a payment batch that can be paid entirely from rebate funds. The Starlinc system does not allow the Department to split payment batches in a manner that allows a single batch to be paid from both rebate funds received and the drawing of federal funds.

Effect:

The holding of rebate funds until Starlinc produces a payment batch suitable for the application of rebate funds results in instances where rebate funds are not applied as credits against WIC food costs timely, in the month in which they are received resulting in instances of non-compliance with 7 CFR 246.14(f).

Questioned Costs:

None

Recommendation:

The Department of Health and Human Services should incorporate a mechanism to ensure the timely application of WIC rebate funds into their related system of internal controls.

Auditee Corrective Action Plan:

We concur with the finding. Rebates under the WIC program are received based on manufacturer's product purchased with food instruments redeemed by program participants. Such rebates are credits against prior expenditures made during the month in which the rebate was earned for WIC food cost. Food runs are charged to Rebates only after the actual wire transfer has been confirmed with Treasury. We will review the regulations and current process to implement a process to meet the recommendation of the audit.

Contact Person:

Dolores A Cooper, DPHS Financial Manager

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Environmental Protection Agency	***Finding 2013-021***
NH Department of Environmental Services	
CFDA #66.605 Performance Partnership Grant	
Grant Year and Award:	
2009	***BG-99127308-3***
2010	***BG-99127308-7***
2011	***BG-99127309-3***
2012	***BG-99127309-6***
2013	***BG-99127310-2***

Finding: Noncompliance with the annual Federal Financial Report (FFR) SF-425 and the Federal Funding Accountability and Transparency Act (FFATA)

Criteria:

40 CFR part 31, 40 CFR 31.41(b) and 31.50 (b) are existing requirements that mandate EPA recipients submit annual Federal Financial Reports (FFR's) SF-425 to EPA no later than 90 calendar days following the end of the reporting year.

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 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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.

Condition:

The Department of Environmental Services (DES) did not report annual FFR SF-425's for all five of the grants open during fiscal 2013.

Further, DES did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) for reports on the applicable awards. DES did not attempt to report any of their awards subject to FFATA and therefore did not meet the FFATA reporting requirements.

Cause:

The Department was unaware of the requirement to submit annual FFR's. The Department is aware of the requirements of FFATA but there appears to be a backlog of reports and limited staffing and time to complete the reports.

Effect:

The effect of not reporting all FFR SF-425 and FFATA awards is noncompliance with Federal reporting requirements.

Recommendation:

We recommend that DES files the annual FFR's for any open grant and makes an effort to find available resources and develops a plan to comply with FFATA going forward.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

DES concurs with KPMG's finding on FFATA Reporting. DES will institute processes to identify and track contracts and sub-awards that are subject to FFATA regulations. This will include the development of a form for required FFATA information to be completed by the sub-awardee during the application process and a sub-award tracking spreadsheet to ensure that all registration and reporting requirements are being adhered to and reports are filed timely.

DES does not concur with the FFR filing finding. EPA revised the report filing requirement in August 2013 to require annual report filing. For the period under audit, state fiscal year 2013 which ended on June 30, 2013, this annual filing requirement was not in effect. DES confirmed this with the EPA Grants Management Office, and they informed us that the requirement was for new awards, supplemental/incremental awards, and no-cost extensions that went into effect after August 2013. Until there is a change to an existing grant, EPA advised us to abide by the current terms and conditions which requires a final FFR be submitted after the end of the grant. DES will work with EPA to ensure that all reports are filed timely in accordance with the grant terms and conditions.

Contact Person:

Michael Bradley, Grants Management

Anticipated Completion Date:

June 30, 2014

KPMG Rejoinder:

KPMG is in receipt of correspondence also from the EPA Grants Management Office which states that effective immediately, an FFR is required to be submitted on all open grant awards annually, which would include those for the reporting year ended June 30, 2013.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Environmental Protection Agency ***Finding 2013-022***
NH Department of Environmental Services

CDFA # 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)
CDFA # 66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:	
2007	***CS330001-07***
2008	***CS330001-08***
2009	***CS330001-09; FS9911009***
2010	***CS330001-10; FS99115010***
2011	***CS330001-11; FS99115011***
2012	***CS330001-12; FS99115012***
ARRA	***2W-33000209-0; 2F-96102301***

Finding: Noncompliance with applicable funding technique in 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, 2012 – June 30, 2013, 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, which is 4 days.

Administrative Costs:

In the Treasury-State Agreement for the period July 1, 2012 – June 30, 2013, 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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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. We noted that in all of 40 cash draws tested for each program, CWSRF and DWSRF, 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.

For the DWSRF program, we noted DES did not comply with the applicable funding technique specified in the Treasury State Agreement for administrative costs. We noted that for the first three months, a quarterly drawdown was performed, while during the remaining 9 months, the draw downs were performed monthly, as prescribed.

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

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 the same day.

For the administrative costs, DES did not perform the administrative draws timely.

Effect:

DES was not in compliance with the funding technique specified in the TSA.

Recommendation:

DES should review the Treasury State Agreement prior to disbursing funds, to ensure the approved clearance patterns for direct and administrative costs are met. DES should work with the State Treasury to ensure that the Treasury State Agreement is amended for SFY 2014.

Questioned Costs:

None

Auditee Corrective Action Plan:

DES has been working with the State Treasury to amend the Treasury State Agreement to reflect the process of a zero day clearance pattern. This amendment has been approved and will be reflected in the 2014 Treasury State Agreement.

DES is working with the Treasury Department to modify the Treasury State Agreement to reflect quarterly drawdowns for both CWSRF and DWSRF programs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

CWSRF: Paul Heirtzler, Administrator
DWSRF: Sarah Pillsbury, Administrator

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Homeland Security ***Finding 2013-023***
NH Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

3/29/10 - 3/29/14	***DRNH 1892 PA***
5/12/10 – 5/29/14	***DRNH 1913 PA***
7/22/11 – 7/22/15	***DRNH 4006 PA***
9/3/11 – 9/3/15	***DRNH 4026 PA***
12/5/11 – 12/5/15	***DRNH 4049 PA***
6/15/12 – 6/14/16	***DRNH 4065 PA***
11/4/12 – 11/3/16	***DRNH 4095 PA***
3/19/13 – 3/17/17	***DRNH 4105 PA***
11/4/12 – 11/3/16	***EMNH 3360 PA***

Finding: Federal Funding Accountability and Transparency Act reporting requirements should be complied with

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)

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

- Unique identifier of the entity and its parent; and
- Total compensation and names of top five executives (prime or sub-awardee)

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Condition:

The Department of Safety's Division of Homeland Security and Emergency Management (HSEM) regularly grants the majority of its federal Public Assistance to subgrantees. During the fiscal year ended June 30, 2013, HSEM subgranted $9.8 million or 99.65% of total federal funds received. However, HSEM did not report the required FFATA information.

A similar finding was noted in the prior single audit.

Cause:

HSEM became aware of the FFATA compliance requirements through the Single Audit for the fiscal year ended June 30, 2012.

Effect:

HSEM was not in compliance with the FFATA reporting requirements for the fiscal year ended June 30, 2013.

Questioned Costs:

None

Recommendation:

HSEM should review the FFATA reporting requirements, establish and implement procedures to report the required subgrant information and therefore comply with Federal reporting requirements.

Auditee Corrective Action Plan:

The State of NH, Department of Safety, Division of Homeland Security and Emergency Management has implemented a two-fold response to this finding.

1. All awards of $25,000 or more to sub-grantees since October 2010 have been identified. Sub-grantees have been contacted via letter of the requirement and have been sent the FFATA form and instructions. We have requested the sub-grantee to submit their completed FFATA form to our office. All forms sent out are being monitored on a spreadsheet which is designed to track the community name, project number, project description, date funds were obligated, total funds and total federal funds allocated. Once the FFATA form is received back in our office, the information is reported in the FFATA Sub-Award Reporting System (FSRS). This requirement has been added to our Public Assistance Administrative Plan.

2. The FFATA form has been added to all correspondence going out to new sub-grantees and is required as part of their initial grant paperwork.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

Leigh A. Cheney, Planning Chief

Anticipated Completion Date:

March 31, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Homeland Security ***Finding 2013-024***
NH Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

3/29/10 - 3/29/14	***DRNH 1892 PA***
5/12/10 – 5/29/14	***DRNH 1913 PA***
7/22/11 – 7/22/15	***DRNH 4006 PA***
9/3/11 – 9/3/15	***DRNH 4026 PA***
12/5/11 – 12/5/15	***DRNH 4049 PA***
6/15/12 – 6/14/16	***DRNH 4065 PA***
11/4/12 – 11/3/16	***DRNH 4095 PA***
3/19/13 – 3/17/17	***DRNH 4105 PA***
11/4/12 – 11/3/16	***EMNH 3360 PA***

Finding: Communication to subrecipients and subrecipient monitoring procedures should be improved

Criteria:

In accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for providing the subrecipient with the Federal program name, including any identifying numbers, and is also responsible for reviewing and following up on subrecipient audit findings.

Condition:

During the fiscal year ended June 30, 2013, the Department of Safety's Division of Homeland Security and Emergency Management (HSEM) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements.

HSEM communicates federal compliance requirements to subrecipients through applicant briefing meetings and form letters attached to subrecipient payments. While these communications include the identification of the disaster number and federal awarding agency, HSEM did not communicate the CFDA# and title to its subrecipients during the fiscal year ended June 30, 2013.

HSEM also did not have procedures in place to acquire, review, and follow up on subrecipient Single Audit reports during the fiscal year ended June 30, 2013. Out of a sample of 22 non-State agency subrecipients no evidence of that monitoring was observed.

A similar finding was noted in the prior single audit.

Cause:

HSEM reported that lack of resources during the fiscal year ended June 30, 2013 contributed to the condition.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect:

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2013.

Questioned Costs:

None

Recommendation:

HSEM should establish and implement procedures to ensure that all required grant information, including the CFDA number and title, is communicated to subrecipients. Procedures should also be established and implemented to track, review, and follow up on subrecipient single audits.

Auditee Corrective Action Plan:

The State of NH, Department of Safety, Division of Homeland Security and Emergency Management has implemented the following to address sub-grantee monitoring:

1. All written correspondence to the sub-grantees now includes the CFDA Number and the name of the disaster.

2. The Department of Safety Grants Management Unit maintains a spreadsheet for audit tracking to monitor sub-grantee compliance with audit requirements. This spreadsheet is now being shared between Grants Management and the PA staff to monitor A-133 audit compliance of sub-grantees. This alleviates duplication of effort within the Department of Safety and allows the PA staff to concentrate on collecting the remaining audit reports.

Contact Person:

Leigh A. Cheney, Chief of Planning

Anticipated Completion Date:

March 31, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Transportation	***Finding 2013-025***
NH Department of Transportation	
CFDA # 20.205 Highway Planning and Construction	
CFDA # 20.219 Recreational Trails Program	
Grant Year and Award:	
2013, 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 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, 2013

Condition:

During the audit, we noted that the Department of Transportation (the Department or DOT) did not demonstrate a "good faith effort" to comply with the Federal Funding Accountability and Transparency Act (FFATA) for reports due prior to May 2013. DOT did not report any of their awards subject to FFATA prior to this date and therefore did not meet the FFATA reporting requirements.

A similar finding was noted in the prior single audit.

Cause:

The Department is aware of the requirements of FFATA and is registered in the Central Contractor Registration (CCR); however, there appears to be a backlog of awards in the system.

Effect:

The effect of not completing reporting for all received FFATA awards is noncompliance with the Federal reporting requirements.

Recommendation:

We recommend that the DOT develop a plan and institute controls to comply with the FFATA reporting requirements.

Questioned Costs:

None

Auditee Corrective Action Plan:

The Department has successfully implemented manual reporting of FFATA as of May 2013. Despite the Department's best effort to automate this process, reporting is a manual and labor intensive effort. Automated reporting is contingent upon processes developed by the Department of Information Technology (DoIT). At this time, DoIT is unable to automate the process of data collection for FFATA reporting.

The Department has begun the labor intensive process of manually completing FFATA reporting for periods prior to May 2013. Anticipated completion of this reporting is tentatively planned for June 30, 2014 and is dependent upon available Department staffing resources.

Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

June 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Transportation ***Finding 2013-026***
NH Department of Transportation

CFDA #20.106 Airport Improvement Program

Grant Year and Award:
February 2009 – February 2013 ***AIP #3-33-SBGP-04-2009***
February 2009 – February 2013 ***AIP #3-33-SBGP-07-2009***

Finding: Project closeouts should be performed timely

Criteria:

Title 49 CFR, Subpart D, Section 18.50 (b), states, "[w]ithin 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant. Upon request by the grantee, Federal agencies may extend this timeframe."

The Federal Aviation Administration's (FAA) Airport Improvement Program Handbook (Handbook), Order 5100.38C, used by the Department as guidance in administering the Airport Block Grant Program, section 1314.a. states, "[t]he sponsor shall be required to submit a final financial report to the FAA in accordance with Title 49 CFR, Parts 18.41 and 18.50." Section 1310 of the Handbook's grant closeout procedures states, "[i]t is important that all parties involved fulfill these requirements promptly so that unnecessary delays in closing a grant can be avoided."

Condition:

The Department has not closed out its federal grants in a timely manner as two of the Department's airport block grants expired. The grants expired at the end of February 2013 and, as of September 2013, the Department had not yet prepared the necessary documentation to close out the grants and could not provide documentation to support their request to the FAA of an extension to the closeout deadline.

Cause:

The Department reports it is a significant administrative responsibility to close out a grant and the Department has been unable to perform these tasks in a timely manner due to limited staff resources. According to the Department, the FAA granted the Department a verbal approval to extend the deadline but this verbal approval was not further supported in writing.

Effect:

The Department is at risk of losing funding due to its noncompliance with the uniform administrative requirements for federal grants.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

The Department should establish procedures to ensure projects are closed out timely. All financial, performance, and other reports required as a condition of the federal grants should be submitted to the Federal Aviation Administration within 90 days after the expiration or termination of the grants in accordance with federal regulations.

Auditee Corrective Action Plan:

We concur.

In coordination with the Federal Aviation Administration (FAA), the FAA recommends the following actions:

- The State develop a draft grant closeout process with associated timeframe.
- FAA and the state meet to review and refine this process and schedule.
- Once the parties agree, the grant closeout process and associated timeframe will be incorporated into an updated Block Grant Agreement (which is required in any case).
- These actions will be complete and an updated agreement signed by the end of the FAA fiscal year (September 30, 2014).

Based on this guidance, the Department has established the following procedure to ensure that subgrant projects are closed out in a timely manner and that the original grants from FAA are closed out in accordance with 49 CFR Parts 18.41 and 18.50:

1. Subgrants: The Department will provide written (e-mail) reminders to airport sponsors of upcoming project lapse dates in advance of their published lapse date.

2. Subgrants: For airport sponsors who provide a written request for an extension of their published lapse date, the Department will evaluate the request for reasonableness, eligibility, and justification of said request. If accepted, the Department will pursue a time extension for the subgrant for Governor & Council approval. The Department will provide FAA's Regional Office with a notification of the requested time extension if there is an impact to the original FAA grants to the Department. If needed, the Department will request a time extension from the FAA's Regional Office on the original FAA grant.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

3. Original FAA Grants – Going Forward: Once the last payment has been made from each original FAA grant or the expiration date of each original grant has been reached, whichever comes first, the Department will prepare suitable closeout documentation satisfactory to FAA's Regional Office for submission within 90 days after the expiration or termination of these grants.

4. Original FAA Grants – Currently Needed to be Closed: The Department will prepare a revised closeout report format suitable to address the FAA's Regional Office's requested financial, performance, and other requirements of the New Hampshire Airport Block Grant Program no later than March 15, 2014. The Department and FAA's Regional Office will meet to review and refine this process and schedule, as needed. This process will then be incorporated into the New Hampshire Airport Block Grant Program Memorandum of Agreement by September 30, 2014.

Contact Person:

Tricia L. Schoeneck Lambert, Aeronautics Administrator

Anticipated Completion Date:

Effective immediately, with the first deliverable due to FAA on March 15, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Transportation ***Finding 2013-027***
NH Department of Transportation

CFDA #20.106 Airport Improvement Program

Grant Year and Award:

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***
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***
May 2012 – May 2016	***AIP #3-33-SBGP-16-2012***

Finding: Federal drawdowns should be performed on reimbursement basis

Criteria:

Title 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 has not established procedures to minimize the time elapsing between the drawdown of Federal funds and their disbursement for Federal program purposes. We tested 13 federal program disbursements and noted the federal funds were drawn for 10 selections prior to the disbursement of the funds by the State. Federal funds were drawn six to 64 days prior to disbursement.

Cause:

This was a prior year noncompliance finding and the Department immediately changed their procedures to comply with the federal requirement. However, during the eight month period July 1 – February 28, 2013, the noncompliance issue still existed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect:

Federal funds are being advanced to the State resulting in a potential interest liability to the Federal government.

Questioned Costs:

Not determinable

Recommendation:

The Department should continue in their new efforts to ensure compliance with 31 CFR, Subpart B, Part 205.33 (a). Federal drawdowns should be performed after the federal program disbursements are processed through NH First, the State's accounting system.

Auditee Corrective Action Plan:

We concur in part.

As of March 1, 2013, the NHDOT, Bureau of Aeronautics developed a process to ensure compliance with 31 CFR, Subpart B, Part 205.33 (a). The Federal Aviation Administration (FAA) drawdown does not occur until the payment to the sub-recipient has been issued.

The Department conducts the following steps in processing FAA State Block Grant payments and reimbursements:

1. All invoices from subgrantees (airports) are reviewed, approved and processed for payment. Payment to the subgrantee includes both the Federal and State share for the work completed.

2. Upon confirmation in LAWSON, the State's accounting system, that the payment has been made to the subgrantee, the Bureau of Aeronautics requests reimbursement from the FAA for the Federal share of the invoice.

3. When the reimbursement from FAA is electronically received by Treasury, the Bureau of Aeronautics will complete the necessary paperwork to deposit the requested reimbursement amount back to the Accounting Unit of which the payment was originally paid to the airport.

The Department has addressed this finding as detailed above and considers this observation closed.

Contact Person:

Tricia L. Schoeneck Lambert, Aeronautics Administrator

Anticipated Completion Date:

March 1, 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Transportation ***Finding 2013-028***
NH Department of Transportation

CFDA #20.106 Airport Improvement Program

Grant Year and Award:

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***
August 2011 – August 2015	***AIP #3-33-SBGP-14-2011***
September 2011 – September 2015	***AIP #3-33-SBGP-15-2011***

Finding: Cash receipts and disbursements should be reported in proper period

Criteria:

Title 49 CFR, Subpart C, Section 18.41 (b), requires grantees to report the status of funds for all non-construction and construction grants on Standard Form 269 or 269A, Financial Status Report. Program Guidance Letter (PGL) 10-1 issued by the Federal Aviation Administration (FAA) in October 2009 directs grantees to replace the Standard Form 269 or 269A with Federal Financial Report form number SF-425 in accordance with a directive from the Office of Management and Budget for all federal agencies to begin using the new form no later than October 2009. PGL 10-1 provides grantees with instructions on completing the SF-425 report. The instructions state that the "cumulative amount of actual cash received from the Federal agency" and the "cumulative amount of Federal fund disbursements" as of the reporting period end date should be reported on lines 10.a. and 10.b. of the form SF-425, respectively.

Condition:

The Department has not established procedures to ensure the cash receipts and disbursements reported on the quarterly SF-425 reports are consistently reported in the proper period. We noted seven instances in five out of 16 reports tested where the cash receipts or disbursements were not reported in the proper period.

Cause:

The Department does not appear to be using cash receipt and disbursement dates recorded in the State's accounting system or the confirmation of funds received dates from the New Hampshire State Treasury when determining what calendar quarter to report the receipts and disbursements on the federal financial reports. In some cases, we noted the reporting of cash receipts and disbursements was driven by the date the drawdown was performed in the Federal Echo/Delphi system. This date is not significant to financial reporting as it does not provide information on the date the "actual cash" is received as required by the reporting instructions. When the cash receipt and its related disbursement occurred in two different calendar quarters, in some instances, we noted the disbursement was essentially "matched" or recorded in the same quarter as its associated receipt.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect:

Although in many cases the Department included remarks in its SF-425 reports to explain the timing of certain receipts and disbursements, the methodology used by the Department to report its status of funds obscures the reporting of cash on hand to the FAA. For example, in one report tested for the quarter ended December 31, 2012, if receipts and disbursements had been reported using the dates recorded in the State Accounting System (disbursements) and the N.H. State Treasury System (receipts), the report would have shown $782,734 of cash on hand. Instead, the report listed cash on hand as ($67,799).

Questioned Costs:

None

Recommendation:

The Department should establish procedures to ensure cash receipts and disbursements are recorded in the proper period on the SF-425 reports. Receipts and disbursements should be reported in the period the transactions occurred, as supported by the State's Accounting System and the N.H. State Treasury. In order to provide the most useful information to the FAA for monitoring purposes, program receipts and disbursements should not be "matched" on a quarterly report if the receipt and its related disbursement occurred in two different calendar quarters.

Auditee Corrective Action Plan:

We do not concur.

The guidance received from the Federal Aviation Administration (FAA) is that they, the FAA, communicated that they, have "no problem with the Department providing an annotated SF-425 to explain the timing of receipts and disbursements."

Contact Person:

Tricia L. Schoeneck Lambert, Aeronautics Administrator

Anticipated Completion Date:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Defense ***Finding 2013-029***
New Hampshire National Guard

CFDA # 12.401 National Guard Operations & Maintenance (O&M)

Grant Award and Year:

W912TF-11-2-1000	***10/1/10-9/30/14***
W912TF-11-2-1001	***10/1/10-9/30/14***
W912TF-11-2-1002	***10/1/10-9/30/14***
W912TF-11-2-1003	***10/1/10-9/30/14***
W912TF-11-2-1004	***10/1/10-9/30/14***
W912TF-11-2-1007	***10/1/10-9/30/14***
W912TF-11-2-1010	***10/1/10-9/30/14***
W912TF-11-2-1014	***10/1/10-9/30/14***
W912TF-11-2-1015	***10/1/10-9/30/14***
W912TF-11-2-1040	***10/1/10-9/30/14***
W912TF-11-2-1021	***10/1/10-9/30/14***
W912TF-11-2-1023	***10/1/10-9/30/14***
W912TF-11-2-1024	***10/1/10-9/30/14***
W912TF-10-2-3075	***7/1/09-6/30/13***
W912TF-09-2-9008(ARRA)	***7/1/09-9/30/13***

Finding: Direct program and administrative draw downs are not performed in accordance with the Treasury-State Agreement (TSA)

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 (known as Treasury-State Agreements) that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

Condition:

During our audit, we noted that the federally approved 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 technique of 15 days. Further, we noted that for administrative costs the State must draw down funds from the US Treasury as defined by the TSA using a quarterly draw technique. However, The Adjutant General's Department (TAG) Federal-State Cooperative Agreement requires the TAG to prepare a manual Request for Reimbursement (invoice) and submit to the National Guard Bureau for approval and subsequent reimbursement. These invoices for both direct and administrative dollars are submitted to the Federal Government approximately monthly; and therefore, are not in compliance with the approved funding techniques in the TSA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

The reimbursement method required in the TAG's Federal-State Cooperative Agreement does not allow for the TAG to meet the funding techniques prescribed in the Treasury-State Agreement.

Effect:

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

Questioned Costs:

None

Recommendation:

The TAG should review current cash management practices with The State of New Hampshire Treasury department and implement controls to ensure that the reimbursement process in place is what's approved by the Federal government in the TSA.

Auditee Corrective Action Plan:

The Adjutant General's Department (TAG) concurs with this finding and recognizes the conflict with the TSA and our program requirements. Our Federal-State Cooperative Agreement requires the TAG to submit a manual Request for Reimbursement (invoice) which must be reviewed and approved by the National Guard Bureau, then sent to a third party, Defense Finance and Accounting Service (DFAS), for the actual payment transmission to the State of New Hampshire. Other State Agencies enter into Grants (opposed to Cooperative Agreements) where they are able to utilize the Drawdown mechanism to receive their Federal Funds. The TAG is going to propose making some changes to the TSA, and will discuss this at a joint meeting with State Treasury and the National Guard Bureau. The meeting with the parties has already been scheduled.

Contact Person:

Stephanie Milender, Administrator

Anticipated Completion Date:

July 1, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Labor	***Finding 2013-030***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2012	***UI-22327-12-55-A-33***
2013	***UI-23906-13-55-A-33***

Finding: Cash management methods for administrative costs do not agree with Treasury State-Agreement and controls over cashdraws for direct costs should be improved

Criteria:

U.S. Department of Treasury Regulations 31 CFR Part 205, which implement the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), require State recipients to enter into agreements that prescribe specific methods of drawing down federal funds (funding techniques) for selected major programs.

"Subpart A – Rules Applicable to Federal Assistance Programs Included in a Treasury State Agreement…

§205.9 …We will prescribe a uniform format for all Treasury-State Agreements. A Treasury State-Agreement must include, but is not limited to, the following:

…(d) Methods the State will use to develop and maintain clearance patterns and estimates, consistent with [funding techniques requirements]…

§205.10 The [funding technique] description must include the following:

(a) What constitutes a timely request for funds;
(b) How the State determines the amount of funds to request;
(c) What procedures are used to project or reconcile estimates with actual and immediate cash needs;
(d) What constitutes a timely receipts of funds; and
(e) Whether the State or Federal interest liability accrues when the funding technique, including any associate procedure for projection or reconciliation, is properly applied.

§205.23 ... (b) As set forth in §§ 205.9 and 205.10, a Treasury-State agreement must include the method the State uses to develop, maintain, and document the estimate."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Condition:

Administrative Costs

Cash draw methods for requesting federal funds for the Unemployment Insurance (UI) Administrative Costs are not consistent with the methods approved in the Treasury-State Agreement (TSA).

The Department conducts cash draws of available federal funds on a biweekly basis to align federal reimbursement with actual payroll expenditures, the largest Department expenditure. Biweekly drawdowns are based on estimates since monthly reports from the system used to account for federal expenditures are not available until almost a month later. Administrative costs for the UI program during fiscal year 2013 approximated $17 million.

The funding method and technique assigned to the UI administrative costs in the TSA for the period of July 1, 2012 through June 30, 2013 does not appear to allow for the use of estimates in performing cash draws.

The TSA indicates UI administrative costs are to be reimbursed using the "Direct Administrative Costs - Drawdowns on a Payroll Cycle" funding technique with Average Day of Clearance of four days. The Direct Administrative Costs - Drawdowns on a Payroll Cycle funding technique states "[t]he State shall request funds for all direct administrative costs such as they are deposited on the dollar-weighted average day of clearance of payroll ... The amount of funds shall be **based on the amounts of liabilities recorded for direct administrative costs since the last request for funds.** …"

In its general guidelines section, the TSA also states "[w]here estimated expenditures are used to determine the amount of drawdown, the State will indicate how the estimated amount is determined and when and how the State will reconcile the difference between the estimate and the State's actual expenditures." This information is not included in the State's TSA.

Direct Program Costs

Cash management procedures for direct costs do not appear adequately segregated and reviewed. One Department employee was responsible for determining the cash needs of the program as well as the cash requests from the State's account in the Unemployment Trust Fund for payments of unemployment benefits to claimants. However, no management review and approval occurred of the daily request of funds prior or after the request submission.

Although, a monthly review of total funds drawn compared to expenditures recorded is performed by the employee and approved by the Business Administrator, a review of the daily requests to ensure compliance with cash management requirements was not performed by someone other than the person performing this daily function.

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

Lack of effective communication between the Department and State Treasury may be the reason for certain inconsistencies noted within the last few years between the Treasury-State agreement and the Department's cash management practices. In addition, the Department has relied on the competence and expertise of the employee performing cash requests from the trust fund.

Effect:

The State is not in compliance with regulations established to comply with the cash management improvement act of 1990, as amended, by not incorporating cash management procedures in the TSA, as allowed.

In addition, risk of non-compliance with federal requirements increases when controls need strengthening or are nonexistent. Noncompliance with cash management requirements for requesting funds for Direct Costs is at risk due to the lack of control over daily cash draws.

Questioned Costs:

None

Recommendation:

Administrative Costs

The Department of Employment Security should work with State Treasury to ensure current practice of drawing down funds is included in the TSA and then approved by the federal government. If the Department continues to draw down funds based on estimates, the Department should incorporate the procedures for determining estimated amounts, and when and how the Department reconciles the difference between the estimate and the actual expenditures into the UI Administrative Costs Funding Technique of the annual TSA.

Direct Program Costs

The Department should improve its controls over compliance with applicable cash management requirements. Controls should include activities such as documented review and approvals, segregation of incompatible duties, and reconciliation of transactions to ensure they are in accordance with the funding technique and clearance pattern approved for the unemployment insurance program, as applicable, in the Treasury-State Agreement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

Administrative Costs – NHES will work with State Treasury to revise the TSA to incorporate the following language explaining the process of estimating the drawdown of funds and subsequent reconciliation (funding technique). "Estimated allocation – The State shall request funds on a bi-weekly basis. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each bi-weekly period shall be an estimate based on the average cost allocations of the prior three-month period and immediate cash needs. The bi-weekly draws will be adjusted to actual once a month when cost allocation is completed. This adjustment will be made by reducing or increasing the subsequent draw down. This funding technique is interest neutral."

Direct Program Costs – NHES will now maintain evidence of the review and approval of the treasurer's daily cash draws by the business administrator. Business administrator will now also maintain evidence of review of the associated banking transaction. Segregation of duties occurs within the treasurer's unit in that the person responsible for preparing the cash draw is unable to post the accounting transactions to the appropriate ledgers which are posted by the accountant II position. Daily reconciliation and verification activities occur from two fronts: (1) the accountant III updates the Excel version cash draw worksheet from the treasurer's hand-written cash draw worksheet while validating calculations and amounts; and (2) from the treasurer's hand-written cash draw worksheets the accountant II updates the Cash Management Improvement Act (CMIA) Excel worksheet while validating the amounts to independently run system reports and verifying adherence to the TSA.

Contact Person:

Jill Revels, Business Administrator

Anticipated Completion Date:

Administrative Costs – State Treasury intends to submit immediately language explaining the process of estimating the drawdown of funds and subsequent reconciliation for review by United States Department of Treasury and inclusion in the next TSA amendment.

Direct Program Costs - Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Labor	***Finding 2013-031***
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***
2013	***UI-23906-13-55-A-33***

Finding: Controls over Federal reporting procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements

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 [the Overpayment Detection and Activity Recoveries report] should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

"The ETA 581 report [Contribution Operations 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.

Reporting requirements deemed direct and material to the UI program included five report types, for example, the Financial Status Reports (ETA 9130), UI Financial Transaction Summary reports (ETA 2112), Contribution Operations reports (ETA 581), Financial Status of UCFE/UCX Reports (ETA 191), and Overpayment Detection and Recovery Activities reports (ETA 227).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

For three out of 11 reports tested, we noted supporting documentation provided did not completely agree to all sections of the reports tested or underlying data contained errors due to a malfunction in the reporting function of the NH Unemployment Insurance System (NHUIS). As a result, we were unable to obtain reasonable assurance reports were accurate and complete. The two report types containing errors are described below.

- One of the two ETA 581 reports tested, which is used to report information regarding tax status of employers and other information pertinent to the overall effectiveness of the tax program, contained a transposition error on the final report submitted to the US DOL. The amount reported was $6,858 instead of $68,058. A supervisor only reviewed a draft copy of the ETA 581 report, and therefore, did not identify the transposition error on the final report submitted.

- For the two ETA 227 reports tested, which is used to report fraudulent or non-fraudulent overpayment information, causes, methods of detection, and recovery information, auditors were able to agree some of the reported information to supporting documentation but not all. The Department indicated the source of the report information is the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report is not functioning properly. Purportedly, the data being reported is the best information available at the time the report is due. This has been a recurring issue since the implementation of the NHUIS system in 2009 and remained unresolved for State fiscal year 2013.

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

Cause:

A draft report was reviewed rather than the final report version. Also, unreliable data is generated from the NHUIS system for the ETA 227 reports.

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program, as amounts and statistics reported have not been supported with accurate data as noted above.

Questioned Costs:

None

Recommendation:

The Department should strengthen its controls over the Reporting Compliance requirement and 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.

Specifically, the Department should continue to diligently work on correcting the reporting function of the NHUIS system to ensure underlying reporting data for the ETA 227 reports are properly generated as well as ensuring reports reviewed and approved are the versions transmitted to the US DOL.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

The following Policy Memo has been distributed to strengthen controls on report accuracy. Overpayment Business Process Review has been conducted with final report expected to be signed off on by 2/28/2014. The BPR included review of ETA 227 components and recommendations for improvement. All defect corrections and improvements will be implemented by September 2014.

Contact Person:

Dianne Carpenter, Unemployment Compensation Bureau Director

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Labor	***Finding 2013-032***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2013	***Annual EUC08 Grant***

Finding: Controls over work search requirements for Emergency Unemployment Compensation (EUC08) recipients need improvement

Criteria:

-Public Law 112-96-FEB. 22, 2012. - Middle Class Tax Relief and Job Creation Act of 2012- The Act includes, as a condition of eligibility for regular compensation for any week, claimants must be able to work, available to work, and actively seeking work.

The Act also defines "actively seeking work" to mean with respect to any individual that such individual:

- is registered for employment services;
- is engaged in an active search for employment appropriate to the individual's skills and abilities, and employment available in the labor market;
- **includes a number of employer contacts consistent with state standards [see NH Policy below];**
- has maintained record of work search activities, including employer contacted, method of contact, and date of contact; and
- when requested, provides the work search record to the state agency.

-New Hampshire Policy dated June 1, 2012 - *Work Search Contact Requirement* – states:

"Any new EUC claimant … shall:
a) make no fewer than five (5) work search contacts each week;
b) ensure that at least two (2) of those contacts are new each week; …
c) report all work search contacts while filing a weekly continued claim;
d) be issued one work search warning if their work search efforts are considered inadequate and/or they have not met the previous requirement;
e) be denied benefits if, after a warning, their work search efforts continue to be inadequate and/or requirements are not met;
f) be denied benefits if no work search effort was performed without good cause or department waiver. "

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Unemployment Insurance Program Letter No. 04-10, Change 11 Issued on January 7, 2013 – instructed states to determine whether a claimant was provided adequate notification of the EUC08 work search requirements for any week in which a claimant certifies a claim for benefits and may not issue a denial of the claim for failure to meet the EUC08 work search requirements for any week for which the state determines it did not provide the claimant adequate notification of the work search requirements.

Condition:

Based on our review of 25 unemployment claims funded with federal EUC funds (also referred to as extended benefits), we noted nine instances where claimants did not report a minimum of five employer contacts as part of the work search requirement while filing their weekly unemployment claim. Of those nine claims tested we noted the following:

- For one claim, a one-on-one meeting had been conducted with the claimant to provide specific instructions on work search requirements for EUC claims; however claims filed and paid contained less than five employer contacts. Seven weekly claims paid and questioned at $331 per week: Questioned costs = $2,317.

- For two individuals, the State did not issue work search warnings for the weeks tested or subsequent claims. Payments cannot be deemed ineligible unless the Department is certain the claimant was well aware of the work search requirements and chose not to comply. No questioned costs identified.

- For two individuals the State issued work search warnings; however, no follow up occurred and subsequent claims containing the same non-compliance with work search requirements were paid. One week paid and questioned at $107 and three weeks paid and questioned at $206 per week: Questioned Costs = $725.

- For four individuals the State issued untimely warning letters. The State had identified non-compliance with the work search policy; however, the timing of when the warnings were issued allowed for payment of sometimes several weeks or the full duration of weeks allowed. Payments cannot be deemed ineligible unless the Department is certain the claimant was well aware of the work search requirements and chose not to comply. No questioned costs identified.

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

Cause:

The New Hampshire Unemployment Insurance System (NHUIS) did not have a control in place to identify when the appropriate work search criteria is not met, which would have enabled them to follow up on any potential eligibility issue.

Effect:

The Department may be paying unemployment benefits to individuals who are not fully meeting eligibility requirements as modified by the “Middle Class Tax Relief and Job Creation Act of 2012”.

Questioned Costs:

$3,042

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

The Department should establish a control to ensure individuals eligible to claim extended unemployment benefits are meeting both Federal and New Hampshire's policy of reporting a minimum of five employer contacts while filing their weekly claims.

The Department should timely investigate claims that do not include the required number of employer contacts and ensure the claimant is aware of the work search requirements. If it is determined the claimant was aware of the requirements and chose not to comply, the Department should consider and document if a warning is necessary or if benefits should be denied.

The Department should consider enhancing New Hampshire Unemployment Insurance System, the eligibility and payment system, to include an automated control that would timely flag an EUC claim that does not contain the required number of employer contacts. This will help to prevent overpayment of unemployment benefits.

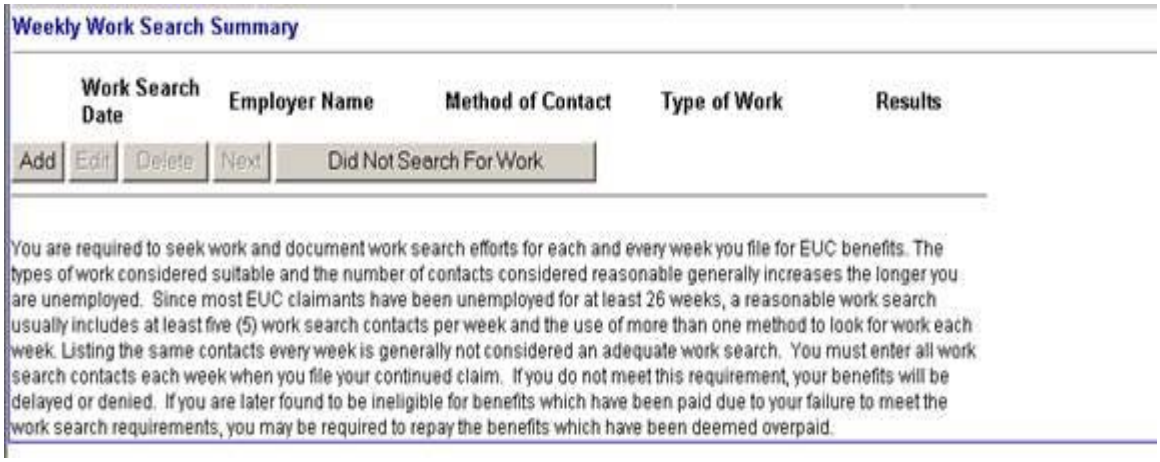
Auditee Corrective Action Plan:

New Hampshire included the following notice to claimants on the EUC Initial application as of January 2013:

IMPORTANT ELIGIBILITY REQUIREMENT THAT YOU MUST MEET - Per Federal law effective 3/23/2012, you are required to seek work and document work search efforts for each and every week you file for EUC benefits. The types of work considered suitable and the number of contacts considered reasonable generally increases the longer you are unemployed. Since most EUC claimants have been unemployed for at least 26 weeks, a reasonable work search usually includes at least five (5) work search contacts per week and the use of more than one method to look for work each week. Listing the same contacts every week is generally not considered an adequate work search. You must enter all work search contacts each week when you file your continued claim. If you do not meet this requirement, your benefits will be delayed or denied. If you are later found to be ineligible for benefits which have been paid due to your failure to meet the work search requirements, you may be required to repay the benefits which have been deemed overpaid. You may also be notified to report to a NH Works office to participate in reemployment assessment and services, which includes a review of your work search efforts. This meeting is mandatory and your benefits may be delayed or denied if you do not report as instructed.

New Hampshire included the following notice to claimants on each and every EUC Continued Claim Form filed as of January 2013:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013



New Hampshire performed EUC Re-employment Assessment/Re-employment Services meetings and worksearch audits pursuant to Federal expectations. Administrative funding does not allow worksearch review of every single claim that is filed.

Numerous enhancements to the work search collection in NHUIS have been documented. New Hampshire submitted and was awarded supplemental budget request monies to revamp its initial and continued claim module. Work will begin on these modules in the 2nd quarter 2014. The revamp is for all claims, not just extended benefits. The changes to the work search collection include:

1) Being able to establish a minimum required number of work search contacts per program and/or per claimant based on individual circumstances
2) Alert if requirement is not met and suspend payment pending fact-finding and eligibility determination
3) Add additional validations, fields and Help text to work search collection screens to improve quality of information gathered.

Contact Person:

Dianne Carpenter, Unemployment Compensation Bureau Director

Anticipated Completion Date:

September 30, 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Veterans Affairs ***Finding 2013-033***
NH Veterans Home

CFDA #64.015 Veterans State Nursing Home Care

Grant Year: 2013

Finding: Controls over ensuring contractors are neither suspended nor debarred should be established and implemented

Criteria:

2 CFR 180.300 states, "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 (b) (1) as a contract for goods or services 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:

During fiscal year 2013, the Veterans Home (Home) had no controls in place to ensure its contractors were not suspended or debarred. While testing revealed no suspended or debarred parties, for 3 out of 3 vendor contracts tested, none included a certification or clause regarding suspension/debarment and none were subjected to verification of their suspension/debarment status through a review of the Excluded Party List System (EPLS).

A similar finding was noted during the prior single audit report.

Cause:

The Home did not establish and implement controls to ensure its contractors were neither suspended nor debarred.

Effect:

By failing to comply with 2 CFR 180.300, the Home risks inadvertent contracting with suspended or debarred parties.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

The Home should establish the procedures outlined in 2 CFR 180.300, such as (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." and implement controls to ensure compliance with the 2 CFR 180.300 regulations occurs.

Auditee Corrective Action Plan:

The Home has establish the procedures as outlined in 2 CFR 180.300, such as (a) Checking the Excluded Party List System, or (b) Collecting a certification form from the person, or (c) Adding a clause or condition to the covered transaction with the person. The Home has added this procedure to the policies followed in regards to all purchasing.

Contact Person:

Margaret D. LaBrecque, Commandant

Anticipated Completion Date:

January 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Energy	***Finding 2013-034***
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 2013)

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 lapsing 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:

EECBG made project advance payments during fiscal 2012 to two communities, totaling $536,535. These advance payments were made in accordance with the contract, which was approved by Governor and Council (G&C). The contracts stipulate that the advanced funds were to be used to fund community field office staff and over two fiscal years, the communities monthly payroll costs were applied against the advance. However, as required by the U.S. Treasury regulations cited above, 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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

the initial period. OEP advised the subrecipients to deposit the advance in a non-interesting bearing account in order to avoid earning program income.
A similar finding was identified in the prior year's single audit.

Cause:

Discussions with OEP personnel indicated that subrecipients requested advance payments to cover the field office payroll costs for two program years, 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, and reevaluate the policies and procedures associated with providing advance payments to program subrecipients to ensure compliance with applicable federal laws and regulations.

Questioned Costs:

Not determinable

Auditee Corrective Action Plan:

OEP concurred with this finding in the past, though our actions were approved by both US DOE and by the Governor and Executive Council. We do not believe that it is a valid finding for FY13 as it is the same finding as last year related to one-time advances that occurred in 2011. These one-time advances to the City of Berlin and the Town of Plymouth in August 2011, and the circumstances surrounding the intent of the advances, were approved by both the U.S. Department of Energy and the NH Governor and Executive Council. This approach was unique to this particular ARRA program. OEP has a tracking system to monitor the progress of the advance spend-down by the sub-recipients. OEP still believes that this approach was appropriate in this unique situation. Monitoring performed by OEP established that the advanced funds were properly used and managed, and the remaining unspent advanced funds were reimbursed by the sub-recipients in full prior to end of Fiscal Year 2013. OEP does not intend to grant advances to any sub-recipient in this manner going forward.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

U.S. Department of Health and Human Services ***Finding 2013-035***
NH Office of Energy and Planning

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

Grant Year and Award:

10/1/11-9/30/13	***G-12B1NHLIEA***
10/1/12-9/30/14	***G-13B1NHLIEA***

Finding: OEP should establish internal controls over and comply with the reporting requirements of the Federal Funding Accountability & 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 other purposes, e.g., submission of applications through grants.gov) and actively maintain the registration. Prime awards have previously been required to register in CCR. Grants and cooperative agreement recipients and contractors must report information related to the sub-award by the end of the month following the month in which the sub-award or obligations of $25,000 or greater were made and, for contracts, the month in which a modification was issued that changed previously reported information.

Subaward information required for FFATA:

- Subaward Date
- Subawardee's DUNS #
- Amount of subaward
- Subaward Obligation/Action Date
- Date of Report Submission
- Subaward Number

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Condition:

During the audit, we were informed that OEP did not submit the required FFATA reports for the LIHEAP program during fiscal year 2013.

A similar finding was noted during the prior single audit report.

Cause:

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

Effect:

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

Questioned Costs:

None

Recommendation:

OEP should review the FFATA reporting requirements, establish control procedures to report the required subgrant information and comply with the FFATA reporting requirements of the LIHEAP program.

Auditee Corrective Action Plan:

OEP concurs and has developed and implemented procedures to ensure compliance with FFATA reporting requirements. Issues with the FFATA web portal have been resolved and OEP has been successful in submitting the required reporting information.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The submission of LIHEAP Program Year 2013 and Program Year 2014 were both performed on January 9, 2014.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services ***Finding 2013-036***
NH Office of Energy and Planning

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

Grant Year and Award:
10/1/11-9/30/143 ***G-12B1NHLIEA***
10/1/12-9/30/14 ***G-13B1NHLIEA***

Finding: Internal controls over the subrecipient monitoring requirements should be improved

Criteria:

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 requirements are being met.

Condition:

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

The OEP did not establish procedures to ensure that internal controls were operating effectively. For 2 out of 3 Community Action Agencies (CAA's), the program monitoring report was not signed by either the preparer or a reviewer. In addition, all of the CAA's did not have signed field monitoring reports by either the preparer or reviewer. Both reports are required to be signed by OEP's procedures. The lack of signed reports does not hold individuals accountable for their job performance nor does it show that the reports were properly approved.

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

Cause:

Decreased staffing levels may have resulted in ineffective internal controls in place over the subrecipient monitoring process. Due to the lack of staff, the responsibility of reviewing monitoring and site inspection reports is solely reliant on the Program Manager.

Effect:

OEP's lack of effective monitoring controls of the CAA's may result in noncompliance with the subrecipient monitoring requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

OEP should strengthen controls to ensure that the subrecipient program monitoring and field monitoring reports are signed by the individual completing the reports and are then authorized by the Program Manager.

Auditee Corrective Action Plan:

OEP concurs and has noted that decreased staffing levels and turnover have impacted the LIHEAP program. OEP has developed policies and procedures including internal controls to ensure compliance with the subrecipient monitoring requirements. OEP has created monitoring schedules and continues to use our developed monitoring tools and procedures. OEP's Grants Compliance Specialist performs the Fiscal Monitoring and the Program Manager reviews and approves the monitoring report. Program monitoring is performed by OEP's Program Manager and OEP's Director reviews and approves monitoring reports.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The LIHEAP monitoring reports for Program Year 2013 will be completed by June 30, 2014. The LIHEAP monitoring reports for Program Year 2014 will be completed by the end of the program year, September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-037***
NH Office of Energy and Planning	
CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)	
Grant Year and Award:	
10/1/11-9/30/13	***G-12B1NHLIEA***
10/1/12-9/30/14	***G-13B1NHLIEA***

Finding: The time lapse between the transfer of funds from the U.S. Treasury and disbursement by sub grantees was not minimized. Costs applied to advances were not properly supported.

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) LIHEAP program 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. 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 LIHEAP program 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, 2013

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 applied to subrecipient reimbursement requests throughout the program year until funds are fully applied. If funds are not fully applied by September 30th of each year, the unspent funds are returned to OEP. It was noted that the last delivery for fuel assistance was April 30th with invoices submitted through June 30th. During our audit, it was noted that OEP advanced $46,612 in administrative costs and $451,599 in program costs to one Community Action Agency (CAA) and $55,083 in administrative costs and $533,667 in program costs to another, second, CAA.

During the remainder of the program year, which ended September 30, 2013, the OEP applied $372,317 of the advance funds to the first CAA. The remaining $125,894 or 25% of advanced funds unspent were not returned to OEP by the September 30th due date.

Additionally, invoices to support program costs were not provided from the second CAA to support the advance provided by OEP. It could not then be determined whether the costs incurred were for allowable activities under the LIHEAP program.

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

Cause:

Lack of internal controls to ensure that funds are spent in a timely fashion, unspent funds are returned by September 30th of each year invoices are submitted by the CAA's as documentation for program costs incurred.

Effect:

The OEP was not in compliance with the Treasury-State Agreement resulting in potential interest liability to the Federal government. Further, costs advanced by OEP were not properly supported and therefore, could be deemed unallowable.

Questioned Costs:

The $533,667 is not a questioned cost as the OEP returned these funds to the Federal government by crediting federal award G-13B1NHLIEA on August 16, 2013.

Recommendation:

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. Also, OEP should ensure compliance with the funding techniques included in the TSA. Further, OEP should consider requiring the CAA's to maintain the advances in separate bank accounts to help ensure that funds are used only for federal program expenditures.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

To ensure that subrecipients paid vendors in a timely manner, OEP should require support from the subrecipients to ensure that vendors were paid within a reasonable timeframe. Further, advances need to be tracked and supporting documentation received to prove that the CAA is spending the advance LIHEAP funds on allowable program costs.

Auditee Corrective Action Plan:

OEP concurs and has made changes to its contracts with the Community Action Agencies (CAA), and has developed and implemented a policy and procedure related to Advances. OEP contracts with the CAAs now stipulate in Exhibit C Special Provisions #12 that "CAAs must submit to OEP the bank account number of the designated bank account for the advance funds prior to the electronic submission of the funds to the CAA. Unspent advance program funds must remain in the FAP dedicated account at all times and cannot be comingled with any other CAA funds. CAAs are required to submit to OEP a complete copy of the FAP dedicated account bank statement on a monthly basis." OEP Advance policy and procedures include periodic reviews of each CAA spending patterns in order to draw CAA Advances from their reimbursement requests to ensure that Advances are used to the extent possible before the end of the program year, and that unused Advances are returned by the CAAs well before the end of the program year. In addition, OEP did not provide an Advance to the CAA whose Advance was paid back to the LIHEAP program through Legislative action and will not provide future Advances until that CAA has a track record of properly managing program funds.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Changes to CAA contract language was implemented for Program Year 2014 CAA contracts. OEP's changes to the Advance policy and procedures will be fully implemented by the end of Program Year 14, September 30, 2014.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Health and Human Services	***Finding 2013-038***
NH Office of Energy and Planning	
CFDA # 93.568 Low-Income Home Energy Assistance Program (LIHEAP)	
Grant Year and Award:	
10/1/11-9/30/13	***G-12B1NHLIEA***
10/1/12-9/30/14	***G-13B1NHLIEA***

Finding: OEP should improve internal controls over LIHEAP Federal financial reporting as the annual SF-425 was not completed or submitted

Criteria:

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

Per (2 CFR 215) State and Local government 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 Government and Non-Profit Organizations." 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 agreement that could have a material effect on each of its Federal programs.

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

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

Condition:

Although the OEP has implemented a review and approval control over LIHEAP Federal reports, requiring all reports to be subjected to the review and approval of OEP's Grants and Compliance Officer or Program Manager prior to submission, the Federal Financial Report Standard Form SF-425 was not completed or submitted during fiscal year 2013. The report was due December 31, 2012.

Cause:

Employee attrition and limited personnel resources contributed to the fact that the SF-425 was not completed or submitted and the failure of OEP's system of internal controls over Federal reporting to prevent or detect and correct this oversight.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Effect:

Inadequate internal controls existed over the Federal reporting requirements of LIHEAP to that failed to ensure all Federal reporting requirements were complied with.

Questioned Costs:

None

Recommendation:

The OEP should implement a control to ensure that the SF-425 is submitted and completed in a timely manner.

Auditee Corrective Action Plan:

OEP concurs and has developed and implemented new processes and procedures for accurate and timely submission of LIHEAP SF-425 annual reports. In addition, OEP has developed reporting schedules to ensure reporting deadlines are met.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

The submission of the LIHEAP program year 2012 SF-425 Annual Report was completed on December 12, 2013. Submission of the LIHEAP program year 2013 SF-425 Annual Report, due December 31, 2103, was completed on December 19, 2013.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Energy	***Finding 2013-039***
NH Office of Energy and Planning	
CFDA # 81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/13	***#EE0000161 (ARRA)***
4/1/09 – 9/30/13	***#EE0000060***

Finding: Internal controls over the subrecipient monitoring requirements should be improved

Criteria:

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 requirements are being met.

Condition:

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.

The OEP did not establish procedures to ensure that internal controls were operating effectively. For 4 out of 6 Community Action Agencies (CAA's), the program monitoring report was not signed by either the preparer or a reviewer. In addition, all of the CAA's did not have signed field monitoring reports by either the preparer or reviewer. Both reports are required to be signed by OEP's procedures. The lack of signed reports does not hold individuals accountable for their job performance nor does it show that the reports were properly approved.

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

Cause:

Decreased staffing levels may have resulted in ineffective internal controls in place over the subrecipient monitoring process. Due to the lack of staff, the responsibility of reviewing monitoring and site inspection reports is solely reliant on the Program Manager.

Effect:

OEP's lack of effective monitoring controls of the CAA's may result in noncompliance with the subrecipient monitoring requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

OEP should strengthen controls to ensure that the subrecipient program monitoring and field monitoring reports are signed by the individual completing the reports and are then authorized by the Program Manager.

Auditee Corrective Action Plan:

OEP concurs and has noted that decreased staffing levels and turnover have impacted the WAP program. OEP has developed policies and procedures including internal controls to ensure compliance with the subrecipient monitoring requirements. OEP has created monitoring schedules and continues to use our developed monitoring tools and procedures. OEP's Grants Compliance Specialist performs the Fiscal Monitoring and the Director reviews and approves the monitoring report. Program monitoring is performed by OEP's Program Manager and OEP's Director reviews and approves.

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

Program Year 2012 monitoring will be completed by March 31, 2014. Program Year 2013 monitoring will be completed by the end of the program year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Energy	***Finding 2013-040***
NH Office of Energy and Planning	
CFDA # 81.042 Weatherization Assistance Program (WAP)	
Grant Year and Award:	
4/1/09 – 9/30/13	***#EE0000161 (ARRA)***
4/1/09 – 9/30/13	***#EE0000060***

Finding: Federal drawdowns for the Weatherization Assistance Program (WAP) were not performed in accordance with program requirements

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 TSA 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."

Condition:

The OEP did not perform federal drawdowns in accordance with the TSA during the audit period. We tested 40 WAP expenditure transactions and noted that OEP did not request reimbursements for 7 of the 40 transactions (18%) in accordance with the TSA, which prescribes direct costs to be drawn down in 5 days and administrative costs drawn quarterly. Program draws were performed approximately monthly regardless of the nature of the associated costs.

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

Cause:

A lack of controls and 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 and federal laws and regulations, resulting in potential lost interest income for the State, or an interest liability to the Federal government.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

The OEP should perform federal drawdowns for the WAP in accordance with the Treasury-State agreement.

Auditee Corrective Action Plan:

OEP concurs and has reviewed our drawing processes. OEP has developed and implemented processes and procedures to ensure that federal funds are drawn consistently and accurately in accordance with the federal program. OEP is in the process of working with the State of New Hampshire Treasury to modify our Treasury-State Agreement (TSA) as the Weatherization program is no longer meeting the State's threshold for major Federal assistance program ($5 million dollars) as outlined in Section 4.0 (Programs Covered of the Cash Management Improvement Act Agreement between the State of New Hampshire and the Secretary of the Treasury, United States Department of the Treasury).

Contact Person:

Meredith A. Hatfield, Director

Anticipated Completion Date:

June 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Department of the Interior ***Finding 2013-041***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award: Various

Finding: Internal controls and compliance over the subrecipient monitoring requirements 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."

Condition:

The Fish and Game Department (the Department) does not have adequate subrecipient monitoring procedures in place.
During our audit, we noted the following deficiencies related to subrecipient monitoring:

- The Department does not have a formal policy in place regarding conducting subrecipient site visits during the award.
- The Department does not request and review A-133 single audit reports of Fish & Wildlife funding subrecipients in order to follow up on any findings that would relate to compliance with Fish and Wildlife program cluster requirements.
- The Department does not maintain proof of compliance with all subrecipient monitoring requirements, as no documentation exists such as a checklist or spreadsheet validating that all requirements were met.
- The Department had difficulty producing a list of all contracts, including subrecipient contracts, due to various system limitations. All contracts are entered into Lawson, the State's accounting system, in the form of a purchase order; however, once the associated invoice has been paid, one can no longer look up this information in Lawson. As such, the Department has a Microsoft Access database tracking contracts; however, during our testwork, we identified several contracts

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

that were not entered into the database due to an oversight. The Department was able to provide information related to these contracts through a review of their hardcopy file drawer.

Cause:

The Department lacks effective monitoring controls over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

Effect:

The Department's lack of effective monitoring controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department's failure to effectively implement the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster resulted in noncompliance with the subrecipient monitoring requirements.

Questioned Costs:

Not determinable

Recommendation:

The Department should institute effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts and status of associated monitoring elements. Also, annual site visits, and a review and follow up of annual subrecipient single audit reports and applicable findings, should be performed in order to ensure compliance with Federal regulations. We further recommend that the Department formally document these procedures in a grant policies and procedures manual.

Auditee Corrective Action Plan:

We concur with the finding. The Department does provide sub-recipients with applicable Federal award information, such as CFDA No., and maintains close contact with sub-recipients throughout the performance of sub-awards under the program cluster. Additionally, the Department requires and reviews periodic cost reports / invoices along with interim and final performance reports. The Department acknowledges, however, that sub-recipient tracking and monitoring controls should be improved. We will review compliance requirements and institute appropriate policy and procedures to effectively monitor sub-recipients within the capacity of available resources.

Contact Person:

Randy L. Curtis, Administrator I

Anticipated Completion Date:

September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Department of the Interior ***Finding 2013-042***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award: Various

Finding: Request for reimbursements not performed timely

Criteria:

Per 31 CFR, Subpart B, Section 205.32, the Fish and Game Department (the Department) is required to ensure that 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:

During our testwork, we observed a delay of up to seven months between when program funds were disbursed and when reimbursement was sought. We tested 40 expenditures consisting of 5 draws, and determined that the range from when cash was disbursed by the Department and when it was drawn down from the federal government was from 28 to 200 days. Of those expenditures tested, funds for 37 were disbursed over a month prior to the draw date, 33 were over 60 days, 20 were over 90 days, and 10 were over 120 days.

Cause:

The Department has not implemented controls that ensure timely request for reimbursement.

Effect:

The Department is not in compliance with cash management requirements as the timing and amount of funds transfers are not performed 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.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

The Department should review current cash management practices and institute controls to ensure the timely request of funds. We recommend that the Department take steps to reduce the time elapsing between disbursement and transfer of funds from the U.S. Treasury.

Auditee Corrective Action Plan:

We concur with the finding. The reason behind this audit finding is due to a change in long time personnel and a 6 month vacancy of a critical position (federal aid accountant).

The incumbent federal aid accountant retired in March 2011. The position was subsequently vacant for 6 months. During that time, the supervisor of the position, who was also newly hired, was learning her own job as well as assuming the role of the accountant. Fiscal year end (FY 2011) came and some crucial tasks were left undone. This carried over into FY 2012. The vacant position was filled in late August 2011 and there was a significant learning curve and the attempt to catch up to an already way behind schedule was not successful to close out FY 2012.

FY 2013 began with a significant time delay in requesting federal reimbursements due to the activities of the prior 18 months. With increased time, personnel were able to catch up on delayed tasks and now are current and will continue to be current on our federal reimbursement requests.

Contact Person:

Kathy LaBonte, Administrator II

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Department of the Interior ***Finding 2013-043***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award: Various

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

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 subgrants 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:

During the audit, we noted that the Fish and Game Department (the Department) did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements for the Fish and Wildlife program cluster.

Cause:

Although the Department was aware of FFATA reporting requirements, it did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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 and institute procedures to report the required subgrant information accurately and timely and, therefore, comply with the FFATA reporting requirements.

Auditee Corrective Action Plan:

We concur with the finding. The Department did establish an account in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS) shortly after FFATA reporting requirements were established for grants. The Department has developed an information sheet regarding FFATA requirements for use by staff, as well as a form to aid in collecting the necessary sub-recipient information. Initially it was not possible to submit reports because the U.S. Fish and Wildlife Service (USFWS) was unable to upload the prime award information into the FSRS. Ultimately, the USFWS exempted states from the reporting requirement until the problem was solved. This initial situation led to the Department's failure to follow through, and report as required, once the problem was corrected. The Department will review FFATA reporting requirements and will put procedures in place to ensure proper and timely reporting of sub-recipient information as necessary in the future.

Contact Person:

Randy L. Curtis, Administrator I

Anticipated Completion Date:

June 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Department of the Interior ***Finding 2013-044***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

Grant Year and Award: Various

Finding: Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting

Criteria:

Per Single Audit Act Amendments of 1996 and OMB Circular A-133, the State is required to report cash basis expenditures of Federal awards during the fiscal year on the Schedule of Expenditures of Federal Awards (SEFA).

Condition:

During our testwork, we noted the Fish and Game Department (the Department) reported in the SEFA the amount of Federal funds reimbursed during the fiscal year, instead of the required cash basis expenditures. Due to the delay, of up to seven months, in requesting and therefore receiving Federal reimbursement, the effect was to overstate the expenditures made during fiscal year 2013, as fiscal 2012 expenditures are also included in the 2013 amounts.

The State's accounting system is unable to provide the detail required for grant reporting purposes, as such, the Department has utilized QuickBooks software for grant tracking purposes. However, the outdated version of the software used does not allow for the allocation of expenditures between the federally funded portion and the State match portion. As a result, the Department reports Federal revenues, which represent reimbursements of the portion of expenditures allocated to the Federal grants. The current process in place is dependent on a manual operation that one person controls in QuickBooks, that is not linked nor reconciled to the State of New Hampshire's financial management system, except for Federal revenues. Without the ability to reconcile the two systems for expenditures; 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 reconciles the Federal revenue, but does not attempt to reconcile the two systems for expenditures. Additionally, the version of the software used does not meet the reporting requirements of the Department.

Effect:

Inaccurate reporting of SEFA expenditures due to reporting incorrect amounts

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

None

Recommendation:

We recommend that the Department put into place processes and procedures, such as implementing the New Hampshire grants module or upgrading the version of the QuickBooks software used to a current one with expanded tracking and reporting capabilities, as well as enabling the reconciliation of expenditures with Lawson. In addition, the upgraded version of QuickBooks will have the added benefit of being supported by the developer's Information Technology department in the event of a problem with the data file, and allow the Department to track all grants in one data file.

Auditee Corrective Action Plan:

We concur with the finding. As we have caught up on our reimbursement requests, the accuracy of the SEFA reporting of expenditures has improved. Going forward, as brought to our attention, we will be focusing on reporting expenditures on a cash basis, as required.

We are also looking into upgrading our current version of QuickBooks to enable us to improve our tracking and reporting abilities.

Contact Person:

Kathy LaBonte, Administrator II

Anticipated Completion Date:

Part 1- completed
Part 2- September 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Department of the Interior ***Finding 2013-045***
NH Department of Fish and Game

CFDA #15.605 Sport Fish Restoration Program
CFDA #15.611 Wildlife Restoration and Basic Hunter Education

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

Finding: Incomplete equipment inventory count

Criteria:

Per 2 CFR section 215.34, a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the Federal awarding agency.

Condition:

During our testwork, we noted that two of the divisions of the Fish and Game Department (the Department) that held equipment purchased with Fish & Wildlife program cluster funds did not have inventory counts for fiscal years 2012 and 2013 due to an oversight. Additionally, we noted that the condition of equipment listed in the database did not always reflect the observed condition.

Cause:

The Department‘s controls need to be strengthened to ensure that a physical inventory of equipment shall be taken and the results, including condition, are reconciled with the equipment records at least once every two years.

Effect:

The Department is not in compliance with equipment management requirements regarding physical counts of equipment acquired under Federal awards. The incomplete counts do not allow the Department to resolve any potential differences between the physical inventory and equipment records for the effected divisions.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements, maintaining an inventory count by division, and resolving inventory discrepancies identified, if any, in order to ensure compliance.

Auditee Corrective Action Plan:

We concur with the finding. The same reason of personnel turnover and a key vacant position also falls to this audit finding. The federal aid accountant is also responsible for the reporting of the Department's inventory. Being new to the position, she did not have a clear understanding of the full requirements for reporting inventory and supervisory personnel did not oversee the reporting as much as they should have as the year-end processes were very busy. This has been corrected and will not be an issue moving forward.

Contact Person:

Kathy LaBonte, Administrator II

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-046***
NH Department of Education

CFDA # 10.553 School Breakfast Program
CFDA # 10.555 National School Lunch Program
CFDA # 10.556 Special Milk Program for Children
CFDA # 10.559 Summer Food Service Program for Children

Grant Year and Award: 10/1/2012-9/30/2013, 4NH300304
10/1/2011-9/30/2012, 4NH300304

Finding: Commodity inventory management controls not operating effectively

Criteria:

Per 7 CFR section 250.14(e), distributing and subdistributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency.

Condition:

During our testwork, we noted that of the ten food items vouched from inventory count sheets, to the post-count inventory listing maintained by the Surplus Distribution commodity warehouse of the Bureau of Purchase and Property, one item was not adjusted based upon the results of the inventory count.

Cause:

Oversight and understaffing in the management review function at the Surplus Distribution warehouse at the time of this inventory.

Effect:

Understatement of inventory value of approximately $118

Questioned Costs:

None

Recommendation:

The Surplus Distribution warehouse should strengthen monitoring controls over the management of the commodity inventory to ensure compliance with requirements of the Child Nutrition Cluster. Controls should include improved tracking of inventory discrepancies identified and an expanded review role that includes ensuring that all inventory adjustments are reflected in the final inventory.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

The Surplus Distribution section was going through considerable personnel and business changes during this Audit. The section hired a new Manager at the same time of transitioning to a new Inventory Control System that is integrated into the state's ERP system. Unfortunately, the Manager only stayed in the position for a month and a half, and the system was not completely implemented at that time. The Section was fortunate to be able to hire the previous Manager back into the position and this is a Manager with over 15 years of experience with the section. This Manager has a very good track record of Inventory Management, and has implemented a cycle counting program, and is completing the implementation and use of the inventory module. The Manager should have all training completed by the end of March 2014. Additionally, a position for Warehouse Supervisor has been posted and we are in the interview process. We expected also to have this position hired by the end of March, with an expectation that it with take up to 60 days for complete training. With all office personnel, we (the Administrator and Manager), will ensure that all office personnel are fully trained on the new inventory system. We expect that training for office personnel will be completed by the end of March as well. All vehicles that depart the facility will have a complete cycle count of their loads to again ensure complete inventory accuracy. This was implemented previously, yet not followed by the Manager that is no longer with the facility.

Contact Person:

Robert Stowell, Administrator
Amy O'Hara, Manager of Surplus Food Distribution

Anticipated Completion Date:

May 30, 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-047***
NH Department of Education

CFDA # 84.367 Title II A – Improving Teacher Quality State Grants
CFDA # 84.027 Special Education – Grants to States (IDEA, Part B)
CFDA # 84.173 Special Education – Preschool Grants (IDEA, Preschool)
CFDA # 10.553 School Breakfast Program
CFDA # 10.555 National School Lunch Program
CFDA # 10.556 Special Milk Program for Children
CFDA # 10.559 Summer Food Service Program for Children

Grant Year and Award:
7/01/2012 – 9/30/2013 ***S367A120028 (Title II)***
Various (SPED)
Various (Child Nutrition Cluster)

Finding: Internal controls established are not operating effectively to ensure completeness and timeliness of reporting in accordance 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 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:

For the 3 programs listed below, we noted that the Department of Education (the Department or NHDOE) did not demonstrate a “good faith effort” as defined by OMB Circular A-133, to comply with the FFATA reporting requirements.

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For the Improving Teacher Quality program, we found 4 of 25 FFATA reports submitted were not available for viewing on USAspending.gov. These subgrants were obligated in July and August 2012 and therefore should have been reported by the subsequent month. We noted for the 4 selections, the reporting was not completed as of the end of fieldwork for this program, October 2013.

For the Special Education (IDEA) cluster, we selected 40 FFATA reports. The Department provided us with the DUNS numbers and amounts reported, per their internal records; however, for all 40 selections, we were not able to locate records for the same amounts on USASpending.gov. The reason provided to us as to why the support didn't agree was because the support was for the fiscal 2012 reports. However, during fieldwork in the fall of 2013, none of the fiscal 2013 reports had been submitted which were due the end of August 2012.

For the Child Nutrition cluster, the required FFATA reports were both not completed and not submitted during audit fieldwork, October 2013, even though the reports were due the end of August/September 2012.

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

Cause:

Management failed to perform a proper review of the listing of allocations to ensure all subgrants meeting the FFATA requirements were reported in a timely manner.

Effect:

The Department was not in compliance with the FFATA regulations and reporting for fiscal year 2013.

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 filed timely. In addition, the Department should maintain supporting documentation for all amounts reported under FFATA.

Auditee Corrective Action Plan:

The New Hampshire Department of Education concurs in part.

The Department notes that numerous errors occur with the Federal upload system, FFATA Sub-Grant Reporting System (FSRS), which has prevented the Department from fully complying with FFATA regulations. We have been continuing to working with the Federal Service Desk to resolve these errors. The New Hampshire Department of Education cannot comply with regulations until errors with the Federal systems have been resolved.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

During the 2013 fiscal year the FSRS and the USASpending public viewing portal had numerous operational malfunctions that stymied the Department's diligent and time consuming efforts to report sub-recipient awards. A US Department of Education (USDE) staffer that reviewed our FY12 A-133 findings informed us that the USDE was aware of the FSRS situation and was trying to address it at the federal inter-agency level.

During fiscal year 2013, Department staffers spent hundreds of hours dealing with FFATA reporting. We developed written procedures for submitting and reviewing FFATA reports based on FSRS instructions, made numerous attempts to submit files, and submitted dozens of help requests to the Federal Service Desk (FSD) the contracted provider responsible for FSRS user support. Numerous times, help requests to the FSD went unanswered for weeks or months, responses didn't match the question and the solutions we were given were both time-consuming and completely ineffective. After months of this back and forth, in July of 2013 the FSD finally acknowledged that system defects prevented file uploads for most of our federal programs. Six months later the FSD provided a time-consuming, 7-step work-around to replace the two step file upload process. While FSRS and USASpending continue to be plagued with functional problems, the Department has used the workaround to clear up most of our reporting backlog.

The NH DOE will address each specific program noted above separately.

Audit Condition: For the Improving Teacher Quality program, we found 4 of 25 FFATA reports submitted were not available for viewing on USAspending.gov. These subgrants were obligated in July and August 2012 and therefore should have been reported by the subsequent month. We noted for the 4 selections, the reporting was not completed as of the end of fieldwork for this program, October 2013.

While the NHDOE agrees that the above error did occur, we disagree with this finding because we believe the applicable audit criteria has not been accurately stated or applied by the auditors. The most pertinent element of the A-133 criteria established by the US Office of Management and Budget is that pass-through entities, such as the Department, must make a "good faith effort" to submit FFATA reports.

Because there were over 5,000 individual fields to report, the appropriate method for submission is the FSRS batch upload. The NH DOE specifically notes that the "batch-upload" feature of the FSRS system was not functioning during FY13. This means for Title II A – Improving Teacher Quality State Grants CFDA # 84.367, in order to report subrecipient awards, the NHDOE program manager must hand key each individual field into the FSRS system. Because with manual submissions, there are no features to enable the Department to review the date entered or batch subtotals, the department cannot determine the accuracy and correctness of the report before it is submitted. The NHDOE feels that this is an unreasonable approach due to the amount of time this consumes, the high risk of error, and inability to check entries before they are submitted.

Despite this system glitch and significant amount of work this caused, the Department did manually enter the grant award for each subrecipient. As a result of these noted system shortcomings, the above error occurred. However, the Department believes this should still qualify as a "good faith" effort to submit the information.

Audit Condition: For the Child Nutrition cluster, the required FFATA reports were both not completed and not submitted during audit fieldwork, October 2013, even though the reports were due the end of August/September 2012.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The NHDOE specifically notes that the "batch-upload" feature of the FSRS system does not work. This means for the Child Nutrition cluster, in order to report subrecipient awards, the NHDOE must hand key over 240,000 fields individual FSRS system (5,000 fields, each month for each of the four programs) . The NHDOE feels that this is an unreasonable approach due to the volume, the high risk of error, and inability to check entries before they are submitted. The Department of Education has regularly been in touch with the Department of Agriculture about this problem, as well as checks the FSRS system from time to time if the system will allow for batch uploads. As of March 13, 2014, batch uploads for this program are not working. The Department will continue to wait for updates and communications from the Federal offices about how to proceed with completing reporting requirements. However, the Department believes this should still qualify as a "good faith" effort to submit the information.

Audit Condition: For the Special Education (IDEA) cluster, we selected 40 FFATA reports. The Department provided us with the DUNS numbers and amounts reported, per their internal records; however, for all 40 selections, we were not able to locate records for the same amounts on USASpending.gov. The reason provided to us as to why the support didn't agree was because the support was for the fiscal 2012 reports. However, during fieldwork in the fall of 2013, none of the fiscal 2013 reports had been submitted which were due the end of August 2012.

The Department of Education concurs that "good faith" effort to submit the information did not occur during Fiscal Year 2013 for Special Education – Grants to States (IDEA, Part B), CFDA # 84.027 and Special Education – Preschool Grants (IDEA, Preschool), CFDA # 84.173. Now that the Department has been provided the above 7-step work-around to replace the two step file upload process, the Department has used the workaround to clear up most of our reporting backlog.

Contact Person:

Caitlin Davis, Internal Auditor
Mary Earick, Bureau of integrated Programs Administrator
Santina Thibedeau, SPED Administrator
Cheri White, Administrator, Bureau of Nutrition Programs and Services

Anticipated Completion Date:

June 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-048***
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 # 10.553School breakfast Program
CFDA # 10.555 National School Lunch Program
CFDA # 10.556 Special Milk Program for Children
CFDA # 10.559 Summer Food Service Program for Children

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

Finding: Direct program draw downs not performed in accordance with the Treasury State Agreement (TSA)

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.

Condition:

During the audit, we noted that in relation to the Special Education cluster 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 40 cash draw downs for the Special Education (IDEA) cluster. We noted that 38 of the 40 of the cash draw downs were not drawn using the approved average clearance pattern or technique stated within the TSA.

During the audit, we noted that, in relation to the Child Nutrition cluster, 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 Child Nutrition cluster. We noted that 24 of the 25 of the cash draw downs were not drawn using the approved average clearance pattern or technique stated within the TSA.

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

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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:

We concur. This occurred due to a system error which has been resolved as of September of 2013.

Contact Person:

Caitlin Davis, Internal Auditor

Anticipated Completion Date:

September 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-049***
NH Department of Education

CFDA # 84.048 Career and Technical Education
CFDA # 84.287 21st Century Community Learning Centers
CFDA # 96.001 Social Security - Disability Insurance (DI)

Grant Year and Award:

7/01/2012 – 9/30/2013	***V048A120029 (Career and Technical Education)***
7/1/2010 – 9/30/2011	***S287C100029 143 3277 (21st Century Community Learning Centers)***
7/1/2011 – 9/30/2012	***S287C110029 243 3277 (21st Century Community Learning Centers)***
7/1/2012 – 9/30/2013	***S287C120029 343 3277 (21st Century Community Learning Centers)***
7/1/2102 – 6/30/2013	***CAN 396 (Social Security Disability Insurance Cluster)***

Finding: Administrative draws are not adequately supported

Criteria:

The administrative draws for the Career and Technical Education, 21st Century Community Learning Centers grants and Social Security Disability Insurance Cluster do not fall within the Treasury-State Agreement (TSA). As such, the general requirements for cash management apply.

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:

For the Career and Technical Education program, we were unable to directly correlate the individual expenses to the administrative cash drawdowns for 33 out of 40 transactions tested; however, all were determined to be allowable costs.

For the 21st Century Community Learning Centers program and the School Improvement Grants cluster, we were unable to directly correlate the individual expenses to the administrative cash drawdowns for all 40 transactions tested; however, all were determined to be allowable costs.

For the Social Security Disability Insurance (SSDI) Cluster, 10 out of 40 transactions tested were related to administrative draws. We were unable to directly correlate the individual expenses to the administrative cash drawdowns for these 10 transactions related to the SSDI cluster.

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Cause:

The Department of Education (the Department) did not consistently maintain detailed supporting documentation for administrative amounts drawn.

Effect:

We were 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. During the course of FY 2014, the DOE has reviewed 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. The DOE has constructed a plan which includes system modifications to the detail provided on expenditures. The DOE will continue to update this process until it is fully implemented.

Contact Person:

Susan Folsom, Accountant
Caitlin Davis, Internal Audit

Anticipated Completion Date:

June 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education	***Finding 2013-050***
NH Department of Education	
CFDA # 84.010 Title I, Part A – Grants to Local Education Agencies	
CFDA # 84.389 Title I, Grants to local Educational Agencies, Recovery Act	
Grant Year and Award:	
7/01/2012 – 9/30/2013	***S010A120029***
2/18/2009 – 9/30/2010	***ARRA S389A090029A***

Finding: Verification of Local Education Agency (LEA) compliance with comparability requirements not being completed

Criteria:

Per part B of the guide for Title I, a State Education Agency (SEA) is ultimately responsible for ensuring that its LEAs remain in compliance with the comparability requirement of ensuring equivalency among schools in teachers, administrators and other staff, and with the provision of curriculum materials and instructional supplies. The SEA should review LEA comparability calculations at least once every two years.

The use of single audits as the only way to monitor comparability is generally inadequate because the comparability process must enable an LEA, during the current year, to identify and correct instances where it has non-comparable schools and enable an SEA to verify that comparability has been met. The single audit process, as the only enforcement tool, usually does not allow an SEA to determine whether an LEA has met the comparability requirement within the time frame for allocating Title I funds and for the LEA to correct any non-compliance.

Condition:

During our testing of the comparability requirement in Special Tests and Provisions, we found that all 8 district reports (100% of selections made) lacked evidence of review by the Department of Education (the Department or DOE). The absence of a review precluded us from obtaining adequate assurance that these districts have met the comparability requirement per the DOE's instructions and the federal program guidelines. By not completing this review, the Department is unable to determine whether LEAs are in compliance with the comparability calculations.

Cause:

Lack of oversight or review of reports when submitted

Effect:

Potential non-compliance by the State with the federal program requirements as well as the State's inability to ensure that its school districts are using funds to provide comparable services to needy 'No Child Left Behind' Title I schools, and less needy non-Title I schools.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Questioned Costs:

Not determinable

Recommendation:

We recommend that the Title I department establish procedures to ensure that all reports submitted are reviewed to ensure the proper calculations are being performed and the proper inputs are being applied.

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 Department of Education Staff involved in the process. This requirement will be reviewed each year.

Contact Person:

Mary Earick, Director of Bureau of Integrated Programs
Caitlin Davis, Internal Auditor

Anticipated Completion Date:

December 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U. S. Department of Education ***Finding 2013-051***
NH Department of Education

CFDA # 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States

Grant Year and Award: 2013 – H126A130042

Finding: Eligibility determination guidelines were not followed

Criteria:

The State Vocational Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition:

The eligibility determination for one of twenty-five selections tested was not made within the 60 day window. The application was dated March 17, 2011 and the eligibility was not determined until January 23, 2012, 252 days after the allowed time span. Additionally, a waiver was not applied for to extend the period of time.

Cause:

The extension agreement was misplaced by the counselor managing the case file and/or an extension agreement was not made by both parties.

Effect:

The State is not in compliance with the guideline which requires an extension agreement in the event that a client is in applicant status for greater than 60 days.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

We recommend that the VR program administrators establish procedures to aid in the oversight of the duration of the "applicant" status. This oversight should aim to more frequently identify and correct these instances of non-compliance.

Auditee Corrective Action Plan:

We concur. The Agency will establish procedures that aid in the oversight of the duration of the "applicant" status which will include specific requisite timeframes for the report to be run in order for the timely identification of applicants approaching 60 days in applicant status and for timely correction of any instances of individuals who have surpassed the 60 day requirement who do not meet the exemption criteria, i.e., either a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Contact Person:

Ella McAllister, Program Specialist
Lisa Hatz, Vocational Rehabilitation State Director

Anticipated Completion Date:

June 2014

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U. S. Department of Education ***Finding 2013-052***
NH Department of Education

CFDA # 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States

Grant Year and Award: 2013 – H126A130042

Finding: The Vocational Rehabilitation (VR) program is not in compliance with the Rehabilitation Services Administration (RSA) reporting requirements

Criteria:

Per Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

The SF-425 report is required to be filed within 45 days of period end.

Condition:

The 45 day reporting requirement for one of three reports tested was not made within the standards set forth by the Rehabilitation Services Administration (RSA). The SF-425 for the period ending September 30, 2012 was not filed until December 28, 2012, which is longer than the RSA's 45 day reporting requirement.

Cause:

Per discussion with Centralized Federal Funding Supervisor, the Business Administrator left the Vocational Rehab program prior to September 30, 2012. As such, the supervisor was required to take on additional responsibilities that were previously allocated to the Business Administrator (budgeting, planning, etc.). As a result of the increased responsibilities, the supervisor did not complete and file the September 30, 2012 SF-425 report in accordance with the 45 day filing requirement set forth by the RSA.

Effect:

The SF-425 report was filed late, which is not in accordance with the 45 day filing requirement set for the by the RSA.

Questioned Costs:

None

Recommendation:

We recommend that the Department institute procedures to ensure that the SF-425 is filed with the RSA within 45 days of the end of the reporting period.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Auditee Corrective Action Plan:

We concur. Corrective action has been taken. A reminder outlining the requirements and deadlines related to reporting requirements was sent to all Department Of Education Staff involved in the process. This requirement will be reviewed each year.

Contact Person:

Susan Folsom, Accountant

Anticipated Completion Date:

October 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education ***Finding 2013-053***
NH Department of Education

CFDA # 84.388 School Improvement Grant Cluster

Grant Year and Award:
2/17/2009 – 9/30/2014 ***S388A090030A (ARRA)***

Finding: 1512 ARRA reporting not filed for one of four quarters during fiscal year 2013

Criteria:

The prime recipients of all programs identified in the list of Federal programs subject to Section 1512 of the Recovery Act in the supplemental materials to this Guidance are responsible for reporting the information required by Section 1512 of the Act and as provided in this Guidance. Prime recipients may choose to delegate certain reporting requirements to sub-recipients.

The prime recipients are non-Federal entities that receive Recovery Act funding as Federal awards in the form of grants, loans or cooperative agreements directly from the Federal Government. The information reported by all prime recipients (and those sub-recipients to which the prime recipient has delegated reporting responsibility) will be submitted through www.FederalReporting.gov, the online web portal that will collect all Recovery Act recipient reports.

Condition:

Upon our review of the quarterly 1512 ARRA reports on the Recovery website, we noted the first quarter report, September 2012, for the School Improvement Grant award was not available for viewing as it was not filed by the Department.

Cause:

Management failed to perform the required reporting due to staff turnover. The individual responsible for Federal reporting had since left the New Hampshire Department of Education and the position had not been filled at the time the reporting was required to be done. Additionally, no other individual within the Department was designated to complete the task.

Effect:

The Department was not in compliance with the 1512 ARRA regulations and reporting for fiscal year 2013.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

The Department should establish the appropriate measures to ensure that all reporting requirements are being adhered to. Additionally, the Department should ensure multiple individuals are aware of the reporting process, such that it may be effectively completed in the event of staff turnover.

Auditee Corrective Action Plan:

We concur. During the time this report was due, the staff position responsible for preparing the report was vacant. The position has since been filled and subsequent reports have been filed by the necessary deadlines.

Contact Person:

Mary Earick, Administrator

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education	***Finding 2013-054***
NH Department of Education	
CFDA # 84.377 School Improvement Grants	
CFDA # 84.388 School Improvement Grants Recovery Act	
Grant Year and Award:	
7/01/2011 – 9/30/2013	***S377A110030; S388A090030A***

Finding: The Department of Education School Improvement Grant (SIG) did not ensure that its application process was carried out consistent with Federal requirements of the SIG program

Criteria:

Per the final requirements set forth in 74 FR 65618 for the School Improvement Grant (SIG), only schools on the State Educational Agency's (SEAs) Tier I, II and III lists are deemed eligible subrecipients for School Improvement Grant funds.

The tiers are defined such that Tier I schools are any school receiving Title I funds, that is considered to be a school in improvement, in corrective action or in restructuring, that is among the lowest achieving five percent of these types of schools, or is a high school whose graduation rate has been less than 60 percent over a number of years. At its option, an SEA may identify as a Tier I school, an elementary school that has not made adequate yearly progress for at least 2 consecutive years or is in the State's lowest quintile of performance based on proficiency rates on the State's assessments.

Tier II schools are any secondary school that is eligible for, but does not receive Title I funds that is among the lowest achieving five percent of secondary schools, or the lowest achieving five schools in the State or a high school whose graduation rate has been less than 60 percent over a number of years. At its option, an SEA may identify as a Tier II school, a secondary school that has not made adequate yearly progress for at least 2 consecutive years or is in the State's lowest quintile of performance based on proficiency rates on the State's assessments.

Tier III schools are any Title I schools in improvement, corrective action or restructuring that is not a Tier I or Tier II school. At its option, an SEA may identify as a Tier III school, a school that is eligible for Title I, Part A funds that has not made adequate yearly progress for at least 2 consecutive years or is in the State's lowest quintile of performance based on proficiency rates on the State's assessments.

Condition:

During our testing of the eligibility requirement we observed the following:

1. The SIG program utilizes the annual Adequate Yearly Progress (AYP) results to determine whether schools have met the appropriate indicators, and therefore which Title I or non-Title I schools have the most need for SIG funds.

2. There were 15 schools identified in school year 2012-2013 as being eligible for SIG program funds - 9 Tier I and 6 Tier II schools.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

3. Of the 9 Tier I schools, 3 schools were not identified as being Title I schools on the Department of Education's Schools In Need of Improvement (SINI) listing; 1 school was not included on the listing at all; and 1 school was identified as a new SINI because it failed to meet the reading and math requirements. This school does not fit the criteria as a persistently low achieving school, which is a school failing to meet AYP over 2 consecutive years or a school in the lowest 5% of underachieving schools. As such, it appears the eligibility was not properly determined for these schools in fiscal 2013.

4. Of the 6 Tier II schools, 1 school does not appear on the SINI listing; and 1 school was identified as a new SINI for missing the established high school graduation rate. In addition, the school identified as a new SINI does not fit the criteria as a persistently low achieving school, and the graduation rate did not fall below 60%. As such, it appears the eligibility was not properly determined for these schools in fiscal 2013.

The Department was not able to provide appropriate documentation for Tier I and II schools supporting the method of determining its eligible subrecipients for school year 2012-2013. We noted that the Department did not identify any Tier III schools.

Cause:

Procedures for determining eligibility were not properly documented by the Department, and responsible personnel were unable to provide adequate explanations as well as supporting documentation showing the methodology used in identifying eligible subrecipients for grant funding.

Effect:

We were unable to determine whether the department adhered to the applicable requirements for determining eligibility to receive SIG funds, as well as properly classifying schools in the appropriate tiers.

Questioned Costs:

None

Recommendation:

The Department should maintain documentation for the process used in determining its eligible subrecipients, and ensure these procedures are in accordance with State and Federal regulations.

Auditee Corrective Action Plan:

We concur in part. The New Hampshire Department of Education (NHDOE) agrees that documentation of the above processes and procedures was not provided to KPMG at the time of the audit. However, the NHDOE believes that the necessary documentation exists to mitigate the finding and justify that the subrecipients of the School Improvement Grant were in fact eligible to receive funds and could be provided to auditors in the future. The NHDOE has experienced critical personnel turnaround in the Bureau of Integrated Programs which oversees the Office of School Turnaround. This resulted in difficulty planning for this program audit, especially as the program was identified very late into the audit process. Since the audit has been completed, the NHDOE begun the process of gathering information and

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

has reached out to previous Department staff to insure proper documentation of the processes and procedures are available in a timely manner going forward.

Contact Person:

Joey Nichol Coordinator, Office of School Turnaround

Anticipated Completion Date:

March 2014

KPMG Rejoinder:

The documentation referenced in the Department's corrective action plan above, as of Friday, March 7, 2014 remained unavailable and therefore, could not be audited. We do not know whether the subrecipients were eligible to receive SIG funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education	***Finding 2013-055***
NH Department of Education	
CFDA # 96.001 Social Security - Disability Insurance (SSDI)	
Grant Year and Award: ***FY13, CAN 396***	

Finding: Business office not specifying which grant an expenditure is being charged to

Criteria:

According to CFR § 215.28 period of availability of funds, where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

Condition:

In order to track that grants are being appropriately charged to the grant, the business office should indicate the Common Account Number (CAN) on each invoice. This is either pre-populated due to standard invoice template or is handwritten by the business office. Of 40 disbursement selections, 6 of the obtained invoices did not indicate to which grant the amount was being charged. This does not allow us to determine if the expenditure occurred during the period of availability of the specific grant.

Cause:

Employees not writing CAN # on each invoice (if not pre-populated on the standard template invoice).

Effect:

The State is not in compliance with requirements set out by the Code of Federal Regulations as we are unable to determine whether the expenditure was charged to the correct grant year.

Questioned Costs:

None

Recommendation:

The Office of Business Management (OBM) should review current practices around period of availability of funds and implement controls to ensure that the funds are being charged to the proper grant within the proper period.

Auditee Corrective Action Plan:

We concur with this audit finding and corrective action has already been taken. The accounting information is hard coded on the consultant's invoice when printed by the SSDI office. The CAN was added to the prepopulated accounting data that is printed on before the invoice is submitted to OBM.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Contact Person:

Sue Folsom, Accountant
Dawn LaFlam, Accountant

Anticipated Completion Date:

October 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Education	***Finding 2013-056***
NH Department of Education	
CFDA # 96.001 Social Security - Disability Insurance (SSDI)	
Grant Year and Award:	
Fiscal Year 2013	***CAN 396***

Finding: Not maintaining verifications on file which demonstrate review of licensure, credentials, and certifications prior to the consultative examiners' official hire date

Criteria:

Per OMB Circular A-133, Each State agency is responsible for comprehensive oversight management of its Consultative Examinations (CE) process for ensuring accuracy, integrity, and economy of the process. At a minimum, the State Disability Determination Services (DDS) must provide procedures for performing medical license verifications to ensure only qualified providers perform CEs for DDSs (POMS DI 39545). By "qualified" SSA means that the medical source must (1) be currently licensed in the State and have the training and experience to perform the type of examination or test the DDS requests; and (2) not be barred from participation in Medicare or Medicaid programs or other Federal or federally assisted programs. Prior to using the services of any CE provider, the DDS must (1) check the Health and Human Services, Office of the Inspector General (HHS OIG) List of Excluded Individuals and Entities (LEIE) (https://oig.hhs.gov/exclusions/index.asp); and (2) verify medical licenses, credentials, and certifications with state medical boards. In addition, DDSs must conduct periodic license checks of CE providers used by the DDS, including providers who perform CEs near and across the borders of neighboring States. DDSs are required to (1) review the HHS OIG LEIE for each CE provider at least annually, and (2) verify license renewals (POMS DI 39569).

Condition:

We tested all three of the new consultative examiners (CEs) hired in fiscal year 2013, noting that the Department of Education (DOE) is not maintaining records on file which indicate that the LEIE, as well as these CEs' licensure, credentials, and certifications were reviewed *before* hire date.

Cause:

No dated records on file that indicate DDS checked CE credentials before date of hire.

Effect:

The State could be utilizing consultative examiners who are not appropriately licensed, credentialed or certified which would result in the State is not in compliance with OMB A-133 requirements.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation:

The DDS should maintain time-stamped files and dated approvals evidencing review which validates both the date that the LEIE was checked before hiring a new consultative examiner and the date that the DDS reviewed licensure, credentials, and certifications with state medical boards before hiring a new consultative examiner.

Auditee Corrective Action Plan:

We concur that there was a control deficiency. The DDS office maintains time-stamped files on record, which indicate the date that the LEIE was checked before hiring a new consultative examiner. In addition, the DDS maintains time-stamped files on record which indicate the date that the DDS reviewed licensure, credentials, and certifications with state medical boards before hiring a new consultative examiner.

Although all licenses and credentials were in fact verified prior to hiring the three consultative examiners in question, the verifications did not carry a date/time stamp, so they were not printed and retained. Subsequent license reviews now carry a time-stamp so they are printed and retained in the provider record.

Contact Person:

Peggy Vieira, Administrator, DDS
Anne Prehemo, Program Specialist, DDS

Anticipated Completion Date:

October 2013

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

U.S. Department of Homeland Security ***Finding 2013-057***
NH Department of Safety

CFDA # 97.067 Homeland Security Grant Program (HSGP)

Grant Year and Award:

7/1/07 –6/30/12	***2007GET70053***
9/1/08 – 2/28/13	***2008GET80043***
8/1/09 – 2/28/13	***2009SST90078***
8/1/10 – 2/28/14	***2010SST00069***
9/1/11 – 8/31/14	***EMW2011SS00079S01***
9/1/12 – 8/31/14	***EMW2012SS00084S01***
9/1/08 – 2/28/13	***2008GET80043***
8/1/09 – 2/28/13	***2009SST90078***
8/1/10 – 2/28/14	***2010SST00069***
9/1/11 – 8/31/14	***EMW2011SS00079S01***
9/1/12 – 8/31/14	***EMW2012SS00084S01***

Finding: The NH HSGP should establish procedures to ensure Federal funds are obligated to subgrantees within 45 days after the date of the Grant Award

Criteria:

In accordance with Publication 6 USC 605(C) – State Homeland Security Grant Program, "Not Later than 45 days after receiving grant funds, any State receiving a grant under this section shall make available to local and tribal governments, consistent with the applicable State Homeland Security Plan – (A) not less than 80 percent of the grant funds…".

Per the OMB Circular A-133 Compliance Supplement Guidance for the Special Tests and Provisions – Subgrant awards, "Under the FY 2008 through FY 2012 awards for the SHSP and UASI programs and, in addition, for FYs 2010 through 2012, OPSG, States must obligate funds for subgrants within 45 days after the date of the grant award(6 USC 605(c)(1))). "Obligate" has the same meaning as in Federal appropriations law, i.e., there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

Condition:

After the New Hampshire Homeland Security Grant Program (HSGP) receives a grant award from the Department of Homeland Security, they will publish on the NH Department of Safety (DOS) website within 45 days of the grant award date a letter from the Commissioner of DOS documenting the state's grant award's terms and conditions, the availability of funds, and where subgrantees can access applications for funding.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

During our audit it was also noted the HSGP files the Initial Strategy Implementation Plan (ISIP) on a timely basis (due within 45 days of the subgrant award date per FEMA). The purpose of the ISIP report is to provide FEMA with updated obligation and expenditure information to ensure grantees meet the applicable pass-through requirement.

However, it does not appear the actions set forth by the NH HSGP meet the compliance requirements of the OMB Circular A-133 Compliance Supplement Guidance for the Special Tests and Provisions – Subgrant awards. The availability of grants funds through the Commissioner's award letter does not appear to create a "firm commitment" that is "unconditional on the part of the state" within 45 days after the date of the grant award. After the award letter is posted on the website, it takes additional time for the grant applications to be submitted, the grant committee to review the applications, and the actual funds to be awarded to the subgrantees, at this point then creating an unconditional commitment.

Cause:

The HSGP program manager believes the NH HSGP's methodology (Commissioner's Letter and ISIP Compliance) for obligating subgrant funds meets the Federal standard for compliance.

Effect:

Based off the NH HSGP's approach to providing an "obligation" of funds to subgrantees, it does not appear they meet the definition of obligation as it is written within the OMB Circular A-133 Compliance Supplement Guidance for the Special Tests and Provisions – Subgrant awards. The result of not meeting the definition of "obligation" makes the HSGP not meet the 45 day compliance requirement to "obligate" funds after the date of the grant award.

Questioned Costs:

None

Recommendation:

The Department should establish procedures to ensure they effectively obligate grant funds through an unconditional commitment to subgrantees within 45 days after the date of the grant award.

Auditee Corrective Action Plan:

The Department of Safety (DOS) does not concur with this finding nor the outlined Condition, Cause or Effect. NH Department of Safety's administration of the Homeland Security Grant Program has been audited since 2004 by the U.S. Department of Homeland Security (DHS) headquarters and the FEMA Region I in addition to KPMG's audit as part of the State's Single Audit in 2007 for these same criteria. NH Department of Safety has not had a finding on the compliance with the obligation and commitment of funds to the locals in any of the above audits and the compliance requirements have not changed. The Department of Safety believes it meets the Federal standard for compliance. Through correspondence with US DHS, we confirmed that US DHS considers NH to be in compliance with the above requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

In addition, PL 110-53 states the following:

> ‘‘(c) DISTRIBUTION TO LOCAL AND TRIBAL GOVERNMENTS.—
> ‘‘(1) In General—Not later than 45 days after receiving grant funds, any State receiving a grant under this section shall make available to local and tribal governments, **consistent with the applicable State homeland security plan [emphasis added] –**

The US DHS validates our compliance with the above grant requirements yearly as part of their approval of the Initial Strategy Implementation Plan and proposed agency strategy as required by PL 110-53.

Contact Person:

Pamela Urban-Morin, Grants Administrator

Anticipated Completion Date:

None

NH Department of Safety will continue to proceed in the current manner until DHS indicates a new practice must be instituted.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS					
2012-2	*NH Department of Health and Human Services*	93.778	Updated provider disclosures are not obtained from all required providers	None	*Resolved*
2012-3	*NH Department of Health and Human Services*	93.558	No internal controls established to ensure data quality, completeness, and accuracy of the ACF-204	None	*Resolved*
2012-4	*NH Department of Health and Human Services*	93.558	Direct program draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved* *See G-22 and related finding 2013-004*
2012-5	*NH Department of Health and Human Services*	10.561 93.558 93.778	Administrative draw downs not performed in accordance with Treasury-State Agreement	None	*Unresolved* *See G-24 and related finding 2013-003*
2012-6	*NH Department of Health and Human Services*	10.557	Direct Program drawdown's not performed in accordance with Treasury-State Agreement	None	*Unresolved* *See G-27 and related finding 2013-018*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2012-7	*NH Department of Health and Human Services*	93.044 93.045 93.053 93.667 93.283 93.563 93.596 93.658	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved for 93.563* *See G-29 and related finding 2013-012*
2012-8	*NH Department of Health and Human Services*	93.283	Controls over ensuring that in-kind matching was met and supported are not operating effectively	None	*Resolved*
2012-9	*NH Department of Health and Human Services*	93.712	No internal controls established to ensure data quality, completeness and accuracy of Section 1512 reports	None	*Resolved*
2012-10	*NH Department of Health and Human Services*	93.069	Maintenance of Effort dollars are also used to support Matching Requirements	None	*Resolved*
2012-11	*NH Department of Health and Human Services*	93.596 93.713	Health and safety requirements were not complied with	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			as site visits were not performed for some providers		
2012-12	*NH Department of Health and Human Services*	93.563 93.596 93.658	Administrative draw downs are based on estimates which is not in accordance with the Treasury-State Agreement	None	*Unresolved* *See G-33 and related finding 2013-011*
2012-13	*NH Department of Health and Human Services*	93.658	Internal controls established for completing licensing site visits were not fully effective	None	*Resolved*
2012-14	*NH Department of Health and Human Services*	93.959	Maintenance of Effort (MOE), Earmarking and Period Availability requirements not met	$28,565	*Partially Resolved, MOE not met* *See G-36 and related finding 2013-015*
2012-15	*NH office of Energy and planning*	81.128	Internal Controls and Compliance over Davis Bacon Requirements Should be Improved	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2012-16	*NH Office of Energy and Planning*	81.128	Internal Controls and compliance over the cash management should be improved	Not Determinable	*Unresolved* *See G-39 and related finding 2013-034*
2012-17	*NH Office of Energy and Planning*	81.128	Control weakness and noncompliance over the reporting requirements of Federal financial reports	None	*Resolved*
2012-18	*NH Office of Energy and Planning*	81.128	Internal controls and compliance over the sub recipient monitoring requirements should be improved	Not Determinable	*Resolved*
2012-19	*NH Office of Energy and Planning*	93.568	Federal drawdown's not performed timely	None	*Unresolved* *See G-42 and related finding 2013-037*
2012-20	*NH Office of Energy and Planning*	93.568	Internal Controls and compliance over the sub recipient monitoring requirements of LIHEAP	Not Determinable	*Partially Resolved* *See G-44 and related finding 2013-036*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			should be improved		
2012-21	*NH Office of Energy and Planning*	93.568	OEP should improve internal controls over LIHEAP Federal financial reporting requirements	None	*Unresolved* *See G-47 and related finding 2013-038*
2012-22	*NH Office of Energy and Planning*	93.568	The OEP should establish internal controls over and comply with the reporting requirements of the Federal funding accountability and transparency act (FFATA)	None	*Unresolved* *See G-49 and related finding 2013-035*
2012-23	*NH Office of Energy and Planning*	93.568	The time elapsing between the transfer of funds from the U.S. treasury and disbursement by sub grantees was not minimized	Not Determinable	*Unresolved* *See G-51 and related finding 2013-037*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2012-24	*NH Office of Energy and Planning*	81.041	Internal Controls over the Federal reporting requirements of the SEP should be strengthened	None	*Resolved*
2012-25	*NH Office of Energy and Planning*	81.041	SEP Funds should only be used for allowable activities and costs	$118,228	*Resolved, Questioned costs remain open*
2012-26	*NH Office of Energy and Planning*	81.041	Repayments to and interest earned on a revolving fund were not disbursed prior to requesting additional cash payments	Not Determinable	*Resolved*
2012-27	*NH Office of Energy and Planning*	81.041	Internal controls and compliance over the sub recipient monitoring requirements of the SEP should be improved	Not Determinable	*Resolved*
2012-28	*NH Office of Energy and Planning*	81.041	Certified payrolls subject to the requirements of the Davis bacon Act not received	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			timely.		
2012-29	*NH Office of Energy and Planning*	81.042	Federal drawdown's were not performed in accordance with program requirements and advances of funds were not paid out timely	None	*Unresolved* *See G-54 and related finding 2013-040*
2012-30	*NH Office of Energy and Planning*	81.042	Internal controls and compliance over the sub recipient monitoring requirements and allowable cost limitations of the WAP should be improved	Not Determinable	*Partially Resolved* *See G-57 and related finding 2013-039*
2012-31	*NH Office of Energy and Planning*	81.042	The communication of sub-recipient monitoring requirements should be properly applied and adhered to	None	*Resolved*
2012-32	*NH Office of Energy and Planning*	81.042	Certified payrolls subject to the requirements of the Davis Bacon Act	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			should be received weekly		
2012-33	*NH Office of Energy and Planning*	81.042	Internal controls over the Federal Reporting requirements of the WAP should be strengthened	None	*Resolved*
2012-34	*NH Department of Homeland Security and Emergency Management*	97.036	Noncompliance with Federal Funding Accountability and Transparency Act	None	*Unresolved* *See G-62 and related finding 2013-023*
2012-35	*NH Department of Homeland Security and Emergency Management*	97.036	Controls over cash management monitoring must be established	Not Determinable	*Resolved*
2012-36	*NH Department of Homeland Security and Emergency Management*	97.036	Sub recipient monitoring procedures must be established	None	*Unresolved* *See G-64 and related finding 2013-024*
2012-37	*NH Department of Environmental Services*	66.458 66.468	Noncompliance with the Treasury-State Agreement	None	*Unresolved* *See G-67 and related finding 2013-022*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2012-38	*NH Department of Environmental Services*	66.458 66.468	Lack of Internal controls over and noncompliance with timely submission of reports	None	*Resolved*
2012-39	*NH Department of Environmental Services*	66.458	Cannot adequately support expenditure amounts reported for ARRA Section 1512 reporting	None	*Resolved*
2012-40	*NH Department of Environmental Services*	66.458 66.468	Noncompliance with sub recipient monitoring requirements	None	*Resolved*
2012-41	*NH Department of Environmental Services*	66.468	No controls in place over ensuring that certified payrolls for sub-recipient receiving ARRA funding is received	None	*Resolved*
2012-42	*NH Department of Employment Security*	17.225	Federal reporting procedures need improvement	None	*Unresolved* *See G-70 and related finding 2013-031*
2012-43	*NH Department of Employment*	17.225	Controls over the Treasury-	None	*Unresolved* *See G-74*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

	Security		State Agreement should be implemented		*and related finding 2013-030*
2012-44	*NH Department of Employment Security*	17.225	Controls over Suspension and Debarment requirements should be strengthened	None	*Resolved*
2012-45	*NH Department of Employment Security*	17.225	Controls over contract revisions should be improved	None	*Resolved*
2012-46	*NH Department of Transportation*	20.933	Controls over Federal reporting need improvement	None	*Resolved*
2012-47	*NH Department of Transportation*	20.205 20.933	Controls over the Schedule of Expenditures of Federal Awards (SEFA) submitted should be strengthened	None	*Resolved*
2012-48	*NH Department of Transportation*	20.106	Federal draw-downs should be performed on a reimbursement basis	None	*Unresolved* *See G-77 and related finding 2013-027*
2012-49	*NH Department of Transportation*	20.106	Procedures over Sub-recipient monitoring	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			should be improved and controls established		
2012-50	*NH Department of Transportation*	20.205	Noncompliance with the Treasury-State Agreement	None	*Resolved*
2012-51	*NH Department of Transportation*	20.205	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved* *See G-79 and related finding 2013-025*
2012-52	*NH Department of Education*	84.010 84.027 84.173 84.367 84.389 84.391 84.392 84.390 84.287 96.001 96.006 84.410 10.553 10.555 10.559	Internal controls related to sub-recipient monitoring requirements need improvement	None	*Resolved*
2012-53	*NH Department of*	84.027	Did not comply with sub-	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

	Education	84.173 84.367	recipient monitoring requirements related to during-the-award monitoring		
2012-54	*NH Department of Education*	84.389	Lack of internal controls established to ensure data quality, completeness and accuracy of the Section 1512 reports	None	*Resolved*
2012-55	*NH Department of Education*	84.010 84.389	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)	None	*Resolved*
2012-56	*NH Department of Education*	84.010 84.027 84.173 84.367	Noncompliance with the Federal Funding Accountability and	None	*Unresolved, except for 84.010* *See G-82 and related*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			Transparency Act (FFATA)		*finding 2013-047*
2012-57	*NH Department of Education*	84.287 96.001 96.006	Administrative draws are not adequately supported	None	*Unresolved* *See G-85 and related finding 2013-049*
2012-58	*NH Department of Education*	84.010 84.027 84.173 84.367 84.389 84.391 84.392	Direct program draw downs not performed in accordance with the Treasury –State Agreement	None	*Unresolved for 84.027; 84.173* *See G-87 and related finding 2013-048*
2012-59	*NH Department of Education*	84.010 84.389	Internal controls established to monitor schools previously identified as Local Education Agencies (LEA) needing improvement were not operating effectively	None	*Resolved*
2012-60	*NH Veterans Home*	64.015	Controls over the schedule of expenditures of Federal Awards (SEFA) should be strengthened	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2012-61	*NH Veterans Home*	64.015	Controls over processing and accounting for federal revenues should be improved	$7,000	*Resolved, Questioned costs remain open*
2012-62	*NH Veterans Home*	64.015	Significant expenditures should be subject to contract provisions	None	*Resolved*
2012-63	*NH Veterans Home*	64.015	Suspension and debarment certifications should be included and verified for all contracts over covered transactions	None	*Unresolved* *See G-90 and related finding 2013-033*
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-92 and related finding 2013-004 and 2013-018*
2011-4	*NH Department of Health and Human Services*	10.561 93.558 93.714 93.563 93.596	Administrative draw downs not performed in accordance with the Treasury-State Agreement	None	*Unresolved for 10.561 and 93.778* *See G-95 and related finding*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

		93.658 93.767 93.778			*2013-003*
2011-5	*NH Department of Health and Human Services*	93.778	Updated provider disclosures are not obtained from all required providers	None	*Resolved*
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, questioned costs remain* *See G-98*
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	*Resolved*
2011-12	*NH Department of Health and Human Services*	93.283	In-Kind matching requirements are not properly monitored	None	*Resolved*
2011-14	*NH Office of Energy and Planning*	93.568	Federal drawdown's for the LIHEAP program not performed timely	None	*Resolved*
2011-15	*NH Office of Energy and Planning*	93.568	The OEP should improve internal controls over and compliance with LIHEAP sub recipient	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			application monitoring requirements		
2011-16	*NH Office of Energy and Planning*	93.568	The OEP should improve internal controls over and compliance with LIHEAP sub recipient fiscal monitoring requirements	None	*Resolved*
2011-17	*NH Office of Energy and Planning*	93.568	Internal controls over LIHEAP federal financial reporting requirements need improvement	None	*Unresolved* *See G-102 and related finding 2013-038*
2011-18	*NH Office of Energy and Planning*	93.568	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved* *See G-104 and related finding 2013-035*
2011-19	*NH Office of Energy and Planning*	81.041	Certified payrolls subject to the requirements of the Davis-Bacon Act not received	None	*Resolved*
2011-20	*NH Office of Energy and Planning*	81.041	Internal Controls over federal financial reporting requirements need improvement	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	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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	*Resolved*
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-107 and related finding 2013-031*
2011-35	*NH Department of Employment Security*	17.225	Controls over the Treasury-State Agreement should be implemented	None	*Unresolved* *See G-110 and related finding 2013-030*
2011-36	*NH Department of Transportation*	20.205	Federal draw downs not in compliance with the Treasury-State Agreement	None	*Resolved*
2011-37	*NH Department of Transportation*	20.205	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Unresolved* *See G-112 and related finding 2013-025*
2011-39	*NH Department of Education*	84.027 84.173 84.391 84.392	Did not comply with sub recipient monitoring requirements related to award identification and	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			during-the-award monitoring		
2011-41	*NH Department of Education*	84.391 84.392 84.389	Cannot adequately support expenditure amounts reported for ARRA Section 1512 reporting	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	*Resolved*
2011-52	*NH Department of Environmental Services*	66.468	No controls in place over ensuring that certified payrolls for sub recipients receiving ARRA funding is received	None	*Resolved*
2011-53	*NH Department of Environmental Services*	66.458 66.468	Noncompliance with sub recipient monitoring requirements	None	*Resolved*
2011-54	*Department of Environmental Services*	66.468	Lack of timely submission of reports	None	*Resolved*
2011-55	*Department of Environmental Services*	66.458	Lack of timely submission of reports	None	*Resolved*
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-115 and related finding 2013-004 and*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

					2013-018
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 and 93.778* *See G-117 and related finding 2013-003*
2010-13	*NH Department of Health and Human Services*	93.778	Updated Provider Disclosures are not obtained from all required providers	$112,969	*Resolved, Questioned costs remain open*
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	*Resolved*
2010-20	*NH Department of Health and Human Services*	10.557	Direct program draw downs not performed in accordance with Treasury-State Agreement	None	*Unresolved* *See G-120 and related finding 2013-018*
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	Unable to Determine	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

			government		
2010-23	*NH Department of Environmental Services*	66.468	No controls in place over ensuring that certified payrolls for sub recipient receiving ARRA dollars are received	Unable to Determine	*Resolved*
2010-25	*NH Department of Environmental Services*	66.458 66.468	Lack of Timely submission of reports	Unable to Determine	*Resolved*
2010-26	*NH Department of Environmental Services*	66.458 66.468	Sub recipient monitoring – insufficient award identification to sub recipients and no review of sub recipient audits	Unable to Determine	*Resolved*
2010-28	*NH Department of Transportation*	20.205	Cash management – draw downs not in compliance with the Treasury-State Agreement	None	*Resolved*
2010-31	*NH Office of Energy and Planning*	93.568	OEP did not comply with sub recipient monitoring requirements of the LIHEAP Program	Unable to Determine	*Partially Resolved* *See G-122 and related finding* *2013-036*
2010-33	*NH Office of Energy and Planning*	93.568	Federal drawdown's for the LIHEAP program not performed timely	None	*Unresolved* *See G-125 and related finding* *2013-037*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

2010-35	*NH Office of Energy and Planning*	81.042	WXN reports not adequately supported, reviewed, and not filed timely	None	*Resolved*
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	*Resolved*
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	*Resolved*
2010-41	*NH Office of Energy and Planning*	81.041	OEP should improve internal controls over State Energy Program federal reporting requirements	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-127 and related finding 2013-031*
TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2014:					**$ 8,690,235**

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 test work, 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

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

Status as of March 2014:
Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-004.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 test work, 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.	Drawdown's 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.	Drawdown's on Payroll Cycle - 4 days

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-003.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 drawdown's 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 test work. During our test work, 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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:

July 1, 2013

Status as of March 2014:
Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-018.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

- 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 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-012.

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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 Drawdown's 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-011.

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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 test work 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.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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:

January 14, 2014

Status as of March 2014:

Partially Resolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-015.

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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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

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Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-034.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

U.S. Department of Energy Finding ***2012-20***

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 sub recipient 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 sub recipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub recipient 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 sub recipients for compliance with Federal and State rules and regulations, which will be followed by a written monitoring report.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

Condition:

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

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 sub recipients, 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 sub recipients resulted in noncompliance with the sub recipient monitoring requirements. This noncompliance could have a far-reaching effect on the sub recipients' 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 sub recipient 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

resources. OEP should also ensure internal controls are properly implemented and monitor its performance to ensure continued effectiveness.

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 sub recipients) 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

Status as of March 2014:

Partially Resolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-036.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 drawdown's 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.

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-038.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-035.

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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."

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-040.

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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.

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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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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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.

Status as of March 2014:

Partially Resolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-039.

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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.

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The Department regularly sub grants the majority of its federal Public Assistance to sub grantees. During fiscal 2012, the Department sub granted $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 sub grants 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 sub grant 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.

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-023.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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: Sub recipient Monitoring procedures must be established

Criteria:

Per 31 USC section 7502 (f)(2)(a), at the time of the sub award there is a requirement to identify to the sub recipient 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, Sub recipient Monitoring, requires the recipients of federal funds to establish procedures to ensure that:

- The sub recipient provides a valid DUNS number before issuing the sub award,
- The pass-through entity properly identifies Federal award information and compliance requirements to the sub recipient,
- The pass-through entity monitors sub recipient activities to provide reasonable assurance that the sub recipient 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 sub recipients' audit report, and ensured that the sub recipient took timely and appropriate corrective action on all audit findings.

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Condition:

The Department does not have adequate sub recipient monitoring procedures in place.

The Department communicates sub grantee federal compliance requirements to sub grantees through applicant briefing meetings and form letters attached to sub grantee 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 sub grantees.
In addition, the Department does not have adequate procedures in place to monitor sub grantees' 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 sub grantees 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 sub grantees, we noted one audit report on file. While the Department provided us with four additional reports, those reports included audits of the sub grantees' 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 Sub recipient 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 sub grantees. Adequate policies must be established to track, review, and follow up on sub grantee audits.

Auditee Corrective Action Plan:

HSEM will create a database that will monitor all sub grantees information to include DUNS number. Additionally, if a sub grantee is awarded pass through grants greater than $100,000 in a calendar year, the

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database will indicate the source. At the end of a calendar year sub grantees will be contacted and an inquiry will be made if the sub grantee exceeded $500,000. If so a copy of the sub grantee Single Audit will be requested. Any findings will be examined with the sub grantee and corrective actions will be developed. The database will incorporate all pertinent information.

The PA Administrative Plan will be revised to reflect these changes.

Contact Persons:

Michael Poirier, Planning Chief
Cindy Richards, Hazard Mitigation Officer

Anticipated Completion Date:

March 31, 2014

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-024.

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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.

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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.

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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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-022.

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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).

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

Questioned Costs:

None

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.

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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.

Contact Person:

Dianne Carpenter, UCB Director

Anticipated Completion Date:

January 2014

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-031.

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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

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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

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Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-030.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-027.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 sub award 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 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 contract, the month in which a modification was issued that changed the previously reported information.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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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:

June 30, 2014

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-025.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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

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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.

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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

Status as of March 2014:

Unresolved, except for 84.010. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-047.

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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.

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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:

December 1, 2014

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-049.

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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.

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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

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Status as of March 2014:

Unresolved for 84.027 and 84.173. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-048.

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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.

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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

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-033.

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

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

Grant Year and Award: Various

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

Criteria:

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

Condition:

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

During our audit, we noted that the TSA states for payments relating to direct program costs the State must draw down funds from the United States Treasury as defined by the TSA using the Average Clearance techniques.

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

We also performed procedures for the WIC program. The TSA for the WIC program states for payments relating to direct program costs the State must draw down funds from the United States Treasury using the Average Clearance technique of 5 days. We selected 25 direct program cash draw downs and noted that all of the direct program cash draw downs were not drawn using the approved average clearance technique of 5 days.

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

Cause:

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

Effect:

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

Questioned Costs:

None

Recommendation:

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

Auditee Corrective Action Plan:

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

Contact Person:

Anne Mattice, Bureau of Finance

Anticipated Completion Date:

July 1, 2011

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Status as of March 2014:

Unresolved for 93.558 and 10.557. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-004 and 2013-018.

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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 test work, 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 using the approved average clearance pattern or technique. We reviewed the cash draw downs for each program

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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 test work:

- 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 2014:

Unresolved for 10.561 and 93.778. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-003.

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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

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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.

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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 2014:

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-038.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 sub award 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 sub awards 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 Sub award Reporting System (FSRS) and report sub award data through

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 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 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 2012, 2011, AND 2010

Contact Person:

Joanne O. Morin, Director

Anticipated Completion Date:

July 1, 2012

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-035.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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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."

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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 March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-031.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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.

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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 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-030.

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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 sub award 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 sub awards 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 Sub award Reporting System (FSRS) and report sub award data through FSRS. To do so, they will first be required to register in Central Contractor Registration (CCR) (if they

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 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 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.

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Contact Person:

Leonard Russell, Finance Administrator

Anticipated Completion Date:

June 30, 2014

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-025.

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U.S. Department of Health and Human Services ***Finding 2010-11***
NH Department of Health and Human Services

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

Grant Year and Award: Various

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

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

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

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

We selected 40 direct program cash draw downs. During our test work, 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

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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 2014:

Unresolved for 93.558. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-004 and 2013-018.

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U.S. Department of Agriculture ***Finding 2010-12***
U.S. Department of Health and Human Services
NH Department of Health and Human Services

CFDA #10.561	***State Administrative Matching Grants for the Supplemental Nutrition Assistance Program***
CFDA #93.563	***Child Support Enforcement***
CFDA #93.558	***Temporary Assistance for Needy Families***
CFDA #93.714	***ARRA-Emergency Contingency Fund for Temporary Assistance to Needy Families***
CFDA #93.778	***Medical Assistance Payments***

Grant Year and Award: Various

Finding: Administrative draw downs not performed in accordance with the Treasury-State Agreement

Criteria:

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

Condition:

For certain Federal programs the Department of Health and Human Services, Office of Business Operations (the "Department"), has implemented a central draw process for the Federal programs. The process consists of using the State's accounting system Lawson to identify the Federal reimbursements. The Department utilizes the Cost Allocation System, FARS, to ascertain the administrative costs.

During our test work, 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	CAP - Monthly

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	on cost allocation	
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 test work:

- Child Support Enforcement direct program costs were not drawn using the CMIA system.
- Medicaid – MP direct program costs relating to Disproportionate Share, ProShare, and ARRA supplemental were not drawn using the CMIA system.

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

Effect:

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

Questioned Costs:

None

Recommendation:

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

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 Pro-share 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

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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 2014:

Unresolved for 10.561 and 93.778. A similar finding was identified in the 2013 single audit report. See finding and corrective action plans at 2013-003.

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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 test work, we noted that the TSA for the WIC program states for payments relating to direct program costs the State must draw down funds from the United States Treasury, as defined by the TSA, using the Average Clearance technique of 5 days.
We selected 50 cash draw downs of which 25 related to direct program costs. During our test work, 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.

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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 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-018.

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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 sub recipient 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, sub award, function or activity supported by the award."*

Further, Section *M. Sub recipient Monitoring* of the A-133 Compliance Supplement describes a pass-through entity as responsible for:

> *"During-the-Award Monitoring* – Monitoring the sub recipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the sub recipient 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 sub recipient 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 sub recipient activities in accordance with federal requirements. At a minimum, OEP's sub recipient monitoring efforts must be sufficient to meet its Federal program requirements. OEP should also ensure that its during-the-award monitoring, as described in its Fuel Assistance Program Manual, is performed.

Auditee Corrective Action Plan:

OEP has made significant progress in this area. A detailed program monitoring instrument was developed and implemented. Program monitoring at all six Community Action Agencies was completed during the LIHEAP program year which extends 1 quarter past the fiscal year. In addition, one Community Action Agency was monitored twice. OEP believes its monitoring requirement from Health and Human Services is relative to the program year not the fiscal year. In addition, we recently completed the development of a monitoring instrument for financial monitoring and will have financial monitoring completed by March 1, 2011. Program monitoring for this program year will be completed by September 30, 2011. This progress is in accordance with our corrective action plan submitted in response to the audit of FY2009.

Anticipated Completion Date:

July 2012

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

Contact Person:

Joanne Morin

Status as of March 2014:

Partially Resolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-036.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

U.S. Department of Health and Human Services ***Finding 2010-33***
NH Office of Energy and Planning

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

Grant Year and Award: ***10/1/08 – 9/30/10 G-09B1NHLIEA***
10/1/09 – 9/30/11 G-10B1NHLIEA

Finding: Federal drawdowns for the LIHEAP program not performed timely

Criteria:

The U.S. Department of Treasury regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended, require State recipients to enter into agreements (Treasury-State Agreements) that prescribe specific methods of drawing down Federal funds for selected large programs.

The Office of Energy and Planning's (OEP) Low-Income Home Energy Assistance Program (LIHEAP) is subjected to the provisions of New Hampshire's agreement with the U.S. Department of Treasury. The Treasury-State Agreement requires monthly federal drawdowns for administrative costs and weekly federal drawdowns for direct program costs of the LIHEAP program.

Condition:

The OEP did not perform timely federal drawdowns for the LIHEAP program during our audit period. We tested 65 LIHEAP payment voucher transactions for their timeliness of federal reimbursements and noted the OEP did not request reimbursements for forty of the sixty five transactions (61%) timely in accordance with the Treasury-State Agreement. Federal drawdowns for direct program costs were performed up to 90 days after the expenditure was incurred and federal drawdowns for administrative costs were performed up to 175 days after the expenditure was incurred.

Cause:

Reportedly, lack of resources prevented the OEP from performing timely drawdowns in compliance with the Treasury-State Agreement.

Effect:

The OEP was not in compliance with the Treasury State Agreement resulting in potential cash flow issues and lost interest income for the State.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

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 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

U.S. Department of Labor ***Finding 2010-56***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award: 2010 UI-19597-10-55-1-33

Finding: Accuracy and availability of data used in Federal reports needs improvement

Criteria:

The Department of Employment Security (Department) is responsible for submitting several quarterly and/or monthly reports to the US Department of Labor (USDOL) related to the Unemployment Compensation program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

Condition:

The Department implemented a new benefit payment system (NHUIS) in August 2009 and immediately had difficulty extracting complete and accurate data for use in federal reports. Discrepancies in reported amounts were identified and addressed as they became known. These issues led to the late filing of several reports for the quarters ending 9/30/09 and 12/31/09, including the ETA 191, ETA UI3, and ETA 563.

Testing also revealed several instances of reports filed to the USDOL with inaccurate data. Examples of these reports are ETA 227, ETA 563, ETA 2112, and ETA 581. Per discussions with Department staff responsible for the ETA 227 and ETA 563 reports, the reports were filed by the Department with known discrepancies. For the ETA 227 reports, estimates were used. For the ETA 2112 and ETA 581 the reports contained inaccurate data; however, it appears that the Department believed the data to be correct at the time of filing. When the Department became aware of potential issues with the NHUIS data extraction, a review of previously submitted reports detected the data discrepancies and identified the need to file revised reports.

Cause:

The cause appears to be a lack of familiarity with the new benefit payment system data elements. System issues related to benefit payments were given top priority over known reporting issues.

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program due to late report filings and report filings containing inaccurate data. We noted that the Department was in contact with the U.S. Department of Labor (USDOL) informing them of the reporting issues and reasons for the delay for many of the required reports. We also noted that the Department appears to have submitted revised reports when new information or revisions to old information became available.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2012, 2011, AND 2010

Questioned Costs:

None

Recommendation:

The Department should continue to improve the reporting function of its new benefit system, NHUIS, and continue to keep USDOL updated on any issues that appear to prevent the Department from filing accurate and timely reports. The Department should consider implementing a formal policy prohibiting staff from filing reports to USDOL when known data discrepancies exist.

Auditee Response:

NH Employment Security (NHES) experienced some challenges with the initial implementation of its new unemployment insurance benefit system, NHUIS. As noted in the finding, the United States Department of Labor (USDOL) was kept apprised by NHES of the circumstances surrounding our reporting issues. NHES has submitted revised reports as required.
The reporting errors associated with the ETA 227 and 563 reports are due to functional anomalies in the transactional coding. The fundamental transactional errors are diligently being addressed and when completed should address the reporting errors encountered.

Contact Person:

Dianne Carpenter, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

February 1, 2012

Status as of March 2014:

Unresolved. A similar finding was identified in the 2013 single audit report. See finding and corrective action plan at 2013-031.

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
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
6400	Boards and Commissions, Various
6600	Veterans Council
7200	Bank Commission
7300	Public Employees Labor Relations Board
7400	Administrative Attached Boards
7500	Fish and Game, Department of
7600	Human Rights Commission

STATE AGENCY LISTING IN NUMERICAL ORDER

APPENDIX A-1 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
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
2700	Employment Security, Department of
4400	Environmental Services, Department of
7500	Fish and Game, Department of
0205	Governor's Commission on Disability
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
8600	NH Racing and Charitable Gaming Commission
1300	Pease Development Authority
8700	Police Standards and Training Council
7300	Public Employees Labor Relations Board
8100	Public Utilities Commission
2800	Real Estate Commission
3500	Resources and Economic Development, Department of

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
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