STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2015

PREPARED BY:

DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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VICKI V. QUIRAM
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, 2015. 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, 2015, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 30, 2016

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

FAX: 603-271-6600 TDD ACCESS: RELAY NH 1-800-735-2964

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STATE OF NEW HAMPSHIRE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2015

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 2015 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 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 $5,989,708. 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 Type A and select Type B 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 2015, 27 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2015, the State administered 300 federal programs, with total federal expenditures of approximately $2.0 billion. Of those programs, Type A programs/clusters accounted for 91% of total federal expenditures, with the Medicaid program cluster accounting for 51% 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, 2015

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	TOTAL EXPENDITURE
Adjutant General	12.400	Military Construction, National Guard	10,216,746	
	12.401	National Guard Operations and Maintenance	16,852,023	27,068,769
		Other Programs		966
		Total Adjutant General		27,069,735
Administrative Services	Various	Child Nutrition Cluster	4,450,311	4,450,311
		Other Programs		1,269,602
		Total Administrative Services		5,719,913
Agriculture		Other Programs		618,106
Commission On Disability		Other Programs		74,862
Corrections		Other Programs		477,443
Cultural Resources		Other Programs		2,728,957
Development Disabilities Council		Other Programs		484,526
Education	Various	Child Nutrition Cluster	29,637,700	
	84.010	Title I, Part A Cluster	41,322,620	
	Various	Special Education Cluster	42,655,183	
	84.126	Vocational Rehabilitation Grants	12,665,291	
	84.367	Improving Teacher Quality	10,591,302	
	96.001	Social Security - Disability Insurance	6,226,484	143,098,580
		Other Programs		34,731,923
		Total Education		177,830,503
Employment Security	17.225	Unemployment Insurance	95,660,466	95,660,466
		Other Programs		5,926,543
		Total Employment Security		101,587,009
Energy & Planning	93.568	Low-Income Energy Assistance	25,873,739	25,873,739
		Other Programs		1,692,057
		Total Energy & Planning		27,565,796
Environmental Services	66.458	Clean Water Revolving Fund	31,362,331	
	66.468	Drinking Water Revolving Fund	15,603,364	46,965,695
		Other Programs		12,840,253
		Total Environmental Services		59,805,948
Fish & Game Department	Various	Fish and Wildlife Cluster	6,773,217	6,773,217
		Other Programs		3,101,607
		Total Fish and Game		9,874,824
Health & Human Services	Various	SNAP Cluster	142,269,219	
	10.557	Supplemental Food Program	10,522,087	
	Various	Aging Cluster	6,212,206	
	93.268	Immunization Cooperative Agreements	10,777,121	
	93.558	TANF	18,237,615	
	93.563	Child Support Enforcement	14,863,159	
	Various	CCDF Cluster	21,468,134	

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2015

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	TOTAL EXPENDITURE
	93.658	Foster Care	14,557,576	
	93.667	Social Services Block Grant	7,529,401	
	Various	Medicaid Cluster	1,020,599,789	1,267,036,307
		Other Programs		67,926,519
		Total Health & Human Services		1,334,962,826
Highway Safety		Other Programs		2,361,177
Human Rights Commission		Other Programs		150,100
Insurance		Other Programs		2,931,082
Judicial Branch		Other Programs		279,660
Justice	Various	Medicaid Cluster	562,476	562,476
		Other Programs		5,233,198
		Total Justice		5,795,674
Public Utilities Commission		Other Programs		692,410
Resources & Economic Development	Various	WIA Cluster	7,137,814	7,137,814
		Other Programs		3,283,857
		Total Resources & Economic Development		10,421,671
Safety		Other Programs		16,840,450
Secretary Of State		Other Programs		1,243,409
Transportation	20.106	Airport Improvement Program	12,146,838	
	Various	Highway Planning And Construction Cluster	177,184,217	189,331,055
		Other Programs		8,889,225
		Total Transportation		198,220,280
Veterans Home	64.015	Veterans State Nursing Home Care	8,833,126	8,833,126
		TOTAL EXPENDITURES	**1,822,791,555**	**1,996,569,487**

KPMG LLP
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60 South Street
Boston, MA 02111

Independent Auditors' Report

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 (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State'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, the Lottery Commission and the State Revolving Fund, which represent 35.3% and 76.0% of the assets and revenues of the business-type activities, respectively, and 100%, 98%, and 100% of the assets and revenues of the respective major funds. We also did not audit the financial statements of 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 13.3% and 14.2% 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 2.2% and 11.4% of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are 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 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, 2015, 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.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in note 1 to the financial statements, in 2015, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budget to actual schedules, and information about the State's other postemployment benefits, information about the New Hampshire Retirement System and information about the New Hampshire Judicial Retirement Plan, 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 GASB 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 the 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 January 15, 2016 on our consideration of the State'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's internal control over financial reporting and compliance.

KPMG LLP

January 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

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, 2015. 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.

Government-Wide Highlights

Net Position: The total assets and deferred outflows of resources of the State exceeded total liabilities and deferred inflows of resources at fiscal year ending June 30, 2015 by $2.0 billion. This amount is presented as "Total Net Position" on the Statement of Net Position for the Primary Government (condensed information can be seen later in the MD&A section of this report). Of this amount, $1.7 billion 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 decreased by $768.4 million, or 28%, however, as shown in the Comparative Changes in Net Position table within this report, the net decrease was largely attributable to the effect of the implementation of GASB Statement No. 68 (GASBS 68), *Accounting and Financial Reporting for Pensions*, as described in Note 1 to the financial statements. After adjusting for the $830.4 million restatement of beginning of year net position for the implementation of GASBS 68, the State's net position increased by $62.0 million (3.2%) in fiscal year 2015, from $1,927.4 million on a restated basis, to $1,989.4 million. Also as reflected in this table, the net position of governmental activities increased by $9.3 million (1.7%), from $540.0 million on a restated basis, to $549.3 million in fiscal year 2015. Net position of the business-type activities showed an increase of $52.8 million (3.8%) related to fiscal year 2015 activity, from $1,387.3 million on a restated basis, to $1,440.1 million. Total expenses for the period were $332.8 million or 5.5% higher than fiscal year 2014 and total revenues were approximately $370.5 million or 6.1% higher than fiscal year 2014.

Non-Current Liabilities: The State's total non-current liabilities increased by $890.4 million or 36% during the current fiscal year, and is largely due to the recognition of the State's proportionate share of the New Hampshire Retirement System's net pension liability and the net pension liability associated with the New Hampshire Judicial Retirement Plan upon implementation of GASBS 68. The aggregate net pension liability reflected in the June 30, 2015 non-current liabilities amounted to $772.3 million. Reported non-current bonded debt decreased $3.6 million or 0.2%, as payments slightly exceeded new issuances of outstanding debt. Also, an increase in long-term liabilities of $103.4 million 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 2015, the State's governmental funds reported a combined balance of all funds of $570.7 million, an increase of $26.8 million over the prior year. Within the governmental funds, fund balances for the general fund and the combined non-major governmental funds increased by $38.8 million and $24.2 million, respectively. This increase was partially offset by a decrease of fund balance of $35.4 million in the highway fund. The increase in the general fund was driven by a $40.1 million increase in unassigned fund balance, as the year ended with an unassigned fund balance of $71.3 million (including revenue stabilization balance of $22.3 million). The increase in the general fund unassigned fund balance was due to higher unrestricted revenue as compared to the planned amount along with lower than expected unrestricted net appropriations, achieved mainly through higher than expected lapses of appropriation. The fund balance changes in the highway fund and the combined non-major governmental funds were caused by the timing of project expenditures in the respective funds.

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 as well as any deferred outflows of resources or deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 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 of the State of New Hampshire
Community Development Finance Authority,
Pease Development Authority, and
The Community College System of New Hampshire

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the state's component units are presented in the notes to the 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 33 through 36.

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 34 and 36.

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

Individual fund data for each of the State's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 100 and 101.

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 38 through 41.

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 43-44 include the:

- **Pension Trust Funds** which account for the activity of the New Hampshire Retirement System and the New Hampshire 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 the New Hampshire Public Deposit Investment Pool (NHPDIP),
- **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 46 and 47.

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 49.

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 reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, information about the New Hampshire Retirement System and the New Hampshire Judicial Retirement Plan, as required under GASBS 68 and a schedule of funding progress for the state's Other Postemployment Benefit Plan are presented.

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 $2.0 billion as of June 30, 2015 which was 28% lower than the net position as of June 30, 2014, largely due to the effect of the implementation of GASBS 68. After adjusting for the $830.4 million restatement of beginning of year net position for the implementation of GASBS 68, the State's net position increased by $62.0 million (3.2%) in fiscal year 2015, from $1,927.4 million on a restated basis, to $1,989.4 million.

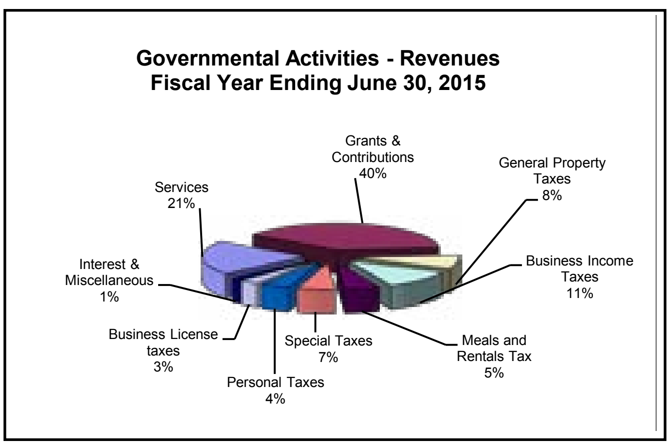
Comparative Net Position as of June 30, 2015 and 2014
(In Thousands)

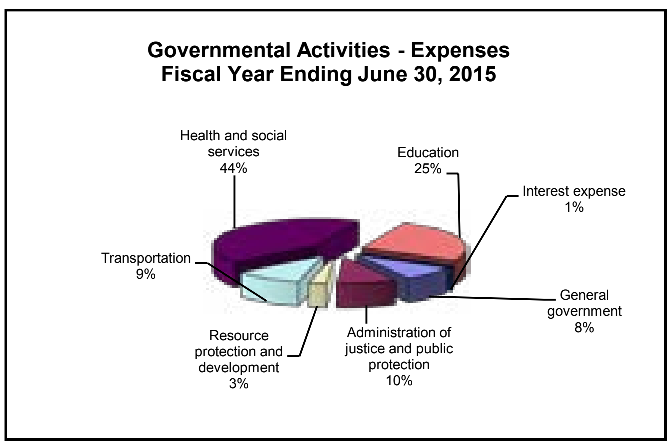
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current assets	$1,252,790	$1,174,835	$831,809	$777,158	$2,084,599	$1,951,993
Capital assets	2,805,945	2,752,656	903,188	914,386	3,709,133	3,667,042
Other assets	59,957	74,271	350,631	316,241	410,588	390,512
Total assets	4,118,692	4,001,762	2,085,628	2,007,785	6,204,320	6,009,547
Total deferred outflows of resources	82,861	10,540	5,527	3,009	88,388	13,549
Noncurrent liabilities	2,856,960	2,037,301	508,999	438,287	3,365,959	2,475,588
Current liabilities	693,150	643,356	136,818	146,369	829,968	789,725
Total liabilities	3,550,110	2,680,657	645,817	584,656	4,195,927	3,265,313
Total deferred inflows of resources	102,162		5,231		107,393	
Net Position:						
Net Investment in capital assets	2,036,066	2,013,107	485,461	462,660	2,521,527	2,475,767
Restricted	152,702	108,658	965,691	929,609	1,118,393	1,038,267
Unrestricted	(1,639,487)	(790,120)	(11,045)	33,869	(1,650,532)	(756,251)
Total net position	$549,281	$1,331,645	$1,440,107	$1,426,138	$1,989,388	$2,757,783

Comparative Changes in Net Position
For Fiscal Years Ending June 30, 2015 and 2014
(In Thousands)

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total Primary Government 2015	Total Primary Government 2014
Revenues						
Program revenues:						
Charges for services	$1,023,256	$1,019,353	$1,173,923	$1,204,640	$2,197,179	$2,223,993
Operating grants & contributions	1,895,332	1,641,790	46,986	36,876	1,942,318	1,678,666
Capital grants & contributions	197,400	218,351	74	3,108	197,474	221,459
General revenues:						
General Property Taxes	408,678	398,419			408,678	398,419
Business Income Taxes	564,562	546,829			564,562	546,829
Meals and Rentals Tax	280,792	263,050			280,792	263,050
Special taxes	370,000	290,020			370,000	290,020
Personal taxes	221,501	219,903			221,501	219,903
Business License taxes	181,278	145,658			181,278	145,658
Interest	15,172	16,343			15,172	16,343
Miscellaneous	47,846	52,005			47,846	52,005
Total revenues	5,205,817	4,811,721	1,220,983	1,244,624	6,426,800	6,056,345
Expenses						
General government	442,490	425,806			442,490	425,806
Administration of justice and public protection	528,840	480,720			528,840	480,720
Resource protection and development	156,795	140,316			156,795	140,316
Transportation	501,461	541,058			501,461	541,058
Health and social services	2,406,752	2,153,341			2,406,752	2,153,341
Education	1,346,431	1,335,566			1,346,431	1,335,566
Interest Expense	41,877	31,548			41,877	31,548
Turnpike System			116,372	90,243	116,372	90,243
Liquor Commission			497,091	482,158	497,091	482,158
Lottery Commission			210,254	205,052	210,254	205,052
SRF Fund			22,962	21,541	22,962	21,541
Unemployment Compensation			93,450	124,654	93,450	124,654
Total expenses	5,424,646	5,108,355	940,129	923,648	6,364,775	6,032,003
Increase/ (decrease) in net position before transfers and other items	(218,829)	(296,634)	280,854	320,976	62,025	24,342
Transfers & Other Items	228,098	216,154	(228,098)	(216,154)		
Increase/ (decrease) in net position	9,269	(80,480)	52,756	104,822	62,025	24,342
Net position - July 1	1,331,645	1,412,125	1,426,138	1,321,316	2,757,783	2,733,441
Cumulative effect of implementation of GASBS 68	(791,633)		(38,787)		(830,420)	
Net position, end of year	$549,281	$1,331,645	$1,440,107	$1,426,138	$1,989,388	$2,757,783

Note: The 2014 amounts in the above tables do not reflect restated values for the effect of the implementation of GASBS 68.





Net Investment in Capital Assets: The largest portion of the State's net position 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 net investment in capital assets increased $45.7 million from prior year. This increase was the result of a net increase in capital assets of $42.1 million during the year, which partially utilized prior year bond proceeds, combined with a decrease in capital related debt of $3.6 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 Position: Another portion of the State's net position ($1,118.4 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 position. Restricted net position increased $80.1 million from prior year due largely to increases in assets restricted for Unemployment Benefits, Health and Social Services and for Environmental Loan Programs within the State Revolving Fund.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $1.7 billion which is up $894.3 million from the deficit of $756.3 million from the previous year. The largest component of the deficit is due to the cumulative effect of the implementation of GASBS 68, specifically the net pension liability recorded as of June 30, 2015 of $772.3 million. Another significant component of the deficit is attributable to net other postemployment benefit obligations, which at June 30, 2015 were $961.8 million, up from $858.4 million as of June 30, 2014.

Changes in Net Position

The State's total net position increased by $62.0 million, or 3.2%, from current fiscal year activities. Total revenues were $6,426.8 million, an increase of $370.5 million (6.1%) as compared to the prior year, and total reported expenses were $6,364.8 million, an increase of $332.8 million (5.5%) as compared to the prior year. The increase in revenues surpassed the increase in expenses, attributing to the increase in net position.

More than half of the State's revenue (68%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. In total, program revenues exceeded the prior fiscal year by $212.9 million and general revenues were higher by $157.6 million.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 44% and 25% of total expenses, respectively.

Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2015 Compared to 2014
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	4.0	0.4%	(30.7)	-2.5%	(26.7)	-1.2%
Operating grants & contributions	253.5	15.4%	10.1	27.4%	263.6	15.7%
Capital grants & contributions	(21.0)	-9.6%	(3.0)	-96.8%	(24.0)	-10.8%
General revenues:						
General Property Taxes	10.3	2.6%			10.3	2.6%
Business Income taxes	17.7	3.2%			17.7	3.2%
Meals and Rental Taxes	17.7	6.7%			17.7	6.7%
Special taxes	80.0	27.6%			80.0	27.6%
Personal taxes	1.6	0.7%			1.6	0.7%
Business License taxes	35.6	24.4%			35.6	24.4%
Interest	(1.1)	-6.7%			(1.1)	-6.7%
Miscellaneous	(4.2)	-8.1%			(4.2)	-8.1%
Total revenues	394.1	8.2%	(23.6)	-1.9%	370.5	6.1%
Expenses						
General government	16.7	3.9%			16.7	3.9%
Administration of justice and public protection	48.1	10.0%			48.1	10.0%
Resource protection and development	16.5	11.8%			16.5	11.8%
Transportation	(39.6)	-7.3%			(39.6)	-7.3%
Health and social services	253.4	11.8%			253.4	11.8%
Education	10.9	0.8%			10.9	0.8%
Interest Expense	10.3	32.7%			10.3	32.7%
Turnpike System			26.1	28.9%	26.1	28.9%
Liquor Commission			14.9	3.1%	14.9	3.1%
Lottery Commission			5.2	2.5%	5.2	2.5%
SRF Fund			1.5	7.0%	1.5	7.0%
Unemployment Compensation			(31.2)	-25.0%	(31.2)	-25.0%
Total expenses	316.3	6.2%	16.5	1.8%	332.8	5.5%

Governmental Activities

Governmental activities decreased the State's net position by $218.8 million, before transfers and other items. Revenues increased by $394.1 million or 8.2% from the prior year to total $5.2 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $236.5 million or 8.2%, while taxes and other revenues increased $157.6 million or 8.2%. Reported expenses increased $316.3 million or 6.2%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for newly eligible Medicaid patients through the New Hampshire Health Protection Program. Also driving the increase in program revenues was an increase in the Medicaid Enhancement Tax, which is paid to the State by hospitals in New Hampshire and is based on certain revenues that those hospitals receive. The increase in general revenues was due largely to the improvement of economic conditions within the State, as these revenues consist of statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rentals, and interest and dividends tax. The increase in expenses is primarily due to corresponding spending associated with the increase in federal grant revenue, including the New Hampshire Health Protection Program.

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 many of these significant program costs are not fully recovered from program revenues, these programs are supplemented from general revenues.

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 an increase in net position of $280.9 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 $152.1 million, an increase of $3.4 million (2.3%) from the prior year, which was transferred to the General Fund to fund the general operations of the State. The Lottery Commission net income before transfers of $77.2 million was an increase of $1.7 million (2.2%) as compared to the prior year. The increases in net income at both the Liquor Commission and the Lottery Commission were mostly attributable to higher sales, largely attributable to new outlet stores and renovated highway welcome centers. Additionally, the Turnpike System generated net income before transfers of $11.5 million, down from $35.2 million in the prior year, with the decrease coming from the recognition of a capital asset impairment expense. The operations of the Unemployment Compensation fund yielded an increase in net position of $6.5 million, which is down from an increase of $35.4 million in the prior year, as a result of lower current year revenue brought on by a decrease in employer contribution rates. The operations of the State Revolving Fund yielded an increase in net position of $33.6 million, which was comparable to the $34.0 from the prior year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total Governmental Fund Balances increased $26.8 million in fiscal year 2015. A deficiency of revenues under expenditures of $287.0 million was funded by $310.5 million of net transfers from Enterprise Funds and Other Financing Sources, resulting in a net increase in Governmental Fund Balance.

General Fund

The general fund is the primary operating fund of the State. The total fund equity at June 30, 2015 is $336.2 million. The general fund unassigned fund balance, comprised of the Revenue Stabilization (Rainy Day fund) amount of $22.3 million and other fund balance of $49.0 million ended the year at $71.3 million, an increase of $40.1 million from the prior year. As discussed further in the Budgetary analysis section, the increase in unassigned fund balance was a result of an approximate $18 million in budgetary excess of revenues over expenditures, due to both savings of fiscal year 2015 appropriations and revenues coming in higher than plan. In accordance with House Bill 2 (HB2), Chapter 276 Laws of 2015, $49 million of the budgetary surplus remains as general fund unassigned fund balance for the period ended June 30, 2015.

Revenues in the general fund were $3,734.7 million, $350.1 million (10.3%) higher than the prior year, the increase largely the result of increases in Special Taxes and Federal Grants received during fiscal year 2015. Expenditures increased by $303.0 million (8.7%) to $3,768.7 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2015 due to new health and social services' federally-funded programs implemented during the year, with the New Hampshire Health Protection Program as the main driver for both increases.

Education Fund

The education fund, before year-end transfers from other funds, had a deficit balance of $156.7 million. Approximately $77.3 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining $78.6 million to bring the education assigned fund balance to $4.3 million at June 30, 2015. The remaining fund balance within the education fund primarily represents the remaining fiscal year 2015 appropriations available for Charter Schools.

Highway Fund

The highway fund ended the year with a restricted fund balance of $125.7 million. As the highway fund revenues include revenues primarily restricted by the Constitution or the Federal Government, the remaining spendable fund balance as of June 30, 2015 has been classified as restricted. This is a decrease of approximately $38.1 million from the fiscal year 2014 spendable fund balance of $163.8 million, which was driven largely by the timing of project expenditures.

Proprietary Funds

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

BUDGETARY HIGHLIGHTS

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. Budget to Actual Schedules for the major governmental funds are in the Required Supplementary Information section beginning on page 87.

General Fund:

The net increase from the original budget of $4,122.1 million to the final budget of $4,667.6 million is $545.5 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2014 primarily in the following categories of government: Health & Social Services ($468 million), Justice & Public Protection ($52 million) and Resource Protection and Development ($10 million). The budget increase is due largely to appropriations for federal programs not part of the adopted operating budget, including the New Hampshire Health Protection Program.

Actual total revenue was less than the final budget by approximately $673.3 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $526.1 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $901.3 million lower than the final budget primarily within the Department of Health & Human Services, the Department of Environmental Services, the Department of Education, and the Department of Safety. Again this variance was largely due to the timing of program expenditures.

Education Trust Fund:

Actual total revenue was greater than the final budget by approximately $6.5 million which was due primarily to improving economic conditions. Total actual expenditures were approximately $13.9 million lower than the budget primarily due to lower than expected adequate education aid payments to local school districts, driven by lower student attendance. As a result, the transfer from the general fund required to cover the deficit in the education trust fund was $20.8 million less than the budgeted amount.

Highway Fund:

The net increase from the original budget of $955.5 million to the final budget of $1,026.1 million is $70.6 million and represents additional appropriations issued and budget reductions recorded (HB2), after July 1, 2014 primarily in the Transportation category of government. Actual total revenue was less than the final budget by approximately $473.9 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $393.0 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $451.1 million lower than the final budget primarily within Transportation. Again this variance was largely due to the timing of program expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to $6.8 billion, with accumulated depreciation amounts of $3.1 billion, leaving a net book value of $3.7 billion, consistent with the 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 $2.2 billion, representing a $0.1 billion increase from the prior year.

During fiscal year 2015, many capital projects were started, in process and/or completed. Some of the State's larger fiscal year 2014/2015 capital projects included the following along with the approximate fiscal year 2015 expenditures (budgetary basis):

- Construction of a new, 224-bed women's prison ($38 million allocated in SFY 2014-2015 capital budget, with another $14 million allocated in the SFY 2016-2017 budget)
- Completed construction of a 10-bed psychiatric crisis unit at New Hampshire Hospital to help alleviate pressure of mental health emergency in hospital emergency rooms.
- Completed construction of a Career and Technical Education center at Pinkerton.
- Engaged in State Park improvements and reconstruction and preservation of Hampton North Beach Seawall and Sherman Adams Building Entrance at the Department of Resources and Economic Development. The Department was also engaged in projects such as: new bathhouse construction at Jericho State Park, new septic system at Franklin Pierce Homestead, and pavilion re-construction at Monadnock State Park.

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 $1,490.5 million. Of this amount, $906.4 million are general obligation bonds, which are backed by the full faith and credit of the State and $155.9 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 June 24, 2015, $45.8 million of "new money" Turnpike Revenue Bonds were issued to finance various capital projects of the System. The bonds were sold competitively and generated an overall true-interest-cost of 2.08%. These bonds were structured to have a relatively short final maturity compared to historical practice, with a term of less than eight years (October 1, 2022), significantly minimizing the amount of interest paid by the Turnpike System over the life of the bonds. Total outstanding debt of the Turnpike System as of June 30, 2015 was $428.2 million.

On April 2, 2015, the State issued $6.2 million of general obligation capital improvement bonds. The bonds were sold via private placement to the New Hampshire Municipal Bond Bank (NHMBB). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued its $89.9 million General Obligation Refunding Bonds, 2014 Series A (the "2014 Series A Refunding Bonds") on December 10, 2014 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a negotiated sale to both retail and institutional investors and resulted in an overall true-interest-cost of 2.29% with net present value savings to the State of $7.6 million.

The State issued its $55.0 million General Obligation Capital Improvement Bonds 2014 Series B (the "2014 Series B Bonds") on December 11, 2014 through a competitive sale and resulted in an overall true-interest-cost to the State of 2.64% and coupons ranging from 2.5% to 5.0%. The Series B Bonds were issued to fund all or a portion of various capital projects.

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 Standard & 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 preliminary October 2015 unemployment rate of 3.3% (seasonally adjusted) continues to be below the national average of 5.0%.

Fiscal Year 2016 Revenue Performance for the four months ended November 30, 2015:

Unrestricted revenue for the General and Education Trust Funds received for fiscal 2016 (cash basis) totaled $661.3 million, which was above plan by $31.1 million, or 4.9%, and above the prior year by $45.6 million, or 7.4%.

Some of the stronger revenue categories contributing to these favorable results include the following:

- Business Taxes - $17.6 million (11.9%) above plan and $22.0 million (15.4%) above prior year.
- Meals and Rentals Tax - $5.5 million (3.9%) above plan and $10.5 million (7.8%) above prior year.
- Tobacco Tax - $8.2 million (8.5%) above plan and $8.6 million (9.0%) above prior year.
- Real Estate Transfer Tax - $6.0 million (10.1%) above plan and $10.7 million (19.5%) above prior year.

Some of the unfavorable revenue categories significantly offsetting the above favorable results include the following:

- Communications Taxes - $2.4 million (9.6%) below plan and $2.3 million (9.2%) below prior year. million (7.8%) above prior year.
- Other Miscellaneous Revenues - $2.4 million (13.3%) below plan and $5.1 million (24.5%) below prior year however, a significant portion of this net increase is primarily deemed to be related to the timing of the receipt of the revenue.

On an annual basis, the fiscal year 2016 General and Education Funds revenue Plan of $2,291.1 million is approximately $24.4 million higher (1.1%) than the actual revenue realized in fiscal year 2015 ($2,266.7 million).

Going forward, the State will continue to monitor revenue collections closely. The state will continue to manage spending and institute budget reductions and program savings initiatives as needed.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2015
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$463,327	$49,680	$513,007	$94,679
Cash and Cash Equivalents-Restricted	112,332	583,986	696,318	17,704
Investments				166,745
Investments - Restricted		70,493	70,493	
Receivables (Net of Allowances for Uncollectibles)	601,996	14,295	616,291	51,208
Other Receivables-Restricted	46,834	48,820	95,654	
Internal Balances Receivable (Payable)	4,951	(4,951)		
Internal Notes Receivable (Payable)	414	(414)		
Inventories	22,936	65,254	88,190	
Other Current Assets		67	67	12,057
Other Current Assets-Restricted		4,579	4,579	
Total Current Assets	1,252,790	831,809	2,084,599	342,393
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	13,720		13,720	53,101
Other Receivables-Restricted	4,981	346,479	351,460	
Investments	19,823		19,823	699,780
Investments-Restricted	21,433		21,433	
Other Assets				74,147
Other Assets-Restricted		4,152	4,152	
Capital Assets:				
Land & Land Improvements	657,542	108,438	765,980	30,073
Buildings & Building Improvements	794,021	40,415	834,436	1,848,449
Equipment & Computer Software	366,181	55,327	421,508	149,527
Construction in Progress	215,048	114,605	329,653	91,100
Infrastructure	3,524,721	951,176	4,475,897	
Less: Allowance for Depreciation	(2,751,568)	(366,773)	(3,118,341)	(915,747)
Net Capital Assets	2,805,945	903,188	3,709,133	1,203,402
Total Noncurrent Assets	2,865,902	1,253,819	4,119,721	2,030,430
Total Assets	4,118,692	2,085,628	6,204,320	2,372,823
DEFERRED OUTFLOWS OF RESOURCES	82,861	5,527	88,388	44,593

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2015
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$375,753	$70,958	$446,711	$67,064
Accrued Payroll	33,348	3,184	36,532	5,824
Unearned Revenue	89,577	13,805	103,382	36,492
Unclaimed Property & Prizes	16,916	749	17,665	
General Obligation Bonds Payable	90,094	3,331	93,425	
Federal Highway Grant Anticipation Bond Payable	11,800		11,800	
Claims & Compensated Absences Payable	49,949	1,720	51,669	9,647
Other Liabilities	25,713	23,616	49,329	17,465
Revenue Bonds Payable		19,455	19,455	53,678
Total Current Liabilities	693,150	136,818	829,968	190,170
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	871,740	26,915	898,655	
Federal Highway Grant Anticipation Bond Payable	154,561		154,561	
Revenue Bonds Payable, Net		434,830	434,830	448,702
Claims & Compensated Absences Payable	83,179	6,884	90,063	34,596
Postemployment Benefits Payable	961,817		961,817	47,505
Derivative Instruments - Interest Rate Swaps				30,390
Net Pension Liability	736,499	35,845	772,344	61,947
Other Noncurrent Liabilities	49,164	4,525	53,689	74,203
Total Noncurrent Liabilities	2,856,960	508,999	3,365,959	697,343
Total Liabilities	3,550,110	645,817	4,195,927	887,513
DEFERRED INFLOWS OF RESOURCES	102,162	5,231	107,393	11,083
NET POSITION				
Net Investment in Capital Assets	2,036,066	485,461	2,521,527	770,878
Restricted for Debt Repayments		56,580	56,580	
Restricted for Uninsured Risks		3,006	3,006	
Restricted for Unemployment Benefits	8,391	291,083	299,474	
Restricted for Permanent Funds-Expendable	10,951		10,951	
Restricted for Permanent Funds-Non-Expendable	11,019		11,019	
Restricted for Prize Awards - MUSL & Tri-State		4,152	4,152	
Restricted for Environmental Remediation	78,762		78,762	
Restricted for Environmental Loan Programs	5,151	610,870	616,021	
Restricted for Health and Social Services	38,428		38,428	
Restricted Component Unit Net Position				464,172
Unrestricted Net Position (Deficit)	(1,639,487)	(11,045)	(1,650,532)	283,770
Total Net Position	$549,281	$1,440,107	$1,989,388	$1,518,820

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

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	$442,490	$273,145	$39,859	
Administration of Justice & Public Protection	528,840	358,571	82,194	$29
Resource Protection and Development	156,795	86,294	39,254	
Transportation	501,461	28,470	6,578	197,371
Health and Social Services	2,406,752	271,752	1,540,909	
Education	1,346,431	5,024	186,538	
Interest Expense	41,877			
Total Governmental Activities	5,424,646	1,023,256	1,895,332	197,400
Business-type Activities:				
Turnpike System	116,372	127,781		74
Liquor Commission	497,091	649,154		
Lottery Commission	210,254	287,453		
SRF Fund	22,962	9,605	46,986	
Unemployment Compensation	93,450	99,930		
Total Business-type Activities	940,129	1,173,923	46,986	74
Total Primary Government	6,364,775	2,197,179	1,942,318	197,474
COMPONENT UNITS				
University System of New Hampshire	804,363	557,885	160,445	2,520
Non-Major Component Units	165,527	105,513	13,863	209
Total Component Units	$969,890	$663,398	$174,308	$2,729

General Revenues:

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

Payments from State of New Hampshire
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Position
Net Position - July 1 - Restated (note 1)
Net Position - June 30

The notes to the basic 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
$(129,486)		$(129,486)	
(88,046)		(88,046)	
(31,247)		(31,247)	
(269,042)		(269,042)	
(594,091)		(594,091)	
(1,154,869)		(1,154,869)	
(41,877)		(41,877)	
(2,308,658)		(2,308,658)	
	$11,483	11,483	
	152,063	152,063	
	77,199	77,199	
	33,629	33,629	
	6,480	6,480	
	280,854	280,854	
(2,308,658)	280,854	(2,027,804)	
			(83,513)
			(45,942)
			$(129,455)
408,678		408,678	
564,562		564,562	
280,792		280,792	
370,000		370,000	
221,501		221,501	
181,278		181,278	
15,172		15,172	32,982
47,846		47,846	
			128,309
228,098	(228,098)		
2,317,927	(228,098)	2,089,829	161,291
9,269	52,756	62,025	31,836
540,012	1,387,351	1,927,363	1,486,984
$549,281	$1,440,107	$1,989,388	$1,518,820

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

Fund Financial Statements
Governmental Funds

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

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

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

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$341,820	$118,168		$70,645	$530,633
Investments	19,823			21,433	41,256
Receivables (Net of Allowances for Uncollectibles)	500,075	61,166	$73,705	7,876	642,822
Internal Note Receivable		414			414
Due from Other Funds	14,897	345		799	16,041
Inventories	5,145	17,074		717	22,936
Loan Receivables	18,716				18,716
Total Assets	$900,476	$197,167	$73,705	$101,470	$1,272,818
LIABILITIES					
Accounts Payable	$317,804	$40,569	$2,387	$13,377	$374,137
Accrued Payroll	26,087	6,601		660	33,348
Due to Other Funds		674	10,416		11,090
Unearned Revenue	84,657	4,920			89,577
Unclaimed Property	16,916				16,916
Other Liabilities	6,096				6,096
Total Liabilities	451,560	52,764	12,803	14,037	531,164
DEFERRED INFLOWS OF RESOURCES	112,715	1,662	56,600		170,977
FUND BALANCES					
Nonspendable:					
Inventories	5,145	17,074		717	22,936
Permanent Fund Principal				11,019	11,019
Restricted	195,546	125,667		73,447	394,660
Committed	37,553			1,733	39,286
Assigned	26,631		4,302	517	31,450
Unassigned:					
Revenue Stabilization	22,326				22,326
Other	49,000				49,000
Total Fund Balances	336,201	142,741	4,302	87,433	570,677
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$900,476	$197,167	$73,705	$101,470	$1,272,818

The notes to the basic 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, 2015
(Expressed in Thousands)

Total fund balances for governmental funds		$570,677
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		2,805,945
Revenues that will be collected after year-end, and are not available to pay for the current period's expenditures are reported as deferred inflows of resources in the funds.		170,977
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.		26,242
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		15,845
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation	(109,967)	
Net Pension Liabilities, net of deferred amounts	(771,645)	
Other Postemployment Benefits	(961,817)	
Pollution Remediation Obligation	(49,898)	
Capital Lease Obligations	(1,597)	
Bond Payables	(1,128,195)	
Litigation Payable	(3,100)	
Advance Construction Commitments to Municipalities	(1,348)	
Interest Payable and Other Liabilities	(12,838)	(3,040,405)
Net Position of Governmental Activities		$549,281

The notes to the basic 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, 2015
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$183		$404,396		$404,579
Special Taxes	955,890		254,759		1,210,649
Personal Taxes	128,725		92,575		221,300
Business License Taxes	23,697	$181,278			204,975
Non-Business License Taxes	114,852	87,234		$8,611	210,697
Fees	157,177	23,294		2,476	182,947
Fines, Penalties and Interest	6,402	7,416	2	154	13,974
Grants from Federal Government	1,714,734	181,023		39,212	1,934,969
Grants from Private and Local Sources	167,400	3,983		277	171,660
Rents and Leases	1,077	149			1,226
Interest, Premiums and Discounts	16,212			456	16,668
Sale of Commodities	13,707	10,876		210	24,793
Sale of Service	27,551	4,769			32,320
Assessments	60,653				60,653
Grants from Other Agencies	53,784	11,648		5,536	70,968
Miscellaneous	292,628	6,148	40,000	2,964	341,740
Total Revenues	3,734,672	517,818	791,732	59,896	5,104,118
EXPENDITURES					
Current:					
General Government	322,006		1,667		323,673
Administration of Justice and Public Protection	387,964	87,586		51	475,601
Resource Protection and Development	119,000	1,694		27,164	147,858
Transportation	14,063	332,955			347,018
Health and Social Services	2,390,860			572	2,391,432
Education	396,501		946,737		1,343,238
Debt Service	119,889	31,916		457	152,262
Capital Outlay	18,459	113,417		78,188	210,064
Total Expenditures	3,768,742	567,568	948,404	106,432	5,391,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,070)	(49,750)	(156,672)	(46,536)	(287,028)
OTHER FINANCING SOURCES (USES)					
Transfers In	760		78,628	2,295	81,683
Transfers in from Enterprise Funds	150,821		77,277		228,098
Transfers Out	(79,520)	(2,163)			(81,683)
Capital Lease Acquisition	245				245
Installments on Sale of Assets		13,765			13,765
Payments to Refunding Agent				(108,875)	(108,875)
Bond Premiums				29,276	29,276
Bond Issuance				147,956	147,956
Total Other Financing Sources	72,306	11,602	155,905	70,652	310,465
Net Change in Fund Balances	38,236	(38,148)	(767)	24,116	23,437
Fund Balances - July 1	297,421	178,167	5,069	63,213	543,870
Change in Inventory	544	2,722		104	3,370
Fund Balances - June 30	$336,201	$142,741	$4,302	$87,433	$570,677

The notes to the basic 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, 2015
(Expressed in Thousands)

Net change in fund balances - total governmental funds, including change in inventory		$26,807
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		(10,059)
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	12,700	
Buildings & Building Improvements	5,611	
Equipment & Computer Software	15,774	
Construction in Progress	13,254	
Infrastructure	85,904	
Accumulated Depreciation, Net of Disposals	(79,954)	53,289
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 of the internal service fund is reported with governmental activities.		(7,937)
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	(177,232)	
Repayment of Bond Principal & Interest	207,088	
Increase in Unamortized Loss on Refunding	6,282	
Accretion of Bonds Payable	(569)	
Accrued Interest & Amortization	8,282	43,851
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. These amounts represent changes in:		
Compensated Absences, Workers Compensation	(4,116)	
Other Postemployment Benefits	(103,448)	
Net Pension Liability, Net of Deferred Amounts	19,988	
Pollution Remediation Obligation	(11,883)	
Capital Lease Obligation	347	
Advance Construction Commitments to Municipalities	964	
Litigation and Other Obligation	1,466	(96,682)
Change in net position of governmental activities		$9,269

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

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, under the executive direction of the liquor commissioner 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 race-tracks, 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, 2015
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
ASSETS	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
Current Assets:							
Cash and Cash Equivalents	$47,920	$749	$1,011			$49,680	$45,026
Cash and Cash Equivalents-Restricted	38,905			$257,867	$287,214	583,986	
Investments - Restricted	70,493					70,493	
Receivables (Net of Allowances for Uncollectibles)	6,121	6,850	1,324			14,295	5,993
Other Receivables-Restricted				23,574	25,246	48,820	
Due from Other Funds			403			403	
Inventories	1,819	62,901	534			65,254	
Other Current Assets	20		47			67	
Other Current Assets-Restricted				4,579		4,579	
Total Current Assets	165,278	70,500	3,319	286,020	312,460	837,577	51,019
Noncurrent Assets:							
Other Receivables-Restricted				346,479		346,479	
Capital Assets:							
Land & Land Improvements	105,642	2,796				108,438	
Buildings & Building Improvements	6,613	33,802				40,415	
Equipment & Computer Software	48,798	5,899	630			55,327	
Construction in Progress	114,171	434				114,605	
Infrastructure	951,176					951,176	
Less: Allowance for Depreciation & Amortization	(349,014)	(17,339)	(420)			(366,773)	
Net Capital Assets	877,386	25,592	210			903,188	
Other Assets - Restricted			4,152			4,152	
Total Noncurrent Assets	877,386	25,592	4,362	346,479		1,253,819	
Total Assets	1,042,664	96,092	7,681	632,499	312,460	2,091,396	51,019
DEFERRED OUTFLOWS OF RESOURCES	3,107	1,700	300	420		5,527	
LIABILITIES							
Current Liabilities:							
Accounts Payable	9,315	59,583	1,018	1,042		70,958	1,616
Accrued Payroll	818	1,813	215	338		3,184	
Due to Other Funds	345	1,517			3,492	5,354	
Unearned Revenue	10,495	2,295	1,015			13,805	
Unclaimed Prizes			749			749	
General Obligation Bonds Payable		1,056		2,275		3,331	
Revenue Bonds Payable-Current	19,455					19,455	
Note Payable to Highway Fund	414					414	
Accrued Interest Payable	5,445	128				5,573	
Claims & Compensated Absences Payable	422	857	160	281		1,720	23,161
Other Liabilities	151			7	17,885	18,043	
Total Current Liabilities	46,860	67,249	3,157	3,943	21,377	142,586	24,777
Noncurrent Liabilities:							
General Obligation Bonds Payable		14,780		12,135		26,915	
Revenue Bonds Payable	434,830					434,830	
Note Payable to Highway Fund							
Claims & Compensated Absences Payable	2,273	3,267	455	889		6,884	
Net Pension Liability	9,369	18,641	3,400	4,435		35,845	
Other Noncurrent Liabilities	4,205	320				4,525	
Total Noncurrent Liabilities	450,677	37,008	3,855	17,459		508,999	
Total Liabilities	497,537	104,257	7,012	21,402	21,377	651,585	24,777
DEFERRED INFLOWS OF RESOURCES	1,367	2,721	496	647		5,231	
NET POSITION							
Net Investment in Capital Assets	474,775	10,476	210			485,461	
Restricted for Debt Repayments	56,580					56,580	
Restricted for Uninsured Risks	3,006					3,006	
Restricted for Prize Awards - MUSL & Tri-State			4,152			4,152	
Restricted for Environmental Loans				604,230		604,230	
Restricted for SRF Programs				6,640		6,640	
Restricted for Unemployment Benefits					291,083	291,083	
Unrestricted Net Position (Deficit)	12,506	(19,662)	(3,889)			(11,045)	26,242
Total Net Position	$546,867	$(9,186)	$473	$610,870	$291,083	$1,440,107	$26,242

The notes to the basic 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, 2015
(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		$631,067	$287,399	$9,235	$93,302	$1,021,003	$264,760
Toll Revenue Pledged for Repaying Revenue Bonds	$124,412					124,412	
Total Operating Revenue	124,412	631,067	287,399	9,235	93,302	1,145,415	264,760
OPERATING EXPENSES							
Cost of Sales and Services		445,650				445,650	
Lottery Prize Awards			200,472			200,472	
Unemployment Insurance Benefits					93,450	93,450	
Principal Forgiveness				6,621		6,621	
Insurance Claims							252,242
Administration	51,904	49,384	9,717	9,272		120,277	20,455
Impairment of Capital Assets	27,675					27,675	
Depreciation	22,398	1,463	65			23,926	
Total Operating Expenses	101,977	496,497	210,254	15,893	93,450	918,071	272,697
Operating Income (Loss)	22,435	134,570	77,145	(6,658)	(148)	227,344	(7,937)
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,583				4,583	
Beer Taxes		12,299				12,299	
Investment Income	87		54	370	6,628	7,139	
Miscellaneous	2,892	1,205		(6,738)		(2,641)	
Federal Grant Revenue				46,986		46,986	
Interest on Bonds	(14,005)	(594)		(331)		(14,930)	
Total Nonoperating Revenues (Expenses)	(11,026)	17,493	54	40,287	6,628	53,436	
Income Before Capital Grant Contributions	11,409	152,063	77,199	33,629	6,480	280,780	(7,937)
Capital Contributions and Grants	74					74	
Income Before Transfers	11,483	152,063	77,199	33,629	6,480	280,854	(7,937)
Transfers (To) From Governmental Funds		(150,821)	(77,277)			(228,098)	
Change in Net Position	11,483	1,242	(78)	33,629	6,480	52,756	(7,937)
Net Position (Deficit)- July 1 - Restated (note 1)	535,384	(10,428)	551	577,241	284,603	1,387,351	34,179
Net Position (Deficit) - June 30	$546,867	$(9,186)	$473	$610,870	$291,083	$1,440,107	$26,242

The notes to the basic 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, 2015
(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				$5,375	$1,770	$7,145	
Receipts from Customers	$123,794	$633,325	$145,840		101,093	1,004,052	$47,797
Receipts from Interfund Charges							214,716
Payments to Employees	(16,418)	(28,525)	(4,834)			(49,777)	
Payments to Suppliers	(32,956)	(474,127)	(10,853)	(6,886)		(524,822)	(20,936)
Payments to Prize Winners			(54,527)			(54,527)	
Payments for Insurance Claims					(94,711)	(94,711)	(248,757)
Payments for Interfund Services		(4,934)	(71)	(1,010)		(6,015)	
Net Cash Provided by (Used for) Operating Activities	74,420	125,739	75,555	(2,521)	8,152	281,345	(7,180)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(151,755)	(76,921)			(228,676)	
Receipts from Federal Agencies				46,985		46,985	
Other Contributions				(6,738)		(6,738)	
Interest Paid on Bonds				(331)		(331)	
Principal Paid on Bonds				(2,275)		(2,275)	
Proceeds from Collection of Licenses and Beer Tax		16,882				16,882	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(134,873)	(76,921)	37,641		(174,153)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal , Sale and Construction of Capital Assets	(31,876)	(2,652)	2			(34,526)	
Interest Paid on Bonds	(20,987)	(594)				(21,581)	
Principal Paid on Bonds	(22,925)	(756)				(23,681)	
Principal Paid on Notes	(13,765)					(13,765)	
Net Proceeds from Issuance of Bonds	52,612	5,000				57,612	
Net Receipts from Agent on Refunding Bonds							
Payments for Underwriter Discount/Premium	(390)					(390)	
Receipts from Federal Agencies	2,879					2,879	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(34,452)	998	2			(33,452)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	29,994					29,994	
Purchase of Investment	(67,498)					(67,498)	
Receipts from Borrowers				40,039		40,039	
Payments to Borrowers				(64,812)		(64,812)	
Interest and Other Income	87	1,115	36	371	6,628	8,237	
Net Cash Provided by (Used for) Investing Activities	(37,417)	1,115	36	(24,402)	6,628	(54,040)	
Net Increase in Cash & Cash Equivalents	2,551	(7,021)	(1,328)	10,718	14,780	19,700	(7,180)
Cash and Cash Equivalents - July 1	84,274	7,770	2,339	247,149	272,434	613,966	52,206
Cash and Cash Equivalents -June 30	$86,825	$749	$1,011	$257,867	$287,214	$633,666	$45,026

The notes to the basic 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, 2015
(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)	$22,435	$134,570	$77,145	$(6,658)	$(148)	$227,344	$(7,937)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	22,398	1,463	65			23,926	
Impairment of Capital Assets	27,675					27,675	
Principal Forgiveness				6,621		6,621	
Interest Income on Loans				(3,090)		(3,090)	
Miscellaneous Income	375					375	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(626)	2,151	2,230	(258)	8,318	11,815	(2,247)
Change in Inventories	(415)	(8,459)	245			(8,629)	
Change in Other Current Assets			(15)	1,882		1,867	
Change in Restricted Deposits-MUSL			78			78	
Change in Accounts Payable and Other Accruals	2,776	(3,579)	(554)	(881)	(18)	(2,256)	(481)
Change in Claims Payable			(3,524)			(3,524)	3,485
Change in Unearned Revenue	34	102	(32)			104	
Change in Net Pension Liability, Net of Deferred Amounts	(232)	(509)	(83)	(137)		(961)	
Net Cash Provided by (Used In) Operating Activities	$74,420	$125,739	$75,555	$(2,521)	$8,152	$281,345	$(7,180)
Turnpike Non-Cash Capital and Related Financing Activities:							
Capital Contributions	$39						
Liquor Non-Cash Capital and Related Financing Activities:							
During fiscal year 2015, the State's Capital Projects Fund paid Construction in Progress		$799					
SRF Non-Cash Investing Activities:							
Principal Forgiveness				$6,621			

The notes to the basic 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 (NHJRP) 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's investment detail and audited financial statements can be obtained by visiting www.nhpdip.com or contacting the Client Services Team at 1-844-4NH-PDIP.*

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, 2015
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$5,706	$5,582		$14,039
Receivables:				
Due from Employers	40,889			
Due from Group I Teacher OPEB Plan	13,724			
Due from Plan Members	21,140			
Due from Brokers for Securities Sold	10,825			
Interest and Dividends	17,594		$3	
Other	2,526			
Total Receivables	106,698		3	
Investments at Fair Value:				
Cash & Cash Equivalents	171,369		44,955	
Equity Investments	4,248,329			
Fixed Income Investments	1,669,129		78,170	
Commercial Real Estate	676,603			
Alternative Investments	741,200			
Other Investments		3,610		19
Total Investments	7,506,630	3,610	123,125	19
Other Assets	160			
Total Assets	7,619,194	9,192	123,128	14,058
LIABILITIES				
Management Fees and Other Payables	9,090		1,313	
Due to Group II Police & Fire OPEB Plan	4,309			
Due to Group I Political Subdivision OPEB Plan	9,184			
Due to Group I State Employee OPEB Plan	231			
Due to Brokers for Securities Purchased	19,401			
Custodial Funds Payable				14,058
Total Liabilities	42,215		1,313	14,058
NET POSITION				
Net Position Restricted for Pension and Other Post Employment Benefits (OPEB)	$7,576,979			
Net Position Held in Trust for Benefits & Other Purposes		$9,192	$121,815	
RECONCILIATION OF NET POSITION:				
Employees' Pension Benefits	$7,556,849			
Employees' Postemployment Healthcare Benefits	20,130			
Net Position for Pool Participants in External Investment Pool			$121,815	
Other Purposes		$9,192		
Net Position Restricted for Pension and Other Post Employment Benefits (OPEB)	$7,576,979			
Net Position Held in Trust for Benefits & Other Purposes		$9,192	$121,815	

The notes to the basic 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, 2015
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employer	$386,132		
Plan Members	204,698		
From Participants		$31,940	$144,641
Total Contributions	590,830	31,940	144,641
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	124,886		
Interest Income	53,615	94	
Dividends	79,895		
Alternative Investment Income	9,785		
Net Increase in Joint Value from Investment Income			16
Other	10,406	613	
Gross Income from Investing Activities	278,587	707	16
Less: Investment Activity Expenses:			
Investment Management Fees	22,820		
Custodial Fees	712		
Investment Advisor Fees	641		
Investment Administrative Expense	730		
Total Investment Activity Expenses	24,903		
Total Net Income from Investing Activities	253,684	707	16
Interest Income	1,113		
Total Additions	845,627	32,647	144,657
DEDUCTIONS			
Benefits/Distributions to Participants	690,286	18,726	16
Refunds of Contributions	26,442		
Administrative Expense	7,819		
Professional Fees	1,323		
Interest Expense	1,113		
Other	310	15,699	217,772
Total Deductions	727,293	34,425	217,788
Change in Net Position	118,334	(1,778)	(73,131)
Net Position - July 1	7,458,645	10,970	194,946
Net Position - June 30	$7,576,979	$9,192	$121,815

The notes to the basic 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, 2015
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$80,439	$14,240	$94,679
Cash and Cash Equivalents - Restricted		17,704	17,704
Operating Investments	156,720	10,025	166,745
Accounts Receivable	19,213	2,930	22,143
Other Receivables	2,912	5,101	8,013
Notes Receivable - Current Portion	4,445	16,607	21,052
Prepaid Expenses & Other	9,302	2,755	12,057
Total Current Assets	273,031	69,362	342,393
Noncurrent Assets:			
Investments	680,300	19,480	699,780
Notes & Other Receivables	25,961	27,140	53,101
Other Assets	69,141	5,006	74,147
Capital Assets:			
Land & Land Improvements	15,789	14,284	30,073
Building & Building Improvements	1,555,154	293,295	1,848,449
Equipment	118,717	30,810	149,527
Construction in Progress	67,490	23,610	91,100
Less: Accumulated Depreciation	(747,565)	(168,182)	(915,747)
Net Capital Assets	1,009,585	193,817	1,203,402
Total Noncurrent Assets	1,784,987	245,443	2,030,430
Total Assets	2,058,018	314,805	2,372,823
DEFERRED OUTFLOWS OF RESOURCES	36,532	8,061	44,593
LIABILITIES			
Current Liabilities:			
Accounts Payable	62,414	4,650	67,064
Accrued Salaries and Wages		5,824	5,824
Accrued Employee Benefits - Current	9,615	32	9,647
Other Payables & Accrued Expenses		5,717	5,717
Other Liabilities	6,189	5,559	11,748
Deposits and Unearned Revenues	34,131	2,361	36,492
Long Term Debt - Current Portion	51,773	1,905	53,678
Total Current Liabilities	164,122	26,048	190,170
Noncurrent Liabilities:			
Revenue Bonds Payable	448,702		448,702
Accrued Employee Benefits	34,596		34,596
Postemployment Medical Benefits	47,505		47,505
Derivative Instruments - Interest Rate Swaps	30,390		30,390
Net Pension Liability		61,947	61,947
Other Long Term Debt	18,878	55,325	74,203
Total Noncurrent Liabilities	580,071	117,272	697,343
Total Liabilities	744,193	143,320	887,513
DEFERRED INFLOWS OF RESOURCES		11,083	11,083
NET POSITION			
Net investment in Capital Assets	598,331	172,547	770,878
Restricted:			
Nonexpendable	245,180		245,180
Expendable	168,141	50,851	218,992
Unrestricted Net Position (Deficit)	338,705	(54,935)	283,770
Total Net Position	$1,350,357	$168,463	$1,518,820

The notes to the basic 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, 2015
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
Expenses	$804,363	$165,527	$969,890
Program Revenues:			
Charges for Services:			
Tuition & Fees	472,340	68,849	541,189
Student Financial Aid	(149,069)	(721)	(149,790)
Sales, Services, & Other Revenue	234,614	37,385	271,999
Operating Grants & Contributions	160,445	13,863	174,308
Capital Grants & Contributions	2,520	209	2,729
Total Program Revenues	720,850	119,585	840,435
Net Expenses	(83,513)	(45,942)	(129,455)
Interest & Investment Income	32,492	490	32,982
Payments from State of New Hampshire	83,067	45,242	128,309
Change in Net Position	32,046	(210)	31,836
Net Position - July 1 - Restated (note 1)	1,318,311	168,673	1,486,984
Net Position - June 30	$1,350,357	$168,463	$1,518,820

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

Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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, 2015, 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, 2015, 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, 2015, the debt retained by the State for CCSNH assets was approximately $24.3 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 include the following:

New Hampshire Retirement System - The New Hampshire Retirement System (NHRS) 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.

NHRS 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 NHRS 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 NHRS.

NHRS 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 NHRS.

New Hampshire Judicial Retirement Plan – The New Hampshire Judicial Retirement Plan (NHJRP) 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.

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

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

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

Related Organizations:
The State is responsible for appointing voting members 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. 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 when available.

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 NHRS and The NHJRP 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, 2015, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2014.

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 Revolving Fund (SRF), for wastewater treatment facilities (CWSRF) and safe drinking water systems (DWSRF). Loans are funded by federal grants from programs by the U.S. Environmental Protection Administration, with federal grants and partially matching state funds. Loan funds are disbursed to borrowers on a cost reimbursement basis, and interest begins accruing when funds are disbursed. After construction is completed, the borrower can elect to add the construction period interest to the loan amount, or they can pay it in total with the first loan repayment. Loans are typically repaid over periods of five, ten, fifteen or twenty years, and repayment of the loans must begin within one year of construction completion. 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. There is no provision for uncollectible accounts, as all repayments are current, and management believes all loans will be repaid according to the loan terms. Loan amounts classified currently represent those loan amounts expected to be satisfied within the forthcoming fiscal year.

Under federal regulations, a portion of each federal grant award is required to be provided as additional subsidy to borrowers. This additional subsidy comes in the form of principal forgiveness and ranges from 12% for CWSRF federal loans to a range of between 20-30% for DWSRF federal loans. Borrowers must meet selected criteria to be eligible for the additional subsidy. Principal forgiveness eligibility and amount is calculated when the loan is finalized and goes into repayment status. For CWSRF loans, principal forgiveness is recognized with the first loan repayment. For DWSRF loans, principal forgiveness is recognized on a payment by payment basis. If a borrower defaults on a loan, the total amount unpaid is deemed owed.

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. UNEARNED REVENUE

In the government-wide financial statements, governmental fund financial statements and the proprietary fund financial statements, unearned revenue is recognized when cash, receivables or other assets are recorded prior to their being earned.

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, 2015.

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. NET PENSION LIABILITY

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the NHRS and the NHJRP, and additions to/deductions from their respective fiduciary net positions have been determined on the same basis as they are reported by NHRS and NHJRP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

M. 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 15 for additional information about fund balances and the stabilization account.

N. BOND DISCOUNTS AND PREMIUMS

In the government-wide and proprietary fund financial statements, bond discounts/premiums 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.

In the governmental fund financial statements, bond discounts and premiums 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.

O. 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.

P. 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.

Q. 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.

R. 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.

S. 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 basic financial statements and accompanying notes. Actual results could differ from those estimates.

T. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2015, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 68, *Accounting and Financial Reporting for Pensions*, (GASBS 68) was issued as an amendment to GASBS No. 27 and GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, was issued as an amendment to GASBS 68. The new standards significantly change how governments measure and report the long-term obligations and annual costs associated with the pension benefits they provide through pension plans administered through trust or equivalent arrangements. Under the new standards, the State will report a net pension liability and related amounts of deferred outflows of resources and deferred inflows of resources associated with pension benefits provided through the NHRS and the NHJRP. As shown below, the State has restated net position as of July 1, 2014 for the effect of implementation of the new standards. Refer also to Note 11 for more information on the State's participation in these pension plans.

(Expressed in Thousands)	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Non-major Component Units	Component Units
Net Position, as previously reported	$1,331,645	$545,522	$9,743	$4,230	$582,040	$1,426,138	$231,326	$1,549,637
Less: GASBS 68 Implementation Adjustment	(791,633)	(10,138)	(20,171)	(3,679)	(4,799)	(38,787)	(62,653)	(62,653)
Net Position, as restated	$540,012	$535,384	$(10,428)	$551	$577,241	$1,387,351	$168,673	$1,486,984

GASBS No. 69, *Government Combinations and Disposals of Government Operations*, (GASBS 69) was effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Adoption of GASBS 69 did not require modification of the financial statements.

U. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

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 credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered.

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

All 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, 2015, the State's carrying value for deposits was $904 million. The table below details the state's bank balances at June 30, 2015 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	$1,000	$839,955	$226		$8,732	$63
Money Market	4,964	19,749	31,284			10,960
Savings Accounts	250		10,047		3,566	
CDs		3,006	30,753			
Total	$6,214	$862,710	$72,310	$0	$12,298	$11,023

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.

	(Fair values in thousands)	
Treasury Investments by Type	**Governmental & Business Type**	**Fiduciary**
Stocks	$20,338	
Corporate Bonds	1,242	
US Treasury	435	
US Government Agencies	106,409	
Municipal Bonds	81	
Equity Open Ended Mutual Funds	13,774	$1,231
Fixed Income Open Ended Mutual Funds	4,587	2,355
Unemployment Compensation External Pool (special issue bonds guaranteed by US government)	287,960	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)	14	43
External Portion of NH Public Deposit Investment Pool		123,125
Totals	**$434,840**	**$126,754**

The table below reconciles the cash, cash equivalents, 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	$513,007	$19,823	$696,318	$91,926	$1,321,074
Per Statement of Fiduciary Net Position	Private Purpose	5,582	3,610			9,192
	Investment Trust		123,125			123,125
	Agency Funds	14,039	19			14,058
	Total per Financial Statements	**$532,628**	**$146,577**	**$696,318**	**$91,926**	**$1,467,449**

Per Footnote	
Cash On Hand	$1,831
Carrying Amount of Deposits	904,024
Treasury Investments	561,594
Total Per Footnote	**$1,467,449**

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, 2015, the State did not have any repurchase agreements outstanding.

Stocks:

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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, 2015 are noted below (expressed in thousands):

	Governmental Activities			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total Stock
Metlife Inc	$3,383	$15	$3,398	16.4%
AT&T Inc	935	33	968	4.7%
The Walt Disney Co	888		888	4.3%
Apple Inc.	446	171	617	3.0%
Prudential Financial Inc	597		597	2.9%
CSX Corp	506		506	2.4%
The Chubb Corp	470		470	2.3%
Verizon Communications	429	33	462	2.2%
Stanley Black & Decker	444		444	2.1%
Rockwell Collins Inc	342	82	424	2.0%

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 1-844-4NH-PDIP.

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.

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

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

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

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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit Risk and Interest Rate Risk (expressed in thousands)

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$1,242		4.0			
US Treasury	435		4.7			
US Government Agencies	106,409		9.4			
Fixed Income Open Ended Mutual Funds		$4,587	4.6		$2,355	8.0
Municipal Bonds	81		4.7			
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)		287,960	1.0			

The State's corporate issuers at June 30, 2015 are listed below (expressed in thousands):

Issuer	Governmental & Business Type Fair Value	% of Total
General Elec Cap Corp	$151	12%
BB&T Corp	110	9%
Berkshire Hathaway	103	8%
Oracle Corp	102	8%
National Rural Utils Coop	101	8%
Apple Inc	101	8%
Shell Intl Fin	101	8%
Bank of America Corp	100	8%
Qualcomm Inc.	99	8%
Costco Wholesale Corp	99	8%
Ebay Inc	99	8%
Cargill Inc	76	6%
	$1,242	100%

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

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

Cash and Cash Equivalents

Cash equivalents represent amounts invested for the purpose of satisfying current operating liabilities and include repurchase agreements, 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 (expressed in thousands):

	2015
Cash & Repurchase agreements	$20,970
Money Market Funds	59,469
Total Cash & Cash Equivalents	$80,439

Included in the cash and repurchase agreements balances at June 30, 2015 were $18,067 in repurchase agreements, and $2,903 in cash. Repurchase agreements were limited to overnight investments only.

Investments

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.

Short-term 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 (expressed in thousands):

	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$3,063	5-10 years
Certificates of Deposit and Money Market Funds	18,864	Less than 1 year
Other Mutual Funds	134,578	1-5 years
Other Accounts	215	Less than 1 year
Total:	$156,720	

Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk. The related mutual funds are not rated.

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, 2015 (expressed in thousands):

Money Market Funds	$14,863
Other Mutual Funds	214,922
Fixed Income Securities	21,309
Commingled Funds	392,832
Common/Preferred Stocks	16,748
Other Investments	19,626
Total Endowment and Similar Investments	$680,300

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. As of June 30, 2015 and 2014, fixed income securities have weighted average maturities up to 30 years and carried ratings ranging from AAA to A3. The mutual fund investments held in the endowment pools are not rated.

Unfunded commitments with various private equity and similar alternative investment funds total $15,894,000 for USNH and $10,905,000 for UNHF at June 30, 2015. This compares to $15,586,000 and $8,214,000, respectively, at June 30, 2014.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2015 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$35,356		$35,356	
Business Taxes	140,868		140,868	
Tobacco	12,241		12,241	
Real Estate Transfer	14,685		14,685	
Interest & Dividends	29,966		29,966	
Communications	4,503		4,503	
Utility Property Tax	20,000		20,000	
Gasoline Road Toll	10,755		10,755	
Subtotal	268,374		268,374	
Other Receivables:				
Turnpike System		$6,121	6,121	
Liquor Commission		6,850	6,850	
Lottery Commission		1,324	1,324	
Unemployment Trust Fund		25,246	25,246	
Internal Service Fund	5,993		5,993	
Federal Grants	309,376		309,376	$15,570
Local Grants	39,148		39,148	
Miscellaneous	70,232		70,232	6,547
Short Term Portion Of SRF Loans Receivable		23,574	23,574	
Short Term Portion Of Note/Pledge Receivable				7,357
Subtotal	424,749	63,115	487,864	29,474
Total Current Receivables (Gross)	693,123	63,115	756,238	29,474
Long Term Receivables				
SRF Loans Receivable		346,479	346,479	
Miscellaneous	18,701		18,701	
Note/Pledge Receivable				31,987
Total Long Term Receivables (Gross)	18,701	346,479	365,180	31,987
Allowance for Doubtful Accounts	(44,293)		(44,293)	(8,930)
Total Receivables (Net)	$667,531	$409,594	$1,077,125	$52,531

State Revolving Fund:

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 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, and amounts recorded as principal forgiveness during FY2015 totaled $6.6 million.

Unearned Revenue:

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2015, unearned revenue reported in governmental funds was $89.6 million, and in business-type activities was $13.8 million.

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2015, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	$536,625	$8,874	$(3,853)	$541,646
Construction in Progress	201,794	107,792	(94,538)	215,048
Work in Progress Computer Software	51,875	5,132	(334)	56,673
Total Capital Assets not being depreciated	790,294	121,798	(98,725)	813,367
Other Capital Assets:				
Equipment & Computer Software	298,533	19,995	(9,020)	309,508
Buildings & Building Improvements	788,410	9,435	(3,824)	794,021
Land Improvements	108,216	8,760	(1,080)	115,896
Infrastructure	3,438,817	89,059	(3,155)	3,524,721
Total Other Capital Assets	4,633,976	127,249	(17,079)	4,744,146
Less accumulated depreciation for:				
Equipment & Computer Software	(263,443)	(17,465)	7,367	(273,541)
Buildings & Building Improvements	(371,642)	(21,400)	2,231	(390,811)
Land Improvements	(92,296)	(2,305)	218	(94,383)
Infrastructure	(1,944,233)	(51,493)	2,893	(1,992,833)
Total Accumulated Depreciation	(2,671,614)	(92,663)	12,709	(2,751,568)
Other Capital Assets, Net	1,962,362	34,586	(4,370)	1,992,578
Governmental Activities Capital Assets, Net	$2,752,656	$156,384	$(103,095)	$2,805,945
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land	$114,405	$28	$(10,763)	$103,670
Construction in Progress	161,515	37,175	(84,519)	114,171
Total Capital Assets not being depreciated	275,920	37,203	(95,282)	217,841
Other Capital Assets:				
Equipment and Computer Software	48,805	530	(537)	48,798
Buildings & Building Improvements	6,438	175		6,613
Land Improvements		1,972		1,972
Infrastructure	890,738	81,608	(21,170)	951,176
Total Other Capital Assets	945,981	84,285	(21,707)	1,008,559
Less accumulated depreciation for:				
Equipment	(40,205)	(3,369)	538	(43,036)
Buildings & Building Improvements	(2,290)	(167)		(2,457)
Land Improvements		(98)		(98)
Infrastructure	(288,909)	(18,764)	4,250	(303,423)
Total Accumulated Depreciation	(331,404)	(22,398)	4,788	(349,014)
Turnpike Capital Assets, Net	$890,497	$99,090	$(112,201)	$877,386
Liquor Commission:				
Capital Assets not being depreciated:				
Land	$2,080			$2,080
Construction In Progress	7,007	$404	$(6,977)	434
Total Capital Assets not being depreciated	9,087	404	(6,977)	2,514
Other Capital Assets:				
Equipment	5,206	904	(211)	5,899
Buildings & Building Improvements	26,895	8,917	(2,010)	33,802
Land Improvements	998	51	(333)	716
Total Other Capital Assets	33,099	9,872	(2,554)	40,417
Less accumulated depreciation for:				
Equipment	(4,709)	(405)	273	(4,841)
Buildings & Building Improvements	(12,769)	(1,055)	1,992	(11,832)
Land Improvements	(1,077)	(3)	414	(666)
Total Accumulated Depreciation	(18,555)	(1,463)	2,679	(17,339)
Liquor Capital Assets, Net	23,631	8,813	(6,852)	25,592
Lottery Commission:				
Equipment	625	17	(12)	630
Less Accumulated Depreciation for Equipment:	(367)	(65)	12	(420)
Lottery Capital Assets, Net	$258	$(48)		$210

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

Governmental Activities:	
General Government	$7,812
Administration of Justice and Public Protection	12,735
Resource Protection and Development	4,897
Transportation	62,055
Health and Social Services	4,487
Education	677
Total Governmental Activities Depreciation Expense	$92,663

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 System of New Hampshire (expressed in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	$13,387	$2,402		$15,789
Building and Building Improvements	1,551,468	41,759	$(38,073)	1,555,154
Equipment	110,455	11,603	(3,341)	118,717
Construction in Progress	37,784	79,509	(49,803)	67,490
Subtotal	$1,713,094	$135,273	$(91,217)	$1,757,150
Less: Accumulated Depreciation	(730,818)	(55,976)	39,229	(747,565)
Total	$982,276	$79,297	$(51,988)	$1,009,585

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $481.5 million at June 30, 2015. The proceeds of the bonds will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$136.3
Federal Highway/Garvees	295.0
Turnpike System	50.2
Total	$481.5

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 $766.0 million of bonds to support this project. The State has issued $715.8 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, 2015
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	$121,175
December 10, 2014	$93,640
Subtotal	$214,815

Bond Issues:

On June 24, 2015, $45.8 million of "new money" Turnpike Revenue Bonds were issued to finance various capital projects of the System. The bonds were sold competitively and generated an overall true-interest-cost of 2.08%. These bonds were structured to have a relatively short final maturity compared to historical practice, with a term of less than eight years (October 1, 2022), significantly minimizing the amount of interest paid by the Turnpike System over the life of the bonds.

On April 2, 2015, the State issued $6.2 million of general obligation capital improvement bonds. The bonds were sold via private placement to the New Hampshire Municipal Bond Bank (NHMBB). The proceeds are being used to finance various capital projects of the State. The NHMBB holds the bonds as investments in its Debt Service Reserve Fund.

The State issued its $89.9 million General Obligation Refunding Bonds, 2014 Series A (the "2014 Series A Refunding Bonds") on December 10, 2014 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a negotiated sale to both retail and institutional investors and resulted in an overall true-interest-cost of 2.29% and savings to the State of $8.2 million, with a net present value of $7.6 million.

The State issued its $55.0 million General Obligation Capital Improvement Bonds 2014 Series B (the 2014 Series B Bonds") on December 11, 2014 through a competitive sale and resulted in an overall true-interest-cost to the State of 2.64% and coupons ranging from 2.5% to 5.0%. The Series B Bonds were issued to fund all or a portion of various capital projects.

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	$986,656	$569	$177,232	$202,623	$961,834	$90,094	$871,740
Federal Highway Grant Anticipation Bonds	179,744			13,383	166,361	11,800	154,561
Compensated Absences	83,991		2,897		86,888	20,853	66,035
Claims Payable	41,535		262,933	258,228	46,240	29,096	17,144
Net Pension Liability	854,548			118,049	736,499		736,499
Other Postemployment Benefits	858,369		186,749	83,301	961,817		961,817
Pollution Remediation Obligation	38,015		14,625	2,742	49,898	1,687	48,211
Capital Lease	1,944		245	592	1,597	644	953
Advance Construction Commitments	2,312		1,348	2,312	1,348	1,348	
Legal & Other Settlement Contingency	6,865			3,765	3,100	3,100	
Total Governmental	3,053,979	569	646,029	684,995	3,015,582	158,622	2,856,960
Business-Type Activities							
Turnpike System							
Revenue Bonds	426,656		52,612	24,983	454,285	19,455	434,830
Note Payable	14,179			13,765	414	414	
Pollution Remediation Obligation	2,927		1,587	158	4,356	151	4,205
Claims & Compensated Absences Payable	2,990		41	336	2,695	422	2,273
Net Pension Liability	10,948			1,579	9,369		9,369
Total	457,700		54,240	40,821	471,119	20,442	450,677
Liquor Commission							
General Obligation Bonds Payable	11,591		5,000	755	15,836	1,056	14,780
Capital Lease	397			18	379	59	320
Claims & Compensated Absences Payable	4,396		172	444	4,124	857	3,267
Net Pension Liability	21,782			3,141	18,641		18,641
Total	38,166		5,172	4,358	38,980	1,972	37,008
Lottery Commission							
Claims & Compensated Absences Payable	590		25		615	160	455
Net Pension Liability	3,972			572	3,400		3,400
Total	4,562		25	572	4,015	160	3,855
State Revolving Fund Programs							
General Obligation Bonds Payable	16,685			2,275	14,410	2,275	12,135
Claims & Compensated Absences Payable			1,170		1,170	281	889
Net Pension Liability	5,182			747	4,435		4,435
Total	21,867		1,170	3,022	20,015	2,556	17,459
Total Business-Type	$522,295		$60,607	$48,773	$534,129	$25,130	$508,999

Note: Beginning balances shown above reflect restated values for net pension liability due to implementation of GASBS 68.

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

Bond Anticipation Notes: As of June 30, 2015, 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 four issues in this group have matured leaving only two capital appreciation bonds outstanding. At June 30, 2015, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $157.7 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are six sites in various stages of cleanup, from initial assessment to cleanup activities. In addition, the State has other sites for which it is responsible for cleanup and monitoring, including underground fuel storage facilities. Per GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, pollution liabilities of $50 million and $4.4 million were reported for governmental activities and business-type activities, respectively, at June 30, 2015. 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 supporting” 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			
						Liquor Commission	SRF Funds	Turnpike System				Less:	
Payable June 30,	**General Fund**	**Highway Fund**	**Federal Highway (GARVEE)**	**Self Supporting**	**Total**	**General Obligations**	**General Obligations**	**Revenue**	**Note Payable**	**Principal**	**Interest**	**Federal Interest Subsidy**	**Net Total**
2016	$69,995	$9,023	$11,800	$11,076	**$101,894**	$1,056	$2,275	$19,455	$414	$125,094	$67,680	$6,803	**$185,971**
2017	63,642	8,648	12,390	10,972	**95,652**	1,056	2,275	27,855		126,838	62,861	6,803	**182,896**
2018	62,728	9,406	12,985	10,563	**95,682**	1,056	2,275	17,890		116,903	57,116	6,767	**167,252**
2019	63,921	7,520	13,620	10,717	**95,778**	1,056	1,520	27,110		125,464	51,244	6,652	**170,056**
2020	60,708	7,162	14,300	10,389	**92,559**	1,056	1,520	30,040		125,175	45,395	6,534	**164,036**
2021-2025	212,757	29,341	74,865	31,713	**348,676**	4,748	4,545	103,715		461,684	152,459	26,911	**587,232**
2026-2030	104,554	12,819	15,935	26,207	**159,515**	3,609		67,975		231,099	69,857	12,646	**288,310**
2031-2035	40,144	1,951		288	**42,383**	2,199		51,290		95,872	31,675	5,812	**121,735**
2036-2040								64,735		64,735	12,305	2,106	**74,934**
2041-2043								18,100		18,100	1,107		**19,207**
Subtotal	**$678,449**	**$85,870**	**$155,895**	**$111,925**	**$1,032,139**	**$15,836**	**$14,410**	**$428,165**	**$414**	**$1,490,964**	**$551,699**	**$81,034**	**$1,961,629**
Unamortized (Discount) / Premium	85,626	(23)	10,466	(13)	96,056			26,120		122,176			**122,176**
Total	**$764,075**	**$85,847**	**$166,361**	**$111,912**	**$1,128,195**	**$15,836**	**$14,410**	**$454,285**	**$414**	**$1,613,140**	**$551,699**	**$81,034**	**$2,083,805**

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 $488.7 million; capital lease obligations of $11.7 million; deferred obligations interest swaps of $30.4 million; accrued employee benefits and compensated absences of $44.2 million; other postemployment benefits of $53.7 million; and other liabilities of $18.9 million (expressed in thousands):

	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**	**Current**	**Long-Term**
University System of NH	$575,042	$152,979	$80,373	$647,648	$67,577	$580,071

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

	UNIVERSITY SYSTEM OF N.H.		
Payable June 30,	Principal	Interest	Total
2016	$50,763	$15,550	$66,313
2017	39,386	20,242	59,628
2018	15,002	18,284	33,286
2019	62,094	17,837	79,931
2020	15,928	14,699	30,627
2021-2025	139,874	55,471	195,345
2026-2030	51,170	33,330	84,500
2031-2035	57,965	19,973	77,938
2036-2040	25,115	8,914	34,029
2041-2045	19,360	4,122	23,482
2046	4,485	224	4,709
Subtotal	481,142	208,646	689,788
Unamortized Discounts/Premium, net	19,333		19,333
Total	$500,475	$208,646	$709,121

6. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The components of deferred outflows and inflows of resources in the government-wide financial statements related to the primary government at June 30, 2015 are as follows (expressed in thousands):

	Governmental Activities	Business-type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts	$67,016	$3,250	$70,266
Loss on refunding of debt, net	15,845	2,277	18,122
Total deferred outflows of resources	$82,861	$5,527	$88,388
Deferred inflows of resources:			
Pension related amounts	$102,162	$5,231	$107,393
Total deferred inflows of resources	$102,162	$5,231	$107,393

The components of deferred inflows of resources related to the governmental funds at June 30, 2015 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$94,864		$56,600	$151,464
Local assistance	7,082			7,082
Other loans	5,151			5,151
Indigent representation advances	3,863			3,863
Banking assessments	1,200			1,200
Miscellaneous fees & fines	555	$1,662		2,217
Total deferred inflows of resources	$112,715	$1,662	$56,600	$170,977

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows of resources are as follows (expressed in thousands):

Accumulated decrease in fair value of hedging derivatives	$30,390
Loss on debt refinancings	6,142
Total deferred outflows of resources	$36,532

7. 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 26 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 2015, this reserve equaled $16.8 million for the Fund. Rates are established annually, by actuaries, based on an analysis of past claims, state and other medical trend, and annual projected plan claims and administrative expenses. 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 15 actuarial study, the Estimated Workers Compensation Unpaid Loss and Allocated Loss Adjustment Expense (ALAE), which comprises past claims, claim trends and future estimated loss experience, is $26.9 million as of June 30, 2015.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2014 and 2015 (expressed in thousands):

Governmental Activities	6/30/2013 Balance	Increases	Decreases	6/30/2014 Balance	Increases	Decreases	6/30/2015 Balance	Current	Long-Term
Workers Compensation Claims Payable	$21,682	$5,747	$5,570	$21,859	$7,206	$5,986	$23,079	$5,935	$17,144
Health Claims Payable*	17,048	241,703	239,075	19,676	255,727	252,242	23,161	23,161	
Total	38,730	247,450	244,645	41,535	262,933	258,228	46,240	29,096	17,144
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	2,204	222	484	1,942		308	1,634	167	1,467
Total	2,204	222	484	1,942		308	1,634	167	1,467
Liquor Commission									
Workers Compensation Claims Payable	2,469	460	518	2,411	172	444	2,139	440	1,699
Total	2,469	460	518	2,411	172	444	2,139	440	1,699
Lottery Commission									
Workers Compensation Claims Payable	21	6		27		2	25		25
Total	21	6		27		2	25		25
Total Business-Type	$4,694	$688	$1,002	$4,380	$172	$754	$3,798	$607	$3,191

* Health Claims Payable is recorded in the Internal Service Fund

8. 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, 2015 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$345	Turnpike System	$345
General Fund	335	Liquor Commission	335
General Fund	3,492	Unemployment Compensation	3,492
General Fund	10,396	Education Fund	10,396
General Fund	674	Highway Fund	674
Non-Major Fund	799	Liquor Commission	799
Lottery Commission	20	Education Fund	20
Lottery Commission	383	Liquor Commission	383
Total	$16,444	Total	$16,444

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 activities receivable of $5.0 million from business-type activities represents the "internal balances" amount on the statement of net position. The $11.0 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, 2015, internal note receivable (payable) balances consist of $0.4 million payable to the Highway Fund from the Turnpike System. The note relates to the conveyance of a portion of Interstate 95 in Portsmouth from the Highway Fund to the Turnpike Fund.

9. 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 Funds
Governmental Funds				
General Fund		$78,628	$892	$79,520
Highway Fund	$760		1,403	2,163
Total Governmental Funds	* 760	* 78,628	* 2,295	* 81,683
Proprietary - Enterprise Funds				
Liquor Commission	150,821			150,821
Lottery Commission		77,277		77,277
Total Proprietary - Enterprise Funds	$150,821	$77,277		$228,098

* 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 $77.2 million to fund education
- Transfer of Liquor Commission profits of $150.8 million to general fund for government operations
- $78.6 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, $1.4 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General and Fish & Game funds.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $79.2 million at June 30, 2015. This represents total obligations of $189.6 million less $110.4 million in estimated federal aid.

Encumbrances: Encumbrances by fund for the State at June 30, 2015, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$197.4
Highway Fund	18.8
Education Fund	2.8
Non-Major Governmental Funds	89.9
	$308.9

11. 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 ("NHRS") 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. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS 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. NHRS 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, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

NHRS 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: NHRS is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I 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 NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 10.51% of gross payroll for Group I members, 23.90% of gross payroll for Group II firefighter members, and 21.45% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2015 were $79.1 million, which included an amount for other post employment benefits of $11.7 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2015, the State reported a liability of $735.9 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with update procedures used to roll the total pension liability forward to June 30, 2014. The State's proportion of the net pension liability was based on the State's share of contributions to NHRS relative to the contributions of all participating employers, actuarially determined. As of June 30, 2014, the State's proportion for governmental activities was 19.60%, which was a decrease of 0.38% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the State recognized total pension expense of $47.0 million.

As of June 30, 2015, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $67.5 million and $107.4 million, respectively, from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		$94,156
Changes in employer proportion		13,237
Contributions subsequent to the measurement date	$67,450	
Total	$67,450	$107,393

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2016	$26,412
2017	26,412
2018	26,412
2019	26,412
2020	1,745
Total	$107,393

Actuarial Assumptions: The NHRS total pension liability, measured as of June 30, 2014, was determined by a roll forward of the actuarial valuation as of June 30, 2013, for which the following actuarial assumptions were used:

Inflation	3.0%
Salary increases	3.75-5.8% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

Long-Term Rates of Return: The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2014:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2014
Large Cap Equities	22.50%	3.25%
Small/Mid Cap Equities	7.50%	3.25%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.25%
Emerging International Equities	7.00%	6.50%
Total international equity	20.00%	
Core Bonds	18.00%	-0.47%
High-Yield Bonds	1.50%	1.50%
Global Bonds (unhedged)	5.00%	-1.75%
Emerging Market Debt (external)	0.50%	2.00%
Total fixed income	25.00%	
Private equity	5.00%	5.75%
Private debt	5.00%	5.00%
Real estate	10.00%	3.25%
Opportunistic	5.00%	2.50%
Total alternative investments	25.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are determined based on the expected payroll of current members only. Employer contributions are determined based on the NHRS's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the NHRS's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following table illustrates the sensitivity of the State's proportionate share of the NHRS's net pension liability to changes in the discount rate. In particular, the table presents the State's proportionate share of the NHRS's net pension liability measured at June 30, 2014 assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in millions):

1% Decrease to 6.75%	Current single rate assumption 7.75%	1% Increase to 8.75%
$969.3	$735.9	$539.0

Pension Allocations: The Statewide amounts for net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense detailed above were allocated among governmental and business-type activities based on each reporting unit's share of the Statewide employer contribution to the NHRS. Pension related amounts for each reporting unit are as follows (dollars expressed in thousands):

	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Primary Government
Proportionate share of Statewide amount	95.13%	1.27%	2.53%	0.47%	0.60%	4.87%	100.00%
Net pension liability	$700,024	$9,369	$18,641	$3,400	$4,435	$35,845	$735,869
Pension expense	44,731	598	1,191	217	283	2,289	$47,020
Deferred outflows of resources representing contributions subsequent to the measurement date	64,200	830	1,700	300	420	3,250	67,450
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	89,569	1,199	2,385	435	568	4,587	94,156
Deferred inflows of resources representing the changes in employer proportion	12,593	168	336	61	79	644	13,237
Amortization of deferred amounts:							
2016	25,126	336	669	122	159	1,286	26,412
2017	25,126	336	669	122	159	1,286	26,412
2018	25,126	336	669	122	159	1,286	26,412
2019	25,126	336	669	122	159	1,286	26,412
2020	1,658	23	45	8	11	87	1,745
Total	102,162	1,367	2,721	496	647	5,231	107,393
Sensitivity analysis:							
Net pension liability at 6.75% discount rate	922,045	12,341	24,554	4,478	5,841	47,214	969,259
Net pension liability at 8.75% discount rate	512,716	6,862	13,653	2,491	3,248	26,254	538,970

JUDICIAL RETIREMENT PLAN

Plan Description: The New Hampshire Judicial Retirement Plan (NHJRP), a single-employer 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 NHJRP 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, or from the State's website at http://www.nh.gov.

Members covered by benefit terms: As of December 31, 2014, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	64
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	54
	119

The NHJRP 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 NHJRP's information center. The NHJRP 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 NHJRP.

Any member of the NHJRP who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary.

A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that a member has over 7 years. A member who is at least 60 years old with at least 15 years of creditable 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 NHJRP 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 NHJRP's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the NHJRP until they become eligible for a service retirement equal to 75% of their final year's salary. The State was required to and contributed 41% of the members' salary through June 30, 2013. Effective July 1, 2013 the State was required to and contributed 64.5% of the member's salary. For the year ended June 30, 2015, State contributions to the NHJRP totaled $5.1 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2015, the State reported a net pension liability of $36.5 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014, and was then projected forward to the measurement date. Changes in the components of net pension liability for the measurement period ended December 31, 2014 are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2013	$81,174	$44,584	$36,590
Changes for the year:			
Service cost	2,351		2,351
Interest on total pension liability	5,648		5,648
Benefit payments	(5,775)	(5,775)	
Employer contributions		4,923	(4,923)
Member contributions		635	(635)
Net investment income		2,759	(2,759)
Administrative expenses		(203)	203
Balances as of December 31, 2014	$83,398	$46,923	$36,475

For the year ended June 30, 2015, the State recognized pension expense of $4.5 million for the NHJRP. As of June 30, 2015, the State reported deferred outflows of resources on its government-wide financial statements related to the NHJRP of $2.8 million from the following sources (in thousands):

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$278
Contributions subsequent to the measurement date	2,538
Total	$2,816

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2016	$69
2017	70
2018	69
2019	70
Total	$278

Actuarial Assumptions: The total pension liability in the January 1, 2014 actuarial valuation, which was projected forward to the measurement date of December 31, 2014, was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.25% as of July 1, 2014; 2.25% as of January 1, 2015; 3.00% per year thereafter, including inflation
Investment rate of return	7.00%

Mortality rates were based on the 1994 Group Annuity mortality table. Disabled Mortality rates were based on 80% of PBGC Disabled Mortality for men and 60% of PBGC Disabled Mortality for women.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

Long-Term Rates of Return: The long-term expected rate of return on NHJRP investments was selected from a best estimate range determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	0.70%	0.49%
Core Fixed Income	16.10%	1.95%
Inflation-Indexed Bonds	5.30%	0.88%
Large Cap US Equities	34.60%	4.39%
Small Cap US Equities	4.60%	4.63%
Developed Foreign Equities	15.80%	4.39%
Hedge Funds / Absolute Return	22.90%	2.93%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		2.00%
Portfolio Real Mean Return		3.98%
Portfolio Nominal Mean Return		6.73%
Portfolio Standard Deviation		11.55%
Long-Term Expected Rate of Return		**7.00%**

Discount Rate: The discount rate used to measure the collective total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the NHJRP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table illustrates the sensitivity of the NHJRP's net pension liability to changes in the discount rate. In particular, the table presents the net pension liability of NHJRP, calculated using the discount rate of 7.00%, as well as what the NHJRP's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net pension liability	41,661	36,475	28,220

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 $13.1 million for the fiscal year ended June 30, 2015.

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 and 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 2015 (dollar amounts in thousands):

Annual Required Contribution	$148,122
Interest on net OPEB obligation	38,627
Adjustment to annual required contribution	(31,701)
Annual OPEB cost	155,048
Contributions made (pay-as-you-go)	(51,600)
Increase in Net OPEB Obligation	103,448
Net OPEB Obligation - Beginning of Year	858,369
Net OPEB Obligation - End of Year	**$961,817**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015, 2014 and 2013 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/15	$155,048	$51,600	33.28%	$961,817
06/30/14	$145,317	$52,647	36.23%	$858,369
06/30/13	$137,812	$51,332	37.25%	$765,699

As of December 31, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $2,138 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,138 million. The covered payroll (annual payroll of active employees covered by the plan) was $563.3 million during fiscal year 2015 and the ratio of the UAAL to the covered payroll was 379 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, 2014 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 5%. The projected medical cost trend rate for age 65 and over retirees is 5%. The drug cost trend rate is 11% initially, decreasing at 0.5% for 12 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, 2014, was thirty years.

12. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Nonexchange Financial Guarantees: The State of New Hampshire extends nonexchange financial guarantees to municipalities, political subdivisions, and certain Authorities indefinitely within certain statutory limits. Guarantees may include, but not be limited to, bonds sold by municipalities and school districts, first mortgages on industrial and recreational property, as well as airport and development projects. Arrangements for the State to recover payments is described in the enabling statutes or in agreements authorized by the Governor and Executive Council. Based on the review of qualitative factors and available historical data relative to the financial position of guaranteed entities, the State determined that it is less than likely the State would have to make payments related to the nonexchange guarantees extended. The following table includes the composition of the State's $100.4 million of financial guarantees outstanding and statutory limits as of June 30, 2015 (expressed in thousands):

				June 30, 2015		
	RSA	Guarantee Limit	Remaining Capacity	Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$50,000	$49,062	$870	$68	$938
School Construction Bonds	195-C:2	95,000	57,811	27,218	9,971	37,189
Solid Waste Bonds	149-M:31	10,000	10,000			
Super Fund Site Cleanup Bonds	33:3-f	20,000	20,000			
Related Organizations						
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	3,823	23,823
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	37,969	463	38,432
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	57,031	57,969	4,286	62,255
Pease Development Authority - Guarantees for Loans	12-G:31	70,000	13,910			
Pease Development Authority - Guarantees for Development	12-G:33	35,000	35,000			
Pease Development Authority - Guarantees for Development	12-G:35	10,000	10,000			
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		$405,300	$253,114	$86,057	$14,325	$100,382

* Plus Interest

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

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 federal-reimbursed costs as of June 30, 2014 which were questioned by the State's auditors and are still being resolved by the respective State and Federal Agencies. Note: Questioned costs as of June 30, 2014 are outlined in the Single Audit of Federal Financial Assistance Programs Report issued in March 2015.

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, and received additional refund requests from all hospitals for the fiscal year 2014 receipts of approximately $165.6 million. DRA denied $20 million of those requests related to fiscal year 2008 as being outside the statute of limitations as well as denied $7 million in requests related to fiscal year 2012. Additionally, the DRA issued tax notices for fiscal year 2012 for $13 million.

During fiscal year 2013, the DRA reached agreements with over half of the hospitals to resolve all outstanding issues between them relating to approximately $67.6 million of the $89 million in MET refund and credit requests and $11 million of the $13 million in tax notices for fiscal years 2009 through 2013 leaving $14.4 million in refund requests and $2 million in tax notices outstanding as of June 30, 2013. As a result of the settlement agreements reached in fiscal year 2013 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 (see note 14). The DRA has resolved the majority of the remaining outstanding amounts related to fiscal year 2009 through 2014. Due to the small number of taxpayers at issue and to maintain taxpayer confidentiality, the DRA is unable to disclose specific amounts, but can state that the remaining outstanding amounts are immaterial.

In fiscal year 2014, that State reached an agreement with 25 New Hampshire hospitals' outstanding challenges to (1) the constitutionality of the Medicaid Enhancement Tax, (2) the majority of the claims that the hospitals had filed for refunds on their 2014 tax payments and what remained outstanding related to fiscal years 2013 and prior, and (3) Medicaid rate reductions made in previous years. The legislature approved this agreement and Senate Bill 369 was signed into law on June 30, 2014 (Chapter 158, Laws 2014). Only one hospital did not participate in the agreement (See Note 14 Catholic Medical Center et al v. Department of Revenue Administration). Under the agreement, the state would agree to provide "disproportionate share" (DSH) payments to critical and noncritical access hospitals. Critical access hospitals would be reimbursed 75 percent of their uncompensated care costs, and noncritical care access hospitals would receive no more than 50 percent of their individual uncompensated care costs in Fiscal Years 2016 and 2017. The state's obligation would be capped at $224 million in total payments that are shared with the federal government. Based on aggregate uncompensated care estimates, the state's obligation is expected to range between approximately $45 and $95 million for the 2016-2017 biennium, depending on actual levels of uncompensated care. In Fiscal Years 2018 and 2019, critical access hospitals would continue to be reimbursed 75 percent of their uncompensated care costs. Other acute care hospitals would receive no more than 55 percent of their uncompensated care costs, up to a cap of $241 million. The state's obligation for FY 2018 and 2019 is expected to range between approximately $35 million and $80 million, as compared to FY 2015. The hospitals are guaranteed at least $175 million a year in DSH payments. Payments to hospitals would be contingent on Medicaid Enhancement Tax revenues reaching agreed upon estimates. If revenues fall short of the estimates, state payments to the disproportionate share pool for noncritical access hospitals will be reduced. The State agrees to put all money raised from the Medicaid Enhancement Tax in a trust fund and use those funds exclusively to support Medicaid services, including funding DSH payments, hospital provider payments, and other Medicaid costs. The agreement also eliminates certain freestanding rehabilitation hospitals from the Medicaid Enhancement Tax base, and also precludes them from receiving uncompensated care payments. Through the agreement, the participating hospitals agreed they will not challenge the MET on constitutional grounds as long as the terms of the agreement are met. Additionally, the participating hospitals agreed to drop their claims for tax refunds related to 2014 and 2015 and drop their participation – and claims – in lawsuits challenging the constitutionality and application of the Medicaid Enhancement Tax. They also agreed to drop claims in state and federal court cases challenging rate reductions made beginning in 2008. If future legislatures choose to cut funding, the hospitals retain the right to re-launch their litigation and the state retains all of its defenses.

As a result of the settlements reached in fiscal year 2014, the remaining refund requests outstanding as of June 30, 2015 from fiscal years 2014 and prior are deemed to be immaterial.

13. 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 2015 for governmental activities and business-type activities were approximately $26.4 million and $5.8 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, 2015 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2016	$6,589	$3,092
2017	5,224	3,326
2018	3,719	3,339
2019	2,504	2,941
2020	1,788	2,824
2021-2025	6,440	11,961
2026-2030	2,454	1,312
2031-2035		555
Total	$28,718	$29,350

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, 2015, are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2016	$644	$115
2017	297	125
2018	289	125
2019	192	125
2020-2024	418	229
Total	1,840	719
Amount Representing Interest	(243)	(340)
Present Value of Minimum Lease Payments	$1,597	$379

The assets acquired through capital leases and included in capital assets at June 30, 2015 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$1,042	
Buildings & Building Improvements	4,887	$719
Total	5,929	719
Less: Accumulated Depreciation	(4,820)	(143)
Net	$1,109	$576

14. LITIGATION

Department of Health and Human Services (DHHS)

Chase Home et al v. Division for Children, Youth, and Families (DCYF)

On November 7, 2007, seven residential childcare providers initiated a lawsuit in Merrimack County Superior Court against 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 FY04-FY06 (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 $0.3 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 DCYF's administrative appeals unit for FY07-FY11. DCYF 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, 2015 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.

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. A hearing on the settlement was held on February 12, 2014, and the Court approved the settlement agreement at the hearing. The parties agreed to dismiss the appeal to the First Circuit and matter was dismissed by the First Circuit on March 14, 2014. The 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 the plaintiffs $2.4 million for legal fees and expenses within 4 years of the effective date of the agreement of which $1.1 million was paid in fiscal year 2014 and the remaining $1.3 million was paid during the fiscal year ended June 30, 2015. Funding for the additional services was requested in HB 1635, which passed both the House and Senate and has been signed by the Governor (Chapter 214 Laws of 2014). This matter is now closed.

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 appealed the issues decided in the two motions for summary judgment. On June 18, 2014, the Supreme Court concluded that the rule requiring an interagency agreement is not a reasonable qualification requirement, reversed the trial court’s grant of summary judgment and remanded it to the trial court. The plaintiffs have also filed a new lawsuit for declaratory and injunctive relief, which simply reasserts the same claims as are made in the case remanded to the Superior Court. The State has settled with the individual plaintiffs, agreeing to allow them to receive functional support services from Harbor Homes, and payments of $160,000 in attorney’s fees and $2,500 in costs. DHHS filed a partial motion to dismiss against Harbor Homes, the only remaining plaintiff, on August 28, 2014. Harbor Homes has objected, and filed a motion for entry of judgment on its procedural due process claim. The State objected to the motion for entry of judgment, and moved to dismiss on grounds of mootness in light of the settlement agreement with the individual plaintiffs which provides all of the injunctive relief requested in the action. On February 10, 2015, the trial court partially dismissed the lawsuit on the grounds of mootness, but found that because Harbor Homes was not a party to the settlement, its claim under Count II for injunctive relief and attorneys’ fees was not rendered moot. It further declined to enter judgment for Harbor Homes on Count II, and that claim remains pending before the trial court. The court transferred this case to Merrimack Superior Court and consolidated it with

Harbor Homes v. DHHS (discussed below). The parties filed cross motions for partial summary judgment on Harbor Homes' procedural due process claim, and the court granted Harbor Homes' motion. The court gave Harbor Homes until October 1, 2015 to file a memorandum in support of its request for attorney's fees. That deadline was extended twice. Harbor Homes filed its request for attorneys' fees on December 3, 2015, seeking $210,479 in attorneys' fees and $8,955 in costs. The State has objected to Harbor Homes' request for attorney's fees, and will likely appeal the summary judgment decision once the entire case has been resolved. It is not possible to predict the outcome of this case at this time.

Harbor Homes v. DHHS

Harbor Homes filed a separate breach of contract and procedural due process lawsuit. This complaint is derivative of a lawsuit previously filed in Merrimack Superior Court on June 28, 2011, *Dube et al. v. State of New Hampshire, et al*, DHHS filed a motion to dismiss on August 28, 2014, to which Harbor Homes has objected. Harbor Homes also filed an amended complaint, to add claims against DHHS Commissioner Toumpas in his individual capacity. A motion to dismiss the amended complaint has also been filed, and the plaintiff has objected. A hearing on the motions to dismiss was held on March 23, 2015. The court granted the motion to dismiss in part and denied it in part. The court dismissed Harbor Homes' duplicative procedural due process claim, and dismissed its claim against the commissioner as an individual defendant, but allowed the breach of contract claim to go forward. Discovery on the breach of contract claim is currently underway. Both parties filed cross motions for summary judgment on Harbor Homes' breach of contract claim on December 3, 2015. Harbor Homes seeks over $2 million in damages. A bench trial is scheduled for the week of April 4, 2016. It is not possible to predict the outcome of this case at this time.

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. 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. On May 22, 2014, the trial court ruled that the Plaintiffs' cause of action is barred by sovereign immunity, but granted Plaintiffs leave to file an amended complaint to correct the deficiencies. The Plaintiffs filed an amended complaint on June 23, 2014, which added claims for violation of separation of powers, breach of contract, and violation of Section 504 of the federal Rehabilitation Act, 29 U.S.C. section 794. The State moved to dismiss the three new claims for failure to state a claim and moved to dismiss the original claim as barred by sovereign immunity. The plaintiffs objected and moved for summary judgment on all claims, to which the State has objected. The Court granted the State's motion to dismiss the amended complaint, but allowed the plaintiffs to amend their complaint one more time. The court granted the State's motion to dismiss the Second Amended complaint and the plaintiff's did not appeal; therefore, this matter is now concluded.

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 the rate change. The plaintiffs assert damages of approximately $20 million. A motion to dismiss was filed on behalf of the State. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's Hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

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. On June 23, 2014, the plaintiffs filed a motion to stay to provide time to implement the MET settlement (*see Catholic Medical Center et al v. DRA*). In addition, because St. Joseph's hospital was not a party to the MET settlement, the stay is designed to provide St. Joseph's time to obtain new legal counsel, and determine if it will continue with the litigation on its own. The matter remains stayed during the implementation of the MET settlement (*see Catholic Medical Center, et al. v. DRA*). Pursuant to the settlement agreement with twenty-five hospitals, any judgment against the State from this litigation will be paid by the settling hospitals, up to a cap of $4.5 million. Following St. Joseph's settlement with the State, agreeing to the terms of the global settlement, the parties filed a motion for administrative closure. Under both the global agreement and St. Joseph's agreement, this matter is to be administratively closed subject to a right to bring forward the action. The plaintiffs further agreed that if funding for fiscal years 2015, 2016, and 2017 as set out in the global agreement is met, the plaintiffs will move to dismiss this action, with prejudice, by July 1, 2018. Although it is not expected that the claim by St. Joseph's Hospital will exceed $4.5 million, it is not possible to predict the outcome of this case at this time.

Carrie Hendrick. v NH DHHS.

The complaint, filed on June 19, 2014, by New Hampshire Legal Assistance ("NHLA") as a class action in Merrimack County Superior Court, is regarding DHHS's treatment of social security income ("SSI") as household countable income for eligibility and calculation of TANF grants. NHLA seeks a declaratory judgment that DHHS not include the named plaintiff's children (SSI recipients) in her household assistance group. The plaintiff also challenges the validity of the applicable administrative rule (He-W 654.04(c)) and seeks a permanent injunction. SB 198, effective January 13, 2012, changed State law to count children receiving SSI in the family assistance group. On June 16, 2015, the Merrimack County Superior Court granted DHHS's Motion for Summary Judgment. The Court held that the inclusion of children's SSI income when calculating TANF eligibility was lawful and that it could not find that administrative rule He-W 654.04(c) interfered with or impaired a family's legal rights as defined under either federal or state law. NHLA appealed to the New Hampshire Supreme Court. Briefing of the matter is ongoing. Oral argument has been set for January 13, 2016.

Katherine Frederick v. DHHS

The initial complaint, filed on September 21, 2014, alleges that the plaintiff suffered damages as a result of DHHS's failure to allow the plaintiff to breastfeed her child. She alleges wrongful discharge and violations of 29 U.S.C. §207(r), 29 U.S.C. §215(a)(3), the Family Medical Leave Act, Title VII, and RSA 275-E. It is not known at this stage how much the plaintiff is seeking in damages. The State has filed a motion seeking dismissal of all claims to which the plaintiff has filed an objection. It is not possible to predict the outcome of this case at this time. The court dismissed the plaintiff's original complaint filed holding that the law does not recognize a right to breastfeed (as opposed to expressing milk) in the workplace. The court did, however, provide the plaintiff with leave to file an amended complaint, which she did in November 2015. Plaintiff's new complaint raised claims under the ADA, Title VII, and for wrongful termination. DHHS filed a motion to dismiss these claims on exhaustion and statute of limitations grounds, as well as for the failure to state a claim upon which relief can be granted. It is not known at this stage how much the plaintiff is seeking in damages. Therefore, it is not possible to predict the outcome of this case at this time.

Department of Revenue Administration

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

CMC, Exeter Hospital and St. Joseph's Hospital 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 (Northeast) 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 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 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 2013. On February 7, 2014, the trial court in the Northeast case found a portion of the tax (revenue from outpatient hospital services) to be unconstitutional. It implicitly found the State's taxation of inpatient treatment to be constitutional. Finally, the trial court held that the MET did not constitute a double tax of for-profit hospitals. Both parties have appealed this decision. On April 8, 2014, the trial court in the CMC case found the entire tax (inpatient and outpatient hospital services) unconstitutional.

The State entered into a global settlement with 25 hospitals including CMC, Exeter and Northeast. Litigation with these three hospitals will be stayed pending federal approval of changes to the State's distribution of DSH payments. Dismissal of the litigation will not occur until after the settlement is implemented, which may take several years. St. Joseph did not agree to the settlement, and is the only remaining active litigant in the MET litigation challenging the constitutionality of the 2011 MET statute. The State has filed a motion arguing that the trial court's decision is now moot in light of statutory changes to MET effective June 30, 2014. On July 14, 2015, the superior court granted the State's motion to dismiss St. Joseph's claim on grounds of mootness. St. Joseph has not appealed that decision; therefore, St. Joseph's claims relating to the 2011 tax year are concluded.

State v. Priceline, Inc. et al.

This action seeks to recover unpaid Meals and Rooms Tax ("M&R Tax") and penalties, as well as penalties under the Consumer Protection Act ("CPA"), from online travel companies ("OTCs"). The lawsuit alleges M&R Tax is due on the retail rate paid by the consumers to the OTCs, that the OTCs collect this tax from consumers, but that the OTCs do not remit any tax to the State. The OTCs allege they provide the equivalent of the M&R Tax due on the wholesale rate, as opposed to the retail rate, rate to hotels and rental car companies. The complaint also alleges the OTCs use deceptive and misleading practices in violation of the CPA. The parties have completed discovery and filed cross motions for summary judgment on December 21, 2015. If successful, the litigation could result in a recovery in excess of $4 million, but at this time it is not possible to predict whether the State will prevail.

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. It 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. On December 19, 2013, the plaintiffs filed a cross appeal. Oral argument was held on November 13, 2014. On January 16, 2015, the Supreme Court ruled in favor of the State, and reversed the trial court's decision regarding earnable compensation, and further upheld the trial court's decision regarding COLA payments and medical subsidies. On remand from the Supreme Court, the trial court entered judgment for the State. This matter is now concluded.

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. In October 2013, both parties filed notices of appeal with the Supreme Court. On December 10, 2014, the Supreme Court found there was no unmistakable intent by the legislature to bind itself from prospectively changing the employee contribution rate, and found no constitutional violation. On remand from the Supreme Court, the trial court entered judgment for the State. This matter is now concluded.

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

This suit challenges portions of HB 2 that affect the State Retirement System. Petitioners challenge 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 HB 2. Petitioners seek an order finding HB 2 is unconstitutional under the Contracts and Takings Clauses of both the New Hampshire Constitution and the United States Constitution. Petitioners also sought injunctive relief, payment of damages and attorneys' fees. The issues raised in this lawsuit are similar to the issues raised in Firefighters I (see Professional Firefighters, et al v. State of New Hampshire above). The trial court issued a preliminary order in May 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" and did not issue an injunction. In light of the Supreme Court's decisions in Firefighters I and American Federation of Teachers, the trial court held a status conference for April 23, 2015. Following that conference, the court issued an order directing the parties to brief, by this fall, the issues of the plaintiffs' standing to bring their claims, and whether the former pension laws created any protectable contractual rights. The State has filed its brief, as directed, and awaits the plaintiffs' response. It is not possible to predict the outcome of this matter at this time.

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

This suit arises out of the 2009 changes to the retirement system at issue in the American Federation of Teachers case. The plaintiffs argue that the transfer of $250 million from the "Special Account" and the changes to COLA payments are unconstitutional under the Contract Clause. In light of the Supreme Court's decisions in Firefighters I and American Federation of Teachers, the plaintiffs filed a voluntary dismissal of the lawsuit. This matter is now concluded.

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

On July 11, 2014, the plaintiffs filed a new lawsuit related to Firefighters I seeking payment of the additional employee contributions paid under HB 2. The new lawsuit has been stayed by the trial court pending the outcome of Firefighters I and American Federation of Teachers. In light of the Supreme Court's decisions in Firefighters I and American Federation of Teachers, the plaintiffs filed a voluntary dismissal of the lawsuit. This matter is now concluded.

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' most recent contract ended on October 31, 2013. In March 2012, the NHSLC issued a Request for Proposals (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 NHSLC filed a motion to dismiss for improper venue. The motion to dismiss was denied as was the preliminary injunction. In September, LWI filed a petition for original jurisdiction with the Supreme Court to which the State objected. The Supreme Court denied LWI's petition for original jurisdiction. NHSLC filed a motion for summary judgment on January 31, 2014. On October 28, 2014, the trial court ruled that LWI's tort damage claims were capped at $475,000, and granted the motion regarding equitable claims. The trial court denied summary judgment and concluded that LWI's promissory estoppel and tort claims would proceed to trial. On April 8, 2015, the parties settled the matter. The State agreed to pay the plaintiffs $2.5 million out of the general fund. This matter is now concluded.

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

In March 2012, the NHSLC issued an 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. The injunction was denied. On April 4, 2014, the NHSLC filed a motion for summary judgment contending that: XTL's requests for injunctive relief and monetary damages were barred by sovereign immunity and that XTL was not entitled to lost profits or attorneys' fees. On July 16, 2014, the Court ruled on the NHSLC's motion for summary judgment. The Court found that XTL cannot obtain injunctive relief or attorneys' fees in this matter, but that XTL can seek monetary damages, including lost profits. On November 14, 2014, the plaintiff filed a motion for interlocutory appeal regarding the trial court's July 16, 2014, order. The motion was denied. XTL filed a motion for partial summary judgment six weeks before the trial was set to begin. NHSLC has since filed a cross motion for summary judgment. Following the submission of summary judgment memoranda, the court heard oral argument on the cross motions on November 10, 2015. On January 4, 2016 the court issued its order on the cross motions for summary judgement, denying both parties' motions. The trial is presently scheduled to begin on May 23, 2016. 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 was 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. The restricted portion balance as of June 30, 2015 is $78.8 million. 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 trial court awarded the State $1.9 million in expert costs. 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. Exxon/Mobil filed an appeal. Except for the jury verdict against Exxon, no adjustments will occur relative to the settlement amounts. Those are all bound by 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. Oral argument occurred on May 21, 2015. The State prevailed before the State Supreme Court and anticipates an appeal to the U.S. Supreme Court. 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. Amerada 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. Plaintiffs allege damages of approximately $17.8 million. Trial occurred on May 30, 2014 and the trial court issued a decision denying the plaintiff's claims against the State. Briefs were submitted and oral argument occurred on June 18, 2015. The State prevailed before the State Supreme Court and the petitioners did not ask for reconsideration. This case is, therefore, closed.

Other Matters

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

This is a civil action initiated by a general contractor against the Department of Administrative Services ("DAS"), Department of Resources and Economic Development ("DRED") and two DAS employees, regarding a contract to construct 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 and recently filed several claims against its surety. The State defendants filed cross claims against the plaintiff in this matter. The plaintiff has disclosed expert reports supporting a claim for $3.2 million in damages. The parties mediated this case in October of 2015. At that time, the plaintiff made an initial demand of $1.2 million and demonstrated some flexibility from that number. The discussions broke down due to disagreement between the plaintiff and Surety regarding division of any proposed settlement proceeds. The State has filed a motion for partial summary judgment, which is pending. The trial scheduled for January of 2016 has been postponed due to conflicts with the judges currently sitting in Merrimack Superior Court. The State anticipates receiving a new trial date and venue shortly.

Rand v. Lavoie, et al. (Wendy Lawrence v. New Hampshire State Police)

The complaint, brought on behalf of the estate of Wendy Lawrence, arises from an officer-involved fatal shooting. On September 30, 2013, Ms. Lawrence initially fled from State Police during a traffic stop on Interstate 89. Following a couple of pursuits, eventually, the State Police were able to stop her after she traveled into Manchester. While she was stopped in Manchester, defendant Chad Lavoie attempted to take her into custody. Ms. Lawrence refused to surrender and ultimately began to drive at defendant Lavoie. Defendant Lavoie shot her, and she died later that evening. The original complaint alleged 42 U.S.C. §1983 claims alleging violations of Ms. Lawrence's Fourth, Fifth, and Fourteenth Amendment rights under the U.S. Constitution, as well as a wrongful death claim. The State moved to dismiss the Fifth and Fourteenth Amendment claims in July. The court granted that motion. The plaintiff amended the complaint to add the Department of Safety as a defendant and a claim that essentially alleges that the Department failed to train, supervise, and discipline the troopers to recognize symptoms of a disability under the Americans with Disabilities Act (ADA), offer reasonable accommodations to Ms. Lawrence, and discriminated against her. The plaintiff seeks enhanced compensatory and punitive damages. Discovery is underway. It is not possible to predict the outcome of this case at this time.

City of Dover v. State of New Hampshire

In this case, filed August 20, 2015, the City of Dover challenges the State's distribution of education aid to municipalities as a violation of the state constitutional entitlement to an adequate education, insofar as the statutory distribution scheme imposes a "cap" limiting the aid that a particular municipality can receive in a particular year to 108% of the aid it received in the prior year. The suit seeks both prospective and retrospective relief against the cap, which has been in effect since 2009. If the request for prospective relief is successful, it will require a restructuring of the State's formula for distributing education aid to municipalities. If the request for retrospective relief is successful, it would require paying the City of Dover (and, potentially, any other municipalities who had their aid reduced by application of the cap in any year going back to FY 2009 and choose to join in the lawsuit) the difference between the aid they received in each of those years and the aid they would have otherwise gotten, but for the cap. While the aggregate amount of that potential exposure has not yet been calculated for all fiscal years at issue, the total amount of aid to all municipalities withheld on the basis of the cap for fiscal year 2016 will be approximately $10.3 million. The State believes, however, that the plaintiff's likelihood of success on the claim for retrospective relief is small, in light of the State's apparent sovereign immunity from such a claim and the availability of several equitable defenses to it. In October 2015, the State filed a motion to dismiss the plaintiff's claim for retrospective relief, and awaits the plaintiff's response. The court directed the parties—who now include two legislators who have intervened for the purpose of defending the statute—to file briefs on the merits of the plaintiffs' challenge during December 2015 and January 2016. It is not possible to predict the outcome of this case at this time.

Xerox State and Local Solutions, Inc. v. Department of Transportation et al

In this case, filed in October 2015, Xerox, is suing the Department of Transportation to challenge the selection of another vendor for the contract award of the operation of the back office systems for the E-Z Pass program in New Hampshire. Xerox is the current vendor and was not the winning bidder for the new contract that was awarded on October 7, 2015. The contract award was for design, testing, installation and maintenance services for the operation of the NH E-Z Pass Back Office for the Turnpike System, in the amount of $51,889,725. Xerox alleges the bidding process was flawed and specifically brings claims to invalidate the bidding process and seeking damages. It is premature to assess the potential liability or the outcome in this matter as discovery is in the initial phases.

Fair Labor Standards Act

On January 9, 2015, the State determined that it would proceed as a single employer under the Fair Labor Standards Act meaning that all State agencies would be considered to be one employer. As a result of this decision, State employees who had been employed at more than one agency had to be reviewed to determine if they could maintain multiple positions as overtime payments might be required. The United States Department of Labor ("USDOL") became aware of the State's decision and reviewed the multiple employees who were employed at the New Hampshire State Liquor Commission. After the investigation, the State agreed to settle with USDOL and paid 34 current and former employees overtime and liquidated damages in the total amount of $65,986. USDOL has a follow-up investigation regarding multiple employees at the Department of Corrections in which 10 employees have been identified as possibly being owed back wages estimated at $36,000. This matter is ongoing and has not been settled as of this date. USDOL also investigated whether the E-911 telecommunicators were appropriately compensated for overtime based on their complex 24 hour schedule. After the investigation, the State agreed to settle with the USDOL and paid 62 current and former employees back wages and liquidated damages in the amount of $24,577 and civil money penalties to USDOL in the amount of $27,280.

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.

15. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the constraints and related amounts by fund at June 30, 2015, follows:

Governmental Fund Balances - Restricted, Committed and Assigned

Governmental Fund Balance
(expressed in thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
General Government	$17,534	$4,666	$4,344
Administration of Justice & Public Protection	17,613	29,207	3,482
Resources Protection & Development	115,309	3,592	3,846
Transportation	581		260
Health & Human Services	38,428	88	8,887
Education	6,081		5,812
Total	$195,546	$37,553	$26,631
Highway Fund:			
General Government			
Administration of Justice & Public Protection	$4,750		
Resources Protection & Development	12		
Transportation	120,905		
Total	$125,667		
Education Trust Fund:			
General Government			
Education			$4,302
Total			$4,302
Non-Major Governmental Funds:			
Resources Protection & Development	$2,774	$1,733	$517
Other Purposes	70,673		
Total	$73,447	$1,733	$517

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. The balance at June 30, 2015 increased by $13.0 million to $22.3 million, up from $9.3 million at June 30, 2014. Per Chapter 276:43 of the Laws of 2015, $49 million of the Unassigned balance at June 30, 2015 is to remain in the general fund.

16. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, the 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 of the member states contributes services towards the management and advisory functions. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Direct charges, such as advertising, vendor fees and the Lottery's per-diem payments are charged to participating states based on services received. 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, 2015 Tri-State reported total installment prize obligations owed to jackpot winners of $32.1 million, payable through the year 2043.

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, 2015. 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 37 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, 2015, the Lottery recognized $18.9 million of net income from MUSL.

In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was $2.4 million at June 30, 2015. 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.

The New Hampshire Lottery Commission became a member of the New England regional lottery game known as Lucky for Life beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the fifteen states' lotteries and the District of Columbia. The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent). MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash pay-out. The top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. For the year ended June 30, 2015, New Hampshire's total share of the net operating income for Lucky for Life was $3.0 million. The prize liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales. Each member Lottery is responsible for a prize payout equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales. There are no prize reserves held by MUSL for this game. New Hampshire's total share of accrued prize and operating amounts due at June 30, 2015 amounted to $2.4 million.

Required Supplementary Information (Unaudited)

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(expressed in thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$130	$130	$183	$53
Special Taxes	895,230	903,556	966,378	62,822
Personal Taxes	123,483	123,483	128,725	5,242
Business License Taxes	22,315	22,354	23,697	1,343
Non-Business License Taxes	114,119	114,258	114,852	594
Fees	168,085	180,069	170,513	(9,556)
Fines, Penalties and Interest	9,958	10,838	6,243	(4,595)
Grants from Federal Government	1,644,190	2,124,886	1,598,788	(526,098)
Grants from Private and Local Sources	182,514	185,124	155,397	(29,727)
Rents and Leases	1,405	2,045	1,431	(614)
Interest Premiums and Discounts	12,207	13,596	16,211	2,615
Sale of Commodities	13,495	19,235	13,655	(5,580)
Sale of Services	32,136	32,404	24,142	(8,262)
Assessments	87,930	94,978	68,232	(26,746)
Grants from Other Agencies	184,962	185,435	131,370	(54,065)
Miscellaneous	1,409,820	546,871	466,204	(80,667)
Total Revenue	4,901,979	4,559,262	3,886,021	(673,241)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	20,070	19,790	15,128	4,662
Executive	46,592	46,783	30,709	16,074
Information Technology	69,046	69,291	58,181	11,110
Executive Council	229	227	220	7
Administrative Services	124,859	132,788	126,759	6,029
Sec of State	11,896	13,846	9,470	4,376
Cultural Affairs	7,844	8,524	5,746	2,778
Revenue Administration	16,550	15,357	14,741	616
State Treasury	83,977	87,989	81,229	6,760
NH Retirement System	8,905	8,910	6,613	2,297
Boards and Commissions	3,464	3,488	3,050	438
Total	393,432	406,993	351,846	55,147
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	84,150	83,607	76,595	7,012
Adjutant General	29,047	28,877	19,357	9,520
Agriculture	5,791	6,670	4,219	2,451

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, 2015
(expressed in thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
Justice Department	53,747	57,335	25,456	31,879
Bank Commission	6,234	6,289	5,078	1,211
Highway Safety	12,089	12,090	2,173	9,917
Insurance	12,912	15,853	11,394	4,459
Labor	9,533	25,397	23,367	2,030
Public Utilities Commission	36,720	43,446	26,697	16,749
Safety	118,358	136,177	67,817	68,360
Corrections Department	108,860	109,553	108,446	1,107
Employment Security	64,838	68,226	31,031	37,195
Judicial Council	25,879	25,935	25,703	232
Human Rights Commission	650	655	562	93
Boards and Commissions	416	415	417	(2)
Total	569,224	620,525	428,312	192,213
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	83,664	92,053	57,080	34,973
Pease Development Authority	719	741	587	154
Environmental Services	136,207	137,776	70,958	66,818
Development Finance Authority	179	171	171	
Boards and Commissions	50	75	72	3
Total	220,819	230,816	128,868	101,948
TRANSPORTATION				
Transportation	32,003	33,461	15,126	18,335
Total	32,003	33,461	15,126	18,335
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	130,103	130,534	93,693	36,841
Office of Health Management	115,792	120,173	79,429	40,744
Children and Youth	527	528		528
Transitional Assistance	111,237	116,577	88,924	27,653
Office of Medicaid & Business Policy	608,913	1,052,024	956,051	95,973
Behavioral Health	139,488	148,583	58,293	90,290
Developmental Services	332,097	332,554	295,308	37,246
Developmental Disabilities Council	826	835	485	350
N H Hospital	67,350	63,935	59,684	4,251
Glencliff Home	15,498	15,909	13,824	2,085
N H Veterans Home	32,762	31,150	28,265	2,885
Veterans Council	502	517	468	49

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, 2015
(expressed in thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
Human Services	185,010	187,410	158,761	28,649
Elderly and Adult Services	508,705	513,989	443,993	69,996
Community Based Care Svc	39,097	41,377	18,721	22,656
Board of Medicine	989	937	869	68
Boards and Commissions	3,850	3,932	3,397	535
Total	2,292,746	2,760,964	2,300,165	460,799
EDUCATION				
Department of Education	342,522	343,603	274,600	69,003
NH Comm. Tech. College System	42,500	42,514	42,168	346
Police Standards and Training Council	3,732	3,577	3,102	475
University of New Hampshire	84,000	84,000	81,000	3,000
Total	472,754	473,694	400,870	72,824
Debt Service	122,678	122,678	122,678	
Capital Outlays	18,459	18,459	18,459	
Total	4,122,115	4,667,590	3,766,324	901,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	779,864	(108,328)	119,697	228,025
Other Financing Sources (Uses)				
Transfers In	760	760	760	
Transfers Out	(102,984)	(102,984)	(102,984)	
Miscellaneous			409	409
Total Other Financing Sources (Uses)	(102,224)	(102,224)	(101,815)	409
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	677,640	(210,552)	17,882	228,434
Fund Balance - July 1	494,841	494,841	494,841	
Fund Balance - June 30	1,172,481	284,289	512,723	228,434

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, 2015
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$158,661	$158,667	$181,278	$22,611
Non-Business License Taxes	113,948	113,948	87,233	(26,715)
Fees	27,015	60,527	23,294	(37,233)
Fines, Penalties and Interest	7,970	7,964	7,416	(548)
Grants from Federal Government	570,546	572,784	179,691	(393,093)
Grants from Private and Local Sources	35,061	36,238	4,558	(31,680)
Rents and Leases	214	214	150	(64)
Sale of Commodities	4,100	22,113	17,509	(4,604)
Sale of Services	6,022	4,859	4,913	54
Grants from Other Agencies	11,742	11,654	14,353	2,699
Miscellaneous	31,135	25,203	19,915	(5,288)
Total Revenues	966,414	1,014,171	540,310	(473,861)
EXPENDITURES				
Justice and Public Protection	91,447	96,031	87,103	8,928
Resource Protection and Development	1,907	1,962	1,667	295
Transportation	819,457	885,389	443,488	441,901
Debt Service	31,916	31,916	31,916	
Capital Outlays	10,765	10,765	10,765	
Total Expenditures	955,492	1,026,063	574,939	451,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,922	(11,892)	(34,629)	(22,737)
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,163)	(2,163)	
Miscellaneous			2,722	2,722
Total Other Financing Sources (Uses)		(2,163)	559	2,722
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	10,922	(14,055)	(34,070)	(20,015)
Fund Balance - July 1	495,529	495,529	495,529	
Fund Balance - June 30	$506,451	$481,474	$461,459	$(20,015)

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, 2015
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$399,000	$399,000	$404,396	$5,396
Special Taxes	338,490	338,490	332,036	(6,454)
Personal Taxes	85,050	85,050	92,575	7,525
Fines, Penalties and Interest			2	2
Miscellaneous	40,000	40,000	40,000	
Total Revenues	862,540	862,540	869,009	6,469
EXPENDITURES				
Education	961,737	961,141	947,215	13,926
Total Expenditures	961,737	961,141	947,215	13,926
Deficiency of Revenues Under Expenditures	(99,197)	(98,601)	(78,206)	20,395
OTHER FINANCING SOURCES (USES)				
Transfers In		102,041	102,041	
Total Other Financing Sources Uses.		102,041	102,041	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(99,197)	3,440	23,835	20,395
Fund Balance - July 1	(95,665)	(95,665)	(95,665)	
Fund Balance - June 30	$(194,862)	$(92,225)	$(71,830)	$20,395

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, 2015

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 2015, 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 26, 2013 (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, 2015 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, 2015 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (Budgetary Basis)	$17,882	$(34,070)	$23,835
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	137,080	7,371	(1,187)
To Record change in Accounts Receivable	(293,643)	(22,492)	(77,278)
To Record Other Financing Sources (Uses)	177,461	13,765	53,863
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses (GAAP Basis)	$38,780	$(35,426)	$(767)

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

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability ("AAL") for benefits was $2,138 million, with no actuarial value of assets, resulting in UAAL of $2,138 million, which is an increase as compared with a UAAL as of December 31, 2012 of $1,857 million. Plan obligations had been expected to increase, but the increase was slightly larger than expected due to an actuarial experience loss and to valuation assumption changes, specifically an increase due to a rising prescription drug cost trend partially offset by decreases due to lower valuation-year per capita health costs and to a lower medical cost trend. The AAL and UAAL as of December 31, 2012 of $1,857 million was a decrease from the AAL and UAAL as of December 31, 2010 of $2,258 million which was 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 assumption changes in the December 31, 2014 report as compared to the previous report are per capita health costs and administrative expenses recalculated based on more recent data, medical and drug trends updated to reflect experience and future expectations, and the excise tax on high cost health plans beginning in 2018 revised due to recent experience. 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
12/31/14		$2,138,368	$2,138,368	0%	$563,322	379.60%
12/31/12		1,856,714	1,856,714	0%	518,664	357.98%
12/31/10		2,257,820	2,257,820	0%	597,821	377.67%

Required Supplementary Information (Unaudited)
INFORMATION ABOUT THE NEW HAMPSHIRE RETIREMENT SYSTEM

Schedule of the State's Proportionate Share of the Net Pension Liability

(dollars in thousands)

	June 30, 2015
State's Proportion of the Net Pension Liability	19.60%
State's Proportionate Share of the Net Pension Liability	$735,869
State's Covered-Employee Payroll	535,261
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	137.48%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	66.32%

Note: The amounts presented were determined as of and for the period ended June 30, 2014

Schedule is intended to show 10 years. Additional years will be added as they become available.

Schedule of State Contributions

(dollars in thousands)

	June 30, 2015	June 30, 2014
Required State Contribution	$67,450	$63,621
Actual State Contributions	67,450	63,621
Excess/(Deficiency) of State Contributions		
State's Covered-Employee Payroll	564,568	535,261
State Contribution as a Percentage of its Covered-Employee Payroll	11.95%	11.89%

Schedule is intended to show 10 years. Additional years will be added as they become available.

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

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

Fiscal Year Ended (dollars in thousands)	June 30, 2015
Total Pension Liability	
Service cost	$ 2,351
Interest on total pension liability	5,648
Benefit payments	(5,775)
Net change in total pension liability	2,224
Total pension liability, beginning	81,174
Total pension liability, ending (a)	$ 83,398
Fiduciary Net Position	
Employer contributions	$ 4,923
Member contributions	635
Investment income net of investment expenses	2,759
Benefit payments	(5,775)
Administrative expenses	(203)
Net change in plan fiduciary net position	2,339
Fiduciary net position, beginning	44,584
Fiduciary net position, ending (b)	46,923
Net pension liability, ending = (a) - (b)	$ 36,475
Fiduciary net position as a % of total pension liability	56.26%
Covered payroll	$ 6,553
Net pension liability as a % of covered payroll	556.62%

Note: The amounts presented above were determined as of and for the period ended December 31, 2014.

Schedule of Employer Contributions
(dollars in thousands)

Fiscal Year Ended June 30,	2015	2014
Actuarially Determined Contribution	$ 5,100	$ 4,666
Contributions in Relation to the Actuarially Determined Contribution	5,100	4,666
Excess/(Deficiency) of State Contributions		
Covered-Employee Payroll	7,944	7,348
Contribution as a Percentage of the Covered-Employee Payroll	64.20%	63.50%

Notes to the Required Supplementary Information:

Valuation	Actuarially determined contribution rates are calculated as of January 1, 2014, eighteen months prior to the end of the fiscal year in which contributions are reported.
Investment rate of return	7.00%
Inflation	2.75%
Salary increases	2.25% as of July 1, 2014; 2.25% as of January 1, 2015; 3.00% per year thereafter
Cost of living adjustment	2.25% for two years, 3% thereafter
Mortality	1994 Group Annuity Mortality Table
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed 30 years from January 1, 2010
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market value
Retirement age	25% are assumed to retire at age 60 with 15 years of service; 50% are assumed to retire at age 65; 100% are assumed to retire at age 70 with 7 years of service; 5% are assumed to retire at each age between 60 and 65; 15% are assumed to retire at each age between 66 and 69.

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

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

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, 2015, 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 31, 2015. Our report includes an emphasis of matter paragraph noting the State's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions as amended by GASB Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date* in the fiscal year ended June 30, 2015. Our report also includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, State Revolving Fund, 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.

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 2015-001 and 2015-002 that we consider to be significant deficiencies.

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*.

The State's Responses to the Findings

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

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

January 15, 2016

KPMG LLP
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60 South Street
Boston, MA 02111

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, 2015, 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), 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, 2015. Our audit, described below, did not include the activities of UNH, PDA, CDFA, and CCSNH because those component units separately engaged auditors to perform audits in accordance with 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions on Certain Major Federal Programs

As described in the accompanying schedule of current year findings and questioned costs, the State did not comply with certain requirements that are applicable to certain of its major federal programs, as detailed below. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major federal programs.

Finding #	CFDA #	Program Name	Compliance Requirement
2015-005	93.667	Social Services Block Grant	Allowable Costs
2015-010	93.069	Public Health Emergency Preparedness	Earmarking
2015-016	97.036	Disaster Grants – Public Assistance	Subrecipient Monitoring
2015-018	15.605 / 15.611	Sport Fish Restoration Program Wildlife Restoration and Basic Hunter Education	Subrecipient Monitoring
2015-043	66.458 and 66.468	Capitalization Grants for Clean Water State Revolving Funds Capitalization Grants for Drinking Water State Revolving Funds	Reporting
2015-045	66.458 and 66.468	Capitalization Grants for Clean Water State Revolving Funds Capitalization Grants for Drinking Water State Revolving Funds	Subrecipient Monitoring

Qualified Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions on Certain Major Federal Programs* 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, 2015.

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, 2015.

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 2015-004, 2015-006, 2015-008, 2015-009, 2015-011, 2015-013, 2015-014, 2015-015, 2015-017, 2015-019, 2015-020, 2015-021, 2015-022, 2015-023, 2015-024, 2015-025, 2015-027, 2015-028, 2015-029, 2015-030, 2015-031, 2015-032, 2015-033, 2015-034, 2015-035, 2015-036, 2015-037, 2015-038, 2015-040, 2015-041, 2015-044, 2015-046. 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 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 2015-003, 2015-005, 2015-010, 2015-012, 2015-014, 2015-016, 2015-018, 2015-019, 2015-020, 2015-021, 2015-027, 2015-029, 2015-032, 2015-043, 2015-044, 2015-045 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 2015-004, 2015-006, 2015-007, 2015-008, 2015-009, 2015-011, 2015-013, 2015-015, 2015-017, 2015-022, 2015-023, 2015-024, 2015-025, 2015-026, 2015-028, 2015-030, 2015-031, 2015-033, 2015-034, 2015-035, 2015-036, 2015-037, 2015-038, 2015-039, 2015-040, 2015-041, 2015-042, 2015-046 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, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated January 15, 2016 which referred to the use of the reports of other auditors and which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph noting the State's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 30, 2016

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Agriculture					
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care	130,275		0%
1800	10.162	Inspection Grading And Standardization	32,049		0%
9500	10.477	Meat, Poultry, And Egg Products Inspection	123,480		0%
9500	**10.551**	**Supplemental Nutrition Assistance Program (Notes 3,7)**	**133,546,107**		**0%**
5600	10.553	School Breakfast Program (Note 7)	5,229,365		100%
1400	10.555	National School Lunch Program (Note 3, 7)	4,450,197		100%
5600			23,316,685		100%
		10.555 CFDA Total	27,766,882		100%
5600	10.556	Special Milk Program For Children (Note 7)	199,323		100%
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**	**10,522,087**		**86%**
1400	10.558	Child And Adult Care Food Program (Note 3)	90,902		100%
5600			4,763,122		98%
		10.558 CFDA Total	4,854,024		99%
1400	10.559	Summer Food Service Program For Children (Note 3, 7)	114		100%
5600			892,327		95%
		10.559 CFDA Total	892,441		95%
1400	10.560	State Administrative Expenses For Child Nutrition	218,898		100%
5600			581,634		0%
		10.560 CFDA Total	800,532		27%
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 7)**	**8,723,112**		**0%**
9500	10.565	Commodity Supplemental Food Program (Note 3,7)	1,566,052		98%
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 7)	170,293		93%
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3,7)	729,029		100%
9500	10.576	Senior Farmers Market Nutrition Program	85,765		100%
5600	10.579	Child Nutrition Discretionary Grants Limited Availability	212,414		17%
5600	10.582	Fresh Fruit And Vegetable Program	1,950,879		100%
3500	10.664	Cooperative Forestry Assistance	854,983		40%
5600	10.665	Schools And Roads - Grants To States	398,826		100%
3500	10.676	Forest Legacy Program	27,711		1%
1800	10.902	Soil And Water Conservation	11,506		0%
3500	10.912	Environmental Quality Incentives Program (EQIP)	3,822		0%
7500	10.914	Wildlife Habitat Incentive Program	709		0%
1800	10.917	Agricultural Management Assistance	204,500		0%
		Department of Agriculture Total:	**199,036,166**		

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2015 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Commerce					
7500	11.407	Interjurisdictional Fisheries Act Of 1986	16,005		0%
4400	11.419	Coastal Zone Management Administration Awards	1,083,412		24%
7500	11.420	Coastal Zone Management Estuarine Research Reserves	479,177		0%
7500	11.454	Unallied Management Projects	910,000		0%
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	114,561		0%
2300	11.549	State and Local Implementation Grant Program (SLIGP)	6,683		0%
7500	11.999	No Program Title	396,028		0%
		Department of Commerce Total:	**3,005,866**		

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Defense					
3500	12.002	Procurement Technical Assistance For Business Firms	270,345		0%
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	352,230		0%
1200	**12.400**	**Military Construction, National Guard**	**10,216,746**		**0%**
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**	**118,116**	**ARRA**	**0%**
			16,733,907		**0%**
		12.401 CFDA Total	**16,852,023**		**0%**
		Department of Commerce Total:	**27,691,344**		

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	776,275		89%
9500	14.238	Shelter Plus Care	636,971		100%
9500	14.241	Housing Opportunities For Persons With AIDS	553,074		97%
9500	14.267	Continuum of Care Program	2,493,031		97%
		Department of Housing and Urban Development Total:	**4,459,351**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of the Interior					
4400	15.424	Marine Minerals Activities	11,294		0%
7500	**15.605**	**Sport Fish Restoration Program (Note 7)**	**3,528,665**		**0%**
7500	**15.611**	**Wildlife Restoration And Basic Hunter Education (Note 7)**	**3,244,552**		**8%**
3500	15.615	Cooperative Endangered Species Conservation Fund	33,266		22%
7500			25,000		0%
		15.615 CFDA Total	58,266		13%
4400	15.616	Clean Vessel Act	84,050		5%
7500	15.626	Enhanced Hunter Education And Safety Program	37,480		0%
4400	15.631	Partners For Fish And Wildlife	15,000		0%
7500	15.634	State Wildlife Grants	1,030,477		22%
7500	15.650	Research Grants (Generic)	68,664		0%
7500	15.655	Migratory Bird Monitoring, Assessment and Conservation	10,055		0%
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	13,451		0%
4400	15.810	National Cooperative Geologic Mapping Program	46,115		0%
3400	15.904	Historic Preservation Fund Grants-In-Aid	694,357		100%
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	91,101		90%
3400	15.957	HPF Emergency Supplemental Sandy Relief	38,278		100%
		Department of the Interior Total:	**8,971,805**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Justice					
1000	16.013	Violence Against Women Act Court Training and Improvement Grants	21,009		0%
2000	16.017	Sexual Assault Services Formula Program	253,498		100%
9500	16.523	Juvenile Accountability Block Grants	173,919		0%
2000	16.527	Supervised Visitation, Safe Havens For Children	26,297		100%
2000	16.528	Enhanced Training And Services To End Violence And Abuse Of Women Later In Life	33,735		100%
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States	621,695		0%
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers	2,582		100%
2000	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants	60,501		57%
2000	16.575	Crime Victim Assistance	2,118,206		100%
2000	16.576	Crime Victim Compensation	220,662		100%
2000	16.579	Edward Byrne Memorial Formula Grant Program	852,215		0%
2000	16.582	Crime Victim Assistance/Discretionary Grants	66,431		94%
1000	16.585	Drug Court Discretionary Grant Program	18,243		0%
2000	16.588	Violence Against Women Formula Grants	932,277		85%
2000	16.593	Residential Substance Abuse Treatment For State Prisoners	61,497		0%
4600	16.606	State Criminal Alien Assistance Program	416,500		0%
2000	16.609	Project Safe Neighborhoods	3,064		100%
4600			17,473		0%
		16.609 CFDA Total	20,537		15%
2300	16.710	Public Safety Partnership And Community Policing Grants	252,408		0%
2000	16.727	Enforcing Underage Drinking Laws Program	52,277		99%
2000	16.740	Statewide Automated Victim Information Notification (SAVIN) Program	165,295		100%
2300	16.741	DNA Backlog Reduction Program	272,492		0%
2300	16.750	Support For Adam Walsh Act Implementation Grant Program	91,343		0%
2300	16.753	Congressionally Recommended Awards	(423)		0%
2000	16.754	Harold Rogers Prescription Drug Monitoring Program	139,071		0%
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act	83,280		96%
2000	16.828	Swift and Certain Sanctions/Replicating Project HOPE	54,777		60%
4600	16.922	Equitable Sharing Program	37,467		0%
2000	16.999	No Program Title	14,657		0%
2300			167,014		0%
		16.699 CFDA Total	181,671		0%
		Department of Justice Total:	**7,229,462**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Labor					
2700	17.002	Labor Force Statistics	932,021		0%
3200	17.005	Compensation And Working Conditions	19,972		0%
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 7)	2,985,439		0%
2700	**17.225**	**Unemployment Insurance (Note 4)**	**95,660,466**		**0%**
3500	17.235	Senior Community Service Employment Program	468,927		98%
2700	17.245	Trade Adjustment Assistance	1,099,430		0%
3500	**17.258**	**WIA Adult Program (Note 7)**	**2,681,484**		**96%**
3500	**17.259**	**WIA Youth Activities (Note 7)**	**2,161,964**		**94%**
3500	17.267	Incentive Grants - WIA Section 503	428,227		99%
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	65,102		0%
2700	17.273	Temporary Labor Certification For Foreign Workers	48,837		0%
3500	17.277	Workforce Investment Act (WIA) National Emergency Grants	1,007,296		99%
3500	**17.278**	**WIA Dislocated Formula Grants (Note 7)**	**2,294,366**		**88%**
3500	17.600	Mine Health And Safety Grants	34,698		97%
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 7)	626,328		0%
2700	17.804	Local Veterans` Employment Representative Program (Note 7)	165,518		0%
		Department of Labor Total:	**110,680,075**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Transportation					
9600	**20.106**	**Airport Improvement Program (Note 6)**	**12,146,838**		**100%**
9600	20.205	Highway Planning And Construction (Note 7)	177,184,217		16%
2300	20.218	National Motor Carrier Safety	968,815		0%
2300	20.232	Commercial Driver`s License Program Improvement Grant	28,846		0%
2300	20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant	3,360		0%
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	11,585		0%
9600	20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	778,706		0%
9600	20.320	Rail Line Relocation And Improvement	53,855		0%
9600	20.500	Federal Transit - Capital Investment Grants (Note 7)	318,508		100%
9600	20.507	Federal Transit - Formula Grants (Note 7)	1,581,795		100%
9600	**20.509**	**Formula Grants For Rural Areas**	**3,681,439**		**89%**
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 7)	1,242,878		95%
9600	20.516	Job Access - Reverse Commute (Note 7)	27,571		100%
9600	20.521	New Freedom Program (Note 7)	68,683		100%
9600	20.522	Alternative Analysis	641,176		100%
2300	20.600	State And Community Highway Safety (Note 7)	23,220		0%
2500			1,438,456		78%
		20.600 CFDA Total	1,461,676		77%
2500	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I (Note 7)	524,959		100%
2500	20.610	State Traffic Safety Information System Improvement Grants (Note 7)	341,679		87%
2500	20.612	Incentive Grant Program To Increase Motorcyclist Safety (Note 7)	56,083		100%
8100	20.700	Pipeline Safety Program State Base Grant	647,410		0%
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	77,905		0%
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	45,000		0%
9600	20.933	National Infrastructure Investments	494,614		0%
		Department of Transportation Total:	**202,387,598**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	150,100		0%
		Equal Employment Opportunity Commission Total:	**150,100**		

The accompanying notes are an integral part of this schedule
Bolded programs were audited during the 2015 audit

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)	60,480		100%
3200	39.011	Election Reform Payments (Note 5)	209,630		0%
		General Services Administration Total:	**270,110**		

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
National Endowment for the Arts					
3400	45.025	Promotion of The Arts - Partnership Agreements	509,827	ARRA	100%
			234,825		100%
		45.025 CFDA Total	744,652		100%
3400	45.310	Grants To States	1,251,670		100%
		National Endowment for the Arts Total:	**1,996,322**		

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Veterans Administration					
4300	**64.015**	**Veterans State Nursing Home Care**	**8,833,126**		**0%**
1200	64.101	Burial Expenses Allowance For Veterans	966		0%
5600	64.124	All-Volunteer Force Educational Assistance	198,265		0%
		Veterans Administration Total:	**9,032,357**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Environmental Protection Agency					
4400	66.040	State Clean Diesel Grant Program	2,500		100%
4400	66.424	Surveys, Studies, Investigations, Demonstrations, and Training Grants Section 1442 of the Safe Drinking Water Act	200		0%
4400	66.454	Water Quality Management Planning	169,800		37%
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Fund**	**31,362,331**		**98%**
4400	66.460	Nonpoint Source Implementation Grants	725,197		64%
3500	66.461	Regional Wetland Program Development Grants	63,481		0%
4400			188,123		10%
		66.461 CFDA Total	251,604		7%
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund**	**15,603,364**		**86%**
4400	66.472	Beach Monitoring And Notification Program Implementation Grants	152,469		0%
4400	66.474	Water Protection Grants To The States	29,732		0%
4400	66.605	Performance Partnership Grants	5,476,502		5%
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants	167,185		0%
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	137,163		0%
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	239,776		0%
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	56,053		0%
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	246,970		0%
4400	66.708	Pollution Prevention Grants Program	224,868		0%
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	1,461,819		0%
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	332,223		0%
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	374,197		0%
4400	66.817	State And Tribal Response Program Grants	824,355		0%
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements	309,600		90%
		Environmental Protection Agency Total:	**58,147,908**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Energy					
0240	81.041	State Energy Program	271,582		9%
0240	81.042	Weatherization Assistance For Low-Income Persons	1,125,730		89%
0240	81.119	State Energy Program Special Projects	39		0%
0240	81.128	Energy Efficiency and Conservation Block Grant Program	112,135	ARRA	85%
		Department of Energy Total:	**1,509,486**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,480,943		86%
5600	84.010	Title I Grants To Local Educational Agencies	41,322,620		97%
5600	84.011	Migrant Education - State Grant Program	179,313		30%
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	454,958		99%
5600	84.027	Special Education - Grants To States (Note 7)	41,365,894		95%
5600	**84.048**	**Career And Technical Education - Basic Grants To States**	**4,663,144**		**89%**
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**	**12,665,291**		**39%**
5600	84.144	Migrant Education - Coordination Program	145,286		27%
0205	84.161	Rehabilitation Services - Client Assistance Program	74,862		0%
5600	84.169	Independent Living - State Grants	294,149		95%
5600	84.173	Special Education - Preschool Grants (Note 7)	1,289,289		94%
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	254,662		47%
9500	84.181	Special Education Grants For Infants And Families	2,140,613		78%
5600	84.187	Supported Employment Services For Individuals With The Most Significant Disabilities	196,480		100%
5600	84.196	Education For Homeless Children And Youth	170,392		68%
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	43,478		0%
5600	84.282	Charter Schools	2,057,499		98%
5600	84.287	Twenty-First Century Community Learning Centers	5,415,913		95%
5600	84.323	Special Education - State Personnel Development	571,184		84%
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	15,873		100%
5600	84.358	Rural Education	693,541		95%
5600	84.365	English Language Acquisition State Grants	1,139,610		84%
5600	84.366	Mathematics And Science Partnerships	512,300		93%
5600	84.367	Improving Teacher Quality State Grants	10,591,302		97%
5600	84.369	Grants For State Assessments And Related Activities	2,492,262		78%
5600	84.372	Statewide Data Systems	1,215,604		63%
5600	**84.377**	**School Improvement Grants (Note 7)**	**821,562**		**90%**
5600	84.378	College Access Challenge Grant Program	77,847		46%
5600	**84.388**	**School Improvement Grants Recovery Act (Note 7)**	**460,597**	**ARRA**	**100%**
5600	84.999	No Program Title	215,877		0%
		Department of Education Total:	**133,022,345**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments (Note 5)	1,013,807		0%
		U.S. Election Assistance Commission Total:	**1,013,807**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Health and Human Services					
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	138,769		0%
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	9,441		0%
9500	93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	123,715		0%
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	120,717		0%
9500	**93.044**	**Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 7)**	**1,525,677**		**73%**
9500	**93.045**	**Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 7)**	**3,575,137**		**93%**
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	302,344		0%
9500	93.052	National Family Caregiver Support, Title III, Part E	904,679		0%
9500	**93.053**	**Nutrition Services Incentive Program (Note 7)**	**1,111,392**		**100%**
9500	**93.069**	**Public Health Emergency Preparedness**	**5,045,330**		**37%**
4400	93.070	Environmental Public Health And Emergency Response	193,786		0%
9500			1,218,993		29%
		93.070 CFDA Total	1,412,779		25%
9500	93.071	Medicare Enrollment Assistance Program	66,524		0%
5600	93.079	Promoting the Health of NH Youth School Based HIV/STD Prevention	90,916		17%
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	230,005		100%
9500	93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants	2,814,245		0%
9500	93.110	Maternal And Child Health Federal Consolidated Programs	473,526		44%
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	143,013		0%
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	131,281		0%
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	174,436		99%
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	300,000		96%
4400	93.204	Surveillance of Hazardous Substance Emergency Events	312,178		0%
9500	93.217	Family Planning - Services	687,725		86%
9500	93.234	State Health Insurance Assistance Program	239,027		99%
9500	93.236	Grants To States To Support Oral Health Workforce Activities	279,799		100%
9500	93.241	State Rural Hospital Flexibility Program	244,993		10%
5600	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,241,791		80%
9500			3,673,757		20%
		93.243 CFDA Total	4,915,548		35%
9500	93.251	Universal Newborn Hearing Screening	138,772		0%
9500	93.262	Occupational Safety And Health Program	125,704		9%
9500	**93.268**	**Immunization Cooperative Agreements (Note 3)**	**10,777,121**		**82%**
9500	93.270	Adult Viral Hepatitis Prevention And Control	48,788		0%

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
9500	93.275	Substance Abuse And Mental Health Services - Access To Recovery	756,904		0%
9500	93.283	Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical	4,273,698		4%
9500	93.292	National Public Health Improvement Initiative	171,761		0%
9500	93.301	Small Rural Hospital Improvement Grant Program	134,044		100%
9500	93.305	Tobacco Control Program	116,493		11%
9500	93.314	NH EHDI Program	132,878		0%
9500	93.323	NH ELC NON PPHF	347,137		0%
9500	93.324	State Health Insurance Assistance Program	215,747		0%
9500	93.336	Behavorial Risk Factor Survey	86,506		0%
9500	93.448	Food Safety And Security Monitoring Project	581,825		0%
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program	1,818,392		90%
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review	1,546,386		0%
9500	93.517	Affordable Care Act – Aging and Disability Resource Center	836,040		0%
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	651,157		0%
2400	93.525	State Planning And Establishment Grants For The Affordable Care Act (ACA)s Exchanges	1,384,696		0%
9500	93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project	2,359,617		91%
9500	93.538	Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation	20,483		22%
9500	93.556	Promoting Safe And Stable Families	619,285		0%
9500	**93.558**	**Temporary Assistance For Needy Families (TANF)**	**18,237,615**		**0%**
2700	**93.563**	**Child Support Enforcement**	**3,868**		**0%**
9500			**14,863,159**		**0%**
		93.563 CFDA Total	**14,867,027**		**0%**
9500	93.566	Refugee And Entrant Assistance - State Administered Programs	1,144,795		0%
0240	**93.568**	**Low-Income Home Energy Assistance**	**25,873,739**		**99%**
9500	93.569	Community Services Block Grant	3,445,384		0%
9500	**93.575**	**Child Care and Development Block Grant (Note 7)**	**10,058,198**		**0%**
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants	289,020		0%
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants	170,000		0%
1000	93.586	State Court Improvement Program	240,408		0%
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 7)**	**11,409,936**		**0%**
9500	93.597	Grants To States For Access And Visitation Programs	65,596		0%
9500	93.599	Chafee Education And Training Vouchers Program (ETV)	94,591		0%
9500	93.600	Head Start	129,015		0%
9500	93.603	Adoption Incentive Payments	1,696		0%
9500	93.609	The Affordable Care Act – Medicaid Adult Quality Grants	924,237		0%

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
9500	93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools	10,195		0%
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	484,526		0%
2000	93.643	Children's Justice Grants To States	92,876		0%
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program	543,607		0%
9500	93.652	Adoption Opportunities	429,688		0%
9500	**93.658**	**Foster Care - Title IV-E**	**14,557,576**		**0%**
9500	93.659	Adoption Assistance	3,305,913		0%
9500	**93.667**	**Social Services Block Grant**	**7,529,401**		**17%**
9500	93.669	Child Abuse And Neglect State Grants	52,953		0%
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes	495,325		0%
9500	93.674	Chafee Foster Care Independent Program	337,168		0%
9500	93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	114,677		0%
9500	93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and P	45,376		0%
9500	93.745	Behavorial Risk Factor Surveillance System (BRFSS)	66,250		0%
9500	93.752	Registry	283,048		0%
9500	93.753	NH Reduced Lead Poisoning of Children	70,419		0%
9500	93.757	HEA	404,932		0%
9500	93.758	Preventative Health BG	761,750		0%
9500	93.767	Children`s Health Insurance Program	32,215		0%
2000	**93.775**	**State Medicaid Fraud Control Units (Note 7)**	**562,476**		**0%**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVII) Medicare (Note 7)**	**1,939,364**		**0%**
9500	**93.778**	**Medical Assistance Program (Note 7)**	**1,018,660,425**		**0%**
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations	96,388		0%
9500	93.791	Money Follows The Person Rebalancing Demonstration	1,440,353		0%
9500	93.889	National Bioterrorism Hospital Preparedness Program	1,357,357		1%
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	141,669		0%
9500	93.917	HIV Care Formula Grants	1,179,224		2%
9500	93.940	HIV Prevention Activities - Health Department Based	755,107		55%
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93,720		0%
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	39,710		0%
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	137,277		0%
9500	93.958	Block Grants For Community Mental Health Services	1,582,189		97%
9500	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	5,647,073		0%
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	210,634		14%

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
9500	93.991	Preventive Health And Health Services Block Grant	248,439		0%
9500	93.994	Maternal And Child Health Services Block Grant To The States	1,604,134		75%
		Department of Health and Human Services Total:	**1,204,781,321**		

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Executive Office of the President					
4600	95.001	High Intensity Drug Trafficking Areas Program	6,003		0%
		Executive Office of the President Total:	**6,003**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Social Security Administration					
5600	**96.001**	**Social Security - Disability Insurance**	**6,226,484**		**42%**
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries	1,721,602		80%
		Social Security Administration Total:	**7,948,086**		

State of New Hampshire
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended 6/30/2015

State Agency	CFDA Number	Program Title	Expenditures	ARRA	Pass Thru %
Department of Homeland Security					
2300	97.012	Boating Safety Financial Assistance	942,850		0%
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)	111,136		0%
2300	97.029	Flood Mitigation Assistance	40,996		0%
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters)**	**4,615,828**		**100%**
2300	97.039	Hazard Mitigation Grant	1,065,812		0%
4400	97.041	National Dam Safety Program	110,202		0%
2300	97.042	Emergency Management Performance Grants	3,090,488		0%
2300	97.043	State Fire Training Systems Grants	16,747		0%
0240	97.045	Cooperating Technical Partners (CTP)	71,435		76%
2300	97.047	Pre-Disaster Mitigation	179,033		0%
2300	97.067	Homeland Security Grant Program	4,770,070		0%
2300	97.089	Driver's License Security Grant Program	114,335		0%
2300	97.110	Severe Repetitive Loss Program	101,043		0%
		Department of Homeland Security Total:	**15,229,975**		
		Grand Total of All Federal Assistance:	**1,996,569,487**		

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, 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, and Community Development Finance Authority component units have separate Single Audits of their federal financial assistance programs. Accordingly, the accompanying Schedule and Schedule of Current Year Findings and Questioned Costs exclude these four component units.

C. Basis of Presentation

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

a. *Federal Awards* – Federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities.

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

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 $5,989,708 in federal expenditures, distributions, or issuances for the year ended June 30, 2015. 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.

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

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 2015. 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 $133,546,107 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, 2015.

Donated Foods – The State distributes federal surplus food to institutions (schools, summer feeding programs, child and adult care facilities, hospitals and other not for profit charitable institutions) 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
10.555	National School Lunch Program	$4,450,197
10.558	Child and Adult Care Food Program	90,902
10.559	Summer Food Service Program for Children	114
10.565	Commodity Supplemental Food Program	1,566,052
10.569	Emergency Food Assistance Program (Food Commodities)	729,029
	Total:	**$ 6,836,294**

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 $60,480 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 $8,799,901 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:

State UC Benefits:	$ 77,699,524
Administrative Grants (Non-ARRA):	16,886,825
Federal Employees	391,928
Ex-Servicemen:	601,478
EUC08 (Non-ARRA):	(450,076)
FAC (Non-ARRA):	(48,812)
Trade Act:	313,758
Extended Benefits (Non-ARRA):	(12,149)
ATAA:	167,990
Short-Time Compensation:	110,000
Total	$ 95,660,466

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, 2015, the State had expended a cumulative total of $10,817,946 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $7,203,857.

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 (except for block grants). 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	$	133,546,107
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		8,723,112
	SNAP Cluster Total	$	142,269,219
Child Nutrition Cluster			
10.553	School Breakfast Program	$	5,229,365
10.555	National School Lunch Program		27,766,882
10.556	Special Milk Program for Children		199,323
10.559	Summer Food Service Program for Children		892,441
	Child Nutrition Cluster Total	$	34,088,011
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,566,052
10.568	Emergency Food Assistance Program (Administrative Costs)		170,293
10.569	Emergency Food Assistance Program (Food Commodities)		729,029
	Food Distribution Cluster Total	$	2,465,374
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,528,665
15.611	Wildlife Restoration and Basic Hunter Education		3,244,552
	Fish and Wildlife Cluster Total	$	6,773,217
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	2,985,439
17.801	Disabled Veterans' Outreach Program (DVOP)		626,328
17.804	Local Veterans' Employment Representative Program		165,518
	Employment Service Cluster Total	$	3,777,285
Workforce Investment Act (WIA) Cluster			
17.258	WIA Adult Program	$	2,681,484
17.259	WIA Youth Activities		2,161,964
17.278	WIA Dislocated Worker Formula Grants		2,294,366
	WIA Cluster Total	$	7,137,814

CFDA #	Program Title		Expenditures
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	177,184,217
20.219	Recreational Trails Program		-
	Highway Planning and Construction Total	$	177,184,217
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	318,508
20.507	Federal Transit – Formula Grants		1,581,795
	Federal Transit Cluster Total	$	1,900,303
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	1,242,878
20.516	Job Access – Reverse Commute		27,571
20.521	New Freedom Program		68,683
	Transit Services Programs Cluster Total	$	1,339,132
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	1,461,676
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		524,959
20.610	State Traffic Safety Information System Improvement Grants		341,679
20.612	Incentive Grant Program to Increase Motorcyclist Safety		56,083
	Highway Safety Cluster Total	$	2,384,397
Special Education Cluster			
84.027	Special Education-Grants to States	$	41,365,894
84.173	Special Education-Preschool Grants		1,289,289
	Special Education Cluster Total	$	42,655,183
School Improvement Grants Cluster			
84.377	School Improvement Grants	$	821,562
84.388	School Improvement Grants, Recovery Act		460,597
	School Improvement Grants Cluster Total	$	1,282,159
Aging Cluster			
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$	1,525,677
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services		3,575,137
93.053	Nutrition Services Incentive Program		1,111,392
	Aging Cluster Total	$	6,212,206

CFDA #	Program Title		Expenditures
Child Care and Development Fund (CCDF) Cluster			
93.575	Child Care and Development Block Grant	$	10,058,198
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		11,409,936
	CCDF Cluster Total	$	21,468,134
Medicaid Cluster			
93.775	State Medicaid Fraud Control Units	$	562,476
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		1,939,364
93.778	Medical Assistance Program (ARRA)		1,018,660,425
	Medicaid Cluster Total	$	1,021,162,265

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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:

Social Services Block Grant – **Qualified**
Public Health Emergency Preparedness – **Qualified**
Disaster Grants – Public Assistance – **Qualified**
Sport Fish Restoration Program/Wildlife Restoration and Basic Hunter Education – **Qualified**
Capitalization Grants for Clean Water State Revolving Funds – **Qualified**
Capitalization Grants for Drinking Water State Revolving Funds – **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, 2015

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
Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
Workforce Investment Act (WIA) Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Formula 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
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, 2015

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
12.400	National Guard Military Construction
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
20.106	Airport Improvement Program
20.509	Formula Grants for Rural Areas
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
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation to States
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
96.001	Social Security Disability Insurance
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B Programs: $5,989,708

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Part II - Financial Statement Findings

Findings 2015-001 and 2015-002 were identified as significant deficiencies relating to the State's basic financial statements and are required to be reported in accordance with *Government Auditing Standards* in this section.

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

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-11.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-001

Significant Deficiency:

Medicaid Liability Review Control Deficiencies

Observation:

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 General Fund's financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting, in which expenditures and related liabilities are recorded in the accounting period the liability is incurred, to the extent it is expected to be paid within the next twelve months. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in which expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Department of Health and Human Services (DHHS) is responsible for calculating a statewide MMIS liability and drug rebate liability as of the year end date for those expenditures incurred but not yet reported. This annual estimate is then used by the Department of Administrative Services to record these two liabilities which are consolidated into accounts payable liability on the face of the balance sheet in the fund statements and on the statement of net position in the governmental activities. As a portion of the claims are reimbursed by the Federal government in the Medicaid grant and as such are recorded as a receivable due from the Federal government is recognized. The majority of the remaining portion of this liability is expensed within the General Fund.

Ineffective/ Lack of Management Review pertaining to the MMIS liability and drug rebate liability

During fiscal year 2015, there was turnover in personnel at the Department of Health and Human Services. The Department lost several key employees responsible for calculating the MMIS liability as well as the drug rebate liability. As a result, the historical knowledge of the assumptions and calculations previously utilized to calculate the MMIS liability and the drug rebate liability were lost. During the year end close and financial reporting process, management completed numerous versions of the estimated calculation of the MMIS liability and drug rebate liability. From the beginning of the process in September to completion in December, Management changed the assumptions they utilized to calculate the MMIS claims and drug rebate incurred but not yet reported liability. Based upon this, we note there was a lack of a timely and quality review by management, both at DHHS and the Department of Administrative Services (DAS). This lack of review led to a corrected audit misstatement and delays in delivering the calculations to us.

Effect:

Ineffective and lack of timely management review relating to the MMIS and drug rebate liabilities increases the risk that the accounts payable, and related expense and receivable from the federal government are not accurately calculated or complete as significant information may be missing. This could also lead to an incorrect presentation of the State's obligation for MMIS and Drug Rebates in the financial statements. Furthermore, due to the delays in receiving the final liability calculations, the lack of a timely review impeded DAS from drafting the financial statements in a timely manner.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

We recommend that DHHS management complete an in-depth analysis to develop a methodology and assumptions to be utilized in the calculation of MMIS claims incurred but not yet reported liability prior to the State's fiscal year end. Further, we recommend DHHS and DAS review their existing controls to ensure the MMIS liability is completed in sufficient time to allow management at both departments appropriate time to perform their management review controls at a would level of precision. A would level of precision is a level of precision that would identify any areas in the calculation or assumptions being utilized in the calculation of the liability. Furthermore, we recommend management review its existing controls over communication between the two departments to ensure any changes or time delays are communicated to those in charge of financial reporting in a timely manner.

Management Response:

Department of Administrative Services Response:

We concur. Recent events such as the implementation of a managed care service model and the transition to a new Medicaid service provider, coupled with staff turnover at key financial positions within both the Department of Health and Human Services (DHHS) and the Department of Administrative Services (DAS) resulted in a challenging year from a financial reporting perspective. Despite calculations for liabilities related to the State's Medicaid program not being prepared and reviewed in as timely a manner as has occurred in years past, we are confident that the liabilities ultimately reported in the FY 2015 financial statements are materially accurate. However, we realize the importance of a documented calculation methodology completed within a timeframe which allows sufficient review before inclusion in the financial statements. We are committed to ensuring such a methodology and reporting schedule is in place moving forward and have already begun cooperating with DHHS to address these issues in FY 2016 and thereafter.

Department of Health and Human Services Response:

We concur. Because of managed care, the Department determined that a redesign of our liability calculation was necessary because costs were too distorted over a 36 month claims period and a 12 month claims process was more typical of current claims under the new model. The previous liability calculation was outdated because it was based upon a 36 month period.

The new liability calculation required DHHS to make a significant change to how the Department approached the MMIS claims liability calculation. As a result of the Department facing a number of challenges, not including the loss of key financial positions, the previous year liability calculations were incomparable to the current liability calculations. The Department had to redesign required IT reports. The Department requested the MMIS information technology group to create new reports based upon a 12 month claims period, which required over a month of IT time to create the necessary reports. Once the reports were received, the Department needed to test the validity of the data received to affirm a proper and accurate current year liability. The Department for the upcoming year will continue to refine our MMIS liability claims process. In FY16, working with DAS, DHHS expects the issues experienced during FY15 to be resolved.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-002

Significant Deficiency:

Financial Reporting Management Review

Observation:

DAS is responsible for drafting the Comprehensive Annual Financial Report (CAFR). There are areas which DAS prepares the financial data to be included in the CAFR (General Fund, Capital Fund, etc.) and there is financial information which other departments prepare and give to DAS for inclusion in the CAFR (Turnpikes, Liquor, Lottery, etc.). DAS will take this financial information, and compile the CAFR along with the relating Management Discussion and Analysis, footnote, required supplemental information, and statistical sections. Historically, as a part of DAS internal control structure, this responsibility has been at the Deputy Comptroller's level and the Comptroller and Commissioner are responsible for reviewing the financial reporting process and the CAFR at a would level of precision.

By State law, the first draft of the CAFR is due to be released by September 30 each year. This draft historically included financial statements and footnotes that are still in process but should not substantially change. Also, the first draft may not include the MD&A, RSI, and statistical sections. To meet the State's December 31st financial reporting RSA deadline, DAS historically completes a "final" draft prior to the end of November which then goes through management and external auditors review. One more draft is historically released in December just before the final CAFR is issued. Pursuant to RSA 21-1:8, the final CAFR needs to be issued on or before December 31, unless an extension is granted by the Fiscal Committee of the General Court.

Ineffective/ Lack of Financial Reporting Management Review

In the spring of 2015, there was significant employee turnover at DAS, including the Commissioner, Comptroller and Deputy Comptroller. As a result of the turnover, the Deputy Comptroller position was vacant during the year end close and financial reporting process as the position was not filled until September 2015. Due to this vacant position during the State's financial reporting period, the Comptroller took over many of the financial reporting responsibilities resulting in a break down in DAS internal control structure.

DAS management was not able to complete their financial reporting process including review in a timely manner to ensure draft financial statements were provided within the historical timeframe. Additionally, several key areas of the CAFR contained misstatements which were subsequently corrected by DAS prior to issuance. Further as a result, DAS recorded numerous post-closing or late adjustments and had numerous changes to the financial statement footnotes. These areas included General Fund MMIS payable, general fund debt, State Revolving Fund and liquor cash accounts.

Effect:

Inadequate controls in financial reporting increases the risk that a material misstatement could occur in the CAFR. There is a reasonable possibility that the lack of review will result in a material misstatement due to management's lack of knowledge of the State's historical transactions and assumptions utilized for estimates. Missing required disclosures or miscalculating an account balance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

can lead to a material misstatement, therefore the magnitude of a potential misstatement can be large. Furthermore, due to the delays in drafting financial statement footnotes and finalization in accounts balances, the lack of a timely review resulted in numerous versions of the financial statements in which adjustments or changes were not consistently made throughout the CAFR.

Recommendation:

We recommend that DAS continues to refine the financial reporting process to ensure all balances are finalized consistent with the State's historical financial reporting timeline and significant discloses are reviewed on a timelier basis to ensure issues and questions can be addressed earlier on in the process leading to a better quality Financial statement and timelier financial reporting. We also recommend key employees of DAS responsible for drafting the CAFR stay abreast of new and relevant GASB pronouncements so the pronouncements can be properly accounted for and disclosed in the CAFR.

Management's Response:

Department of Administrative Services Response:

We concur. During the fiscal year ended June 30, 2015, the Department of Administrative Services (DAS) experienced an unprecedented turnover in several higher level positions which were either partially or completely dedicated to financial analysis, reporting, and review. The loss of knowledge which accompanied the departure of the DAS Commissioner, the state comptroller, the financial reporting administrator, and the administrator of federal programs was exacerbated by the fact that two of those positions, the financial reporting administrator and administrator of federal programs, were vacant for approximately 6 months apiece. In addition to these departures of long-term knowledgeable employees and lengthy position vacancies, the division of accounting services within DAS has seen its statutorily required duties increased over the past two years, without any associated increase in resources to accomplish the workload increase. Compounding matters even further were the implementation during FY 2015 of a complex and labor-intensive GASB pronouncement and the additional turnover of financial staff in several other state agencies, upon which DAS relies to prepare the state's financial statements.

Despite these difficulties, we did meet the statutory requirement to produce the first draft of the state's FY 2015 CAFR by September 30, 2015. However adherence to the historical financial statement timelines after that point was not achieved, nor was compliance with the requirement for a final CAFR by December 31, 2015. An extension of that deadline by two weeks was granted by the Fiscal Committee and the final CAFR was issued within that extended deadline. We realize timely preparation of reviewed and accurate financial statements is one of our highest priorities. We feel these difficulties with meeting the historical and statutory reporting timelines, while serious, were largely a product of what we hope are temporary circumstances, such as the resource limitations caused by the turnover in financial positions. The positions affected by the turnover have been filled and we are committed to putting a structure in place to ensure these delays are not repeated in FY 2016 or beyond. With more staff in place, while the prescribed timeframes will still be tight, we will be better able to reestablish the analysis and review necessary to produce accurate financial statements in a timely manner and to also devote the time required to maintain up-to-date knowledge of current accounting pronouncements. Within DAS as well as with financial staff in other state agencies, we have already begun planning for the preparation of the fiscal year 2016 financial statements and we will, to the best of our ability, work to meet all requirements in fiscal year 2016. However, we feel our

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

current staffing levels are not adequate to effectively complete all of the financial reporting duties statutorily required. We will focus our efforts on the timely completion of the CAFR, but we plan to undergo a thorough examination of staffing and other resources within the division of accounting services in an effort to ascertain the resource levels necessary to meet all of our statutory requirements. We will use the results of this examination during our preliminary planning phase for the FY 2018/2019 biennial budget process to put forward a budget request that allows the division to be better equipped to handle all of these required duties, including those recently added.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

PART III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education — ***Finding 2015-003***
N.H. Department of Education
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 Immunization Cooperative Agreements
CFDA #93.563 Child Support Enforcement
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 #12.400 Military Construction, National Guard
CFDA #12.401 National Guard Military Operations and Maintenance

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

U.S. Department of Transportation
N.H. Department of Transportation
CFDA# 20.509 Formula Grants for Rural Areas

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 part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or unallowed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Condition:

The State of New Hampshire uses the NHFIRST Lawson System (Lawson or System) for the Financial Reporting and Human Resource/Payroll function. As a result of testing performed of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System to be ineffective.

Specifically, for terminated users, access to Lawson should be removed in a timely manner after the date of termination of the employee. For access rights to Lawson (specific to the Human Resource/Payroll function), employees either have view-only access to their payroll and benefit information, or elevated user access, which includes additional access rights such as the ability to approve timecards. Upon date of termination, agency Human Resources initiates a transaction that notifies the Department of Administrative Services (DAS), including security management of Lawson, that the employee has been terminated, at which point the access rights for the employee are modified such that all access rights other than view-only access to the individual's payroll and benefit information, are disabled.

During our review, we noted, that for 40 out of 40 sample selections, evidence supporting the timely removal of elevated user access rights (if applicable), was not available. Further, we noted, that for 32 out of 40 sample selections, the duration from the date of termination to the date of HR notification to Lawson management was not considered timely (greater than 3 days). The duration ranged from 4 days to 1,103 days.

Cause:

The policies and procedures in place, including the notifications that trigger removal of elevated user access for terminated employees, are decentralized across the various State agencies, for which management of the Lawson application has no control over. As such, in order to remove a terminated individual from the Lawson application in a timely manner, they must rely on notification from the various state agencies, and the completeness, accuracy, and timeliness of these notifications is not consistent across the State.

Effect:

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 application.

Questioned Costs:

None

Recommendation:

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, and that evidence of that timely removal is retained. Further, procedures should be established that allow management of the Lawson application the ability to enforce policies and procedures relative to timely notification of terminated employees.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Auditee Corrective Action Plan:

DAS Financial Data Management

We concur. As of November 20, 2015, a new NH FIRST Security access policy and procedure was put in place to conduct a daily review for all back office employees moving into a termination status, e.g., T1, R1, etc. and to retain a screen image, including a date time stamp, made from the security administrator software displaying current security access roles and then security access roles following removal of all back office roles. This policy addressed employees with elevated/enhanced back office access.

Following recent discussions and clarifications relating to Supervisors with the Time Approver role and most State of New Hampshire employees with the Time Reporter role, a similar elevated/enhanced access removal policy and procedure as that for back office security access will be put in place by NH FIRST Security as of March 31, 2016.

DAS Division of Personnel

We concur, the Division of Personnel will complete a review of the termination process and implement a policy that at a minimum requires agencies to notify the NHFIRST security team in Financial Data Management of the termination within three days of the employee’s final date of employment so that all access beyond basic employee can be removed.

Contact Person:

Charles Russell Director- Financial Data Management

William Armstrong - Financial Data Administrator II

Anticipated Completion Date:

Financial Data Management: March 31, 2016

Division of Personnel: June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding 2015-004***
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance to Needy Families
CFDA #93.563 Child Support Enforcement
CFDA #93.596, 93.575 Child Care Development Fund
CFDA #93.658 Foster Care
CFDA #93.667 Social Services Block Grant
CFDA #93.044, 93.045, 93.053 Aging
CFDA #10.551, 10.561 Supplemental Nutrition Assistance Program
CFDA #10.557 Special Supplemental Nutrition Program For Women, Infants and Children
CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Awards: ***Various***

Finding: Allocated payroll costs not approved or fully supported

Criteria:

Federal awards should be expended only for allowable activities. Laws and regulations for each grant program contain specific requirements for activities allowed and unallowed.

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. OMB Circular A-87, Attachment A contains basic guidelines related to compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and states that in order for a cost to be allowable under federal awards, costs must be adequately documented and approved.

Condition:

The State Department of Health and Human Services (the Department) utilizes a federally approved cost allocation plan to allocate costs to its public assistance programs. As part of our testwork, we reviewed the Department’s cost allocation plan to ensure that costs were allocated in accordance with the methodology outlined within the federally approved cost allocation plan, that there was sufficient documentation to support the costs that were allocated within the cost allocation plan, and that there were sufficient controls over the approval of those costs.

As part of our testwork over the cost allocation plan, we selected a sample of 40 timesheets composed of five (5) classified and five (5) unclassified employees for four (4) pay periods and noted the following:

- Two (2) timesheets for one (1) employee were not available under the “Time Line Audit Approved” in the LBI Dashboard therefore we could not determine whether the hours were approved.

Cause:

The cause of the condition found is primarily due to the need for the administrative procedures over processing of payroll costs to be strengthened.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Effect:

The potential effect of the condition found is that if payroll costs are processed incorrectly the Federal program will be charged inaccurately or incompletely.

Questioned Costs:

$5,814

Recommendation:

We recommend that the Department review its existing payroll procedures to process payroll and implement procedures to ensure that payroll costs are calculated accurately and completely and approved appropriately.

Auditee Corrective Action Plan:

We concur. The manual processing and approval of timecards occasionally occurs as exceptions to the standard processes for various reasons. The Department will take steps to strengthen the administrative procedures associated with the manual approval of timecards to ensure sufficient documentation is maintained to support the assignment of the related payroll costs to federal programs administered by the Department.

Anticipated Completion Date:

June 30, 2016

Contact Person:

Mary Calise, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding 2015-005***
N.H. Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Awards:

G-1501NHSOSR	***10/01/2014-9/30/2016***
G-1401NHSOSR	***10/01/2013-9/30/2015***
G-1301NHSOSR	***10/01/2012-9/30/2014***

Finding: Payroll costs not approved or fully supported for grant employees

Criteria:

Federal awards should be expended only for allowable activities. Laws and regulations for each grant program contain specific requirements for activities allowed and unallowed.

Although the Social Services Block grant is excluded from coverage under OMB Circular A-110 (2CFR par 215), Federal requirements mandate that the State cost principle requirements apply to the program and the State follows the A-102 Common Rule and OMB Circular A-110 (2CFR par 215). These circulars 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. In addition to the aforementioned circulars, the State follows OMB Circular A-87, Attachment A which contains basic guidelines related to compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and states that in order for a cost to be allowable under federal awards, costs must be adequately documented and approved.

Condition:

As part of our testwork over the Social Services Block Grant program, we selected a sample of 40 timesheets composed of twelve (12) classified employees and noted the following:

- For one (1) employee, the approved hours did not agree with the paid hours. The employee’s approved timesheet included total hours of 67.5. The payroll system defaulted to regular hours (75.0) and paid the employee total hours of 75. There was no evidence to support the employee’s actual hours so it appears that the employee was overpaid.
- For one (1) employee, the report generated from the LBI Dashboard-Time Line Audit Approved screen did not match the payment.

Cause:

The cause of the condition found is primarily due to incorrect processing for payroll costs. We also noted additional cause of the condition found that HR staff approved timesheets due to the employee’s supervisor’s, or proxy’s inability to access and approve employee timecards.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Effect:

The potential effect of the condition found is that if payroll costs are processed incorrectly the Federal program will be charged inaccurately or incompletely. We also noted the effect of the condition found that there is an increased risk of non-compliance with activities allowed or unallowed requirement.

Questioned Costs:

$194

Recommendation:

We recommend that the Department review its existing payroll system procedures to process payroll and implement procedures to ensure that payroll costs are calculated accurately and completely.

Additionally, we recommend that the Department ensure all employee timecards are reviewed and approved by the employee's immediate supervisor, or proxy. If circumstances necessitate HR approval of employee timecards in the system, the Department should maintain documentation to evidence that the supervisor/proxy has reviewed the employees' timecard for its accuracy at the time of approval or soon after.

Further, we recommend that the Division of Accounting Services (DAS) validate the LBI Dashboard-Time Line Audit Approved reports for completeness and accuracy.

Auditee Corrective Action Plan- *Health and Human Services*:

The Department concurs that for the first and third bullets procedures were not followed as they should have been. The Payroll staff will make a concerted effort to follow procedures.

Anticipated Completion Date:

June 30, 2016

Contact Person:

Mary Calise, Administrator IV
Betty Hughes, Payroll Supervisor

Auditee Corrective Action Plan – *Department of Administrative Services*:

The Division of Accounting Services concurs with the second bullet. Additional testing will be performed to validate the Time Line Audit Approved reports produced by the LBI Dashboard to strengthen and ensure their completeness and accuracy.

Anticipated Completion Date:

April 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Contact Person:

Karen Loy, Statewide Payroll Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services *Finding 2015-006*
N.H. Department of Health and Human Services

CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)

Grant Year and Awards:
10/01/2012 – 09/30/2013 1305NH5MAP
10/1/2014 – 09/30/2015 1505NH5MAP
10/1/2013 – 09/30/2014 1405NH5MAP

Finding: Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services

Criteria:

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Suspected fraud should be referred to the State Medicaid Fraud Control Units (42 CFR part 1007).

The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services. The State Medicaid agency may conduct this review directly or may contract with a QIO.

Condition:

The Bureau of Improvement and Integrity, Program Integrity Unit (PIU) within the Department of Health and Human Services (the Department), is responsible for establishing and using written criteria for evaluating the appropriateness and quality of Medicaid services as a means of detecting and correcting potential occurrences of provider fraud, waste and abuse. The PIU also manages the Department's contract with the external Quality Improvement Organization (QIO), which performs all in-state, border and specialty retrospective inpatient reviews on the fee for service population.

During our testwork of the utilization process, we reviewed the Department's sampling plan for selecting the utilization reviews to be performed directly by the PIU and ascertained that the sampling plan is designed and implemented in such a way that the sampling plan can be supported by the Department's current system in place, the electronic Fraud and Abuse Detection system, or eFADS. This system is designed to be able to provide the PIU with current and valuable analysis of Medicaid claims processed by the Department.

We noted that there were 29 cases reviewed by the PIU during the audit period. However, we also noted that there is currently a backlog of 277 cases waiting to be reviewed, of which 79 cases were identified a high priority.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Additionally, we noted the QIO that the Department has contracted with, ceased all contract operations in September 2014. Per review of the contract, the QIO was contracted to perform a total of 6,000 reviews of which 2,215 were completed, leaving 3,785 reviews outstanding. Currently, the PIU is actively seeking a contractor to complete the outstanding reviews.

A similar finding was noted in the prior year report.

Cause:

The cause of the condition found is primarily due to a lack of resources assigned to the PIU which has resulted in the PIU's inability to perform the required investigations.

Effect:

The potential effect of the condition found is that there is an increased risk of non-compliance with the utilization control and program integrity requirement which may result in the unnecessary utilization of care and services provided under the Medicaid program.

Questioned Costs:

None

Recommendation:

We recommend that the Department should strengthen its existing policies and procedures followed to ensure that all the identified cases in are investigated. As part of this process, the Department should ensure that there is sufficient staffing within the Department.

Auditee Corrective Action Plan:

We concur. A new nurse reviewer was hired the end of November 2015 and has started to review backlog cases, but there is a minimum 6 month learning curve. There continues to be a staffing shortage within the Program Integrity (PI) unit. The PI Business Systems Analyst I left DHHS in October 2015 and the PI Administrator retired the end of November 2015. The Business Systems Analyst position is currently in recruitment and the work is being covered by the position's manager, Office of Improvement & Integrity (OII) Business Systems Analyst II, to ensure the nurse reviewers can obtain the system information needed to conduct reviews. This is why OII system staff were restructured to report centrally under one unit to ensure coverage of highly skill work that others within the individual OII units could not perform. OII Management has established bi-weekly and monthly review with staff to ensure cases are being reviewed and completed timely. OII management continues to monitor referrals and cases to ensure the cases with the highest potential of fraud or abuse are reviewed first.

The PI unit is continuing to shift focus as more and more of the Medicaid claims processing and provider relations resides with the Managed Care Organizations (MCO). It is believed that PI will need to perform fewer fee for service reviews and focus more on oversight of the MCOs fraud, waste, and abuse programs as there will be fewer claims processed through the MMIS system.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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PI has developed an RFP for the Quality Improvement Organization (QIO) to establish a new contract. However, with the move to Managed Care, less and less inpatient hospital claims are being processed as Fee for Service and there is a concern that there would not be enough work to entice a QIO to bid. DHHS management is reviewing to determine if the work required under the QIO could be added to the contract currently in place for the EQRO. If not, then DHHS will move forward with the RFP. The RFP does require all back cases from September 2014 to be reviewed.

Anticipated Completion Date:

QIO contract in place by July 2016.

Case reviews continue to be dependent on maintaining staffing and training of new staff, but should see improvement on case closure by December 2016.

Contact Person:

Tashia Blanchard Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services — ***Finding 2015-007***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)

Grant Year and Awards:

10/1/2014 – 09/30/2015	***1505NH5MAP***
10/1/2013 – 09/30/2014	***1405NH5MAP***

Finding: Absence of controls over the reconciliation of the State's Medicaid claims data included in the capitation rate development for the Medicaid Care Management Program

Criteria:

In accordance with Section 1932(a)(1)(A) of the Social Security Act, the State of New Hampshire enrolls Medicaid beneficiaries on a mandatory basis into manage care entities (managed care organization (MCOs) and/or primary care case managers (PCCMs)) in the absence of section 1115 or section 1915(b) waiver authority is granted under section 1932(a)(1)(A) of the Social Security Act (the Act). Under this authority, a state can amend its Medicaid state plan to require certain categories of Medicaid beneficiaries to enroll in managed care entities without being out of compliance with provisions of section 1902 of the Act on statewideness (42 CFR 431.50), freedom of choice (42 CFR 431.51) or comparability (42 CFR 440.230).

Additionally, in accordance with 42 CFR 438.50(b)(1), (2) and (3), the State of New Hampshire specified that they will contract with an MCO and the method of payment to the contracting entity will be capitation and a bonus/incentive payment. The State will pay the agreed upon capitated rate on a two month retrospective basis.

Condition:

On August 24, 2012, the State of New Hampshire (the State) proposed an amendment (SPA TN 12-006) to the State's approved Title XIX (Medicaid) State Plan that was approved by the Centers for Medicaid Services (CMS) authorizing the implementation of a statewide managed care delivery system, or the Medicaid Care Management (MCM) program, with an effective date of September 1, 2012. In addition, on November 6, 2014, the State proposed another amendment (SPA TN 14-011) relating to the MCM program that was also approved by CMS that allowed the State to enroll individuals participating in the NH Health Protection Plan into managed care.

As a result of the implementation of the MCM program, the State was required to develop a capitation rate that would be used to pay enrolled managed care organizations used to operate the program. In order to develop the capitation rates, the New Hampshire Department of Health and Human Services (DHHS) contracted with, an actuarial firm, to calculate, document and certify its capitation rate development. The actuary's role within this process was to certify that the capitation rates produced by the rating methodology are actuarially sound to comply with CMS regulations. As this is a new program, we noted that Fee for Service (FFS) costs and eligibility data for June 2010 through December 2012, historical

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reimbursement information, Third Party Liabilities (TPL) recoveries, current fee schedules and other DHHS information was used by the actuary to calculate the capitation rates. While the information noted above was provided to the actuary by DHHS, it appears that the information provided was not validated by DHHS to ensure it reconciled to the claims expenditures reported within the quarterly CMS 64 report or that it agreed to the statewide accounting system.

Cause:

The cause of the condition found is primarily due to the absence of reconciliation controls to ensure that data provided to the actuary is accurate and complete.

Effect:

The potential effect of the condition found is that if the underlying data or information is inaccurate or incomplete the results of the actuary's analysis may likewise be inaccurate or incomplete.

Questioned Costs:

None

Recommendation:

We recommend that the Department review its existing procedures to accumulate and validate the necessary data for the development of the capitation payment rates and implement procedures to ensure that such data is accurate and complete.

Auditee Corrective Action Plan:

DHHS notes that the process for the period in question was an interim process based on historical fee for service claims due to the unavailability of encounter claims data from the MCOs**.**

DHHS, its actuaries, and the MCOs developed a validation process of the encounter claims data. The validated encounter data will be utilized for the development of the capitation payment rates.

The MCO encounter data validation process is based on ongoing communication between DHHS, the actuary and the MCOs to strengthen the feedback loop and provide an opportunity for MCOs to play a greater role in the capitation rate development process. As DHHS and the actuary work on the development of the MCO capitation rates, each MCO will be provided with a series of detailed data summaries in order to further understanding of the data, complete the validation process and offer more transparency on the process leading to the draft capitation rates.

The first step of the data validation process is to review paid amounts by incurred and paid date in order to perform a high level review of the submitted data. The second step will consist of comparing the submitted encounter data to quarterly unaudited financial summaries from the MCOs. This second phase will allow for a more granular review of the encounter data and offer more opportunities to uncover issues. The third step will focus on service specific investigations for service categories that are of particular interest to DHHS and the MCOs. Such review will include, but is not limited to the following areas:

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- Community Mental Health Center services,
- Prescription drug expenditures by therapeutic class, and
- Provider reimbursement levels compared to Medicaid fee schedules.

At each step, the MCOs will have the opportunity to confirm correct transmission and summary of its data elements. We believe the MCO encounter data validation process meets CMS' requirements and will allow the state's actuaries to comply with the requirements included in the CMS Medicaid Managed Care Rate Development Guide.

Anticipated Completion Date:

June 2016

Contact Person:

Athena Gagnon, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Health and Human Services — ***Finding 2015-008***
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance for Needy Families (TANF)
CFDA #93.596, 93.575 Child Care Development Fund
CFDA #93.667 Social Services Block Grant
CFDA #93.044 Special Programs for the Aging – Title III, Part B – Grants for Supportive Services
CFDA #93.045 Special Programs for the Aging – Title III, Part C – Nutrition Services
CFDA #93.778 Medical Assistance Program (Medicaid; Title XIX)

Grant Year and Awards:

07/01/2014 – 9/30/2014	***2014G996115***
10/1/2014 – 12/31/2014	***2015G996115***
1/1/2015 – 3/31/2015	***2015G996115***
4/1/2015 – 6/30/2015	***2015G996115***
10/1/2013 – 9/30/2015	***1401NHSOSR***
10/1/13 – 9/30/14	***14AANHT3CM***
10/1/13 – 9/30/14	***14AANHT3FC***
10/1/13 – 9/30/14	***14AANHT3HM***
10/1/13 – 9/30/14	***14AANHT3PH***
10/1/13 – 9/30/14	***14AANHT3SS***
10/1/14 – 9/30/15	***15AANHT3CM***
10/1/14 – 9/30/15	***15AANHT3FC***
10/1/14 – 9/30/15	***15AANHT3HD***
10/1/14 – 9 /30/15	***15AANHT3PH***
10/1/14 - 9/30/15	***15AANHT3SS***

Finding: Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the TANF program need to be strengthened

Criteria:

As described in §310(b)(3) of OMB Circular A-133, auditees must complete the Schedule of Expenditures of Federal Awards (SEFA) and include CFDA numbers provided in Federal awards/subawards and associated expenditures. Also, as described in §310(b)(5) of OMB Circular A-133, auditees should identify in the schedule the total amount provided to subrecipients from each Federal program, to the extent practical.

Condition:

During our testwork over the Schedule of Expenditures of Federal Awards (SEFA), we noted that there were errors included in the SEFA relating to program expenditures and certain required elements as follows:

States may transfer a limited amount of Federal Temporary Assistance for Needy Families (TANF) funds into Child Care and Development Block Grant (CCDF (CFDA 93.575). These transfers are reflected in lines 2 and 3 of both the quarterly *TANF Financial Report* ACF-196R, and the quarterly *Territorial Financial Report* ACF-196-TR. The amounts transferred out of TANF are subject to the requirements of

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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the program into which they are transferred and should not be included in the audit universe and total expenditures of TANF when determining Type A programs. The amount transferred out should not be shown as TANF expenditures on the Schedule of Expenditures of Federal Awards, but should be shown as expenditures for the program into which they are transferred.

During our review of the TANF and CCDF programs expenditures, we noted that the Department of Health and Human Services (the Department) transferred approximately $3 million of TANF funds into the CCDF program. While the transfer of funds was properly reported within the TANF and CCDF quarterly financial reports, the Department did not properly report the transferred funds on the SEFA when it was compiled and incorrectly reported the transferred funds as TANF expenditures instead of CCDF expenditures as required by federal regulations.

The Balancing Incentive Program provided financial incentives to States to increase access to non-institutional long-term services and supports (LTSS) in keeping with the integration mandate of the Americans with Disabilities Act (ADA), as required by the *Olmstead* decision and was created by the Affordable Care Act of 2010 (Section 10202). The Balancing Incentive Program authorized grants to serve more people in home and community-based settings, from October 1, 2011 to September 30, 2015. Thirteen States continue to participate in the program by spending the grant funds to increase access to new or expanded services and infrastructure and New Hampshire is one of these states through the State of New Hampshire, Department of Health and Human Services Office.

During our review of the Medicaid program expenditures, we noted that the Department did not report the Balancing Incentive Program (BIP) expenditures correctly for the current period.

The Department of Health and Human Services administers the Social Services Block Grant and the Aging Cluster program and provides services to eligible participants primarily through subaward agreements with provider agencies (subrecipients). The State identifies amounts provided to subrecipients from each Federal program by including the percentage of the total program expenditures passed through to subrecipients.

During our review of the Social Services Block Grant and the Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and the Special Programs for the Aging – Title III, Part C – Nutrition Services, which are part of the Aging Cluster program, we noted that the Department did not include the pass-through percentages accurately.

Cause:

The cause of the condition found is primarily due to insufficient review and reconciliation controls to ensure that federal funds are properly recorded on the SEFA and all required elements of the schedule are included correctly.

Effect:

The effect of the condition found is that total expenditures for the TANF, CCDF and Medicaid programs were reported incorrectly on the SEFA and the pass-through percent was not reported correctly for the SSBG and Aging Cluster programs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None

Recommendation:

We recommend that the Department review its existing procedures to prepare the SEFA and implement procedures to ensure that Federal amounts and all elements are reported accurately on the SEFA

Auditee Corrective Action Plan:

While we do concur with the finding, all the processes have been updated such that at the end of this year we should not have an issue with accurately submitting the SEFA.

Anticipated Completion Date:

June 30, 2016

Contact Person:

Mary Calise Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding 2015-009***
N.H. Department of Health and Human Services

CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:

07/01/2014 – 9/30/2014 2014G996115
10/1/2014 – 12/31/2014 2015G996115
1/1/2015 – 3/31/2015 2015G996115
4/1/2015 – 6/30/2015 2015G996115

Finding: Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation and missing participants applicable verification records.

Criteria:

The state agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, it must have in place procedures to (a) determine whether its work activities count for participation rate purposes; (b) determine how to count and verify hours of reported work; (c) identify who is a work-eligibly individual; and (d) control internal data transmission and accuracy. Each state agency must comply with its Health and Human Services (HHS) approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant (SFAG) for violation of this provision (42 USC 601, 602, 607, and 609); CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

Condition:

In order to monitor TANF participant required work activity the Department of Health and Human Services (the Department) requires TANF participants to submit documentation such as pay stubs or statements from employers to support their individual work activities. In order to ensure that the information submitted by the participants is accurate, on a monthly basis the Department selects a sample of cases composed of both on-going two parent family and other family (i.e. single or absent parent) during the following calendar month. Each sampled case is verified for accuracy of work or work-related activity hours reported. This verification is done via a match of New Heights system (the State of New Hampshire eligibility determination system) hours reported and supporting documentation collected from TANF participants During our testwork over the Department's verification process we noted the following:

A. For 3 of the 40 items selected for testwork, the work hours contained on the TANF participant's case records or the job search log did not agree to the work hours reported within the New Heights system. As a result, the data contained within the New Heights system did not appear to be accurate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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B. For 1 of the 40 items selected for testwork, the TANF participant's case record did not contain a job search log and as a result we were unable to verify that the work hours reported in the New Heights system is accurate.

Cause:

The cause of the condition found is primarily due to human error.

Effect:

The effect of the condition found is that inaccurate work hours could be reported by TANF participants, which could further result in an improper calculation of the State's work participation rates, as required for federal reporting.

Questioned Costs:

None

Recommendation:

We recommend that the Department review its existing procedures and controls related to work verification to ensure that work and work related activity hours are properly and accurately reported in a consistent manner in order to ensure that the Department is in compliance with federal regulations.

Auditee Corrective Action Plan:

The Department concurs. This issue was brought to the Department's attention as part of the 2014 audit in April of 2015. Staff have subsequently been instructed that all activity hours for each client are to be entered into the New HEIGHTS system, regardless of whether the person will meet for participation.

Anticipated Completion Date:

Complete at this time.

Contact Person:

Mary Calise, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding: 2015-010***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award- 7/1/14-6/30/15 5U90TP000535-03

Finding: The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.

Criteria:

The Notice of Awards for the PHEP grant includes the following earmarking requirement:

For the Cities Readiness Initiative (CRI): This award includes $284,206 to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. These funds provide for medical countermeasure distribution and dispensing (MCMDD) for all hazards events, which includes the ability of jurisdictions to develop capabilities for U.S. cities to respond to a large-scale biologic attach, with anthrax as the primary threat consideration. For State awardees, 75% of their allocated funds must be provided to CRI jurisdictions in support of all-hazards MCMDD planning and preparedness. CRI jurisdictions are defined to include independent planning jurisdictions (as defined by the state and locality) that include those counties and municipalities within the defined metropolitan statistical area (MSA) or the New England County Metropolitan Areas (NECMAs).

Condition:

During our audit of the PHEP Program, we tested the above earmarking requirement to determine whether the DHHS had earmarked the required amount to CRI jurisdictions.

We observed the CRI requirement was underfunded by $51,520.

A similar issue was noted in the prior year audit. DHHS disagreed with that finding, quoting Centers for Disease Control as stating “the PHEP awardee must be able to demonstrate to the Project Officer that they were able to complete those specific project activities as required in the Funding Opportunity Announcement and the unexpended funds resulted in cost savings to the Federal government.”

We have not been able to obtain evidence from DHHS that specific project activities were completed and the unexpended funds resulted in cost savings to the federal government.

Cause:

DHHS have compiled obligated funds at June 30, 2015, which include CRI expenditures; however, the expended and obligated amount still fell short of the required earmark amount.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Effect:

Noncompliance with the earmarking requirements included in the PHEP program notice of award.

Questioned Costs:

$51,520

Recommendation:

We recommend that the PHEP Program review its controls to ensure that the required allotment to CRI jurisdictions is fulfilled.

Views of Responsible Officials and Corrective Actions

Contact: Dolores Cooper, Financial Manager

Auditee Corrective Action Plan:

We respectfully do not concur with the finding. First, there is no “earmarking” requirement in the CDC Grant. Second, DHHS has demonstrated full compliance with CDC PHEP/CRI Grant requirements as well as with CDC guidance on the carrying forward of unexpended grant funds.

Pursuant to the CDC grant and CDC official guidance, CDC allows grantees to carry forward into another grant year unexpended funds when the grantee is able to demonstrate completion of specific project activities (e.g. CRI) under the grant and within the budget period, and that unexpended funds resulted from a cost savings to the Federal government. If the grantee is able to demonstrate this, CDC may approve carry forward of the unexpended funds to other components of the Grant. CDC also requires that for state awardees, 75% of their allocated CRI funds must be provided to CRI jurisdictions in support of the all-hazards MCMDD planning and preparedness. We respectfully do not concur with the finding.

Here, DHHS has demonstrated that it has met all CRI project requirements as it has satisfactorily completed its contracts with CRI jurisdictions for MCMDD project activities. Not only did DHHS properly complete the required CRI project activities, it also has demonstrated that it has effectively met the Grant’s performance benchmark by establishing the proper degree of MCMDD capability in the event of a large scale attack. In particular, CDC evaluated the CRI grant component during the grant through the use of its Technical Assistance Review (TAR) evaluation tool and awarded the State a passing score.

With regard to the 75% expenditure requirement of CRI funds on CRI jurisdictions, KPMG’s reported figures demonstrate that NH DHHS has also achieved this requirement. KPMG states that the CRI grant component was in the amount of $284,206, and that all but $51,520 was expended in the CRI area. KPMG has incorrectly stated the amount spent on the CRI contracts for Budget Period (BP)3. State Fiscal Year 2015 included CRI contract payments for both PHEP BP 2 and BP 3. Based on the contract information provided during the audit, we show a total of $225,976.52 spent on BP3 CRI activities with an additional $48,963.14 spent on BP2. Although, the BP2 activities were paid during SFY2015, these payments were for activities provided during BP2 but, paid for during SFY2015. Accordingly, this does show $225,977 or 80% of the $284,206 CRI component of the PHEP grant was expended on CRI activities.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

In order to avoid unnecessary waste of taxpayer dollars and to better achieve the important Grant goal of public health emergency planning and preparedness, CDC and the Federal government specifically allow grantees to request and obtain CDC approval of the carry forward of savings in such circumstances to a subsequent grant year to satisfy other unmet Grant component needs. CDC has approved the carry forward under these circumstances. NH DHHHS has properly acted pursuant to CDC guidance, acted as a steward of the funds entrusted to it and sought to improve public safety pursuant to the Grant requirements.

With respect to the prior grant year finding, NH DHHS is in the process of appealing the finding. DHHS is able to and will demonstrate that it was in full compliance with CDC PHEP/CRI Grant requirements as well as with CDC guidance on the carrying forward of unexpended grant funds. The expenditure amounts reported by KPMG in the prior year audit were incorrect as evidenced by the NH DHHS Final Federal Financial Report and supporting documentation, including the State financial payments recorded by CDC Grant job numbers. This information was available to KPMG during its review, but was not properly considered. Further, as stated above, CDC and the Federal government seek to avoid waste of federal funding when a grantee meets the project requirements and achieves savings. In these circumstances, CDC will properly allow a request to carry forward unexpended funds to be spent on an identified grant purpose, resulting in better achieving the Grant's goals of public health emergency preparedness.

Implementation Date: N/A

KPMG Rejoinder:

We reviewed all documentation provided to us that was available for us to consider during fieldwork. Further, the Federal government has currently sustained the prior year finding and determined that $108,335 of prior costs should be remitted back to the Federal government.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding: 2015-011***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award- 7/1/14-6/30/15 5U90TP000535-03

Finding: The Department should improve its internal controls over and compliance with equipment inventory requirements.

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. "

Further, the Notice of Awards for the PHEP grant includes the following equipment inventory reporting requirement. "An original and two copies of the complete inventory listing must be submitted for all major equipment acquired or furnished under this project with a unit acquisitions cost of $5,000 or more."

Condition:

The Department of Health and Human Services 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.

Additionally, we noted the equipment inventory report was not submitted to the Federal government, as required per the Grant award.

Cause:

It appears that the Department's management made a decision that 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 the Equipment Management Federal requirement as the State policy over equipment inventory has not been followed and the complete inventory report not submitted to the Federal Government.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None

Recommendation:

We recommend that the PHEP Program review its controls to ensure that an annual inventory count is completed and there is proper submission of required documentation of acquired equipment.

Auditee Corrective Action Plan:

We concur with this finding.

The Department of Health and Human Services acknowledges that a physical inventory was not conducted in SFY 2015. Inventory tracking is an enormous responsibility for the department given the number of long term assets exceed 45,000 and are located at over 30 sites across New Hampshire.

To address the requirement for an annual physical inventory, the department will pursue the following action plan:

- Evaluate current inventory tracking procedures to determine feasibility of completing an annual physical inventory
- Request funding for a department wide inventory tracking system in the SFY 2018-2019 Capital Budget
- Request additional staffing as deemed necessary in the SFY 2018-2019 Operations Budget.

Implementation Date:

April 1, 2016

Completion Date:

June 30, 2018

Contact Person:

Grant Beckman, Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding: 2015-012***
N.H. Department of Health and Human Services

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

Grant Year and Award- 10/1/13-9/3/14 4NH700703
10/1/13-9/30/17 4NH700743

Finding: The controls incorporated into a Service Organization's operations relative to the NH 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.

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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.

A similar finding was noted in the prior year report.

Cause:

Although this finding was originally identified in the fiscal 2013 single audit report, the Department has not yet incorporated a requirement for a SOC 1 report into the existing Starlinc contract or implemented additional internal controls relative to the system's performance. It appears the requirement for the vendor to provide a SOC 1 report relative to Starlinc system controls was not included in the request for proposal or in a subsequent contract amendment to the newly executed contract.

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 hosting, maintaining, and operation the Starlinc system to provide the Department with an annual SOC 1 report. In the absence of a SOC 1 report, the Department should implement compensation controls as a means of obtaining reasonable assurance the processes incorporated into the Starlinc system are and continue to be designed properly and operate effectively to prevent non-compliance with the laws, regulation, and the provisions of contracts or grant agreements of the WIC Program.

Auditee Corrective Action Plan:

We concur with the finding. Since the audit, the Department has processed a contract amendment with the vendor to include the SOC1 reporting requirement. This contract amendment was approved by Governor and Council on December 2, 2015.

Implementation Date:

December 2, 2015

Contact Person:
Dolores Cooper, Financial Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services ***Finding: 2015-013***
N.H. Department of Health and Human Services

CFDA # 93.563 Child Support Enforcement (CSE)
CFDA # 93.658 Foster Care- Title IV-E
CFDA # 93.575 Child Care and Development Block Grant (CCDF)
CFDA # 93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund

Grant Year and Award
10/01/2013 – 09/30/2014 1404NH4005; 1401NHCCDF; 2014G994107
10/01/2014 – 09/30/2015 1504NHCSES; 1501NHCCDF; 2015G994107

Finding: Program drawdowns not in accordance with Treasury –State Agreement

Criteria:

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

Per the State’s TSA section 6.2.2, Administrative Costs drawdowns are to be performed on a payroll cycle. The State shall request funds for all direct administrative costs such that they are deposited on the dollar weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I of agreement.

Further, in accordance with 2 CFR section 200.302(b)(6)), Non-Federal entities must establish written procedures to implement the requirements of the TSA.

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 TSA. 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 or a quarterly true up of administrative or direct costs, and therefore the draw process does not appear to meet the requirements of the TSA in effect for fiscal 2015.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Further, the Department does not have written procedures over implementing the requirements within the TSA.

Cause:

The TSA agreement was revised from the agreement operating effectively in fiscal 2014.

Effect:

The Department 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. These cash management policies and procedures should be formalized. Further, the New Hampshire Treasury should strengthen their internal controls over ensuring any changes made to the TSA Agreement are communicated and approved by the affected agencies.

Auditee Corrective Action Plan:

The Department concurs that the draws were not incompliance with the 2015 TSA. The Department had not been made aware of the changes in place during SFY 2015.

The Department of Administrative Services (DAS), in conjunction with Treasury, will implement an annual communication to all program managers for major federal programs inclusive in the State's TSA informing them of the approved average clearance pattern/technique assigned to their program in the current TSA as well as the TSA being submitted for the upcoming fiscal year.

This communication will request program managers to verify their current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance."

Written procedures will also be created that document the implementation of the TSA requirements.

Anticipated Completion Date:

March 31, 2016

Contact Person:

Mary Calise, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services — ***Finding 2015-014***
N.H. Department of Health and Human Services

CFDA #93.575 Child Care and Development Block Grant
CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund

Grant Year and Award:

10/01/2013 – 09/30/2014	*1401NHCCDF*
10/01/2014 – 09/30/2015	*1501NHCCDF*

Finding: Per review of the provider files, provider visits were not performed within the year, as is the Department's monitoring policy for eligible providers.

Criteria:

As part of their Child Care Development Fund (CCDF) plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR section 98.41).

Condition:

During our testwork over provider health and safety special tests, we noted for six out of 40 providers selected for testwork, a monitoring visit was not performed within the year, as is the Department's monitoring policy. A monitoring visit is required to ensure the provider is operating in accordance with the childcare provider rules and regulations. For continuous monitoring efforts, each provider is required to have a monitoring visit performed during the year to ensure continual compliance with regulations.

A similar finding was noted in the prior year report.

Cause:

The cause of the condition found is due to the lack of a schedule and procedures in place to ensure proper monitoring is taking place. The cause is also due to a lack of staff to support the capacity of monitoring visits.

Effect:

The State of New Hampshire is not in compliance with the monitoring requirement of the Health and Safety special test.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

The Department should review their monitoring plan and procedures to ensure that each site is visited as required by the State's Child Care Development Fund plan to ensure compliance with health and safety requirements as noted in the State Plan and Federal Regulations.

Auditee Corrective Action Plan:

The Department does concur that the required monitoring visits did not occur as they should have for the six sites noted. New Hampshire has dedicated resources to increase the number of staff in the Child Care Licensing Unit (CCLU) to meet the Department's own monitoring policy as well as to comply with the upcoming requirements of the Federal CCDBG (658E(c)(2)(K)) regarding monitoring of licensed (and unlicensed) programs which go into effect on November 19, 2016. The increase in staff would also allow for the projected annual monitoring of license-exempt providers, including relatives, dispersed throughout the regional licensing coordinators, who perform the monitoring visits. NH DHHS will hire five new licensing coordinators and one program assistant.

Anticipated Completion Date:

DHHS anticipates having the necessary staff hired by August 1, 2016.

Contact Person:

Mary Calise, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Homeland Security ***Finding 2015-015***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***
6/14/10-6/30/14	***DRNH 1913 PA***

Finding: Treasury- State Agreement (TSA) requirements should be complied with

Criteria:

US Department of the Treasury (Treasury) regulations at 31 CFR part 2015, 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.

Per the TSA Agreement:
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Recipient: Department of Safety
% of Funds Agency Receives: 97.00
Component: Direct Program
Technique: Actual Draw - Monthly
Average Day of Clearance: N/A
Recipient: Department of Safety
% of Funds Agency Receives: 3.00
Component: Administrative
Technique: Cost Allocation Plans - Monthly
Average Day of Clearance: N/A

Condition:

During the audit, we noted for two months, the Department of Safety (the Department) did not comply with the applicable funding technique specified in the TSA for direct costs. We noted that the Department was drawing more than monthly for the months of August and June.

A similar finding was identified during the Single Audit for fiscal 2014.

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Cause:

The Department misunderstood the TSA agreement as stating that the Draws should be performed "At Least" monthly.

Effect:

The Department was not in compliance with the funding technique specified by the TSA Agreement, which states draws should occur monthly.

Questioned Costs:

None

Recommendation:

For the direct costs, the Department misunderstood the funding technique to be utilized. The Department was drawing down funds multiple times a month. Although this may make business sense, it is not compliant with the approved method in the TSA Agreement.

We recommend the Department work with the Treasury department to change the approved funding technique to a Bi-Monthly Draw for direct costs to better align the TSA with practice.

Auditee Corrective Action Plan:

The Department of Administrative Services (DAS), in conjunction with the Treasury, will implement an annual communication to all program managers for major federal programs inclusive in the State's TSA informing them of the approved average clearance pattern/technique assigned to their program in the current TSA as well as the TSA being submitted for the upcoming fiscal year.

This communication will request program managers to verify their current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.

Contact Person:

Steve Giovinelli
DAS, Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Homeland Security ***Finding 2015-016***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***

Finding: Controls over subrecipient monitoring procedures should be improved and compliance with Federal requirements achieved

Criteria:

A pass-through entity is responsible for ensuring an applicant for a subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award, is required under 2 CFR section 25.110 and Appendix A to 2 CFR part 25.

Additionally, in accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for reviewing and following up on subrecipient audit findings as well as monitoring subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements and achieves performance goals.

Condition:

During the fiscal year ended June 30, 2015, 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 did not have procedures in place to review and follow up on subrecipient single audit reports, as well as ensuring a subrecipient has provided a DUNS number. For a sample of 20 subrecipients, HSEM did not monitor subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with requirements and performance goals.

A similar finding was identified during prior year single audits.

We further noted there was a lack of a formal monitoring system to ensure HSEM did not pay subrecipients over the awarded amount. For the period under audit, the system in place to track amounts paid to subrecipients is manually updated, and in one instance, we noted management costs paid were not included in the total, but did not result in an overpayment.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Cause:

HSEM reported lack of resources during the fiscal year ended June 30, 2015 contributed to the condition.

Effect:

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2015.

Questioned Costs:

None

Recommendation:

HSEM should establish and implement procedures to obtain a DUNS number, review, and follow up on subrecipient single audits where findings occur in the funded program. This will help to ensure that appropriate monitoring procedures occur and enable HSEM to make a determination whether the sub-recipient administers the Federal awards in compliance with program requirements. Further, we recommend HSEM automate the system of tracking payments made to subrecipients.

Auditee Corrective Action Plan:

All Public Assistance subs-recipients must fill in a “Request for Public Assistance” which requires their Dun and Bradstreet number. Sub-recipients must fill in one of these forms in order to be considered for funds.

NH Department of Safety, Division of HSEM tracks all Single Audits on a spreadsheet. This spreadsheet is used by Department of Safety for tracking all A-133 Audits.

In 2014 we implemented a step in our procedures that include a thorough check of the A-133 Single Audit for “Audit Findings.” If a finding has been identified, HSEM coordinates with the State of New Hampshire Department of Safety (DOS) Business Office to perform a monitoring review and follow up of any findings identified. This will be documented by HSEM and also by the DOS Business Office staff.

The Division of Homeland Security is researching grants management software to assist in the administration of all federal grants; however there is no funding in the near future to support the purchase of this.

Contact Person:

Leigh A. Cheney, Chief of Planning

Anticipated Completion Date:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Homeland Security ***Finding 2015-017***
N.H. Department of Safety – Division of Homeland Security and Emergency Management

CFDA #97.036 Disaster Grants – Public Assistance

Grant Year and Award:

9/3/11-6/30/15	***DRNH 4026 PA***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
6/15/12-6/14/16	***DRNH 4065 PA***
11/4/12-11/4/16	***DRNH 4095 PA***

Finding: The Department should improve internal controls over and compliance with reporting of the SF-425 and the filing of eligible costs in accordance with the Project Accounting requirements.

Criteria:

Per 44 CFR section 13.50, when the appropriate grant award performance period expires, the Grantee shall submit the following documents within 90 days: (1) Financial Performance or progress Report; (2) Federal Financial Report (SF 425).

Further, the grantee shall submit Federal Financial Reports, SF 425, to the FEMA Regional Office 30 days after the end of the first federal quarter following the initial grant award.

For the project accounting requirement, for large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subgrantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition:

During the audit, we noted for two out of ten SF425 financial reports tested, the Department of Safety did not report figures on the SF425 that agreed with accounting records as follows:

Disaster 4095 Quarter ended 9/30/15:
Line d. Total Federal funds authorized: Reported $2,144,148.37
Line d. Total Federal funds authorized: Accounting records $2,132,375.79

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Disaster 4065 Quarter ended 6/30/15:
Line h: Unobligated balance of federal funds: Reported 0
Line h: Unobligated balance of federal funds: Accounting records $23,607.97

Further, we noted the Department did not file the required information to meet the Project Accounting special test requirement.

Cause:

There is a need to strengthen controls over review of reports to ensure amounts reported are supported. Also, there was a misunderstanding that information previously submitted to meet the Project Accounting requirements was sufficient.

Effect:

The Department is not in compliance with the reporting requirements.

Questioned Costs:

None

Recommendation:

We recommend the Department review its controls to ensure that reporting is complete and accurate, and make an accounting to FEMA of eligible project costs to ensure compliance with the project Accounting reporting requirement.

Auditee Corrective Action Plan:

Federal Financial reports SF 425 **-** during the processing of these we will verify that the correct amounts are recorded and supported.

Project Accounting Requirement - Staff will be meeting with FEMA Region 1 staff for a financial monitoring visit in May 2016 and will be receiving technical assistance. At this time FEMA staff will be reviewing standards and procedures for monitoring sub-recipients data collection and verification from sub-recipients to meet the quarterly reporting requirements. This technical assistance will result in procedures for grant monitoring close out verification.

Contact Person:

Leigh Cheney, Chief of Planning

Anticipated Completion Date:

This corrective action plan will be implemented April 1, 2016.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior | ***Finding 2015-018***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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 subrecipients, and as a result, does not follow up on any potential findings that could relate to compliance with Fish and Wildlife program cluster requirements.
- The Department does not maintain documentation of its subrecipient monitoring procedures and thus it is not able to support it complied with applicable federal requirements.
- For one sample selection out of three, the subrecipients' annual performance report was not maintained on file.
- Current design of the Microsoft Access database used for tracking contracts makes tracking and tallying subrecipient awards challenging, as subrecipients are not separately identified.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

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. All documentation regarding these requirements should be maintained on file. 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 perform elements of sub-recipient monitoring, such as providing sub-recipients with applicable Federal award information, maintaining project involvement

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throughout the performance of sub-awards to ensure program objectives are met, and requiring periodic cost reports/invoices as well as performance reports. We also worked in the last year to better document subrecipient monitoring. We understand, however, that overall monitoring controls and documentation must be improved. We will further review compliance requirements and subrecipient monitoring guidelines to institute written policy and procedures for effectively monitoring sub-recipients.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior ***Finding 2015-019***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

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 fund 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 five months between when program funds were disbursed and when reimbursement was sought. We tested 40 expenditures consisting of nine 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 10 to 134 days, with three not drawn by the date of our audit fieldwork. More specifically, of those expenditures tested, funds for 10 were disbursed over a month prior to the draw date, 16 were over 60 days, and 1 was over 120 days.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

Cause:

The Department has not implemented controls that ensure timely request for reimbursement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Effect:

The Department is not in compliance with cash management requirements as the timing and amount of fund 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

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 do not concur with the finding.
Our requests for federal funds are reimbursement based and are performed bi-weekly based on the state's payroll schedule. The Department is not tardy on its regular drawdown reimbursement requests. The specific grants reviewed for this finding, fall into one of three reasons, reasons of which we cannot control at this time;

1. In some instances, there could be a 4-6 week timeframe of when the expense was incurred to when the federal funds reimbursed the expense. As an example, an invoice could have a specific date but not actually be entered in Lawson for payment until a month or so later than the invoice date. The date the expense is entered into Lawson for payment is the date used to apply the expense to a pay period, and entered into our internal QuickBooks system; therefore it would not be picked up and coded for grant reimbursement for several weeks causing a delay.
2. Expenses, again not payroll, may be overlooked due to inaccurate or no grant coding on the invoice. This finding was addressed in the prior audit and the department continues to review monthly grant reports.
3. There are no funds remaining in the grant to draw down for reimbursement. This does not stop the grant related expenses to stop occurring. Once grant funds become available, the expenses are reimbursed.

The one expense over 120 days (4 months) was due to (#2) the invoice being coded with the incorrect grant number. It was not discovered until a review of grant activity, near the end of the grant, revealed the missing expense. (Voucher #39218 coded F50R, should have been F100R30).

F60-D-22 drawdown delayed due to lack of federal grant funds. (#3) Six of the 40 expenses reviewed were under grant F60-D22. Four of the six where delayed, or not drawn due to lack of federal funds. Once additional funds were applied to the grant, the expenses were reimbursed; however, two were not reimbursed due to insufficient federal funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The remaining grants reviewed generally fall into the first category, a timeframe delay of the date when expense is received in Lawson for payment and the pay period (Pay date) in which that date falls, and is entered into QuickBooks for reimbursement processing.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

KPMG Rejoinder:

The condition we observed above was based on the calculation of days between the payment in NH First and reimbursement request. As such, the delay in entering invoices into NH First does not impact the condition. Of the 40 expenditures tested, all were incurred during the period of performance for the associated grant.

We further note that current cash management processes and procedures rely heavily on extensive manual processes. Upgraded functionality of Information Technology systems would allow expanded and more efficient tracking and reporting processes to be implemented.

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FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior *Finding 2015-020*
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

Finding: Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting

Criteria:

As described in §310(b)(3) of OMB Circular A 133, auditees must complete the Schedule of Expenditures of Federal Awards (SEFA) and include CFDA numbers provided in Federal awards and associated expenditures.

Condition:

The Department has not utilized the features of the State's accounting system intended for proper grants management and has instead chosen to utilize QuickBooks. 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 will have difficulty ensuring proper cut off for expenditure reporting.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Additionally, we noted that the total pass-through percentages as calculated in dollars reported on the SEFA did not agree to subrecipient award information provided as part of our audit testwork. The difference due to errors or omissions is approximately $25,000

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 Federal expenditures. Additionally, the version of the software used does not meet the reporting requirements of the Department.

Effect:

The potential for inaccurate reporting of SEFA expenditures is increased as there are inadequate controls over the accuracy of SEFA reporting.

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. Additionally, we recommend that the pass-through percentages and expenditures reported on the SEFA are reconciled with department expenditures and sub award records.

Auditee Corrective Action Plan:

The NHFIRST grants module is not currently available for use; however as with our response in the last audit, we did explore the purchase of an updated version of QuickBooks for our internal recordkeeping. We are hesitant to invest financial resources in a software update at this time as the grant module in Lawson would remain the best option to ensure all expenses and revenues are captured without having to run dual systems.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior *Finding 2015-021*
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

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 there were inventory count sheets that were not completed. Additionally, it was noted that the Fish and Game (F&G) Department does not have a tracking mechanism that easily and accurately allows for reporting of locations that have not fully completed and/or returned their inventory count sheets. For three selections out of eight, the item was not counted along with the other items at the related location. Additionally, we noted there was no follow up to count these items or explanation as to why they weren’t counted. For one selection out of eight, the item was noted as not on the inventory list for the inventory location and, per the database, the item was still listed as located at the prior location. There was no documentation of issue resolution. For another test, it was observed for three selections out of eight, the item was not in the location specified in the inventory

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

database, but instead loaned to a different location.

It was observed in the course of testwork that uncounted equipment included firearms. After our inquiry, management accounted for all firearms, with the exception of one that was lost or stolen in prior years. We note that the database had not been updated in prior years for this lost firearm prior to inquiry. We further note that we reviewed documentation that supported that the firearm was lost.

Current inventory procedures require a “sheet to floor” inventory to be conducted, but does not require a “floor to sheet” procedure. Additionally, the Department does not require that the inventory be conducted on the same day in each division. As such, there is an increased risk that equipment transfers between divisions will not be counted.

We also noted that the condition of equipment listed in the database did not always reflect the observed condition. For six selections out of eight, the condition of the equipment was not updated from “new”. For one selection out of six, it appears that the equipment was not adequately maintained and safeguarded, as there was a visible presence of rust and it was stored under an overhang exposed to all season weather.

A similar finding was included in the fiscal 2013 and fiscal 2014 single audit reports.

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. The Department is not in compliance with the requirement to insure adequate safeguards to prevent loss, damage, or theft of the equipment and to investigate and fully documented such losses when they occur.

Questioned Costs:

None

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. Additionally, we recommend that the Department take steps to ensure that all equipment is adequately safeguarded and maintained, and that stricter controls over firearm custody are implemented.

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Auditee Corrective Action Plan:

We concur with the finding. The Department does have equipment inventory controls in place and has planned to better enforce these current controls by:

1. Reviewing inventory procedures and controls with Divisional Chiefs as well as within each Division to reinforce inventory requirements. This will aid in improving department communication regarding accounting for and managing their equipment inventory items.

2. Shortening the return date required for Division/Department inventory count sheets to be returned from two months to one month. This allows us more time to follow up on discrepancies and other outstanding issues that arise and need to be resolved for an accurate inventory count.

3. Reinforcing strict controls over our firearms equipment management.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior — ***Finding 2015-022***
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:

10/1/2012 - 9/30/2017	*F13AF00169;*	*7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043;*	*7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168;*	*1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201;*	*2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275;*	*5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587;*	*7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046;*	*7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890;*	*7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190;*	*1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123;*	*8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331;*	*3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270;*	*7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048;*	*7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086;*	*7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*		

Finding: Incorrect amounts were used in the indirect cost calculations

Criteria:

2 CFR part 225/OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. Per subsection C.2(b), both the direct costs and the indirect costs shall exclude unallowable costs and be properly supported.

Condition:

Indirect costs are calculated based on an indirect cost calculation method approved by the U.S. Department of the Interior that is used as a basis to bill the Federal government for indirect costs applicable to the Fish and Wildlife cluster.

For one of five of our selections, the longevity payment amount was not updated to reflect the current rate. Additionally, the incorrect overtime rate was included in the indirect cost calculation records. In this particular case, there were no overtime hours, and as a result, this was not used in the calculation of the benefit percentage (component of indirect costs calculation). While these issues did not lead to questioned costs, it does point to a control deficiency over the review process of the indirect cost calculation.

A similar finding was noted in the prior year report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Cause:

Management review controls over the indirect cost allocation are not in place.

Effect:

Errors in the indirect cost calculation were not caught by existing controls.

Questioned Costs:

None.

Recommendation:

We recommend that the Department institute effective controls over the indirect cost calculation, such as a check of mathematical accuracy by someone other than the preparer and Human Resource approval of calculation inputs included in the indirect cost calculation.

Auditee Corrective Action Plan:

We concur with the finding, with some clarification. The Longevity Payment is not part of the calculation of the overtime rate. We believe the intended issue was the oversight in updating the “Adjusted Benefit Rate”. One of the components of the Adjusted Benefit Rate is the Retirement percentage rate.

In the one selection, there was an oversight in updating the retirement rate within the Adjusted Benefit Rate formula. For the selection, it resulted in an understatement of OT rate by .80 cents / hr. The spreadsheet listed an OT rate of $45.84 and the actual correct OT rate would have been $46.65. This error has been corrected and will be monitored closer going forward.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Interior *Finding 2015-023*
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:

10/1/2012 - 9/30/2017	*F13AF00169; 7/1/2014 - 6/30/2015*	*F14AF00859;*
7/1/2014 - 6/30/2015	*F13AF01043; 7/1/2014 - 6/30/2015*	*F14AF01045;*
1/1/2014 - 12/31/2014	*F14AF00168; 1/1/2015 - 12/31/2015*	*F15AF00113;*
8/7/2013 - 12/31/2014	*F13AF01201; 2/21/2013 - 6/30/2015*	*F13AF00340;*
4/1/2015 - 6/30/2016	*F15AF00275; 5/1/2015 - 6/30/2016*	*F15AF00435;*
7/1/2014 - 6/30/2015	*F14AF00587; 7/1/2014 - 6/30/2015*	*F14AF01050;*
7/1/2014 - 6/30/2015	*F14AF01046; 7/1/2014 - 6/30/2015*	*F14AF01047;*
7/1/2014 - 6/30/2016	*F14AF00890; 7/1/2011 - 6/30/2016*	*F11AF00517;*
1/1/2012 - 12/31/2014	*F12AF00190; 1/1/2015 - 6/30/2015*	*F15AF00112;*
8/15/2013 - 6/30/2017	*F13AF01123; 8/1/2014 - 6/30/2015*	*F14AF01189;*
3/15/2014 - 12/31/2015	*F14AF00331; 3/4/2015 - 6/30/2015*	*F15AF00223;*
9/1/2014 - 8/31/2019	*F14AF01270; 7/1/2014 - 6/30/2015*	*F14AF01049;*
7/1/2014 - 6/30/2015	*F14AF01048; 7/1/2014 - 6/30/2015*	*F14AF01016;*
11/1/2008 - 12/31/2014	*F09AF00086; 7/1/2014 - 6/30/2015*	*F14AF01015;*
9/1/2010 - 8/31/2015	*F11AF00850*	

Finding: Department of Fish & Game did not seek approval of rental agreement rates.

Criteria:

Per OMB Circular A87, to be allowable under Federal awards, costs must meet the following general criteria, amongst others: be authorized or not prohibited under State or local laws or regulations; conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; and be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. In determining reasonableness of a given cost, consideration shall be given to, amongst others: market prices for comparable goods or services.

Condition:

State of New Hampshire administrative rules Chapter 144 in House Bill 2 - FN-A-Local, at 144:12 laws of 2013, and most recently chapter 276:190, laws of 2015, requires agencies to enter into agreements to rent, lease or lease-purchase vehicles and equipment from any outside vendor or state agency or department with prior approval by the Department of Administrative Services.

For one selection out of 40 expenditures tested, the NH Fish & Game Department expenditure was a rental agreement at rates not approved by the Department of Administrative Services and not obtained competitively through the use of bids or quotes.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Cause:

The NH Fish and Game department has not implemented controls that ensure any leases entered into are first approved by the Department of Administrative Services.

Effect:

NH Fish and Game is not in compliance with Federal requirements to ensure that costs are authorized by State policies and regulations.

Questioned Costs:

Not determinable.

Recommendation:

We recommend that the NH Department of Fish and Game consult the Department of Administrative Services prior to the execution of equipment rental agreements to ensure rates contracted are approved.

Auditee Corrective Action Plan- New Hampshire Fish & Game Department:

We concur with the finding. We will ask DAS to review rental agreements prior to being executed.

Contact Person: Kathy LaBonte, Administrator III

Anticipated Completion Date:

Fiscal 2016

Department of Administrative Services Corrective Action Plan:

We concur with the finding. The Department of Administrative Services stands prepared to review and assist state agencies with their requests.

Contact Person:

Michael Connor, Deputy Commissioner

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Health and Human Services — ***Finding 2015-024***
N.H. 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***
10/1/13-9/30/15	***G-14B1NHLIEA***
10/1/13-9/30/15	***G-1401NHLIEA***

Finding*: *Compliance with the Treasury State Agreement (TSA) was not met. Draws on direct program costs were often more frequent than bi-weekly as prescribed by the TSA.

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 bi-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."

Condition:

OEP provides the Community Action Agencies (CAA's) with an advance of LIHEAP funds to ensure sufficient cash flow to sustain LIHEAP activities throughout each program year. As the funds are used, the CAA's provide reimbursement requests to LIHEAP and LIHEAP draws against the grant award. Per the TSA, these draws are to be bi-weekly. It was noted that the cash reimbursements to the CAA's were made more frequently than bi-weekly as prescribed in the TSA, especially during the winter months when the majority of funds are used for fuel assistance.

Cause:

Lack of internal controls to ensure the draws against Direct Program costs are completed in accordance with the TSA.

Effect:

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

Not determinable.

Recommendation:

The OEP should ensure compliance with the funding techniques included in the TSA, by ensuring the TSA agreement is consistent with what is practical for the administration of the program.

Auditee Corrective Action Plan:

OEP has implemented processes and procedures to ensure that federal funds are drawn consistently and accurately in accordance with the federal program requirements, in an effort to minimize the effect on state general funds and the length of time between subrecipient reimbursement of expenses and request of federal funds reimbursement. OEP disagrees that potential interest liability to the federal government resulted from our draw frequency.

Due to a prior year finding, OEP worked with Treasury to revise the TSA to address the timing of draws. It is unfortunate that OEP is now being penalized for doing draws more frequently, which minimizes the State's exposure and maximizes the use of federal funds. OEP is in the process of working with the State of New Hampshire Treasury to modify our Treasury-State Agreement (TSA) again to ensure that it reflects both program needs and those of the State Treasurer.

Contact Person:

Jane Lemire, Business Director

Anticipated Completion Date:

Adjustment to the NH TSA Agreement is anticipated to be complete by June 30, 2016.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Labor — *Finding 2015-025*
N.H. 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*
2014	*UI-25219-14-55-A-33*
2015	*UI-26549-15-55-A-33*
2015	*UI-27124-15-55-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."

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; the Financial Status Reports (ETA 9130), UI Financial Transaction Summary reports (ETA 2112), Contribution Operations reports (ETA 581), UI Regular (ETA U13), and Overpayment Detection and Recovery Activities reports (ETA 227).

For two out of 11 reports tested, we noted supporting documentation provided did not 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 report type containing errors is described below.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

- 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 compiled by queries provided by their consultant using the NHUIS system and it is known, by the Department and US DOL that the reporting function for the ETA 227 report has not functioned 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 2015.

Cause:

Unreliable data is generated from the NHUIS system for the ETA 227 reports, and there is not an effective review process for all sections contained in the report.

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 are properly reviewed and approved prior to transmission to the US DOL.

Auditee Corrective Action Plan:

(1) While it is true the reporting function of NHUIS did originally produce inaccurate information, significant improvements have been made and the accuracy of the report has been enhanced through the design and launch of case management systems in NHUIS for both fraud investigations and debt collection. These case management systems combined with manually generated reports are currently relied upon to populate and validate the ETA 227 report. Our efforts to improve the accuracy of the report continue through the USDOL SBR funded UI Data Validation Project that will be starting once the Claims Rewrite is completed. NHES is confident all discrepancies will be addressed through this project. The NHES Quality Control Unit will be involved since they have been working closely with the vendor on validation of the reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

(2) Meetings have been conducted with report stakeholders to reinforce the requirement to thoroughly review and approve each section of the report prior to transmission to the US DOL. Evidently, there was misinterpretation of the review expectations that NHES acknowledges must be corrected immediately.

Contact Person:

Dianne Carpenter, Unemployment Compensation Bureau Director

Anticipated Completion Date:

(1) Fall 2017
(2) Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Labor ***Finding 2015-026***
N.H. Department of Employment Security

CFDA #17.225 Unemployment Insurance (UI)

Grant Year and Award:

2012	***UI-22327-12-55-A-33***
2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***

Finding: Controls over Unemployment Insurance (UI) benefit overpayments should be improved.

Criteria:

Pub. L. No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Unemployment Tax Act (FUTA) to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, and 02-12, Change 1) (http://wdr.doleta.gov/directives/corr_list.cfm). States are (1) required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments, and (2) States are prohibited from providing relief from charges to an employer's UI account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information. States may continue to waive recovery of overpayments in certain situations and must continue to offer the individual a fair hearing prior to recovery.

The New Hampshire Department of Employment Security (NHES) is required to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This includes internal controls designed to ensure that UI program integrity benefit overpayments are properly identified and classified. The OMB Compliance Supplement states that "States are to have written procedures for identifying overpayments and classifying them in a manner that allows the State to take appropriate follow-up action."

Condition:

The New Hampshire Department of Employment Security (Department) is responsible for identifying and classifying (e.g. fraud, nonfraud) UI benefit overpayments through review of crossmatch reports and fact finding procedures. Potential overpayments discovered are then investigated by NHES staff and a determination is made.

Suspected fraudulent overpayments are referred to NHES Benefit Payment Control (BPC) unit where a thorough review is conducted by an investigator to ensure the proper determination is made. BPC has an informal policy requiring 100% of fraudulent cases be subject to peer review by another investigator. The Department lacks sufficient written procedures to document the review process, including appropriate follow-up to peer review findings to ensure that the proper determinations are made in regard to benefit overpayments.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

In a sample of 40 benefit overpayment cases, three instances of insufficient review procedures were evidenced:

- In the sample, 11 fraudulent overpayment cases were identified. Of the 11 fraudulent cases, two showed no evidence of peer review.

- In the sample, 29 nonfraudulent overpayment cases were identified. In one case we noted a claimant was charged for a $273 overpayment that had been established when the overpayment should have been waived as the result of an Administrative Hearing Decision. Due to lack of sufficient review of the documentation supporting the decision of the Administrative Hearing Chairman, the decision was incorrectly recorded in the NHUIS, and was relied on by the Department when determining the treatment of the overpayment. The manual entry of the decision was not subject to review. Upon discussion with Department personnel regarding this error, the error was corrected.

Cause:

The lack of formal review procedures to ensure that UI benefit overpayments are properly identified and classified.

Effect:

The Department's review procedures surrounding the determination of benefit overpayments are not effectively applied on a consistent basis and procedures are not formally documented, resulting in the risk of UI overpayments being incorrectly established, and inadvertently charged to the claimants.

Questioned Costs:

None.

Recommendation:

The Department should formalize its process for review of fraudulent benefit overpayment cases to ensure that the correct determination has been made.

The Department should also strengthen its controls around determinations requiring manual intervention to ensure the proper determination is recorded and that the claimant is charged the proper amount.

Auditee Corrective Action Plan:

(1) In September, 2013 the NHES Benefit Payment Control Unit (BPCU) instituted a voluntary peer review policy which requires investigators to submit their fraud cases to a review by another investigator before a final determination is rendered.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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This peer review process, which is based upon a continuous process improvement model, seeks to reinforce the training of new investigators, promote consistency, identify potential training needs and identify best practices that may be shared across the NHES BPC Unit as well as BPC programs nationwide.

While the current policy requires 100% of cases be reviewed, this threshold, as well as the peer review process itself, will be reassessed and adjusted as necessary based on a number of factors including but not limited to fluctuations in workload and changes in staffing levels.

The BPC Unit is currently preparing written procedures documenting the review process. These procedures will include a follow-up process to ensure all findings identified during a review are addressed to ensure proper determinations are made. Once completed, a copy of the review procedures will be provided to each Investigator. A copy of the policy and procedures will also be added to the BPC Methods and Procedures Manual.

(2) Regarding the strengthening of controls around determinations requiring manual intervention, going forward all decisions issued by the Administrative Hearing Committee will be reviewed by the Deputy Commissioner, or designee, and appropriate written direction will then be provided to the Legal-Collection's section on the necessary adjustments that are required to be made to the system in order to properly and timely implement the decision. The manual entry in the system will then be verified in writing by Legal-Collections to the Deputy Commissioner. This process will be implemented immediately.

Contact Person:

(1) Colleen O'Neill, Assistant to Commissioner
(2) Richard Lavers, Deputy Commissioner

Anticipated Completion Date:

(1) April 30, 2016
(2) Immediately

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Veterans Affairs ***Finding 2015-027***
N.H. Veterans Home

CFDA #64.015 Veterans State Nursing Home Care

Grant Year: 2015

Finding: Controls over per diem requests should be improved

Criteria:

The regulations codified at 38 CFR Part 51, *Per Diem For Nursing Home Care Of Veterans In State Homes*, set forth the mechanism for the Department of Veterans Affairs (VA) to pay per diem to State homes providing nursing home care to eligible veterans.

38 CFR 51.43(c) states per diem will be paid for each day that the veteran is receiving care and has an overnight stay. In cases where the nursing home is at 90% or more capacity, 38 CFR 51.43(c) allows for per diem to be paid under certain circumstances when the veteran has no overnight stay. However, since the Veterans Home (Home) did not reach 90% capacity during the fiscal year ended June 30, 2015, an overnight stay was required in all cases when requesting per diem.

Condition:

The Home performs its daily census count at 11:59 pm. Manual hardcopy census sheets are completed by nursing staff for each of the Home's five residential units and submitted to the Home's Medical Records section. Using the daily census, Medical Records compiles the Daily Report of New Hampshire Veterans Home (Daily Report) for a respective month. The Daily Report presents the census number and census gains and losses for each day of the month. The census numbers from the Daily Report drive the Home's monthly request for per diem, requested via submission of VA Form 10-5588, *State Home Report And Statement Of Federal Aid Claimed*. During the fiscal year ended June 30, 2015, the Home received a basic per diem of $100.37 for each eligible veteran for the three months ended September 30, 2014 and a basic per diem of $102.38 for the remainder of fiscal year 2015. For certain veterans with service-connected disabilities the Home receives a higher per diem rather than the basic per diem, referred to as the prevailing rate. The prevailing rate for the three months ended September 30, 2014 was $401.49 and for the remainder of the fiscal year was $417.26. In total the Home received $8.5 million in per diem for the fiscal year period.

During the audit we noted the Home was requesting and receiving per diem for veterans who were absent from the Home and did not have overnight stays, which is counter to 38 CFR 51.43(c). As described previously, an overnight stay is required for per diem purposes except in certain cases when the nursing home is at 90% or greater capacity. Throughout fiscal year 2015, the Home was under 90% capacity so an overnight stay was required for the per diem in all cases. We examined the daily census sheets completed by the nursing staff for four of the twelve months of the fiscal year ended June 30, 2015. That testing yielded 29 instances of veterans absent overnight and included in the Home's request for per diem. Those 29 instances occurred during the first half of the fiscal year and represent $6,609 in requested and received per diem.

A similar finding was identified during the Single Audit for the fiscal year ended June 30, 2014.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Cause:

The Home applied noncurrent federal regulations during a portion of fiscal year 2015. Prior to April 2009, 38 CFR 51.40 allowed for per diem to be paid for a veteran's absence up to 96 consecutive hours in duration. Post April 2009, the regulations (38 CFR 51.43(c)), required overnight stays for per diem to be paid unless the facility was at 90% or more capacity.

Effect:

By failing to comply with 38 CFR 51.43(c), the Home is overstating its request for per diem.

Questioned Costs:

$6,609

Recommendation:

The Home should take immediate action to ensure consistent compliance with 38 CFR 51.43(c). Written policies and detailed procedures for census-taking and for preparation and review of the Daily Report should be established. Those policies and procedures must be effectively communicated to all relevant parties, including but not limited to nursing and medical records staff, and the implementation of those policies and procedures regularly and closely monitored to ensure the census-taking and reporting align with 38 CFR 51.43(c).

The Home should also establish a formal mechanism, framed by written policies and procedures and monitoring of same, to ensure it stays current with federal regulations.

Further, the Home should continue with its efforts toward moving its daily manual hardcopy census sheets to an electronic version to promote efficiencies in recordkeeping.

Auditee Corrective Action Plan:

The Home has taken immediate action to comply with 38 CFR 51.43(c). Written policies and procedure for census-taking and for the preparation of the Daily Report have been established. The policies and procedures have been effectively communicated to all relevant employees, including but not limited to nursing and medical records employees, and the implementation of the policies and procedures will be regularly and closely monitored to ensure the census-taking and reporting are in compliance with 38 CFR 51.43(c).

The Home currently is in the process of implementing an Electronic Medical Record that will be able to record the census and produce reports that comply with 38 CFR 51.43(c).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Contact Person:

Margaret D. LaBrecque

Anticipated Completion Date:

March 10, 2016 for policy and procedures.
December 31, 2017 for complete implementation of Electronic Medical Record.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education *Finding 2015-028*
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

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 four of the 40 selections tested was not made within the 60 day period. Of the four, three selections had extensions granted to extend the period of time a determination needs to be completed by. However the forms to extend this date, were only signed by the counselor and not the individual seeking eligibility.

Cause:

An extension agreement was not signed by both parties due to an apparent oversight during the determination of eligibility process for the four selections tested.

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, and determinations of eligibility may exceed the 60 day required timeframe without the individual being aware of or agreeing to such extension.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None

Recommendation:

We recommend that the VR program administrators establish controls and procedures to better monitor an "applicants" status. This oversight should aim to more frequently identify and correct these instances of non-compliance and identify an applicant's period is coming close to reaching 60 days.

Auditee Corrective Action Plan:

As of July 2015 we have moved from a legacy case management system to the Alliance, AWARE product. This new case management system has 60 day reports to send reminders to counselors to complete their eligibilities within the 60 day time frame or do an extension right in the online program. Supervisors can also view all these reports for their counselors. Central Office staff also has access to reporting to ensure staff are compliant with this federal requirement.

Contact Person:

Lisa Hinson-Hatz, Vocational Rehabilitation Stat Director
Ella McAllister, Program Specialist

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education ***Finding 2015-029***
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

Finding: The Vocational Rehabilitation program (VR) is not in compliance with A-102 Common Rule (§___.21), which requires that program income, rebates, refunds, and other income and receipts were disbursed before requesting additional federal cash draws.

Criteria:

The Code of Federal Regulation, 2 CFR section 215.22, requires the following:

To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Condition:

The Vocational Rehabilitation program received approximately $1.2 million of program income, or 10% of the program's federal expenditures; however there are no procedures in place to ensure that other income and receipts such as reimbursements received under the *Ticket to Work and Social Security Administration Reimbursement Program* were disbursed before requesting additional Federal cash draws as required by the A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22).

A similar finding was included in the prior year report.

Cause:

No procedures have been implemented to ensure that program income is disbursed before requesting additional Federal draws.

Effect:

The Vocational Rehabilitation program could receive program income but request additional Federal Cash draws prior to disbursing the program income.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

We recommend the VR program administrators establish procedures to ensure program income is disbursed before requesting additional Federal draws as required by Federal regulations.

Auditee Corrective Action Plan:

The Department of Education, Bureau of Vocational Rehabilitation submitted their SFY2016-2017 biennial budget that requested changes to the primary program income account. This change allows a procedure to be put into place for transfer of expenditures from federal accounts to the program income account whenever program income is received. The inconsistency of receipt of program income makes it difficult to manage 100% expenditure of program income prior to federal cash draws without the ability to complete transfer of expenditures when the need arises. The State of New Hampshire was in a budgetary continuing resolution until September 16, 2015. The procedure addressed above has been implemented.

Contact Person:

Sharon B. DeAngelis

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education — ***Finding 2015-030***
N.H. Department of Education

CFDA # 84.126 ***Vocational Rehabilitation***

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

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

Criteria:

The regulations codified at 31 CFR 205 apply to all matters pertaining to the Cash Management Improvement Act Agreement also knows 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 Education (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, 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 drawdowns for the Vocation Rehabilitation program of which 24 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 22 cash draws was 5 days, and for 2 cash draws was 6 and 4 days. The TSA includes a two day clearance pattern.

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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 Department of Administrative Services (DAS), in conjunction with the Treasury, will implement an annual communication to all program managers for major federal programs inclusive in the State's TSA informing them of the approved average clearance pattern/technique assigned to their program in the current TSA as well as the TSA being submitted for the upcoming fiscal year.

This communication will request program managers to verify their current practices align with those prescribed in both the current TSA and the TSA being submitted for the upcoming fiscal year. In instances where current practice differs from the prescribed methods, appropriate actions will be taken to amend the TSA(s) and/or realign current practices as needed to achieve compliance.

Contact Person:

Steve Giovinelli, DAS, Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education *Finding 2015-031*
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A150042 10/1/2014-9/30/2015
H126A140042 10/1/2013-9/30/2014

Findings: Semi-annual certification supporting salaries and wages was missing

Criteria:

Per OMB Circular A-87, Attachment B, item 8(h)(3); Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Condition:

We noted that for one of the 16 employees selected for payroll testwork, the employee’s salary and wages were not supported by a semi-annual certification. A certification was used to charge the respective employee’s salary to the Vocational Rehabilitation program that was completed 6 months ago.

Cause:

This appears to result from inadequate monitoring controls in place ensuring the employee’s salaries and wages are supported by semi-annual certifications validating theemployees worked solely on that program for a period of six months.

Effect:

The State is not in compliance with the time certification standards of Circular A-87 which could result in a misreporting of allowable costs.

Questioned Costs:

Not determinable

Recommendation:

We recommend that management enhance current policies to ensure certifications are prepared at least semi-annually and are signed by the employee and supervisory official having first-hand knowledge of the work performed by the employee.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Auditee Corrective Action Plan:

The Bureau of Vocational Rehabilitation will complete the semi-annual certification of time spent solely on a single cost objective. The current annual certification of time spent on a single cost objective will be replaced with the semi-annual certification.

Contact Person:

Sharon B. DeAngelis

Anticipated Completion Date:

April 1, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education — ***Finding 2015-032***
N.H. Department of Education

CFDA # 84.377 ***School Improvement Grants (Section 1003(g) of the ESEA)***
CFDA # 84.388 ***School Improvement Grants, Recovery Act***

Grant Year and Award:
S377A110030 317 11317/1/2012-9/30/2013
S377A120030 417 11317/1/2013-9/30/2014
S377A130030 517 11317/1/2014-9/30/2015

Finding: Subrecipient did not have active DUNS numbers, and during the award monitoring did not occur.

Criteria:

Per 2 CFR 25.200, (a) Each agency that awards types of Federal financial assistance included in the definition of ''award'' in § 25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either: (1) Is issued on or after the effective date of this part; or (2) Has application or plan due dates after October 1, 2010. (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under § 25.110 to: (1) Be registered in the CCR prior to submitting an application or plan; (2) Maintain an active CCR registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and (3) Provide its DUNS number in each application or plan it submits to the agency.

During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition:

We noted the following exceptions with the criteria above:

The Federal government requires that all applicants for Federal grants and cooperative agreements with the exception of individuals other than sole proprietors, have a DUNS number. The Federal government uses the DUNS number to better identify related organizations that are receiving funding under grants and cooperative agreements, and to provide consistent name and address data for electronic grant application systems. For one of the five subrecipient monitoring selections, the subrecipient's DUNS number was inactive on SAM.gov.

Within the NH-DOE approved waiver with the U.S. Department of Education, applicable for fiscal year 2015, a requirement is listed that monthly onsite visits will be held; however, monthly site visits were not held for the five subrecipient monitoring selections. Onsite visits were held for the subrecipients, but on either a tri-annual or less frequent basis, and follow-up procedures were not evidenced by formal observation notes.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A similar finding was noted in the prior year report.

Cause:

The Department lacks effective monitoring controls over the subrecipient monitoring requirement.

Effect:

The program was not in compliance with monthly onsite subrecipient visits in accordance with State's monitoring procedures.

Questioned Costs:

None

Recommendation:

We recommend the Department strengthen their monitoring controls to ensure DUNS numbers are up-to-date and active to facilitate the reporting process, and that during the award monitoring is performed to ensure that the subrecipient is performing programmatic responsibilities in accordance with the federal program regulations.

Auditee Corrective Action Plan:

During FY 2015, the Department of Education changed the monitoring process from the monthly onsite monitoring visit schedule to a tri-annual review process. While the Department had discussed this change with the U.S. Department of Education, the Department did not have formal written approval of this new process until August of 2015, when the most recent Flexibility Waiver was granted. The Department Of Education will also include verification of DUNS numbers in the tri-annual review, to ensure accuracy going forward.

Contact Persons:

Mary Earick, Administrator of the Bureau of Integrated Programs

Anticipated Completion Date:

August 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education		***Finding 2015-033***
N.H. Department of Education		
CFDA # 96.001	***Social Security Disability Insurance (SSDI)***	
Grant Year and Award:		
04-1504NHD100	***10/1/2014-7/31/2015***	
04-1404NHD100	***10/1/2013-9/30/2014***	

Finding: Noncompliance with Federal reporting requirements

Criteria:

The Form SSA-4514, *Time Report of Personnel Services for Disability Determination Services*, is used to report the number of hours worked by staffing category and employment status (i.e., full-time, part-time, temporary). This form should reflect all hours worked by personnel engaged in the SSA disability program during the reporting period and is due quarterly to account for employee time (POMS DI 39506.231 – *Preparation Instructions for Form SSA-4514*).

Condition:

Of the two quarterly SSA-4514 forms we reviewed, we noted that for one of the forms, the hours reported for Full-Time Examiners was understated by 1,950 hours compared to the State's supporting documentation. (11,700 hours were reported in the SSA-4514 with the supporting detail indicating 13,650 hours).

Cause:

This appears to be the result of a formula error.

Effect:

The State filed an inaccurate form with the Social Security Administration.

Questioned Costs:

None

Recommendation:

We recommend the State reemphasize strengthen controls over its reporting policies and procedures related to the Social Security Administration SSDI program to ensure that all financial forms filed are complete and accurate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Auditee Corrective Action Plan:

It was determined that this was, in fact, a formula error. Disability Determination Service staff reviewed and revised the prior formula, correcting it. To safeguard sending a 4514 Quarterly Report to the Social Security Administration with inaccurate formula, Disability Determination Service staff will review the formulas prior to preparing and completing these reports for quality and accuracy.

Contact Person:

Lisa Beck

Anticipated Completion Date:

Completed

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education ***Finding 2015-034***
N.H. Department of Education

CFDA #84.048 Career and Technical Education (CTE)

Grant Year and Award:
V048A140029 7/1/2014-9/30/2015
V048A130029 7/1/2013-9/30/2014

Finding: Controls over monitoring subrecipient cash management procedures should be improved

Criteria:

In accordance with the A-102 Common Rule Section ___.37(a)(4)), an entity must implement procedures to ensure subrecipients minimize the time elapsing between the transfer of Federal funds from the recipient and the disbursement of funds for program purposes.

Per OMB A-133 Compliance Supplement, "Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity".

Condition:

During our review of CTE's cash management procedures, we noted that CTE does not perform a validation of a subrecipients monthly expenditure reporting to ascertain that the subrecipients minimized the time elapsing between the disbursement of the funds for program purposes and the time they received federal funds from CTE.

Cause:

CTE program personnel were not aware of the monitoring requirements under cash management to ensure that subrecipients conform to the same standards of timing and amount as apply to the pass through entity.

Effect:

CTE was not in compliance with a certain Cash Management requirement during the fiscal year ended June 30, 2015.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

CTE should establish and implement policies and procedures to monitor its subrecipients to ensure that the time is minimized from when they reimburse subrecipients for program purposes to when the subrecipients disburse the funds. CTE may want to consider performing these procedures during the subrecipient monitoring process.

Auditee Corrective Action Plan:

The Department Of Education currently does have an adequate process for all LEAs to ensure subrecipients minimize the time elapsing between the transfer of Federal funds from the recipient and the disbursement of funds for program purposes, which includes monthly requests of reimbursements for expenditures. However the Department agrees that data submitted through this process should be included in the subrecipient monitoring process. The Department will modify this process to ensure that all federal grant programs within the Department are in compliance with this requirement.

Contact Person:

Caitlin Davis, Internal Auditor
Nancy Heath, Audit Manager

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Education ***Finding 2015-035***
N.H. Department of Education

CFDA #84.048 Career and Technical Education (CTE)

Grant Year and Award:
V048A140029 7/1/2014-9/30/2015
V048A130029 7/1/2013-9/30/2014

Finding: ***The Interim Financial Status Report for the Consolidated Annual Report did not agree to supporting documentation.***

Criteria:

*For the Financial Status Report (Part C) for the Consolidated Annual Report for the Carl D. Perkins Career and Technical Education Act of 2006 (CAR) (OMB No. 1830-0569), e*ach State must file two "FSR" forms each December for two distinct grant periods: (1) an interim FSR that reports the expenditure of those Federal funds available to a State on or after July 1 of the preceding year during the first 12 to 15 months of availability, and (2) a final FSR that reports the expenditure of those Federal funds available to the State on or after July 1 of the second preceding year for the full 27 months of availability.

Condition:

During our review of CTE's compliance with the reporting requirements, we noted an overstatement of State Administration costs of $3,762 in the Interim Financial Status Report for the Consolidated Annual Report. The amount reported was $85,458, but should have been $81,696, based on the amounts included in the financial supporting documentation.

Cause:

The internal control over review of the Interim Financial Status Report was not operating at the level of precision required to ensure the amounts reported were accurate and agreed to supporting documentation.

Effect:

CTE was not in compliance with a certain reporting requirement of the OMB A-133 Compliance supplement during the fiscal year ended June 30, 2015.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation:

CTE should strengthen controls to ensure amounts reported in the Consolidated Annual Report equal supporting documentation.

Auditee Corrective Action Plan:

We concur that the expenditure was reported incorrectly on the CAN 415 Interim FSR.

Procedures dictate that the report be completed by one staff member and verified by another staff member within the Bureau. The second review of this Interim FSR did not occur due to heavier than normal workloads and time constraints. Additional Bureau employees have been hired, thus allowing this process to once again be followed.

Contact Person:

Eric Feldborg, State Director

Anticipated Completion Date:

December 31, 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of the Transportation ***Finding 2015-036***
N.H. Department of Transportation

CFDA #20.106 Airport Improvement Program (AIP)

Grant Year and Award:

February 2010 - February 2014	***33-SBGP-008-2010***
February 2010 - February 2014	***33-SBGP-009-2010***
February 2010 - February 2014	***33-SBGP-010-2010***
February 2011 - February 2015	***33-SBGP-011-2011***
May 2011 - May 2015	***33-SBGP-012-2011***
June 2011 - June 2015	***33-SBGP-013-2011***
August 2011 - August 2015	***33-SBGP-014-2011***
September 2011 - September 2015	***33-SBGP-015-2011***
May 2012 - May 2016	***33-SBGP-016-2012***
September 2012 - September 2016	***33-SBGP-017-2012***
June 2013 - September 2016	***33-SBGP-018-2013***
June 2013 - September 2016	***33-SBGP-019-2013***
June 2014- September 2017	***33-SBGP-020-2014***

Finding: Direct program drawdowns 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 (TSA). The rules included in Subpart A of the codification are the rules applicable to the Federal Assistance Programs included in a 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 TSA, the specific funding techniques prescribed for the AIP require direct program costs to be drawn down weekly through the use of the Department's Current Bill system which calculates invoices processed in the prior week. The amount requested shall be based on actual costs of the prior period.

Condition:

We selected a total of 17 transactions from the Airport Improvement Program grants, of which draws for16 were not drawn weekly in accordance with the State's TSA. During our testing it was noted that draws were performed each time an expenditure was paid, which resulted in draws more frequent than weekly.

Cause:

The Department was not aware that the Airport Improvement Program was included within the TSA.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Effect:

The Department was not in compliance with the TSA for fiscal year 2015.

Questioned Costs:

None

Recommendation:

The Department should review the Treasury-State Agreement prior to drawing funds to ensure the approved techniques are used.

Auditee Corrective Action Plan:

The Department has amended the Treasury-State Agreement to reflect current practice and considers this finding closed.

Contact Person:

Tricia L. Schoeneck Lambert, Aeronautics Administrator

Anticipated Completion Date:

July 1, 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Labor ***Finding 2015-037***
N.H. Department of Resources & Economic Development

CFDA # 17.258 Workforce Investment Act (WIA) Adult Program
CFDA# 17.259 WIA Youth Activities
CFDA# 17.278 WIA Dislocated Workers

Grant Year and Award:

7/1/12-6/30/15	***AA22950JL;***
7/1/12-6/30/15	***AA22950JN;***
4/1/12-6/30/15	***AA22950JP;***
10/1/12-6/30/15	***AA22950LX;***
10/1/12-6/30/15	***AA22950LZ;***
4/1/13-6/30/16	***AA24107OQ0;***
7/1/13-6/30/16	***AA24107OM0;***
10/1/13-6/30/16	***AA25368;***
7/1/13-6/30/16	***AA24107OO0;***
10/1/13-6/30/16	***AA24107QQ0;***
4/1/14-6/30/17	***AA25368TE0;***
7/1/14-6/30/17	***AA25368TA0;***
10/1/14-6/30/17	***AA25368VG0;***
7/1/14-6/30/17	***AA25368TC0;***
10/1/14-6/30/17	***AA25368VI0;***
4/1/15-6/30/18	***AA26794YU0***

Finding: Request for reimbursements not performed timely

Criteria:

Per 31 CFR, Subpart B, Section 205.32, the Office of Workforce Opportunity in the Department of Resources & Economic Development (the Department) is required to ensure that the timing and amount of fund 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 two of 40 expenditures tested, reimbursement was requested approximately two months after the expense was paid, which is not in line with 31 CFR, Subpart B, section 205.32 and the Department's policy and not as close as administratively feasible to the State's cash outlay.

Additionally, for two of three draws tested, evidence of management review was not documented.

Cause:

The Department has not implemented adequate controls that ensure timely request for reimbursement and documentation of review controls.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Effect:

The Department is not in compliance with cash management requirements as the timing and amount of fund 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

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:

OWO staff has reviewed current cash management practices to assess the potential for similar findings in the future. OWO staff is committed to continuing to maintain control over timely and accurate request for funds to ensure limited time elapsing between disbursement and transfer of funds.

Current procedure is for expense items posted to the NH First DTR to be prepared and drawn by the 15th of the month following that posting. Exceptions include the Federal draws being prepared in the months of February for January, May for April, August for July, November for October as these are the months that OWO must file quarterly 9130 reports to US DOL ETA and there are many more steps involved and the Federal Draw for reimbursement is done after those 9130's which are due by the 15th of February, May, August and November.

Additionally, items that post to the DTR, if there is any question on them, or if further backup is required for the DRAW; that question needs to be resolved prior to processing the Federal Draw, or the expense is carried as an adjusting item and not drawn until sufficient answer or backup is available.

In the case mentioned OWO had a call in to US DOL ETA for assistance on the November Draw for October items for a particular funding allocation and the Federal Draw was postponed until early December after quarterlies were completed and until we got an answer from the National office.

Lastly, the procedure regarding sign off of the Federal Draw for OWO is that the Business Office reviews and signs off on the Federal Draw as does the Director of OWO prior to the Fiscal Administrator processing the draw. In these two cases the Director did review the Federal Draws it was an oversight that they were not initialed prior to being filed.

Moving forward every effort will be made to reduce outside factors that can contribute to a delay in drawn funds. If similar outlying conditions apply, the Director will include a written explanation to be attached to the draw backup package for future reference. Also, current policy does not allow for a draw to be completed without the consent/sign-off of the OWO Director. The OWO Director, as well as the Financial Administrator, will take caution to ensure at all times the draw paperwork is initialed to verify document review and approval.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Contact Person:

Jacqueline Heuser, Director/Julianne Pelletier, Fiscal Administrator

Anticipated Completion Date:

Ongoing effective January 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Labor ***Finding 2015-038***
N.H. Department of Resources & Economic Development

CFDA # 17.258 Workforce Investment Act (WIA) Adult Program
CFDA# 17.259 WIA Youth Activities
CFDA# 17.278 WIA Dislocated Workers

Grant Year and Award:

7/1/12-6/30/15	*AA22950JL;*
7/1/12-6/30/15	*AA22950JN;*
4/1/12-6/30/15	*AA22950JP;*
10/1/12-6/30/15	*AA22950LX;*
10/1/12-6/30/15	*AA22950LZ;*
4/1/13-6/30/16	*AA24107OQ0;*
7/1/13-6/30/16	*AA24107OM0;*
10/1/13-6/30/16	*AA25368;*
7/1/13-6/30/16	*AA24107OO0;*
10/1/13-6/30/16	*AA24107QQ0;*
4/1/14-6/30/17	*AA25368TE0;*
7/1/14-6/30/17	*AA25368TA0;*
10/1/14-6/30/17	*AA25368VG0;*
7/1/14-6/30/17	*AA25368TC0;*
10/1/14-6/30/17	*AA25368VI0;*
4/1/15-6/30/18	*AA26794YU0*

Finding: Allocation of payroll charges did not conform to Department policy

Criteria:

Per OMB Circular A87, to be allowable under Federal awards, costs must meet the following general criteria, amongst others:

a) Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
b) Be allocable to Federal awards under the provisions of this Circular.
c) Be authorized or not prohibited under State or local laws or regulations.
d) Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
g) Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
i) Be the net of all applicable credits.
j) Be adequately documented.

Condition:

For all four of 25 payroll transactions tested with leave, vacation, and/or holiday pay, the cost was over allocated to WIA Programs through estimation, instead of prorating the leave pay based on hours worked per grant through mathematical calculation.

Cause:

The Department has not implemented adequate review controls or practice that ensures consistent allocation methodologies were applied to costs.

Effect:

The Department is not in compliance with allowability requirements as payroll costs were over allocated to WIA programs.

Questioned Costs:

$194 over allocated for sample tested

Recommendation:

We recommend the Department review current allocation review practices and strengthen controls to ensure proper allocation of costs.

Auditee Corrective Action Plan:

This issue was addressed immediately by the Financial Administrator. The OWO timesheet was updated in the pay period following auditor departure, so that the allocation will automatically calculate for leave, vacation and/or holiday based on the hours worked per program. This error occurred as a result of inadvertently transposing two hours of time for an OWO staff person funded by a funding source other than WIOA. The new timesheet automatically calculates time by funding source, reducing the potential for similar errors to occur in the future.

Contact Person:

Jacqueline Heuser, Director/Julianne Pelletier, Fiscal Administrator

Anticipated Completion Date:

September 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Labor *Finding 2015-039*
N.H. Department of Resources & Economic Development

CFDA # 17.258 Workforce Investment Act (WIA) Adult Program
CFDA# 17.259 WIA Youth Activities
CFDA# 17.278 WIA Dislocated Workers

Grant Year and Award:

7/1/12-6/30/15	*AA22950JL;*
7/1/12-6/30/15	*AA22950JN;*
4/1/12-6/30/15	*AA22950JP;*
10/1/12-6/30/15	*AA22950LX;*
10/1/12-6/30/15	*AA22950LZ;*
4/1/13-6/30/16	*AA24107OQ0;*
7/1/13-6/30/16	*AA24107OM0;*
10/1/13-6/30/16	*AA25368;*
7/1/13-6/30/16	*AA24107OO0;*
10/1/13-6/30/16	*AA24107QQ0;*
4/1/14-6/30/17	*AA25368TE0;*
7/1/14-6/30/17	*AA25368TA0;*
10/1/14-6/30/17	*AA25368VG0;*
7/1/14-6/30/17	*AA25368TC0;*
10/1/14-6/30/17	*AA25368VI0;*
4/1/15-6/30/18	*AA26794YU0*

Finding: Lack of controls over cost allocations allowed for inconsistent treatment of categorization affecting earmarking requirements

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition:

During our testwork over earmarking requirements to ensure costs were categorized correctly, we noted that one of 40 samples was allocated to program costs when it should have been allocated to administration and been subject to the 5% administrative cost limit. For one of 40 expenditures tested, the invoice amount was not allocated between administration and program based on the usual methodology of using payroll percentages to allocate the cost amongst programs and administration. Instead, the expenditure was allocated based on how much funding for administration remained in a particular grant and the rest was allocated to the program. We note that these exceptions did not cause the administrative cost limit to be exceeded.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

Cause:

The Department has not implemented adequate review controls or instituted procedures to ensure consistent allocation methodologies were applied to costs.

Effect:

While it does not appear that the above errors caused the Department to be out of compliance with earmarking requirements overall, the potential for noncompliance is increased as there are inadequate review controls over categorization of costs.

Questioned Costs:

None

Recommendation:

We recommend the Department review current allocation review practices and strengthen controls to ensure proper allocation of costs and compliance with earmarking requirements.

Auditee Corrective Action Plan:

All expenses are reviewed prior to processing for payment. If there is a particular grant an expense is to be assigned to, upon review and sign off the OWO Director will mark the invoice or communicate that information as well as if the expense is for program or administrative allocation, which is then reviewed with the Financial Administrator to ensure consistency of process. The expense sample mentioned was for a two week charge for an independent contractor which was erroneously charged to Youth OWO program as staff, a position she held for six years prior to retirement as an FTE. This charge was corrected and moved to Youth administrative from program prior to the departure of KPMG, and was corrected on the reporting of the following 9130 to ETA as well. This particular charge would not have been allocated across all programs as the contractor was working on Youth only for that period.

Working together, the OWO Director and Financial Administrator will make every effort to reduce this type of error moving forward. The process and controls identified earlier shall be rigorously employed to minimize similar errors.

Contact Person:

Jacqueline Heuser, Director/Julianne Pelletier, Fiscal Administrator

Anticipated Completion Date:

Ongoing effective January 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Department of Defense ***Finding 2015-040***
N.H. Adjutant General

CFDA # 12.401 ***National Guard Military Operations & Maintenance***

Grant Year and Award:

W912TF-11-2-1001	***10/1/10-9/30/15***
W912TF-11-2-1002	***10/1/10-9/30/15***
W912TF-11-2-1003	***10/1/10-9/30/15***
W912TF-11-2-1004	***10/1/10-9/30/15***
W912TF-11-2-1007	***10/1/10-9/30/15***
W912TF-11-2-1010	***10/1/10-9/30/15***
W912TF-11-2-1014	***10/1/10-9/30/15***
W912TF-11-2-1040	***10/1/10-9/30/15***
W912TF-11-2-1021	***10/1/10-9/30/15***
W912TF-11-2-1022	***10/1/10-9/30/15***
W912TF-11-2-1023	***10/1/10-9/30/15***
W912TF-11-2-1024	***10/1/10-9/30/15***

Finding: Verification check not performed for Suspension and Debarment and lack of certification signed by contractor

Criteria:

Procurement
States, and governmental subrecipients of States, will use the same State policies and procedures used for procurements from non-Federal funds. They also must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

States and local governments and Indian tribal governments that are direct recipients of Federal awards and their subrecipients will use procurement procedures that conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule or OMB Circular A-110 (2 CFR part 215), as applicable.

Suspension and Debarment
Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/ (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-profit entities receiving contracts from the Federal Government are required to comply with the contract clause at Federal Acquisition Regulation (FAR) 52.209-6 before entering into a subcontract that will exceed $30,000, other than a subcontract for a commercially available off-the-shelf item.

Condition:

During our audit, we noted that the Adjutant General's Department (the Department) did not verify whether or not the contractor was debarred, or suspended, before entering into a covered transaction, as there was no Suspension and Debarment Certification signed by the contractor included in the contract.

We selected five contracts over $25,000 for the National Guard Operations and Maintenance (O&M) program that were entered into in federal fiscal year 2015. During our testwork, we noted that one of the contracts did not contain a signed Suspension and Debarment Certification, meaning all reviewing departments that signed off on the contract (Division of Public Works, Department of Justice, Administrative Services and Governor & Council (G&C)) failed to notice the missing signed Certification. Audit testing revealed that the contractor was not suspended or debarred.

Cause:

Control weakness over ensuring Suspension & Debarment Certification was in place prior to authorizing contract.

Effect:

Ineffective control and noncompliance with Procurement, Suspension and Debarment requirements.

Questioned Costs:

None

Recommendation:

The Department should strengthen controls over ensuring a signed vendor Suspension & Debarment Certification is in place prior to authorizing a contract.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Auditee Corrective Action Plan:

The Adjutant General's Department (TAG) checks all "non-construction" contracts over $25,000 for debarment in the Federal System for Award Management (SAM), and includes proof of those verifications with our contract package submission to the Department of Administrative Services, for consideration on the Governor & Council Agenda. In addition to the SAM check, our non-construction contracts include an Exhibit C which contains the following statement regarding Debarment: "*The state covenants and agrees to comply with the requirements regarding debarment and suspension in Subpart C of the OMB guidance in 2 CFR part 180, as implemented by the Department of Defense (DoD) in 2 CFR Part 1125. The Grantee agrees to communicate the requirement to comply with Subpart C to persons at the next lower tier with whom the Grantee enters into transactions that are "covered transactions" under Subpart B of 2 CFR part 180 and the DoD implementation in 2 CFR Part 1125".*

The contract in question in this finding is a construction contract. Construction projects and the construction contracts are administered by the New Hampshire Division of Public Works (DPW) on behalf of "using agencies", in accordance with RSA 21-I:78-86. DPW is responsible for the contract management for these construction contracts to include checking for debarment.

The DPW explained that this was an isolated, yet "two-fold" incident. The DPW Project Manager (PM) sent this contract bid proposal to the TAG Architect for review, where the Architect stated that this project did not meet the federal requirements. BPW's Assistant Administrator then reviewed the project, and did not catch the error. This whole incident was problematic because the DPW PM should not have asked the TAG Architect about Federal Funding (debarment) requirements as the Architect does not have the authority to answer questions regarding Federal Funding. The DPW put new procedures in place on September 1, 2015 to add a check by the DPW Business Administrator, who will inquire with the TAG on all Federal Funds requirements for these projects.

It should be pointed out that the Adjutant General's Department is not part of the DPW construction contract review; DPW handles all of their contract preparation and administration. DPW prepares the contracts, they are reviewed in-house (DPW), then sent to the Department of Justice (Attorney General's Office) for review, then submitted to the Department of Administrative Services for final review before consideration on the Governor & Council agenda.

Contact Persons:

Stephanie Milender, Administrator III, Adjutant General's Department
Mary A. Kibbee-Lee, Business Administrator III, DPW

Anticipated Completion Date:

September 1, 2015

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency	***Finding: 2015-041***
N.H. Department of Environmental Services	
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)	
Grant Year and Award:	
2012	***FS991150-12***
2013	***FS991150-13***
2014	***FS991150-14***

Finding: Noncompliance with applicable funding technique over administrative costs in the Treasury-State Agreement

Criteria:

U.S. Department of 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; 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.

<u>Administrative Costs</u>:

In the TSA for the period July 1, 2014 – June 30, 2015, the funding technique agreed upon was the Cost Allocation Plan **-** Quarterly. This technique states that the State shall request funds for each fiscal quarter, such that they are deposited on the median day of the quarter. The amount of the request shall be based on the actual allocation of costs for that quarter.

Condition:

The DWSRF program did not comply with the applicable funding technique specified in the TSA for administrative costs. During fiscal year 2015, DWSRF drawdown requests were performed for April 2014 expenditures in July 2014, for May and June of 2014 expenditures in August 2014, and, for the remaining months during the fiscal year, the drawdowns were performed quarterly. A similar finding was noted in the prior single audit report.

Cause:

For the administrative costs of the DWSRF, the Department of Environmental Services (DES) did not perform the administrative draws in accordance with the TSA.

Effect:

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None

Recommendation:

DES should review the TSA prior to requesting funds, to ensure the approved clearance patterns for administrative costs are met. DES should establish procedures to ensure drawdowns are performed quarterly, as prescribed in the TSA.

Auditee Corrective Action Plan:

DES concurs. The DWSRF set-aside funds for FY2016 are being drawn quarterly in accordance with the existing TSA. DES is working with Treasury to modify the 2016 TSA to allow for more flexibility with drawdowns (as needed but no less than quarterly).

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency ***Finding: 2015-042***
N.H. Department of Environmental Services

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

Grant Year and Award:

2010	***FS991150-10 (DWSRF)***		
2011	***CS330001-11 (CWSRF),***	***FS991150-11***	***(DWSRF)***
2012	***CS330001-12 (CWSRF),***	***FS991150-12***	***(DWSRF)***
2013	***CS330001-13 (CWSRF),***	***FS991150-13***	***(DWSRF)***
2014	***CS330001-14 (CWSRF),***	***FS991150-14***	***(DWSRF)***

Finding: Lack of appropriate system access permissions controls

Criteria:

OMB Circular A-133, Subpart C – Auditees**,** §___.300 (b) states that the auditee shall "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."

Information system access controls should be designed to allow usage of data processing assets only in accordance with management's authorizations. Protection of these assets consists both of physical and logical access controls that prevent or detect unauthorized use, damage, loss, or modifications. Access to these resources should be limited to those individuals authorized to process or maintain a particular system. Access should be appropriate based on employees' job responsibilities, and incompatible functions should be appropriately segregated.

Condition:

Access permissions to the DES' Project Manager system are not appropriately limited.

The Department of Environmental Services (DES) Project Manager system is a Microsoft Access-based software application designed to manage the financial and technical aspects of water quality projects that the State is helping to finance. The software was designed specifically for the CWSRF and DWSRF programs. The Project Manager system has built-in security that verifies a user each time they open the program. This security system is based on defined user roles within the program. Security roles limit users to performing certain functions. The system administrator is responsible for establishing both the user accounts and the assigned security roles within the system.

Both CWSRF and DWSRF program staff, as well as select DES accounting office staff, have access to the Project Manager system. The system does not restrict access by program (CWSRF or DWSRF). A review of DES personnel who have access to the Project Manager system, and their related access levels, revealed that five out of 27, or 19%, of users had inappropriate or excessive access permissions, as further described below.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

- One employee who had left Department employment on May 30, 2014 still had an active Project Manager system user ID as of the October 15, 2015 date of audit inquiry.
- The access permissions of two employees, who were temporarily granted increased permissions to the Project Manager system during a period of vacancies in the State Revolving Fund (SRF) accounting office, were not readjusted until 10 months after the May 2015 time frame when the SRF accounting office was back at full staff.
- Two employees who no longer work for the CWSRF/DWSRF programs, and had transferred to different positions within the DES, still maintained access to the Project Manager system.

Cause:

It appears that management does not periodically review Project Manager system access levels.

Effect:

Failing to periodically review and monitor employee access to the Project Manager system increases the risk that unauthorized changes will be made to the Project Manager system that will not be detected and corrected by management in a timely manner.

Questioned Costs:

None

Recommendation:

DES should implement policies and procedures to ensure access to the Project Manager system is appropriate based on the employee's job responsibilities. Access should be periodically reviewed to ensure that access levels continue to remain appropriate, and that only current CWSRF/DSWRF employees and appropriate accounting office personnel maintain access to the system.

Questioned Costs:

None

Clean Water and Drinking Water:

Auditee Corrective Action Plan:

DES concurs with the recommendation and agrees to update its procedures to review access levels to the Project Manager system more timely.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Contact Person:

Tracy Wood, Administrator, Wastewater Engineering Bureau – Clean Water
Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

December 31, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency — *Finding: 2015-043*
N.H. Department of Environmental Services

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

Grant Year and Award:

2010	*FS991150-10 (DWSRF)*	
2011	*CS330001-11 (CWSRF),*	*FS991150-11 (DWSRF)*
2012	*CS330001-12 (CWSRF),*	*FS991150-12 (DWSRF)*
2013	*CS330001-13 (CWSRF),*	*FS991150-13 (DWSRF)*
2014	*CS330001-14 (CWSRF),*	*FS991150-14 (DWSRF)*

Finding: Noncompliance with annual and final Federal Financial Reports (FFR) SF-425

Criteria:

40 CFR 31.41 (b) and 40 CFR 31.50 (b) are existing requirements that mandate EPA recipients submit annual and final Federal Financial Reports (FFR's) SF-425 to the EPA. Annual FFRs are due no later than 90 calendar days following the end of the reporting year. Final FFRS are due within 90 days after the expiration or termination of the grant.

Condition:

The Department of Environmental Services (DES) did not complete annual FFR SF-425s for two grants open for the Clean Water State Revolving Fund (CWSRF) program, and for four grants open for the Drinking Water State Revolving Fund (DWSRF).

Additionally, the DES did not file final FFR SF-425s within 90 days of expiration or termination of the grant, for two CWSRF grant awards and two DWSRF grant awards which were required during SFY 2015.

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

Cause:

DES reports that the required FFRs were not filed due to lack of available staffing in the accounting office.

Effect:

The DES is not in compliance with federal reporting requirements 40 CFR 31.41 (b) and 40 CFR 31.50 (b).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None.

Recommendation:

The DES should make it a priority to file timely annual FFR's for any grant open during the fiscal year, and file final FFRs, as required.

Clean Water and Drinking Water:

Auditee Corrective Action Plan:

DES concurs. DES will make it a priority to have staff available in order to file timely annual and final FFRs.

Contact Persons:

Tracy Wood, Administrator, Wastewater Engineering Bureau
Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

September 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency	***Finding: 2015-044***
N.H. Department of Environmental Services	
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)	
Grant Year and Award:	
2010 FS991150-10	

Finding: Noncompliance with requirements over Period of Performance for the DWSRF Program

Criteria:

Payments to the line of credit (LOC) from a particular grant will begin in the quarter in which the grant is awarded and will end no later than the earlier of eight quarters after the capitalization grant is awarded or twelve quarters after advices or allowances are issued to the regions (40 CFR § 35.3155 (c) and 40 CFR §35.3560 (b)).

Condition:

State Revolving Fund grants cover ten year periods, but to control the flow of funds to the State, the EPA sets payment schedules within each grant. During our testing of the period of performance requirement for the DWSRF, we noted that the period of performance for the Federal payment schedules of two grants ended during SFY 2015. For the grant award payment schedule that ended July 1, 2014, there were 4 federal draws totaling $573,167 processed after the grant's payment schedule end date. These draws did not occur within the applicable payment schedule end date as required but should have been drawn against the next open payment schedule.

Cause:

Ineffective internal controls over ensuring the period of performance requirements were met.

Effect:

DES was not in compliance with period of performance requirements for fiscal year 2015.

Questioned Costs:

None.

Recommendation:

DES should establish controls, including written policies and procedures, related to period of performance requirements to ensure draws are drawn within a grant's period of performance.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Auditee Corrective Action Plan:

DES concurs. The Department will review each grant payment schedule more frequently to ensure all draws are performed within the allowable period of performance for each grant.

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency *Finding: 2015-045*
N.H. Department of Environmental Services

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

Grant Year and Award:

2010	*FS991150-10 (DWSRF)*	
2011	*CS330001-11 (CWSRF),*	*FS991150-11 (DWSRF)*
2012	*CS330001-12 (CWSRF),*	*FS991150-12 (DWSRF)*
2013	*CS330001-13 (CWSRF),*	*FS991150-13 (DWSRF)*
2014	*CS330001-14 (CWSRF),*	*FS991150-14 (DWSRF)*

Finding: Noncompliance and control failure over monitoring of subrecipient audits

Criteria:

In accordance with OMB Circular A-133, Subpart D, §___.400 (d)(4)&(5), pass-through entities shall ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 have met the audit requirements of OMB Circular A-133.

The DWSRF and CWSRF, as pass-through entities, are required to ensure the audit requirements of OMB Circular A-133 for the fiscal year are met and issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

Condition:

The DWSRF and CWSRF programs are responsible for monitoring subrecipients to ensure recipients expending federal subawards who meet the audit requirements are being audited and performing necessary follow ups on audit findings. We noted that the control designed to monitor subrecipient audit reports was not implemented and operating during fiscal year 2015.

Cause:

The Department of Environmental Services (DES) reports the cause is due to lack of available staff to perform the designed controls.

Effect:

DES was not in compliance with subrecipient monitoring requirements for fiscal year 2015, as subrecipient audit reports were not reviewed or followed up on.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs:

None

Recommendation:

DES should maintain necessary staff levels to conduct ordinary business and review controls to ensure they are designed, implemented, and operating effectively. Controls designed and implemented effectively will help to ensure compliance with the federal subrecipient monitoring requirements.

Clean Water and Drinking Water:

Auditee Corrective Action Plan:

DES concurs. There were two full time SRF accounting positions vacant during the fiscal year and now that the positions are fully staffed the monitoring procedures are being applied.

Contact Person:

Tracy Wood, Administrator, Wastewater Engineering Bureau
Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

June 30, 2016

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

U.S. Environmental Protection Agency *Finding: 2015-046*
N.H. Department of Environmental Services

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

Grant Year and Award:

2010	*FS991150-10 (DWSRF)*	
2011	*CS330001-11 (CWSRF),*	*FS991150-11 (DWSRF)*
2012	*CS330001-12 (CWSRF),*	*FS991150-12 (DWSRF)*
2013	*CS330001-13 (CWSRF),*	*FS991150-13 (DWSRF)*
2014	*CS330001-14 (CWSRF),*	*FS991150-14 (DWSRF)*

Finding: Noncompliance with setting of principal and interest repayment due dates

Criteria:

An assistance recipient can be awarded a loan only if an assistance recipient begins annual repayment of principal and interest no later than one year after project completion. A project is completed when operations are initiated or are capable of being initiated (40 CFR § 35.3525 (a)(1)(i)) and 40 CFR 35.3120 (a)(1)(ii)).

Condition:

DWSRF
Loan agreements between the DWSRF and the assistance recipient dictate the agreed upon project completion date and the first principal and interest repayment due date. During testing of Deposits to DWSRF, we noted that, for 2 of 25 sample selections tested, the DWSRF had set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 275 to 366 days after one year from project completion. In both instances, although an earlier payment was received from the borrower, the loan agreement with the borrower did not require the first principal and interest repayment to be paid within one year, contrary to federal regulations.

During expanded testing of the compliance requirement, we noted that, for 2 of 7 sample selections tested, the DWSRF also set the first repayment due dates of principal and interest to be repaid more than one year after project completion. In one instance, the DWSRF program was untimely with a Supplemental Loan Agreement which caused the DWSRF program to extend the principal and interest due date 31 days beyond one year of project completion. In the other instance, due to the improper amortization of the repayment schedule, the DWSRF program did not require a payment that included both principal and interest until 7 years after project completion.

During expanded testing, we also noted that, for 1 of 7 sample selections tested, the DWSRF set the first repayment due date of principal and interest one year from project completion but, due to a typographical error with the construction completion date in the loan agreement, it appeared as if the payment was not due within one year. The DWSRF control to review loan agreements failed to ensure the accuracy of the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

construction completion date and, as a result, the loan agreement was agreed to and signed by all parties without detection of what appeared to be a noncompliance issue.

CWSRF
During testing of CWSRF loan repayments, we noted that, for 3 of 25 sample selections tested, the CWSRF set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 3 to 60 days after one year from project completion. During our expanded testing of the compliance requirement for 5 additional sample selections, we noted no additional noncompliance errors.

Cause:

Ineffective internal control over the review and approval of loan agreements and repayment schedules.

Effect:

DES was not in compliance with requirements due to ineffective internal controls over the DWSRF and CWSRF special tests and provisions requirements.

Questioned Costs:

None.

Recommendation:

DES should establish written policies and procedures, including documented review and approval controls, over loan repayments to ensure that the federal compliance requirements are met. The DWSRF and CWSRF programs should develop procedures to document an agreed upon construction completion date between the program and the assistance recipients prior to the completion of loan agreements. The programs should increase efficiency in the timeliness of processing Supplemental Loan Agreements to better facilitate billing of loan recipients prior to the one year requirement.

Clean Water:

Auditee Corrective Action Plan:

DES concurs. DES will revise existing controls and procedures related to repayment to ensure that the related compliance requirements are met. It should be noted that the three identified loans had initial payment due dates ranging between 10-19 years ago.

Contact Person:

Tracy Wood, Administrator, Wastewater Engineering Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Anticipated Completion Date:

December 31, 2016

Drinking Water:

Auditee Corrective Action Plan:

DES concurs. DES will revise existing controls and procedures related to repayment to ensure that the related compliance requirements are met. It should be noted that procedures have already been implemented to improve compliance including multiple staff review of all loan documents, monthly meetings with project managers to track project status, project tracking spreadsheets, final disbursement and close out checklists, and the development of cash flow projections that are updated no less than quarterly.

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water Ground Water Bureau

Anticipated Completion Date:

December 31, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-003	*Multiple*	84.048 84.126 96.001 10.557 93.069 93.268 93.563 93.575 93.596 93.658 93.667 93.889 93.959 12.401 17.225 15.605 15.611	Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System	None	*Unresolved. See G-10 and related finding 2015-003*
2014-004	*NH Department of Health and Human Services*	93.778	Medicaid cases identified are not being investigated	None	*Partially Resolved. See G-16 and related finding 2015-006*
2014-005	*NH Department of Health and Human Services*	93.778	Noncompliance with Long Term Care Facility Audit Requirement and certain Nursing Facilities Per Diem Rates were not supported	Not determinable	*Resolved*
2014-006	*NH Department of Health and Human Services*	93.778	Reconciliation of the Medicaid Federal Financial Participation (FFP)	None	*Resolved*
2014-007	*NH Department of Health and Human Services*	93.069 93.268 93.558 93.563 93.658 93.667	Employee time cards and pay rates and/or pay rate changes were not properly approved and payroll costs not supported for allocated payroll costs	Not determinable	*Unresolved. See G-19 and related finding 2015-004*
2014-008	*NH Department of Health and Human Services*	93.667	Earmarking requirements not met	$ 2,087	*Resolved. Questioned Cost Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-009	*NH Department of Health and Human Services*	93.667	Internal controls over and compliance with subrecipient monitoring requirements should be improved	Not determinable	*Resolved*
2014-010	*NH Department of Health and Human Services*	93.069 93.889 93.575 93.596 93.268 93.563	Employee time cards were approved by someone other than the employee's immediate supervisor, or the immediate supervisor's proxy.	Not determinable	*Resolved*
2014-011	*NH Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) Should Comply with the Earmarking requirement of PHEP program.	$ 108,335	*Unresolved. See G-22 and related finding 2015-010*
2014-012	*NH Department of Health and Human Services*	93.268	Noncompliance with control, accountability and safeguarding of vaccine requirements.	None	*Resolved*
2014-013	*NH Department of Health and Human Services*	93.959	Internal controls over and compliance with subrecipient monitoring requirements should be improved	Not determinable	*Resolved*
2014-014	*NH Department of Health and Human Services*	93.959	Special tests- independent peer review requirements not met	Not determinable	*Resolved*
2014-015	*NH Department of Health and Human Services*	93.959	Maintenance of Effort requirement not met	$ 630	*Resolved. Questioned Cost Remain Open*
2014-016	*NH Department of Health and Human Services*	93.959	Noncompliance with Federal reporting requirements	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-017	*NH Department of Health and Human Services*	93.575 93.596 93.658	Missing information and signatures from eligibility files and an untimely client eligibility redetermination	None	*Resolved*
2014-018	*NH Department of Health and Human Services*	93.575 93.596	Missing health and safety information from provider licensing files and inadequate provider monitoring	None	*Partially Resolved. See G-24 and related finding 2015-014*
2014-019	*NH Department of Health and Human Services*	93.563	Inaccuracies of certain amounts included in the OCSE 34A, Child Support Enforcement Program Quarterly Report of Collections	None	*Resolved*
2014-020	*NH Department of Health and Human Services*	93.044 93.045 93.053	The Department of Health and Human Services (DHHS) should improve its internal controls over and compliance with the subrecipient monitoring and allowable cost requirements	Not determinable	*Resolved*
2014-021	*NH Department of Health and Human Services*	93.044 93.045 93.053 10.557 93.667 93.069 93.889 93.268	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Partially Resolved. See G-27*
2014-022	*NH Department of Health and Human Services*	93.558	Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation	None	*Unresolved. See G-31 and related finding 2015-009*
2014-023	*NH Department of Health and Human Services*	10.557	The Controls Incorporated into a Service Organization's Operations Relative to the NH WIC Program Should Be Periodically Evaluated to Determine Those Controls Continue to be Effective.	None	*Unresolved. See G-33 and related finding 2015-012*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-024	*NH Department of Health and Human Services*	10.557	The Department Should Improve their Internal Controls Over and Compliance with the Cash Management Requirements of the WIC Program.	None	*Resolved*
2014-025	*NH Department of Safety*	97.036	FFATA Federal Reporting Requirements Should Be Complied With	None	*Resolved*
2014-026	*NH Department of Safety*	97.036	Subrecipient Monitoring Procedures Should Be Improved	None	*Unresolved. See G-36 and related finding 2015-016*
2014-027	*NH Department of Safety*	97.036	Treasury- State Agreement (TSA) Requirements Should Be Complied With	None	*Unresolved. See G-38 and related finding 2015-015*
2014-028	*NH Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Not determinable	*Unresolved. See G-40 and related finding 2015-018*
2014-029	*NH Department of Fish and Game*	15.605 15.611	Request for reimbursements not performed timely	None	*Unresolved. See G-43 and related finding 2015-019*
2014-030	*NH Department of Fish and Game*	15.605 15.611	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements	None	*Resolved*
2014-031	*NH Department of Fish and Game*	15.605 15.611	Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved. See G-45 and related finding 2015-020*
2014-032	*NH Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-48 and related finding 2015-021*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-033	*NH Department of Fish and Game*	15.605 15.611	Management Review controls over SF-425 financial reports not operating effectively	None	*Resolved*
2014-034	*NH Department of Fish and Game*	15.605 15.611	Incorrect amounts were used in the indirect cost calculations	Not determinable	*Unresolved. See G-51 and related finding 2015-022*
2014-035	*NH Office of Energy and Planning*	93.568	Internal controls over the subrecipient monitoring requirements should be improved	None	*Resolved*
2014-036	*NH Office of Energy and Planning*	93.568	OEP should establish internal controls over and comply with the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA)	None	*Resolved*
2014-037	*NH Department of Employment Security*	17.225	Controls over Federal Reporting Procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements.	None	*Partially Resolved. See G-54 and related finding 2015-025*
2014-038	*NH Veterans Home*	64.015	Controls over Ensuring Contractors Are Neither Suspended Nor Debarred Should Be Established And Implemented	None	*Resolved*
2014-039	*NH Veterans Home*	64.015	Controls over Per Diem Requests Should Be Improved	$ 11,954	*Unresolved. See G-57 and related finding 2015-027*
2014-040	*NH Department of Education*	84.126	The Vocational Rehabilitation program (VR) is not in compliance with A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22), which requires that program income, rebates, refunds, and other income and receipts were disbursed before requesting additional Federal cash draws.	None	*Unresolved. See G-60 and related finding 2015-029*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-041	*NH Department of Education*	84.048	Documentation of approval of employees' step and grade could not be produced	None	*Resolved*
2014-042	*NH Department of Education*	84.377 84.388	Subrecipient audits not received by the Department of Education within nine months of the subrecipients year-end, subrecipients did not have active DUNS numbers, and during the award monitoring did not occur	None	*Partially resolved. See G-62 and related finding 2015-032*
2014-043	*NH Department of Environmental Services*	66.468	Noncompliance with applicable funding technique in the Treasury-State Agreement	None	*Resolved*
2014-044	*NH Department of Environmental Services*	66.468 66.458	Noncompliance with the annual Federal Financial Report (FFR) SF-425	None	*Unresolved. See G-65 and related finding 2015-043*
2013-002	*Multiple*	84.048 84.126 96.001 10.557 93.069 93.268 93.563 93.658 93.667 12.401 17.225 15.605 15.611	Ineffective general information technology controls to the NHFirst Human Resources/ Payroll Lawson System	None	*Unresolved. See G-67 and related finding 2015-003*
2013-009	*NH Department of Health & Human Services*	93.069	Documentation of employee time worked for the PHEP program appears inadequate. Employee time charged to PHEP program is questionable	$ 3,852	*Resolved. Questioned Cost Remain Open*
2013-010	*NH Department of Health & Human Services*	93.268	Controls need to be strengthened over the reconciliation of vaccines ordered and those tracked	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2013-013	*NH Department of Health & Human Services*	93.667	Earmarking requirements were not met	$ 23,876	*Resolved. Questioned Cost Remain Open*
2013-015	*NH Department of Health & Human Services*	93.959	Maintenance of effort requirements not met	Unable to Determine	*Resolved*
2013-017	*NH Department of Health & Human Services*	10.557	Compliance with the WIC subaward reporting requirements of FFATA	None	*Resolved*
2013-018	*NH Department of Health & Human Services*	10.557	Internal controls over and compliance with the cash management requirements of the WIC Program	None	*Resolved*
2013-019	*NH Department of Health & Human Services*	10.557	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	None	*Unresolved. See G-73 and related finding 2015-012*
2013-022	*NH Department of Environmental Services*	66.468	Noncompliance with applicable funding technique in the Treasury-State Agreement	None	*Resolved*
2013-023	*NH Department of Safety*	97.036	Noncompliance with Federal Funding Accountability and Transparency Act	None	*Resolved*
2013-024	*NH Department of Safety*	97.036	Sub recipient Monitoring procedures must be established	None	*Unresolved. See G-76 and related finding 2015-016*
2013-031	*NH Department of Employment Security*	17.225	Controls over Federal reporting procedures needs to be strengthened to ensure compliance with Federal Reporting Requirements	None	*Partially Resolved. See G-78 and related finding 2015-026*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2013-033	*NH Veterans Home*	64.015	Controls over ensuring contractors are neither suspended nor debarred should be established and implemented	None	*Resolved*
2013-035	*NH Office of Energy and Planning*	93.568	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA)	None	*Resolved*
2013-036	*NH Office of Energy and Planning*	93.568	Internal controls and compliance over the sub recipient monitoring requirements should be improved	None	*Resolved*
2013-041	*NH Department of Fish & Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Unable to Determine	*Unresolved. See G-81 and related finding 2015-018*
2013-042	*NH Department of Fish & Game*	15.605 15.611	Request for reimbursements not performed timely	None	*Unresolved. See G-84 and related finding 2015-019*
2013-043	*NH Department of Fish & Game*	15.605 15.611	Noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements	None	*Resolved*
2013-044	*NH Department of Fish & Game*	15.605 15.611	Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved. See G-86 and related finding 2015-020*
2013-045	*NH Department of Fish & Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-88 and related finding 2015-021*
2012-007	*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	*Partially Resolved. See G-90*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Federal award Findings And Questioned Costs Remain Open

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2012-014	*NH Department of Health and Human Services*	93.959	Maintenance of Effort (MOE), Earmarking and Period Availability requirements not met	$ 28,565	*Resolved. Questioned Cost Remain Open*
2012-020	*NH Office of Energy and Planning*	93.568	Internal Controls and compliance over the sub recipient monitoring requirements of LIHEAP should be improved	Unable to Determine	*Resolved*
2012-022	*NH Office of Energy and Planning*	93.568	Internal controls over and compliance with FFATA should be established	None	*Resolved*
2012-034	*NH Department of Safety*	97.036	Noncompliance with Federal Funding Accountability and Transparency Act	None	*Resolved*
2012-036	*NH Department of Safety*	97.036	Sub recipient monitoring procedures must be established	None	*Unresolved. See G-94 and related finding 2015-016*
2012-037	*NH Department of Environmental Services*	66.468	Noncompliance with the Treasury-State Agreement	None	*Resolved*
2012-042	*NH Department of Employment Security*	17.225	Federal reporting procedures need improvement	None	*Partially Resolved. See G-97 and related finding 2015-025*
2012-061	*NH Veterans Home*	64.015	Controls over processing and accounting for federal revenues should be improved	None	*Unresolved. See G-100 and related finding 2015-027*
2012-063	*NH Veterans Home*	64.015	Suspension and debarment certifications should be included and verified for all contracts over covered transactions	None	*Resolved*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2016: $ 179,299

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Education ***Finding 2014-003***
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 Immunization Cooperative Agreements
CFDA #93.563 Child Support Enforcement
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
CFDA #93.667 Social Services Block Grant
CFDA #93.889 Hospital Preparedness
CFDA #93.959 Block Grants for the Prevention and Treatment of Substance Abuse

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 part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements. One of

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

Ineffective General Information Technology Controls related to the NHFIRST Human Resources/Payroll Lawson System

In February 2013, the NHFIRST Human Resources/Payroll Lawson System (Lawson or System) was implemented for certain state agencies. Based on our review of the implementation of Lawson, we determined that certain General Information Technology Controls (GITC) related to the System were ineffective. Our findings related to the System are as follows:

- 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. Subsequent to initial testing and after corrective action was taken by management, it was determined that system enforced password parameters did include minimum password length, password expiration, password complexity, and password history, however, the password parameters were not in accordance with the State's policy.

- 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. It was noted during our review that responsibility for the removal of access for a terminated employee is decentralized to the various State agencies,

- 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

move from onsite storage to offsite storage was not available for review. Subsequent to initial testing and after corrective action was taken by management, it was determined that, beginning in September 2013, appropriate levels of documentation relative to the processing and monitoring of backup jobs was available.

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

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 that are in compliance with State password policies.

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

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

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:

We concur:

- Financial Data Management (FDM) NH FIRST Security has worked with the Division of Personnel (DOP) (18 people) and the FDM Reporting team (6 people) to restrict any enhanced access. FDM developed a new security role and DOP has tested this new role that restricts DOP personnel access from any configuration capabilities and allows only functional processing, e.g., position management, benefits, HR transactions, recruiting. Tests for most of the sections in DOP have been successfully

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

completed and the remainder is planned to be completed this month. This new security role is planned to be implemented throughout DOP by April 30, 2015. NH FIRST Security is still working with the FDM Reporting team to define their more limited access requirements.

- During the last quarter of FY2014, Department of Information Technology (DoIT) has established password parameters for the Oracle database including minimum password length, password expiration, password complexity, and password history that are in compliance with State password policies.

- Early in 2014, Financial Data Management (FDM) NH FIRST Security had termination reports developed to identify those employees in a final termination status for more than 60 days. As of April 4, 2014 these reports have been run biweekly and those users identified have all NH FIRST access roles removed and their Active Directory account disabled. If a NH FIRST security access form is received from an agency requesting back office access removal, those requests are processed immediately. As of March 3, 2015 the NH FIRST Security Terminated Employee User ID Maintenance Policy and Procedures document was amended to further tighten NH FIRST security access controls by implementing biweekly identification of all employees in any termination status and those employees with back office access have their back office access removed immediately.

- Financial Data Management (FDM) uses a process, in collaboration with the DAS business units, 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. The details of the testing are not included as part of the migration change request. DoIT creates a Production Migration Log Signoff for all application changes that is reviewed and signed-off by the DoIT Director of Operations and the DAS Director of Financial Data Management. This process was implemented in July 2014 with a review of all production migrations for fiscal year 2014, and is being done quarterly going forward. Reviews were completed in October 2014 for the first quarter of fiscal year 2015 and in January 2015 for the second quarter of fiscal year 2015.

- Beginning in September 2013, appropriate levels of documentation relative to the processing, monitoring, and review of cartridge movement of backup jobs was available for review.

Contact Persons:

Charles Russell, Director - FDM
Wendy Pouliot, Director of Operations - DoIT

Anticipated Completion Date:

Financial Data Management: March 31, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Division of Personnel: June 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-003.

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U.S. Department of Health and Human Services ***Finding 2014-004***
N.H. Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program (ARRA)

Grant Year and Award
10/01/2012 – 09/30/2013 1305NH5MAP
10/01/2013 – 09/30/2014 1405NH5MAP

Finding*: *Medicaid cases identified are not being investigated

Criteria:

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have: (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

Suspected fraud should be referred to the State Medicaid Fraud Control Units (42 CFR part 1007).

The State Medicaid agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services. The agency must have procedures for the ongoing post-payment review, on a sample basis, of the need for and the quality and timeliness of Medicaid services. The State Medicaid agency may conduct this review directly or may contract with a Quality Improvement Organization (QIO).

Condition:

The Office of Improvement and Integrity, Program Integrity Unit (PIU), is responsible for establishing and using written criteria for evaluating the appropriateness and quality of Medicaid services as a means of detecting and correcting potential occurrences of provider fraud, waste and abuse. The PIU also manages the contract with the external QIO, which performs all in-state, border and specialty retrospective inpatient reviews on the fee for service population.

During our testwork of the utilization process, we reviewed the Health and Human Services Department's (the Department's) sampling plan for the utilization reviews performed directly by the PIU and ascertained that the sampling plan is designed and implemented in such a way that can be supported by the Department's current systems in place. We noted that during the year ending June 30, 2014, the Department implemented an electronic Fraud and Abuse Detection system, or EFADS that is designed to be able to provide the PIU with current and valuable analysis of the Medicaid claims processed by the Department. We compared the number of reviews performed during the current audit period to the prior audit period and noted the following:

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Period	Providers	Recipients
SFY 2014	6	56
SFY 2013	23	522
Change	(17)	(466)

In addition to a decline in the number of reviews shown above, as part of our procedures, we inquired as to the status of the prior year reviews still in process at the end of the prior audit period. We noted that the prior year reviews were not completed on a timely basis. Of the 23 reviews initiated in the prior year, 6 reviews were still outstanding at the end of the current audit period due to a reviewer's leave of absence. Additionally, we ascertained the reports initiated by the EFADS system and noted that none of the reports had been reviewed during the current audit period. As a result, a sample of utilization reviews was not completely generated for the current audit period and a number of reviews were not completed. Further, we noted that the analyst charged with generating the reports in order for the PIU to determine the annual sample no longer reports directly to the PIU.

Cause:

The cause of the condition found appears to be primarily the result of a lack of resources assigned to the PIU and this has resulted in the PIU's inability to perform the required investigations.

Effect:

The effect of the condition found is that there is an increased risk of non-compliance with the utilization control and program integrity requirement which may result in the unnecessary utilization of care and services provided under the Medicaid program.

Questioned Costs:

None

Recommendation:

We recommend that the Department should strengthen its existing policies and procedures followed to ensure that all the identified cases in a sample are investigated. As part of this process, the Department should ensure that its procedures include controls to ensure that cases selected for investigation should be reviewed and concluded on within a timely basis as well as ensuring that there is sufficient staffing within the Department.

Auditee Corrective Action Plan

Concur in part. It is noted that prior year reviews were not completed on a timely basis. There was a shift of the PI –SURS staff's focus to ensure proper implementation and oversight of the fraud, waste, and abuse programs within the Managed Care Organizations, implementation of the MMIS EFADS system, and staff absences and turnover. These changes made it difficult to complete reviews timely. The PI unit is continuing to shift focus as more and more of the Medicaid claims processing and provider relations resides with the Managed Care Organizations (MCO). It is believed that PI will need to focus more on

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

oversight of the MCOs fraud, waste, and abuse programs as there will be fewer claims processed through the MMIS system. PI unit is trying to make a concretive effort to address outstanding cases, but is difficult with the absence of staff. PI-SURS currently has one nurse reviewer. The PIU Administrator does a high level overview of each report of suspected error or fraud to determine the priority of review. Referrals or cases with the potential of the greatest impact to the Program are given the highest priority for review. Case work is expected to increase when the second nurse reviewer becomes available.

We do concur that existing policies and procedures should be strengthened to insure that all identified cases are investigated as was intended when EFADS was implemented. Work on this will be renewed when the second nurse reviewer position becomes available.

Anticipated Completion Date:

QIO contract in place by July 2016.

Case reviews continue to be dependent on maintaining staffing and training of new staff, but should see improvement on case closure by December 2016.

Contact Person:

Tashia Blanchard, OII, Administrator

Status as of March 2016:

Partially Resolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-006.

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U.S. Department of Health and Human Services ***Finding: 2014-007***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness
 # 93.268 Immunization Cooperative Agreements
 # 93.558 Temporary Assistance to Needy Families
 # 93.563 Child Support Enforcement
 # 93.658 Foster Care Title IV-E
 # 93.667 Social Services Block Grant

Grant Year and Award
Various

Finding: Employee time cards and pay rates and/or pay rate changes were not properly approved and payroll costs not supported for allocated payroll costs

Criteria:

Federal awards should be expended only for allowable activities. Laws and regulations for each grant program contain specific requirements for activities allowed and unallowed.

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. OMB Circular A-87, Attachment A contains basic guidelines related to compensation of employees for the time devoted and identified specifically to the performance of those awards are allowable direct costs; and states that in order for a cost to be allowable under federal awards, costs must be adequately documented and approved.

Condition:

The Department of Health and Human Services (the Department) utilizes a federally approved cost allocation plan to allocate costs to its public assistance programs. As part of our testwork, we reviewed the Department's cost allocation plan to ensure that costs were allocated in accordance with the methodology outlined within the federally approved cost allocation plan, that there was sufficient documentation to support the costs that were allocated within the cost allocation plan, and that there were sufficient controls over the approval of those costs.

As part of our testwork over the cost allocation plan, we selected a sample of 40 timesheets composed of 33 (thirty-three) classified and 7 (seven) unclassified employees and noted the following:

Approval of Timesheets

The NHFirst Payroll System requires employees to submit their time worked daily and the employees assigned supervisor (or their proxy) is required to review and approve the time submitted to ensure it is accurate. The Department does not require unclassified employees to have their time approved through the NH First Payroll system. Instead these employees are required to submit a paper timesheet which are approved by their supervisors.

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As part of our testwork, we noted the following concerning the supervisory approval of timesheets:

A. Two (2) employees' timelines for the selected pay periods were approved by someone other than the listed approver or the approver's proxy. This time was approved by Human Resources (HR) staff. As a result, we were unable to conclude whether or not the employee's time was properly approved for the period selected for testwork.

B. Timesheets for two (2) classified employees could not be produced through the NHFirst LBI, General Ledger Reports, Time Line Approval application. As a result, we were unable to conclude whether or not the timesheets were properly approved for the time period selected for testwork.

C. Approved timesheets for two (2) unclassified employees were missing. As a result, we were unable to conclude whether or not the timesheets were properly submitted and approved for the time period selected for testwork.

Cause:

The cause of the condition found is that HR staff approved timesheets due to the employee's supervisor's, or proxy's inability to access and approve employee timecards. Payroll cannot be processed until all employees' time cards are approved, therefore, HR employees may be under pressure for timely payroll processing. Additionally, we noted that there does not appear to be a formal documented procedure for submission of timesheets for unclassified employees.

Effect:

The effect of the condition found is that there is an increased risk of non-compliance with activities allowed or unallowed requirement.

Questioned Costs:

Not determinable

Recommendation:

We recommend that the Department ensure all employee timecards are reviewed and approved by the employee's immediate supervisor, or proxy. If circumstances necessitate HR approval of employee timecards in the system, the Department should maintain documentation to evidence that the supervisor/proxy has reviewed the employees' timecard for their accuracy at the time of approval or soon after.

Further, the Department should develop formal policies and procedures, to ensure that unclassified employees submit timesheets to evidence that their time is being reviewed and approved.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Auditee Corrective Action Plan:

HR staff has been told that they are not to approve timecards unless they receive written instruction/permission to do so from the supervisor. That written permission to do so will be kept in the employees Personal Info tab in the system.

A process is going to be put in place to ensure that all unclassified monthly time records are received by HR.

Anticipated Completion Date:

April 2015 for the month of March 2015

Contact Person:

Mary Calise, Administrator
Betty Hughes

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-004.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Health and Human Services ***Finding 2014-011***
N.H. Department of Health and Human Services

CFDA # 93.069 Public Health Emergency Preparedness (PHEP)

Grant Year and Award
7/01/2013 – 6/30/2014 5U90TP000535-02

Finding: The Department of Health and Human Services (DHHS) Should Comply with the Earmarking requirement of PHEP program.

Criteria:

Notice of Awards for PHEP grant includes the following earmarking requirement:

Cities Readiness Initiative (CRI): This award includes $279,824 to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. These funds provide for medical countermeasure distribution and dispensing (MCMDD) for all hazards events, which includes the ability of jurisdictions to develop capabilities for U.S. cities to respond to a large-scale biologic attach, with anthrax as the primary threat consideration. For State awardees, 75% of their allocated funds must be provided to CRI jurisdictions in support of all-hazards MCMDD planning and preparedness. CRI jurisdictions are defined to include independent planning jurisdictions (as defined by the state and locality) that include those counties and municipalities within the defined metropolitan statistical area (MSA) or the New England County Metropolitan Areas (NECMAs).

Condition:

DHHS tracks earmarked expenditures by assigning specific job numbers in their cost allocation system. CRI earmark is budgeted as subaward to sub-grantees. According to the financial data that supports the Final Federal Financial Report for the reporting period ended June 30, 2014, the total amount specifically expended in State fiscal year 2014 and for the grant period was $171,489. This includes the amount obligated but not expended at June 30, 2014. The required earmark is $279,824, therefore, the requirement appears to not be met by $108,335.

Cause:

DHHS have compiled obligated funds at June 30, 2014, which include CRI expenditures, however, the total of expended and the obligated amount still fell short of the required earmark amount.

Effect:

DHHS was not in compliance with earmarking requirement of PHEP program in State fiscal year 2014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Questioned Costs:

$108,335

Recommendation:

We recommend that the Department consult Federal granting agency and discuss the possibility of returning or carrying over the unspent portion of the grant that was earmarked for CRI. DHHS should also review the current procedures in order to reduce the risk of noncompliance for earmarking.

Auditee Corrective Action Plan:

We respectfully disagree with the finding. The funds are not an earmark, in the sense that we must spend all funds. Centers for Disease Control (CDC) refers to them as a “carve out” of funds or component within the grant, based on required activities within the grant.

The purpose of CRI is to provide support for medical countermeasures planning (i.e. the PODs) and CDC does conduct - along with ESU staff - an annual technical review of those plans that has a resulting quantitative score attached to it. We are always above the requirements in the Funding Opportunity Announcement (FOA) with regards to our score (at both the state and regional levels).

Per CDC clarification, the PHEP awardee must be able to demonstrate to the Project Officer that they were able to complete those specific project activities as required in the FOA within the budget period, and that the unexpended funds resulted in a cost savings to the Federal government.

Anticipated Completion Date:

N/A

Contact Persons:

Dolores Cooper, Financial Manager
Shelley Swanson, Financial Administrator

KPMG Rejoinder:

We have not been able to obtain from the Department evidence they have demonstrated to CDC that specific project activities for CRI were completed and that the unexpended funds resulted in cost savings to the Federal government.

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-010.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Health and Human Services **Finding 2014-018**
N.H. Department of Health and Human Services

CFDA #93.575 Child Care and Development Block Grant
CFDA #93.596 Child Care Mandatory and Matching Funds of Child Care Development Fund

Grant Year and Award:
10/01/2012 – 09/30/2013 1301NHCCDF
10/01/2013 – 09/30/2014 1401NHCCDF

Finding: Missing health and safety information from provider licensing files and inadequate provider monitoring

Criteria:

As part of their Child Care Development Fund plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR section 98.41).

Condition:

Per State policy there is a myriad of documentation that is required to be submitted with the application in order to show compliance with the health and safety requirements. During our testwork over provider health and safety standards we noted for 3 out of 25 providers selected for testwork, one or more of the documents related to the health and safety process were missing from the file and the State was unable to provide evidence they had obtained the documentation. Two of the files were missing documentation to support that the center director/family child care provider had a physical within the last 12 months and the other file was missing documentation to support that the center had the proper town/city zoning approvals.

Per State policy the Child Care Licensing Unit performs annual monitoring visits. During our testwork over provider health and safety we noted for 12 out of 25 providers selected for testwork, a monitoring visit, where the Department ensures the provider is operating in accordance with the child care provider rules and regulations was not performed within the year, as is the Department's monitoring policy.

Cause:

The Department's weakness in control to review the documentation to ensure it is complete, accurate and maintained prior to making a licensing decision. The Department reports the cause for untimely monitoring visits due to a lack of staff to perform them.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Effect:

The Department of Health and Human Services may not obtain all the required documentation to ensure a provider has provided proper health and safety documentation to be a licensed provider.

Questioned Costs:

None

Recommendation:

The Department should institute a control to review the documentation to ensure it is complete, accurate and maintained prior to making a licensing decision.

The Department should also review their monitoring plan/procedures to ensure that each site is visited as required by the State's Child Care Development Fund plan to ensure compliance with health and safety requirements as noted in the State Plan and Federal Compliance Supplement.

Auditee Corrective Action Plan:

All licensing staff will review and document a current physical for the center director/provider during the relicensing visit. Supervisors will ensure the date of the physical is documented prior to the renewed license being issued. Zoning forms are required for new programs, or for existing programs if adding additional program types or moving to a new location. Files will be reviewed to be sure the most recent zoning form is present before renewed license is issued.

The recommendation from the National Association for Regulatory Administration is a caseload of 50-60 programs per licensing inspector, which is also the recommendation in the Child Care Development Fund Reauthorization of November 2014. Our current caseload is 135 programs with seven licensing inspectors, and we have three vacant positions, two that have been de-funded in the current budget process. If we receive approval to hire the one licensing inspector position still funded, our caseload per inspector will be 118, still twice the national recommendation. Policies and procedures regarding monitoring visits are being reviewed and revised to better meet the yearly requirement for one monitoring visit per year at all licensed programs. Number of visits completed will be closely monitored by supervisory staff, with the highest priority given to complaint investigations and monitoring of programs with a history of compliance issues.

Anticipated Completion Date:

DHHS anticipates having the necessary staff hired by 8/1/16.

Contact Person:

Melissa Clement, Chief, Child Care Licensing Unit

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Status as of March 2016:

Partially Resolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Health and Human Services ***Finding 2014-021***
N.H. 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 (Aging)***
CFDA # 93.045	***Special Programs for the Aging – Title III, Part C – Nutrition Services(Aging)***
CFDA # 93.053	***Nutrition Services Incentive Program(Aging)***
CFDA # 10.557	***Special Supplemental Nutrition for Women, Infants, and Children (WIC)***
CFDA # 93.667	***Social Services Block Grant (SSBG)***
CFDA # 93.069	***Public Health Emergency Preparedness (PHEP)***
CFDA # 93.889	***Hospital Preparedness Program (HPP)***
CFDA # 93.268	***Immunization Cooperative Agreements (Immunization)***

Grant Year and Award:

Aging:	
10/01/2012 – 9/30/2013	***13AANHT3SP***
10/01/2013 – 9/30/2014	***14AANHT3SS***
10/01/2013 – 9/30/2014	***14AANHT3CM***
10/01/2013 – 9/30/2014	***14AANHT3HD***
10/01/2012 – 9/30/2013	***13AANHNSIP***
10/01/2013 – 9/30/2014	***14AANHNSIP***
WIC:	
10/1/12 – 9/30/13	***2013IW100344***
10/1/13 – 9/30/14	***2014IW100344***
10/1/12 – 9/30/13	***2013IW500344***
10/1/13 – 9/30/14	***2014IW500344***
SSBG:	
10/1/2012-9/30/2014	***G-1301NHSOSR***
PHEP:	
7/01/2013 – 6/30/2014	***5U90TP000535-02***
HPP:	
7/01/2013 – 6/30/2014	***5U90TP000535-02***
Immunization:	
1/1/13 – 12/31/13	***1H23IP000757-01***
1/1/14 – 12/31/14	***5H23IP000757-02***

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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.

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.

2 CFR specifies non-federal entities receiving federal financial assistance are required to report information on subawards and executive total compensation as required by FFATA. Additionally, the programs' grant agreements include requirements for FFATA reporting.

Condition:

Aging:

5 of 31 subawards requiring FFATA reporting were not submitted. Additionally, one of the subawards reported, was reported incorrectly.

Further, we found that the FFATA reporting was not done timely, i.e., were not reported by the end of the month following the month of sub-award or obligation. All subawards were listed as being obligated in July 2014; however, obligation occurs when the subaward agreements are approved by Governor and Council. Report submission under the Transparency Act did not occur until January 2015, well after the due dates.

WIC, PHEP, HPP and Immunization:

No required FFATA reports for these programs were filed during state fiscal year 2014.

SSBG:

The Bureau of Drug and Alcohol Services (BDAS) did not report the accurate federal subaward amount for three of five subawards selected for testwork, and reported the total award amount including general funds and federal funds, while only federal funds should have been reported for all subawards.

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

Cause:

The cause is due to lack of properly designed and implemented controls in fiscal year 2014, to ensure data integrity and timely submission.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 agrees that some of the State fiscal year 2014 FFATA reports were not in compliance with the Act as noted by the findings reported.

The Financial Compliance Unit (FCU) has completed the centralization of the FFATA process, as of July 1, 2014, for the Department of Health and Human Services (DHHS), and has adopted a FFATA Current Process Guideline compliant with the department's audit response "Corrective Actions" of State fiscal year 2013. Because of the timing of these corrective actions accomplished it is acknowledged that certain items from State fiscal year 2014 may not fully comply with the Federal Funding and Accountability and Transparency Act. However, awards approved during the June 2014 Governor and Council meetings, which are effective July 1, 2014, and subsequent, are included in the FFATA reports using the new guideline. The FCU is coordinating this process and collaborating with the Division Finance Units as well. Additionally we have reached out to the centralized Contracts & Procurement unit to augment this process by including, along with the CFDA numbers for all contracts, the addition of the Federal Award Identifier Number within the Governor & Executive Council Documentation. This will facilitate the approved contracts review step in this process, eliminate duplication of effort, and minimize the required interaction with the divisions themselves.

Anticipated Completion Date:

June 2014

Contact Person:

PJ Nadeau Jr. Financial Compliance Unit

Status as of March 2016:

Partially Resolved. The Office of Improvement and Integrity, Financial Compliance Unit (FCU) has completed the centralization of the Federal Funding and Accountability and Transparency Act (FFATA) reporting process, as of July 1, 2014, for the Department of Health and Human

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Services (DHHS). Additionally, we have reached out to the centralized Contracts & Procurement unit to augment this process by including, along with the CFDA numbers for all contracts, the addition of the Federal Award Identifier Number within the Governor & Executive Council documentation. This will facilitate the approved contract review step in this process.

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U.S. Department of Health and Human Services ***Finding 2014-022***
N.H. Department of Health and Human Services

CFDA 93.558 Temporary Assistance for Needy Families

Grant Year and Award

10/1/12 – 9/30/13 2013G996115
10/1/13 – 9/30/14 2014G996115

Finding: Hours worked by program participants used towards the compliance with annual work participation rates does not agree to supporting documentation

Criteria:

The state agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, it must have in place procedures to (a) determine whether its work activities count for participation rate purposes; (b) determine how to count and verify hours of reported work; (c) identify who is a work-eligibly individual; and (d) control internal data transmission and accuracy. Each state agency must comply with its Health and Human Services (HHS) approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant (SFAG) for violation of this provision (42 USC 601, 602, 607, and 609); CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

Condition:

The Department for Health and Human Services (the Department) selects a sample of cases on a monthly basis made up of both on-going two parent family and other family (i.e. single or absent parent) during the following calendar month. Each sampled case is verified for accuracy of work or work-related activity hours reported. This verification is done via a match of New Heights system (the State of New Hampshire eligibility determination system) hours reported and supporting documentation collected from TANF participants (i.e. paystubs, statements from employers, etc.). During our testwork over the Department's verification process we noted for 2 of the 25 items selected for testwork, the hours worked per the participant's case file did not agree to the number of hours worked per the New Heights system.

Cause:

The cause of the condition found was a due to human error.

Effect:

The effect of the condition found is that inaccurate work hours could be reported by TANF participants, which could further result in an improper calculation of the State's work participation rates, as required for federal reporting.

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Questioned Costs:

None

Recommendation:

We recommend that the Department review its existing procedures and controls related to work verification to ensure that work and work related activity hours are properly and accurately reported in a consistent manner in order to ensure that the Department is in compliance with federal regulations.

Auditee Corrective Action Plan:

The Department agrees that all hours reported and documented by the client should be reported in the New Heights system for inclusion on the ACF 199/209 reports. All staff have been reminded that this is a requirement of their job duties and to be more diligent when reporting the number of hours worked.

Anticipated Completion Date:

Complete at this time.

Contact Person:

Mary Calise, Kerry Nelson, Mark Jewell

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-009.

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U.S. Department of Agriculture – Food and Nutrition Services **Finding 2014-023**
N.H. Department of Health and Human Services

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

Grant Year and Award:
10/1/12 – 9/30/13 2013IW100644
10/1/12 – 9/30/13 2013IW100344
10/1/13 – 9/30/14 2014CW200144
10/1/13 – 9/30/14 2014IW100344
10/1/13 – 9/30/14 2014IW100644

Finding: The Controls Incorporated into a Service Organization's Operations Relative to the NH 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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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.

This finding was also included in the prior year report.

Cause:

Although this finding was originally identified in the prior year audit of the WIC program, the Department has not yet incorporated a requirement for a SOC 1 report into the existing Starlinc contract or implemented additional internal controls relative to the system's performance. The Department states the presentation of this finding in the prior year audit overlapped the Department's request for proposals relative to renewal of the existing Starlinc contract. Accordingly, the requirement for the vendor to provide a SOC 1 report relative to Starlinc system controls was not included in the request for proposal. The Department states it is their intent to present the requirement for a SOC 1 report in a subsequent contract amendment once the current bidding process is complete and a new contract is executed.

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 hosting, maintaining, and operating the Starlinc system to provide the Department with an annual SOC 1 report into the existing contract and ensure its incorporation into future requests for proposals and contracts. In the absence of a SOC 1 report, the Department should implement compensating controls as a means of obtaining reasonable assurance the processes 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Auditee Corrective Action Plan:

We concur and have discussed with the contractor requirement of a SOC-1 audit. The vendor issued a request for proposal for the service in January, are currently evaluating the response and will contact us once they have identified the contractor.

Anticipated Completion Date:

December 2, 2015

Contact Person:

Dolores Cooper

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-012.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Homeland Security ***Finding 2014-026***
N.H. Department of Safety – Division 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***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
11/4/12-11/03/16	***EM 3360 PA***
6/15/12-6/14-16	***DRNH 4065 PA***
11/4/12-11/03/16	***DRNH 4095 PA***
5/12/10-6/30/14	***DRNH 1913 PA***

Finding: Subrecipient Monitoring Procedures Should Be Improved

Criteria:

In accordance with 31 USC 7502(f)(2), each pass-through entity is responsible for reviewing and following up on subrecipient audit findings.

Condition:

During the fiscal year ended June 30, 2014, 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 did not have procedures in place to review and follow up on subrecipient Single Audit reports during the fiscal year ended June 30, 2014. Out of a sample of 25 subrecipients, 24 were non-State agency subrecipients and therefore subject to HSEM Single Audit report monitoring review and follow up procedures. No evidence of the performance of monitoring review and follow up was observed.

A similar finding was identified during the Single Audits for the fiscal years ended June 30, 2013 and June 30, 2012.

Cause:

HSEM reported that lack of resources during the fiscal year ended June 30, 2014 contributed to the condition.

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Effect:

HSEM was not in compliance with Subrecipient Monitoring requirements during the fiscal year ended June 30, 2014.

Questioned Costs:

None

Recommendation:

HSEM should establish and implement procedures to review, and follow up on subrecipient single audits.

Auditee Corrective Action Plan:

NH Department of Safety, Division of HSEM tracks all Single Audits on a spreadsheet. This spreadsheet is used by Department of Safety for tracking all A-133 Audits.

We have improved upon this procedure by implementing a step in our process that will include a thorough check of the A-133 Single Audit for "Audit Findings." If a finding has been identified, HSEM will coordinate with the State of New Hampshire Department of Safety (DOS) Business Office to perform a monitoring review and follow up of any findings identified. This will be documented by HSEM and also by the DOS Business Office staff.

Contact Person:

Leigh A. Cheney

Anticipated Completion Date:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-016.

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U.S. Department of Homeland Security ***Finding 2014-027***
N.H. Department of Safety – Division 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***
3/19/13-3/18/17	***DRNH 4105 PA***
8/02/13-8/02/17	***DRNH 4139 PA***
11/4/12-11/03/16	***EM 3360 PA***
6/15/12-6/14-16	***DRNH 4065 PA***
11/4/12-11/03/16	***DRNH 4095 PA***
5/12/10-6/30/14	***DRNH 1913 PA***

Finding: Treasury- State Agreement (TSA) Requirements Should Be Complied With

Criteria:

US Department of the Treasury (Treasury) regulations at 31 CFR part 2015, 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.

Per the TSA Agreement:
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Recipient: Department of Safety
% of Funds Agency Receives: 97.00
Component: Direct Program
Technique: Actual Draw - Monthly
Average Day of Clearance: N/A
Recipient: Department of Safety
% of Funds Agency Receives: 3.00
Component: Administrative
Technique: Cost Allocation Plans - Monthly
Average Day of Clearance: N/A

Condition:

During the audit, we noted for 4 out of 25 cash draws tested, the Department of Safety did not comply with the applicable funding technique specified in the TSA for direct costs. We noted that the department was drawing more than monthly for the Disaster Assistance Program.

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Cause:

The State misunderstood the TSA agreement as stating that the Draws should be performed "At Least" monthly.

Effect:

The Department was not in compliance with the funding technique specified by the TSA Agreement.

Questioned Costs:

None

Recommendation:

For the direct costs, the Department misunderstood the funding technique to be utilized. The Department was drawing draws down funds multiple times a month. Although this may make business sense, it is not compliant with the approved method in the TSA Agreement.

We recommend the Department work with the Treasury department to change the approved funding technique to a Bi-Monthly Draw for direct costs to better align the TSA with practice.

Auditee Corrective Action Plan:

The Department was not aware of the changes made to the TSA to include the Public Assistance grants. Historically, these grants have not been included in the TSA.

The Department will work with the State Treasury Department to revise the TSA to ensure future compliance.

Contact Person:

Leigh A. Cheney

Anticipated Completion Date:

June 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-015.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Department of the Interior — ***Finding 2014-028***
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

7/1/13 - 6/30/14	*F13AF00759*	*7/1/11 - 6/30/14*	*F11AF00517*
7/1/13 - 6/30/14	*F13AF00902*	*7/1/13 - 6/30/14*	*F13AF00824*
7/1/13 - 6/30/14	*F13AF00737*	*7/1/13 - 6/30/14*	*F13AF00901*
1/1/13 - 12/31/13	*F13AF00175*	*7/1/13 - 6/30/14*	*F13AF00690*
1/1/14 - 12/31/14	*F14AF00168*	*11/1/08 - 12/31/14*	*F09AF00086*
8/7/13 - 6/30/14	*F13AF01201*	*7/1/13 - 6/30/14*	*F13AF00851*
2/1/13 - 12/31/13	*F13AF00293*	*9/1/10 - 8/31/15*	*F11AF00850*
2/21/13 - 6/30/15	*F13AF00340*	*12/1/10 - 12/31/13*	*F11AF00842*
10/1/12 - 9/30/17	*F13AF00169*	*12/1/10 - 9/30/13*	*F11AF00844*
7/1/13 - 6/30/14	*F13AF00772*	*1/1/12 - 12/31/14*	*F12AF00190*
7/1/13 - 6/30/14	*F13AF00691*	*7/15/12 - 12/31/13*	*F12AF01379*
7/1/13 - 6/30/14	*F13AF00826*	*7/1/13 - 6/30/14*	*F13AF00674*
7/1/13 - 6/30/14	*F13AF00696*	*8/15/13 - 6/30/17*	*F13AF01123*
7/1/13 - 6/30/14	*F13AF00920*	*3/15/14 - 12/31/15*	*F14AF00331*

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.”

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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, and as a result, does not follow up on any potential findings that could 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 reviewed and met.
- Current construction of MS Access database tracking contracts makes tracking and tallying subrecipient awards challenging

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

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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, and maintains close contact with sub-recipients throughout the performance of sub-awards under the program cluster to ensure program objectives are met. 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 and formalized. We will review compliance requirements and institute appropriate policy and procedures to ensure effective monitoring controls over subrecipients at a level we can manage and maintain.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-018.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Department of the Interior ***Finding 2014-029***
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

7/1/13 - 6/30/14	*F13AF00759*	*7/1/11 - 6/30/14*	*F11AF00517*
7/1/13 - 6/30/14	*F13AF00902*	*7/1/13 - 6/30/14*	*F13AF00824*
7/1/13 - 6/30/14	*F13AF00737*	*7/1/13 - 6/30/14*	*F13AF00901*
1/1/13 - 12/31/13	*F13AF00175*	*7/1/13 - 6/30/14*	*F13AF00690*
1/1/14 - 12/31/14	*F14AF00168*	*11/1/08 - 12/31/14*	*F09AF00086*
8/7/13 - 6/30/14	*F13AF01201*	*7/1/13 - 6/30/14*	*F13AF00851*
2/1/13 - 12/31/13	*F13AF00293*	*9/1/10 - 8/31/15*	*F11AF00850*
2/21/13 - 6/30/15	*F13AF00340*	*12/1/10 - 12/31/13*	*F11AF00842*
10/1/12 - 9/30/17	*F13AF00169*	*12/1/10 - 9/30/13*	*F11AF00844*
7/1/13 - 6/30/14	*F13AF00772*	*1/1/12 - 12/31/14*	*F12AF00190*
7/1/13 - 6/30/14	*F13AF00691*	*7/15/12 - 12/31/13*	*F12AF01379*
7/1/13 - 6/30/14	*F13AF00826*	*7/1/13 - 6/30/14*	*F13AF00674*
7/1/13 - 6/30/14	*F13AF00696*	*8/15/13 - 6/30/17*	*F13AF01123*
7/1/13 - 6/30/14	*F13AF00920*	*3/15/14 - 12/31/15*	*F14AF00331*

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 10 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 18 to 291 days, with one not drawn by the date of our audit fieldwork. More specifically, of those expenditures tested, funds for 14 were disbursed over a month prior to the draw date, 17 were over 60 days, 5 were over 90 days, and 2 were over 120 days.

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

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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

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. Unfortunately in the two cases of the most time elapsing between the expense being incurred and the draw for reimbursement, the invoice was not coded as having federal funds associated with it therefore was not designated as a reimbursable expense. On the positive side, prior to any grant being closed out, the federal aid coordinator reviews the grant expenditures and upon this review is when these two invoices were discovered as not having been properly coded for reimbursement. This review will continue to ensure all grant costs are picked up even if they are missed when processed for payment.

As of the time of this writing, all of our reimbursements are current and we will continue to make every effort to remain on a biweekly schedule.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date: N/A

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-019.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Department of the Interior ***Finding 2014-031***
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

7/1/13 - 6/30/14	*F13AF00759*	*7/1/11 - 6/30/14*	*F11AF00517*
7/1/13 - 6/30/14	*F13AF00902*	*7/1/13 - 6/30/14*	*F13AF00824*
7/1/13 - 6/30/14	*F13AF00737*	*7/1/13 - 6/30/14*	*F13AF00901*
1/1/13 - 12/31/13	*F13AF00175*	*7/1/13 - 6/30/14*	*F13AF00690*
1/1/14 - 12/31/14	*F14AF00168*	*11/1/08 - 12/31/14*	*F09AF00086*
8/7/13 - 6/30/14	*F13AF01201*	*7/1/13 - 6/30/14*	*F13AF00851*
2/1/13 - 12/31/13	*F13AF00293*	*9/1/10 - 8/31/15*	*F11AF00850*
2/21/13 - 6/30/15	*F13AF00340*	*12/1/10 - 12/31/13*	*F11AF00842*
10/1/12 - 9/30/17	*F13AF00169*	*12/1/10 - 9/30/13*	*F11AF00844*
7/1/13 - 6/30/14	*F13AF00772*	*1/1/12 - 12/31/14*	*F12AF00190*
7/1/13 - 6/30/14	*F13AF00691*	*7/15/12 - 12/31/13*	*F12AF01379*
7/1/13 - 6/30/14	*F13AF00826*	*7/1/13 - 6/30/14*	*F13AF00674*
7/1/13 - 6/30/14	*F13AF00696*	*8/15/13 - 6/30/17*	*F13AF01123*
7/1/13 - 6/30/14	*F13AF00920*	*3/15/14 - 12/31/15*	*F14AF00331*

Finding: Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting

Criteria:

Per the 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 that the initial drafts of the Fish & Wildlife Cluster amount reported on the SEFA by the Fish and Game Department (the Department), did not use the proper cut off to account for expenditures. The SEFA was later revised, after audit by us, to account for the expenditures that were paid in fiscal 2014, but not reimbursed until the following fiscal year.

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,

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 will have difficulty ensuring proper cut off for expenditure reporting.

A similar finding was included in the prior year single audit report.
Additionally, we noted that the total pass-through percentages as calculated in dollars reported on the SEFA did not agree to subrecipient award information provided as part of our audit testwork. The difference is approximately $298,000, which is immaterial to the program cluster as a whole, but points to a control deficiency over SEFA reporting.

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 Federal expenditures. Additionally, the version of the software used does not meet the reporting requirements of the Department.

Effect:

The potential for inaccurate reporting of SEFA expenditures is increased as there are inadequate controls over the accuracy of SEFA reporting.

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. Additionally, we recommend that the pass-through percentages and expenditures reported on the SEFA are reconciled with department expenditures and sub award records.

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. We are now reporting expenditures on a cash basis as required on the SEFA report. The NHFIRST grants module is not currently available for use; however we do plan on exploring the purchase of an updated version of QuickBooks for our internal recordkeeping.

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Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-020.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Department of the Interior — ***Finding 2014-032***
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

7/1/13 - 6/30/14	*F13AF00759*	*7/1/11 - 6/30/14*	*F11AF00517*
7/1/13 - 6/30/14	*F13AF00902*	*7/1/13 - 6/30/14*	*F13AF00824*
7/1/13 - 6/30/14	*F13AF00737*	*7/1/13 - 6/30/14*	*F13AF00901*
1/1/13 - 12/31/13	*F13AF00175*	*7/1/13 - 6/30/14*	*F13AF00690*
1/1/14 - 12/31/14	*F14AF00168*	*11/1/08 - 12/31/14*	*F09AF00086*
8/7/13 - 6/30/14	*F13AF01201*	*7/1/13 - 6/30/14*	*F13AF00851*
2/1/13 - 12/31/13	*F13AF00293*	*9/1/10 - 8/31/15*	*F11AF00850*
2/21/13 - 6/30/15	*F13AF00340*	*12/1/10 - 12/31/13*	*F11AF00842*
10/1/12 - 9/30/17	*F13AF00169*	*12/1/10 - 9/30/13*	*F11AF00844*
7/1/13 - 6/30/14	*F13AF00772*	*1/1/12 - 12/31/14*	*F12AF00190*
7/1/13 - 6/30/14	*F13AF00691*	*7/15/12 - 12/31/13*	*F12AF01379*
7/1/13 - 6/30/14	*F13AF00826*	*7/1/13 - 6/30/14*	*F13AF00674*
7/1/13 - 6/30/14	*F13AF00696*	*8/15/13 - 6/30/17*	*F13AF01123*
7/1/13 - 6/30/14	*F13AF00920*	*3/15/14 - 12/31/15*	*F14AF00331*

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 2013 and 2014 due to an oversight. Also, we noted that the condition of equipment listed in the database did not always reflect the observed condition.

Current inventory procedures require a “sheet to floor” inventory to be conducted, but does not require a “floor to sheet” procedure. Additionally, the Department does not require that the

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FOR FISCAL YEARS 2014, 2013, AND 2012

inventory be conducted on the same day in each division. As such, there is an increased risk that equipment transfers between divisions will not be counted.

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

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

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. This finding was also on our 2013 audit. Our response at that time was due to new personnel in the position who did not have a clear understanding of our inventory process. As stated then, this has been corrected and will not be an issue moving forward.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-021.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012

Department of the Interior ***Finding 2014-034***
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

7/1/13 - 6/30/14	*F13AF00759*	*7/1/11 - 6/30/14*	*F11AF00517*
7/1/13 - 6/30/14	*F13AF00902*	*7/1/13 - 6/30/14*	*F13AF00824*
7/1/13 - 6/30/14	*F13AF00737*	*7/1/13 - 6/30/14*	*F13AF00901*
1/1/13 - 12/31/13	*F13AF00175*	*7/1/13 - 6/30/14*	*F13AF00690*
1/1/14 - 12/31/14	*F14AF00168*	*11/1/08 - 12/31/14*	*F09AF00086*
8/7/13 - 6/30/14	*F13AF01201*	*7/1/13 - 6/30/14*	*F13AF00851*
2/1/13 - 12/31/13	*F13AF00293*	*9/1/10 - 8/31/15*	*F11AF00850*
2/21/13 - 6/30/15	*F13AF00340*	*12/1/10 - 12/31/13*	*F11AF00842*
10/1/12 - 9/30/17	*F13AF00169*	*12/1/10 - 9/30/13*	*F11AF00844*
7/1/13 - 6/30/14	*F13AF00772*	*1/1/12 - 12/31/14*	*F12AF00190*
7/1/13 - 6/30/14	*F13AF00691*	*7/15/12 - 12/31/13*	*F12AF01379*
7/1/13 - 6/30/14	*F13AF00826*	*7/1/13 - 6/30/14*	*F13AF00674*
7/1/13 - 6/30/14	*F13AF00696*	*8/15/13 - 6/30/17*	*F13AF01123*
7/1/13 - 6/30/14	*F13AF00920*	*3/15/14 - 12/31/15*	*F14AF00331*

Finding: Incorrect amounts were used in the indirect cost calculations

Criteria:

2 CFR part 225/OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. Per subsection C.2(b), both the direct costs and the indirect costs shall exclude unallowable costs and be properly supported.

Condition:

Indirect costs are calculated based on an indirect cost calculation method approved by the U.S. Department of the Interior that is used as a basis to bill the Federal government for indirect costs applicable to the Fish and Wildlife cluster.

For all of the employees in the affected indirect cost calculations (3 of 5), the prior annual salary was used in the calculation of the benefit percentage (component of indirect costs calculation). While this issue did not lead to questioned costs, it does point to a control deficiency over this calculation.

For our sample selections after March 21, 2014 (1 of 5), the incorrect amount was used for the health insurance costs for all employees in the calculation, leading to questioned costs that were not determinable by management at the conclusion of the audit period. Health insurance costs are

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an input into the fringe rate calculation which is then applied to components of the payroll base in the indirect cost calculation.

Cause:

Management review controls over the indirect cost allocation are not in place.

Effect:

Errors in the indirect cost calculation were not caught by existing controls.

Questioned Costs:

Not determinable

Recommendation:

We recommend that the Department institute effective controls over the indirect cost calculation, such as a check of mathematical accuracy by someone other than the preparer and Human Resource approval of calculation inputs.

Auditee Corrective Action Plan:

We partially concur. Although there was an error in the indirect cost calculation, it was not due to mathematical accuracy on the part of the preparer. The calculations were correct using the salary and benefit payroll information provided by Human Resources. The information provided was not updated with the latest changes in benefit calculations.

We did perform a recalculation on one payroll using the corrected percentages. This calculation indicated a difference of less than $600 for the pay period, in under payments. We determined this was immaterial to warrant adjustments.

We will not have Human Resources review our calculation inputs as they are not responsible for the indirect cost calculations; they only supply the base information.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

N/A

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-034.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Labor ***Finding 2014-037***
N.H. Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

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***
2014	***UI-25219-14-55-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."

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).

For the two ETA 227 reports tested, out of a sample of 11 report types listed above, we were able to agree some of the reported information to supporting documentation but not all. The ETA 227 is used to report fraudulent or non-fraudulent overpayment information, causes, methods of detection, and recovery information, 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 2014. As a result, we were unable to obtain reasonable assurance reports were accurate and complete.

A similar finding was included in the prior year report.

Cause:

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.

Auditee Corrective Action Plan:

Overpayment Module Business Process Review and Reengineering project was completed 9/30/2014. Several changes were implemented that improved the accuracy of the ETA 227. The 4th quarter 2014 report is the first to be impacted by these changes. The data supporting that report is currently under review. Any anomalies noted will be documented and addressed. Since this is a quarterly report whereby only 4 reports are generated each year, each change takes a considerable period of time to show results and provide a “clean” quarter for review.

NHES continues to work closely with the vendor supporting the benefit payment system to review, document and address any discrepancies in reporting. Data Validation populations for not only the ETA 227 report addressed in this audit but also the 5159, 9050, 9051, 586 and 9159

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are currently being focused on. As each population and corresponding reports are analyzed in minute detail, items are addressed. This is a painstaking and lengthy process. While work has been ongoing since implementing the new benefit payment system and included in multiple projects such as the Appeals Module Reengineering (2011-2012) and Overpayment Module Reengineering (2013-2015), a focused team was created and has met bi-weekly since October 2014 to bring additional focus to Data Validation and Report Validation. NHES is committed to accuracy in reporting.

Contact Person:

Dianne Carpenter, UCB Director

Anticipated Completion Date:

Fall 2017

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-025.

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U.S. Department of Veterans Affairs ***Finding 2014-039***
N.H. Veterans Home

CFDA #64.015 Veterans State Nursing Home Care

Grant Year: 2014

Finding: Controls over Per Diem Requests Should Be Improved

Criteria:

The regulations codified at 38 CFR Part 51, *Per Diem For Nursing Home Care Of Veterans In State Homes*, set forth the mechanism for the Department of Veterans Affairs (VA) to pay per diem to State homes providing nursing home care to eligible veterans.

38 CFR 51.43(c) states per diem will be paid for each day that the veteran is receiving care and has an overnight stay. In cases where the nursing home is at 90% or more capacity, 38 CFR 51.43(c), allows for per diem to be paid under certain circumstances when the veteran has no overnight stay. However, since the Veterans Home (Home) did not reach 90% capacity during the fiscal year ended June 30, 2014, an overnight stay was required in all cases when requesting per diem.

Condition:

The Home performs its daily census count at midnight. Manual hardcopy census sheets are completed by nursing staff for each of the Home's five residential units and submitted to the Home's Medical Records section. Using the daily census, Medical Records compiles the Daily Report of New Hampshire Veterans Home (Daily Report) for a respective month. The Daily Report presents the census number and census gains and losses for each day of the month. The census numbers from the Daily Report drive the Home's monthly request for per diem, requested via submission of VA Form 10-5588, *State Home Report and Statement of Federal Aid Claimed*. During the fiscal year ended June 30, 2014, the Home received a per diem of $97.07 for each eligible veteran for the three months ended September 30, 2013 and a per diem of $100.37 for the remainder of the fiscal year. In total the Home received $8.1 million in per diem for the fiscal year period.

During the audit we noted the Home was requesting and receiving per diem for veterans who were absent from the Home and did not have overnight stays, which is counter to 38 CFR 51.43(c). We examined the daily census sheets completed by the nursing staff for four of the twelve months of the fiscal year ended June 30, 2014, and at the auditor's request the Home also provided a list of those veterans who were absent overnight and improperly included in the daily census during the fiscal year. That testing yielded 120 instances of veterans absent overnight and included in the Home's request for per diem. Those 120 instances represent $11,954 in requested and received per diem.

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Cause:

The Home applied noncurrent federal regulations. Prior to April 2009, 38 CFR 51.40 allowed for per diem to be paid for a veteran's absence up to 96 consecutive hours in duration. Post April 2009, the regulations (38 CFR 51.43(c)), required overnight stays for per diem to be paid unless the facility was at 90% or more capacity.

Effect:

By failing to comply with 38 CFR 51.43(c), the Home is overstating its request for per diem.

Questioned Costs:

$11,954

Recommendation:

The Home should take immediate action to comply with 38 CFR 51.43(c). Written policies and procedures for census-taking and for preparation of the Daily Report should be established. Those policies and procedures must be effectively communicated to all relevant parties, including but not limited to nursing and medical records staff, and the implementation of those policies and procedures regularly and closely monitored to ensure the census-taking and reporting align with 38 CFR 51.43(c).

The Home should also establish a formal mechanism, framed by written policies and procedures and monitoring of same, to ensure it stays current with federal regulations.

Further, the Home should consider moving its daily manual hardcopy census sheets to an electronic version to promote efficiencies in recordkeeping.

Auditee Corrective Action Plan:

The Home has taken immediate action to comply with 38 CFR 51.43(c). Written policies and procedure for census-taking and for the preparation of the Daily Report will be established. The policies and procedures will be effectively communicated to all relevant employees, including but not limited to nursing and medical records employees, and the implementation of the policies and procedures will be regularly and closely monitored to ensure the census-taking and reporting are in compliance with 38 CFR 51.43(c).

Further, the Home is researching the availability of an electronic report that will replace the hard copy census report.

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Contact Person:

Margaret D. LaBrecque

Anticipated Completion Date:

March 10, 2016 for policy and procedures. December 31, 2017 for complete implementation of Electronic Medical Record.

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-027.

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U.S. Department of Education ***Finding 2014-040***
N.H. Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
H126A140042 10/1/2013-9/30/2014
H126A130042 10/1/2012-9/30/2013

Finding: The Vocational Rehabilitation program (VR) is not in compliance with A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22), which requires that program income, rebates, refunds, and other income and receipts were disbursed before requesting additional Federal cash draws.

Criteria:

2 CFR section 215.22 requires the following:

To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

Condition:

Vocational Rehabilitation program received approximately $1.2 million worth of program income, or 7.1% of the program's federal expenditures, however there are no procedures in place to ensure that other income and receipts such as reimbursements received under the *Ticket to Work and Social Security Administration Reimbursement Program* were disbursed before requesting additional Federal cash draws as required by the A-102 Common Rule (§___.21) and OMB Circular A-110 (2 CFR section 215.22).

Cause:

No procedures have been implemented to ensure that program income is disbursed before requesting additional Federal draws.

Effect:

The Vocational Rehabilitation program could receive program income and request additional Federal Cash draws prior to disbursing the program income.

Questioned Costs:

None

Recommendation:

We recommend that the VR program administrators establish procedures to ensure that program income is disbursed before requesting additional Federal draws to ensure compliance with Federal regulations.

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Auditee Corrective Action Plan:

We concur. A reminder about program requirements has been sent to program personnel. In addition, the Department of Education Business Office will review this account and send reminders about disbursing program income before requesting additional Federal draws

Contact Person:

Lisa Hatz, Vocational Rehabilitation State Director

Anticipated Completion Date:

Completed

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-029.

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U.S. Department of Education ***Finding 2014-042***
N.H. Department of Education

CFDA # 84.377 ***School Improvement Grants (Section 1003(g) of the ESEA)***
CFDA # 84.388 ***School Improvement Grants, Recovery Act***

Grant Year and Award:
S377A090030 017 11317/1/2009-9/30/2010
S377A110030 317 11317/1/2012-9/30/2013
S377A120030 417 11317/1/2013-9/30/2104

Finding: Subrecipient audits not received by the Department of Education within nine months of the subrecipient's year-end, subrecipients did not have active DUNS numbers, and during the award monitoring did not occur

Criteria:

Per Part 3 of the A-133 Compliance Supplement, the entity must be – (1) Ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at http://www.whitehouse.gov/omb/circulars/a133/a133) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Additionally, per 2 CFR 25.200, (a) Each agency that awards types of Federal financial assistance included in the definition of ''award'' in § 25.305 must include the requirements described in paragraph (b) of this section in each program announcement, regulation, or other issuance containing instructions for applicants that either: (1) Is issued on or after the effective date of this part; or (2) Has application or plan due dates after October 1, 2010. (b) The program announcement, regulation, or other issuance must require each entity that applies and does not have an exemption under § 25.110 to: (1) Be registered in the CCR prior to submitting an application or plan; (2) Maintain an active CCR registration with current information at all times during which it has an active Federal award or an application or plan under consideration by an agency; and (3) Provide its DUNS number in each application or plan it submits to the agency.

Condition:

We noted the following exceptions with the criteria above:

For 3 of the 7 selections tested, subrecipient A-133 audits were not completed by the subrecipients within 9 months of their year-ends. For 2 of these selections, reports were received by NH Department of Education (DOE) subsequent to the 9 month period. For 1 of these selections, no report was received.

For 2 of the 5 subrecipient monitoring selections, the subrecipients' DUNS numbers were inactive on SAM.gov.

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For 2 of the 5 subrecipient monitoring selections, intervention reports were not submitted. Each school creates and submit an Intervention Plan, which identifies any of the seven turnaround principles, as listed and described in the U.S. Department of Education Waiver, that the school is attempting to implement. This includes how the principle will be managing the implementation and the current status of the implementation. Also, within the NH-DOE approved waiver with the U.S. Department of Education, applicable for fiscal year 2014, a requirement is listed that monthly onsite visits will be held; however, monthly site visits were not held for 2 subrecipients. Onsite visits were held for the other 2 subrecipients, but on a less frequent basis and were not always evidenced by formal observation notes.

Cause:

The Department lacks effective monitoring controls over the subrecipient monitoring requirement.

Effect:

The program was not in compliance with subrecipient monitoring procedures.

Questioned Costs:

None

Recommendation:

We recommend all subrecipient audits are received by DOE within 9 months of the subrecipients year-end that all subrecipients have active DUNS numbers and that during the award monitoring are performed.

Auditee Corrective Action Plan:

We concur. A reminder outlining the requirements and deadlines for subrecipient monitoring procedures has been sent to Department of Education Staff involved in these processes. The NHDOE Staff will also work with the US DOE for clarification and modification around monthly onsite visits for each subrecipient. In addition the Department of Education notes that the FFATA reporting database now rejects inactive DUNS numbers which will mitigate this error from occurring in the future.

Contact Persons:

Mary Earick, Administrator
Matt Welsh, Accountant
Nancy Heath, Auditor

Anticipated Completion Date:

August 2015

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Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-032.

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U.S. Environmental Protection Agency ***Finding 2014-044***
N.H. Department of Environmental Services

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

Grant Year and Award:

2010	***FS-991150-10 (DWSRF)***
2011	***FS-991150-11 (DWSRF)***
2011	***CS-330001-11 (CWSRF)***

Finding: Noncompliance with the annual Federal Financial Report (FFR) SF-425

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.

Condition:

The Department of Environmental Services (DES) did not report annual FFR SF-425's for 2 grants open for the DWSRF program and for one grant open for the CWSRF program.

Cause:

Discussions with DES personnel resulted in the cause of the reports not filed to be due to lack of staff available to complete the reporting.

Effect:

The effect of not reporting required FFR SF-425 reports results in noncompliance with Federal reporting requirements.

Recommendation:

We recommend that DES file required annual FFR's for any open grant making an effort to find available resources to do so.

Questioned Costs:

None

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Auditee Corrective Action Plan:

DES will work with EPA to ensure that all reports are filed timely in accordance with the grant terms and conditions.

Contact Persons:

Paul Heirtzler, Administrator
Wastewater Engineering Bureau

Anticipated Completion Date:

September 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-043.

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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 Immunization Cooperative Agreements
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.

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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.

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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.

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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.

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- 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.

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

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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:

Financial Data Management: March 31, 2016

Division of Personnel: June 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-003.

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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.

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.

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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.

Contact Person:

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

Anticipated Completion Date:

December 2, 2015

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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).

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

April 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-026.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 test work, we identified several contracts

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

June 30, 2016

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Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-041.

**SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2014, 2013, AND 2012**

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 test work, 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

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

N/A

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-019.

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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 test work, 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

N/A

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-020.

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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 test work, 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

June 30, 2016

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-021.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S Department of Health and Human Services — ***Finding 2012-007***
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 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 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 2014, 2013, AND 2012

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 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:

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 sub awards were not reported by the end of the month following the month in which the sub awards were made. Additionally, we noted that the amounts included in the report were actual expenditures and not the amounts of the approved sub awards 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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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:

June 2014

Contact Person:

Jennifer Doig, Business Administrator IV

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:

June 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Contact Person:

Dague B. Clark, Fiscal Administrator

Anticipated Completion Date:

June 2014

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:

June 2014

Status as of March 2016:

Partially Resolved. The Office of Improvement and Integrity, Financial Compliance Unit (FCU) has completed the centralization of the Federal Funding and Accountability and Transparency Act (FFATA) reporting process, as of July 1, 2014, for the Department of Health and Human Services (DHHS). Additionally, we have reached out to the centralized Contracts & Procurement unit to augment this process by including, along with the CFDA numbers for all contracts, the addition of the Federal Award Identifier Number within the Governor & Executive Council documentation. This will facilitate the approved contract review step in this process.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Homeland Security — ***Finding 2012-036***
NH Department of Safety – Division 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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

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 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:

The Department of Safety will complete a written policy detailing the above by June 30, 2016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-016.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Labor	***Finding 2012-042***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2009	***UI-18035-09-55-A-33***
2010	***UI-19597-10-55-A-33(ARRA)***
2010	***UI-19597-10-55-A-33***
2011	***UI-21114-11-55-A-33***
2012	***UI-22327-12-55-A-33***

Finding: Federal reporting procedures need improvement

Criteria:

UI Reports Handbook No. 401 states:
"It is the policy of the Office of Workforce Security (OWS) to assure accuracy, uniformity, and comparability in the reporting of statistical data derived from state unemployment insurance operations through state adherence to Federal definitions of reporting items, use of specific formats, observance of reporting due dates, and regular verification of reporting items."

"All applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system."

"The ETA 581 report provides information on volume of work and state agency performance in determining the taxable status of employers and the processing of wage items; in the collection of past due contributions and payments in lieu of contributions, and delinquent reports; and in field audit activity. The data provide measures of the effectiveness of the tax program."

Condition:

The Department of Employment Security (Department) is responsible for submitting quarterly and monthly reports to the US Department of Labor (USDOL) related to the Unemployment Insurance (UI) program in New Hampshire. The UI program requires reports to be submitted timely and to contain complete and accurate data at the time of submission.

- For four out of 12 reports tested the Department did not consistently evidence the review of reports performed prior to submission to the US Department of Labor (USDOL).

The Department ensures compliance with the UI reporting requirements by performing a review of the information included in the report prior to submission to the USDOL by an employee with a supervisory authority. A prior year finding noted this procedure was not able to be verified, as it was not evidenced by all individuals performing the review. In fiscal year 2012, in the attempt to respond to the prior year finding, the Department strengthened its procedure by requiring supervisors with this responsibility to document their review using initials, signature, or electronic documentation.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Test results revealed this procedure was not applied by all Department sections, specifically for the ETA 581 Contribution Operations and ETA 227 Overpayment Detection Recovery reports. We also noted, one individual assigned to perform the review responsibility is also responsible for compiling some of the data included in the report.

- For four out of 12 reports tested, we noted supporting documentation or electronic data provided did not completely agree to all sections of reports tested. As a result, auditors were unable to obtain reasonable assurance reports were accurate and complete.

The Department was able to retrieve some data and historical reports to corroborate some amounts and information reported in the ETA 581 but was not able to completely demonstrate all of the information reported. Also, while reviewing worksheets supporting tax audit information, we noted not all the information was being captured by the report due to a formula error. The issue was brought to the Department's attention and the Department immediately corrected the formula and resubmitted the ETA 581 report for two quarters (one of them selected for testing).

For the ETA 227 report, auditors were able to agree some of the reported cases investigated but unable to agree amounts reported to documentation provided. In addition, the Department indicated overpayment activity reported during fiscal year 2012 was not accurate due to a problem with their NH Unemployment Insurance (NHUIS) system. The Department indicated this issue is known by US DOL and the Department is diligently working on resolving the problem and adjusting the system to be able to report additional information now required by the US DOL.

Cause:

ETA 581 and ETA 227 reports are largely system-generated and therefore, it appears the Department relies mostly on data validation tools provided by USDOL and reviews by supervisors are more for reasonableness rather than accuracy.

Effect:

The Department is not in compliance with the reporting requirements of the Unemployment Insurance program.

Questioned Costs:

None

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

1. The Department should monitor its control procedure of reviewing and approving reports prior to submission to US DOL. The Department should ensure this responsibility is documented through Department policies, evidenced, and performed by individuals other than the ones compiling reports as an effort to demonstrate compliance with federal requirements.

2. The Department should continue to diligently work on correcting system errors, including manual formula verifications, to ensure underlying reporting data is correct and properly generated.

3. The Department should review current procedures for system-generated reports to ensure there is auditable evidence such as documentation or electronic data in order to demonstrate full compliance with the UI reporting requirements.

Auditee Corrective Action Plan:

1. Policy memo has been drafted, pending Commissioner approval, and will be issued regarding requirement of high-level review by someone with supervisory authority and not involved with compilation of data and documentation of review. List of ETA reports compiled with responsible administrator. (This will be complete by 2/28/2013.)

2. Department continues to work with vendor and other stakeholders to improve the integrity of all reports. ETA 227 improvements implemented in production January 2013. Focus of 2013 is on integrity – ensuring that all system processes in NHUIS that impact overpayments and reporting of same are complete and accurate. The Business Process Review began first quarter 2013 and is dissecting not only NHUIS but also business processes that can be streamlined and/or updated for efficiency and effectiveness. The process of BPR, evaluation and prioritization of recommendations, and final implementation of same is expected to take no less than one year.

3. Once details have been provided regarding exactly what data was not able to be produced for the audit, NHES will work with appropriate parties to correct. Data Validation process and results continue to be primary source for identification of reporting issues.

Contact Person:

Dianne Carpenter, UCB Director

Anticipated Completion Date:

Fall 2017

Status as of March 2016:

Partially Resolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-025.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

U.S. Department of Veterans Affairs ***Finding 2012-61***
NH Veterans Home

CFDA # 64.015 Veterans State Nursing Home Care

Grant Year: 2012

Finding: Controls over processing and accounting for federal revenues should be improved

Criteria:

38 CFR 51.43(b) states in part, "VA pays per diem on a monthly basis. To receive payment, the State must submit to the VA medical center of jurisdiction a completed VA Form 10-5588, State Home Report and Statement of Federal Aid Claimed." Form 10-5588 requires the State certify the accuracy of same.

Condition:

Errors noted in the Veteran Home's (the Home) fiscal year 2012 requests for federal per-diem contributions indicate controls over that process are not adequate and require improvement.

Our testing of federal revenues revealed the Home was not consistent in preparing complete and accurate requests for federal per-diem reimbursements. The Home's requests for federal reimbursements during fiscal year 2012 were at times based on incorrect resident census numbers, including miscalculations of the Home's daily cost of care, misapplied the Home's daily rate, and credited amounts in the wrong revenue accounts. In addition, the Home did not retain documentation of its daily census counts, the basis for its census recordkeeping and reporting, which is used in the determination of the monthly federal reimbursement.

The net effect of the noted errors on the Home's revenues for fiscal year 2012 was an excess draw of approximately $7,000 of federal funds and an incorrect allocation of revenues. Revenues were understated in the federal per-diem account by approximately $638,000 and overstated in the resident room and board account by approximately $600,000 in the State accounting system, NHFirst.

Cause:

Ineffective design and establishment of the control process over the preparation and review and approval of requests for federal contributions contributed to the above noted problems.

Effect:

The control process in place did not consistently support the determination of accurate amounts, accurate fiscal year end cutoffs, or use of correct accounts.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2014, 2013, AND 2012

Questioned Costs:

None

Recommendation:

The Home should establish effective controls over its processing and accounting for federal revenues. The requests for federal per-diem contributions should be subject to an effective review and approval control that includes verification of significant information that affects amounts requested and accounts and fiscal periods impacted. Additionally, source documents supporting census data need to be maintained.

Auditee Corrective Action Plan:

The Home concurs that we should establish effective controls over our processing and accounting for federal revenues. The Home will establish a policy that puts into place an effective review and approval control that includes verification of significant information that affects the amounts requested and accounts and fiscal periods. The source documents supporting the census data will be maintained.

Contact Person:

Margaret D. LaBrecque, Commandant

Anticipated Completion Date:

March 10, 2016 for policy and procedures. December 31, 2017 for complete implementation of Electronic Medical Record.

Status as of March 2016:

Unresolved. A similar finding was identified in the 2015 single audit report. See finding and corrective action plan at 2015-027.

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
1000	Judicial Branch
1200	Adjutant General
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
2700	Employment Security, Department of
3200	Secretary of State
3400	Cultural Resources, Department of
3500	Resources and Economic Development, Department of
4300	Veterans Home
4400	Environmental Services, Department of
4600	Corrections, Department of
5600	Education, Department of
7500	Fish and Game, Department of
7600	Human Rights Commission
8100	Public Utilities Commission
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
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
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
2400	Insurance Department
1000	Judicial Branch
2000	Justice, Department of
8100	Public Utilities Commission
3500	Resources and Economic Development, Department of
2300	Safety, Department of
3200	Secretary of State
9600	Transportation, Department of
4300	Veterans Home