STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2017

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2017

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

CHARLES M. ARLINGHAUS
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

LETTER OF TRANSMITTAL

To The Fiscal Committee Of The General Court:

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2017. 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 reporting requirements are set forth in the Code of Federal Regulations Title 2, part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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, 2017, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 29, 2018

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, 2017

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 the Code of Federal Regulations Title 2, part 200; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

This report is divided into sections: the State's fiscal year 2017 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 $7,024,990. 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 the Uniform Guidance, 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 high-risk 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 2017, 21 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2017, the State administered 291 federal programs, with total federal expenditures of approximately $2.3 billion. Of those programs, Type A programs/clusters accounted for 91% of total federal expenditures, with the Medicaid program cluster accounting for 59% 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, 2017

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2017 EXPENDITURES
Adjutant General	12.401	National Guard Operations And Maintenance	16,134,141	16,134,141
		Other Programs		6,523,397
		Total Adjutant General		22,657,538
Administrative Services	Various	Child Nutrition Cluster	4,919,760	4,919,760
		Other Programs		3,883,148
		Total Administrative Services		8,802,908
Agriculture		Other Programs		642,067
Commission on Disability		Other Programs		113,880
Corrections		Other Programs		49,621
Cultural Resources		Other Programs		2,394,948
Developmental Disabilities Council		Other Programs		418,422
Education	Various	Child Nutrition Cluster	28,998,201	
	Various	Special Education Cluster	50,166,291	
	84.010	Title I Grants To Local Educational Agencies	42,827,781	
	84.126	Vocational Rehabilitation Grants	12,454,203	
	84.367	Improving Teacher Quality State Grants	10,358,895	144,805,371
		Other Programs		44,385,965
		Total Education		189,191,336
Employment Security	17.225	Unemployment Insurance	74,850,160	74,850,160
		Other Programs		5,759,180
		Total Employment Security		80,609,340
Energy & Planning	93.568	Low-Income Home Energy Assistance	21,946,140	21,946,140
		Other Programs		1,939,648
		Total Energy & Planning		23,885,788
Environmental Services	66.458	Clean Water Revolving Fund	9,715,119	
	66.468	Drinking Water Revolving Fund	9,989,472	19,704,591
		Other Programs		16,925,953
		Total Environmental Services		36,630,544

Fish & Game	Various	Fish and Wildlife Cluster	7,034,624	7,034,624
		Other Programs		1,687,566
		Total Fish & Game		8,722,190
Health & Human Services	Various	SNAP Cluster	125,197,097	
	Various	Child Care and Development Cluster	23,301,947	
	Various	Medicaid Cluster	1,380,468,285	
	10.557	Supplemental Food Program (WIC)	8,954,475	
	93.268	Immunization Cooperative Agreements	12,368,253	
	93.558	TANF	22,116,399	
	93.563	Child Support Enforcement	13,446,374	
	93.658	Foster Care - Title IV-E	12,397,705	
	93.667	Social Services Block Grant	7,718,425	
	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	13,044,198	1,619,013,158
		Other Programs		60,100,885
		Total Health & Human Services		1,679,114,043
Human Rights Commission		Other Programs		152,930
Insurance		Other Programs		1,502,798
Judicial Branch		Other Programs		425,626
Justice	Various	Medicaid Cluster	512,597	512,597
		Other Programs		8,465,415
		Total Justice		8,978,012
Public Utilities Commission		Other Programs		719,447
Resources & Economic Development		Other Programs		11,593,072
Safety		Other Programs		17,751,684
Secretary of State		Other Programs		545,313
Transportation	Various	Highway Planning And Construction Cluster	179,799,107	
	20.223	TIFIA	38,303,858	218,102,965
		Other Programs		19,121,002
		Total Transportation		237,223,967
Veterans Home		Other Programs		9,537,732
		TOTAL EXPENDITURES	**2,136,281,529**	**2,341,663,206**

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KPMG LLP
Two Financial Center
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, 2017, 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 and the Lottery Commission, which represent 6.1% and 80.0%, respectively, of the assets and revenues of the business-type activities. Additionally, we 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 12.9% and 13.2%, respectively, of the assets and revenues of the aggregate discretely presented component units. Further, we did not audit the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 2.5% and 10.4%, respectively, of the assets and revenues of the aggregate remaining fund information. Those 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*.

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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, 2017, 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 Matter

As discussed in note 1(t) to the basic financial statements, in 2017, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and 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 December 22, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's 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

December 22, 2017

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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, 2017. 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 as of June 30, 2017 by $2.6 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, $1.6 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 increased by $50.6 million, or 2.0%, in fiscal year 2017 from $2,540.4 million to $2,591.0 million, as shown in the Comparative Changes in Net Position table within this report. Also as reflected in this table, the net position of governmental activities decreased by $11.6 million (1.1%), from $1,022.7 million to $1,011.1 million in fiscal year 2017. Net position of the business-type activities showed an increase of $62.2 million (4.1%) related to fiscal year 2017 activity, from $1,517.6 million to $1,579.8 million. Total expenses for the period were $299.6 million, or 4.5% higher than fiscal year 2016 and total revenues were approximately $75.8 million or 1.1% higher than fiscal year 2016.

Non-Current Liabilities: The State's total non-current liabilities increased by $349.1 million or 10.2% during the current fiscal year, and is largely due to the increase of $248.3 million in the State's aggregate net pension liability as of June 30, 2017 for a total of $1,082.4 million as compared to $834.1 million as of June 30, 2016. Reported non-current debt, including bonds and notes, decreased $22.9 million or 1.7%, as a result of payments on outstanding debt. In addition, the State refunded $53.8 existing bonds and issued $50.9 in new bonds during fiscal year 2017. The State issued an additional $38.3 million of notes payable during fiscal year 2017, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements. Also, an increase in long-term liabilities of $111.5 million was recorded for other postemployment health benefits in accordance with governmental accounting standards as well as, other minor decreases in liabilities of $26.1 million.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2017, the State's governmental funds reported a combined balance of all funds of $902.3 million, an increase of $9.1 million over the prior year. Within the governmental funds, fund balances for the general fund, highway fund, and education fund increased by $20.7 million, $18.0 and $0.2 million, respectively. This increase was partially offset by a decrease of fund balance of $29.9 million in the combined non-major governmental funds, as a result of the timing of project expenditures and related bond issuances in the capital fund. The increase in the general fund was driven by a $58.4 million increase in restricted fund balance, primarily due to the $36.8 million appropriation for Local Highway and Municipal Bridge Aid (SB 38) approved in July 2017 for fiscal year 2017, and an increase in assigned fund balance of $27.9 million primarily due to an $18 million appropriation for Concord Steam (HB 368) approved in March 2017, non-lapsing through June 30, 2019. In addition, the State recognized an $81.5 million decrease in unassigned fund balance, as fiscal year 2017 ended with an unassigned fund balance of $100.0 million as compared to $181.5 million in the previous year. As of June 30, 2017, the entire unassigned fund balance represents the Revenue Stabilization balance. The state legislature utilized much of the June 30, 2016 unassigned fund balance to appropriate funds towards previously deferred infrastructure projects, including a $13.9 million transfer of general fund surplus to the highway fund for fiscal year 2017. The legislature also designated that any remaining operating surplus from fiscal year 2017 be transferred as follows: $6.0 million to the Revenue Stabilization balance and the remainder of $18.7 million to the public school infrastructure fund. This brought the Revenue Stabilization balance to $100.0 million, as compared to $93.0 million in the prior year, which included a $1.0 million transfer from the consumer protection escrow account which was designated toward the State's "Rainy Day fund" per RSA 7:6-f.

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 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 30, 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 32, 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 35 through 37.

Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented here with similar information presented in the Government-Wide Financial Statements. Reconciliations are provided between the Governmental Fund Financial Statements and the Government-Wide Financial Statements, which can be found on pages 36 and 38.

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 Projects Fund and Permanent Funds) are provided in the combining statements found on pages 112 and 113.

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

Like the Government-Wide Financial Statements, Proprietary Fund Financial Statements use the economic resources measurement focus and accrual basis of accounting. Therefore there is no reconciliation needed between the Government-Wide Financial Statements for business-type activities and the Proprietary Fund Financial Statements. The Internal Service Fund is reported within governmental activities on the Government-Wide Financial Statements. The basic proprietary funds financial statements can be found on pages 40 through 43.

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

The State's fiduciary funds on pages 45-46 include the:

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

Major Component Unit

The State has only one major discretely presented component unit - the University System of New Hampshire and four non-major discretely presented component units. This separation is determined by the relative size of the individual entities' assets, liabilities, revenues and expenses in relation to the combined total of all component units. The combining financial statements for the component units can be found on pages 48 and 49.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements begin on page 51.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the State's major governmental funds, and includes 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 (governmental and business-type activities) totaled $2.6 billion as of June 30, 2017 which was $50.6 million, or 2.0%, higher than the net position as of June 30, 2016.

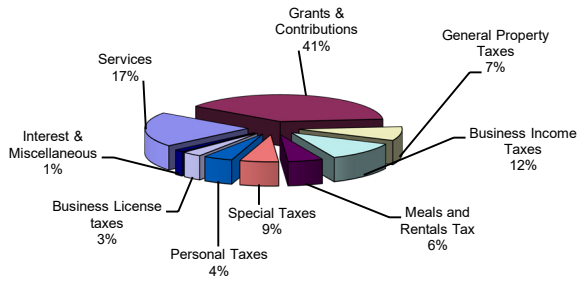
Comparative Net Position as of June 30, 2017 and 2016
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current assets	$1,607,159	$1,623,638	$761,019	$826,708	$2,368,178	$2,450,346
Capital assets	3,045,111	2,942,881	952,949	931,480	3,998,060	3,874,361
Other assets	153,802	62,891	473,236	373,276	627,038	436,167
Total assets	4,806,072	4,629,410	2,187,204	2,131,464	6,993,276	6,760,874
Total deferred outflows of resources	290,981	101,639	17,292	6,127	308,273	107,766
Noncurrent liabilities	3,278,123	2,933,476	480,800	476,326	3,758,923	3,409,802
Current liabilities	767,889	728,166	141,629	141,254	909,518	869,420
Total liabilities	4,046,012	3,661,642	622,429	617,580	4,668,441	4,279,222
Total deferred inflows of resources	39,900	46,666	2,236	2,387	42,136	49,053
Net position:						
Net investment in capital assets	2,265,036	2,206,073	528,287	502,720	2,793,323	2,708,793
Restricted	429,246	418,702	1,018,208	997,892	1,447,454	1,416,594
Unrestricted	(1,683,141)	(1,602,034)	33,336	17,012	(1,649,805)	(1,585,022)
Total net position	$1,011,141	$1,022,741	$1,579,831	$1,517,624	$2,590,972	$2,540,365

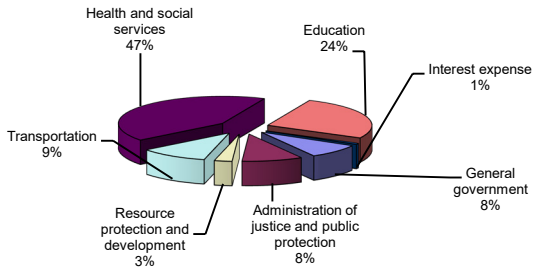
Comparative Changes in Net Position
For Fiscal Years Ended June 30, 2017 and 2016
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$983,336	$962,549	$1,238,364	$1,223,594	$2,221,700	$2,186,143
Operating grants & contributions	2,164,704	2,137,529	20,651	26,374	2,185,355	2,163,903
Capital grants & contributions	188,237	169,643	44	87	188,281	169,730
General revenues:						
General property taxes	403,212	407,276			403,212	407,276
Business income taxes	662,400	693,691			662,400	693,691
Meals and rentals tax	315,680	302,473			315,680	302,473
Special taxes	536,998	521,574			536,998	521,574
Personal taxes	218,833	226,803			218,833	226,803
Business license taxes	184,132	182,582			184,132	182,582
Interest	14,600	17,015			14,600	17,015
Miscellaneous	59,570	43,884			59,570	43,884
Total revenues	5,731,702	5,665,019	1,259,059	1,250,055	6,990,761	6,915,074
Expenses						
General government	482,357	445,931			482,357	445,931
Administration of justice and public protection	516,377	469,263			516,377	469,263
Resource protection and development	177,032	156,899			177,032	156,899
Transportation	558,500	500,899			558,500	500,899
Health and social services	2,843,514	2,717,099			2,843,514	2,717,099
Education	1,361,946	1,358,215			1,361,946	1,358,215
Interest expense	33,437	54,748			33,437	54,748
Turnpike System			99,475	88,091	99,475	88,091
Liquor Commission			549,260	531,064	549,260	531,064
Lottery Commission			228,168	229,488	228,168	229,488
SRF			15,457	9,288	15,457	9,288
Unemployment Compensation Trust Fund			74,631	79,569	74,631	79,569
Total expenses	5,973,163	5,703,054	966,991	937,500	6,940,154	6,640,554
Increase/ (decrease) in net position before transfers and other items	(241,461)	(38,035)	292,068	312,555	50,607	274,520
Special item - environmental litigation settlements		276,457				276,457
Transfers & other items	229,861	235,038	(229,861)	(235,038)		
Increase/ (decrease) in net position	(11,600)	473,460	62,207	77,517	50,607	550,977
Net position - July 1	1,022,741	549,281	1,517,624	1,440,107	2,540,365	1,989,388
Net position - June 30	$1,011,141	$1,022,741	$1,579,831	$1,517,624	$2,590,972	$2,540,365

Governmental Activities - Revenues
Fiscal Year Ended June 30, 2017



Governmental Activities - Expenses
Fiscal Year Ended June 30, 2017



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 $84.5 million from prior year. This increase was primarily the result of a net increase in capital assets of $123.7 million during the year. 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, $1,447.5 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 $30.9 million from prior year primarily due to the $36.8 million appropriation for Local Highway and Municipal Bridge Aid (SB 38) approved in July 2017 for fiscal year 2017.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $1,649.8 million which is an increase of $64.8 million from the deficit of $1,585.0 million from the previous year. The two largest components of the deficit are the net pension liability of $1,082.5 million and the net other postemployment benefit obligations of $1,180.5 million. Combined these non-current liabilities increased the deficit unrestricted net position by $359.8 million. However, this deficit increase was offset by the effect of increased government-wide revenues, as revenues exceeded expenses by $50.6 thousand in 2017, as compared to $274.5 thousand in 2016.

Changes in Net Position

The State's total net position increased by $50.6 million, or 2.0%, from current fiscal year activities. Total revenues were $6,990.8 million, an increase of $75.7 million (1.1%) as compared to the prior year, and total reported expenses were $ 6,940.2 million, an increase of $299.6 million (4.5%) as compared to the prior year. The increase in expenses surpassed the increase in revenues, contributing to a lower increase in net position as compared to the increase in fiscal year 2016.

More than half of the State's revenue (65.7%) is from program revenue, consisting of charges for 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 $75.6 million and general revenues were relatively flat, only increasing by $127 thousand. Program revenues were higher in fiscal year 2017 mainly as a result of additional federal grant funding in the areas of Transportation and Health and Social Services.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 41.0% and 19.6% of total expenses, respectively. Increases in the State's Health and Social Services expenses are discussed below.

Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2017 Compared to 2016
($ In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	20.8	2.2%	14.8	1.2%	35.6	1.6%
Operating grants & contributions	27.2	1.3%	(5.7)	-21.7%	21.5	1.0%
Capital grants & contributions	18.6	11.0%			18.6	10.9%
General revenues:						
General property taxes	(4.1)	-1.0%			(4.1)	-1.0%
Business income taxes	(31.3)	-4.5%			(31.3)	-4.5%
Meals and rental taxes	13.2	4.4%			13.2	4.4%
Special taxes	15.4	3.0%			15.4	3.0%
Personal taxes	(8.0)	-3.5%			(8.0)	-3.5%
Business license taxes	1.6	0.8%			1.6	0.8%
Interest	(2.4)	-14.2%			(2.4)	-14.2%
Miscellaneous	15.7	35.7%			15.7	35.7%
Total revenues	66.7	1.2%	9.1	0.7%	75.8	1.1%
Expenses						
General government	36.4	8.2%			36.4	8.2%
Administration of justice and public protection	47.1	10.0%			47.1	10.0%
Resource protection and development	20.1	12.8%			20.1	12.8%
Transportation	57.6	11.5%			57.6	11.5%
Health and social services	126.4	4.7%			126.4	4.7%
Education	3.7	0.3%			3.7	0.3%
Interest expense	(21.3)	-38.9%			(21.3)	-38.9%
Turnpike System			11.4	12.9%	11.4	12.9%
Liquor Commission			18.2	3.4%	18.2	3.4%
Lottery Commission			(1.3)	-0.6%	(1.3)	-0.6%
SRF			6.2	66.4%	6.2	66.4%
Unemployment Compensation Trust Fund			(4.9)	-6.2%	(4.9)	-6.2%
Total expenses	270.0	4.7%	29.6	3.1%	299.6	4.5%

Governmental Activities
Governmental activities decreased the State's net position by $241.5 million, before transfers and other items. Revenues increased by $66.7 million or 1.2% from the prior year to total $5.7 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $66.5 million or 2.0%, while taxes and other revenues were relatively flat, with an increase of $127 thousand, or 0.01%. Reported expenses increased $270.1 million or 4.7%. 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. In general revenues, there was an increase in fiscal year 2017 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, offset by a decrease in the business tax collections in fiscal year 2017 as compared to 2016, which experienced exceptionally high business tax collections due to the improved economic conditions within the State. The increase in expenses is primarily due to corresponding spending associated with the increase in federal grant revenue.

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 above. 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 $292.1 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, SRF Fund, Unemployment Compensation Fund, and Turnpike Fund. Operations of the Liquor Commission generated net income before transfers of $153.9 million, a decrease of $3.4 million (2.2%) from the prior year. Transfers from the Liquor Commission to the General Fund totaled $153.7 million for fiscal year 2017 and were used to fund the general operations of the State. The Lottery Commission net income before transfers of $76.2 million was a decrease of $2.9 million (3.7%) 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 due to continued opening of new Liquor stores and large big game jackpots. Additionally, the Turnpike System generated net income before transfers of $37.8 million, down from $47.6 million in the prior year, as a result of a general increase in operating expenses. The operations of the Unemployment Compensation fund yielded an increase in net position of $5.5 million, which is up from an increase of $3.8 million in the prior year. The operations of the State Revolving Fund yielded an increase in net position of $18.7 million, down from $24.8 million in 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 $9.1 million in fiscal year 2017. A deficiency of revenues under expenditures of $334.8 million was funded by $343.0 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, 2017 is $752.9 million, which was an increase of $20.7 over the prior year balance of $732.2 million. Revenues in the general fund were $4,207.2 million, $47.4 million (1.1%) higher than the prior year, with the increase largely the result of increases fines, penalties and interest (including securities administration revenues), and federal grants received during fiscal year 2017. Expenditures increased by $110.6 million (2.7%) to $4,279.1 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2017 due to continued increases in health and social services' federally-funded programs, including the New Hampshire Health Protection Program. In addition, transfers out of the general fund to support the education trust fund deficit were higher in fiscal year 2017 by $25.0 million, as contemplated through the '16-17 biennial budget process. The combination of the deficiency of revenues under expenditures of $71.9 million and the additional transfer to the education trust fund, resulted in only a $20.7 million increase in fund equity in fiscal year 2017.

The June 30, 2017 general fund unassigned fund balance was comprised only of the Rainy Day fund amount of $100.0 million, an overall decrease of $81.5 million from the prior year (the Rainy Day fund balance as of June 30, 2016 was $93.0 million). While unrestricted revenues in fiscal year 2017 were higher than the planned amount by $96.1 million, additional 2017 appropriations were approved as part of a legislative effort to use surplus funds from the current biennium to fund deferred infrastructure projects, resulting in additional fiscal year 2017 expenditures, and a transfer of $6 million to the Rainy Day fund. In addition, $1.0 million of the Rainy Day fund increase was the result of a transfer from the consumer protection escrow account.

Education Fund
The education fund, before year-end transfers from other funds, had a deficit balance of $129.0 million. Approximately $76.1 million was transferred from the Enterprise funds and the general fund made a transfer from unassigned fund balance for the remaining $53.1 million to bring the education assigned fund balance to $4.8 million at June 30, 2017. The remaining fund balance within the education fund primarily represents the remaining fiscal year 2017 appropriations available for Charter Schools.

Highway Fund
The highway fund ended the year with a restricted fund balance of $115.6 million and assigned fund balance of $13.9 million. As the highway fund revenues include revenues primarily restricted by the State Constitution or the Federal Government, the fund balance as of June 30, 2017 is

predominantly classified as restricted, however, a transfer of funds from general fund unrestricted fund balance occurred at the end of fiscal year 2017 resulting in a portion designated as assigned fund balance. In total, fund balance decreased only $0.3 million from the fiscal year 2016 restricted fund balance of $129.8 million.

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 99.

General Fund:

The net increase from the original budget of $4,408.1 million to the final budget of $5,396.0 million is $987.9 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services ($837 million), Justice & Public Protection ($77 million) and Transportation ($41 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 $733.9 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $602.6 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $1,054.3 million lower than the final budget, primarily within the Department of Health & Human Services, the Department of Justice, the Department of Education, the Department of Transportation and the Department of Environmental Services. This variance was largely due to the timing of program expenditures and certain multi-year supplemental appropriations which were approved late in the fiscal year.

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, 2017, amounted to $7.3 billion, with accumulated depreciation amounts of $3.3 billion, leaving a net book value of $4.0 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 $2.4 billion, representing a $0.1 billion increase from the prior year. During fiscal year 2017, the State recognized additional expense of $21 million to record the impairment of certain assets that had been previously capitalized as part of the Department of Transportation's project to upgrade the Conway, New Hampshire bypass corridor.

The 2016-2017 capital budget authorizes nearly $271 million in capital appropriations, leveraging approximately $126 million in general fund bonding authority, with the balance from other sources. Some of the State's larger projects resulting in capitalized assets during fiscal year 2017 include:

- Construction in progress of approximately $22.6 million towards completion of a new, 224-bed women's prison ($38 million authorized in the fiscal year 2014-2015 capital budget, with another $14 million authorized in the fiscal year 2016-2017 budget).
- Building and land improvements of approximately $9 million relating to National Guard Armory locations as well as final completion of the newly constructed National Guard Training facility, which had been previously capitalized as construction in progress.
- Departments of Safety and Transportation equipment expenditures totaling $15.4 million towards communications, transportation and other operational improvements.
- Department of Safety construction in progress expenditures totaling $4.6 million towards the new Marine Patrol headquarters in the lakes region.
- Department of Transportation continued expenditures towards highways, bridges and other state infrastructure improvements.

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 and notes, 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 debt outstanding of $1,454.6 million. Of this amount, $915.3 million are general obligation bonds and notes payable, which are backed by the full faith and credit of the State, and $137.9 million are Federal Highway Grant Anticipation Bonds (GARVEE). The remainder of the State's debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On July 12, 2016, the State issued $3.9 million of general obligation capital improvement bonds. The bonds were sold via private placement with 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 $63.4 million General Obligation Capital Improvement Bonds 2016 Series B on November 30, 2016 through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.80% with coupons ranging from 3.00% to 5.00% and with final maturity on 6/1/2036. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

The State also issued $50.9 million General Obligation Refunding Bonds 2016 Series A on November 30, 2016 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a competitive sale which resulted in an overall true-interest-cost (TIC) to the state of 1.69% with coupons at 5.00% and final maturity on 10/15/2024. These bonds were used to refund $53.8 million of existing outstanding bonds which resulted in an overall net present value savings of $2.8 million or 5.17% savings on the refunded bonds.

In May 2016, the State entered into the Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement to advance the construction of the remaining I-93 expansion projects. The loan proceeds are being used on four Federal Highway Administration (FHWA) approved projects included in the I-93 widening project, of which were active in the state fiscal year 2017. Total proceeds attributed to fiscal year 2017 expenditures were $38.3 million, representing a long-term note payable.

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 continuing to emerge from the recent recession buoyed by some strong positive economic indicators, but also with potential 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 coming out of this recession than many other states in the region and the nation. The State's preliminary October 2017 unemployment rate of 2.7% (seasonally adjusted) continues to be below the national average of 4.1%.

Fiscal Year 2018 Revenue Performance for the five months ended November 30, 2017:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled $709.1 million, which was above plan by $11 million (1.6%) and above prior year by $29.3 million (4.3%).

Some of the strong performing revenue categories behind the positive variance, which are typically indicative of the overall economic climate, were:

- Business Taxes totaled $189.5 million through November, which was $11.7 million (6.6%) above plan and $17.4 million (10.1%) above prior year.
- Tobacco Tax receipts through November of $97.5 million were $1.6 million (1.7%) above plan and $4.0 million (4.3%) above prior year.
- Collections for the Interest and Dividends Tax through November of $20.2 million were $0.8 million (10.0%) above plan and only $1.3 million (6.9%) above prior year.

The positive variances above were partially offset by:

- Meals and Rentals Tax receipts through November were $1.0 million (0.6%) below plan and $6.8 million (4.4%) above prior year.
- Real Estate Transfer Taxes through November were $4.8 million (6.3%) below plan and $0.7 million (1.0%) above prior year.
- Collections for the Communications Services Tax for the month were $3.7 million, equal to plan and $0.2 million (5.1%) below prior year. YTD collections of $18.7 million were equal to plan and $2.0 million (9.7%) below prior year. According to DRA, this revenue continues to be on target.

On an annual basis, the fiscal year 2018 General and Education Funds revenue Plan of $2,443.9 million is approximately $36.0 million higher (1.5%) than the actual traditional revenue realized in fiscal year 2017 ($2,407.9 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, 2017
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$456,732	$98,388	$555,120	$88,374
Cash and Cash Equivalents-Restricted	340,342	444,065	784,407	21,550
Investments				162,734
Investments - Restricted		91,913	91,913	
Receivables (Net of Allowances for Uncollectibles)	676,683	16,972	693,655	47,355
Other Receivables-Restricted	64,080	45,530	109,610	
Internal Balances Receivable (Payable)	20,316	(20,316)		
Inventories	23,888	79,596	103,484	
Other Current Assets	25,118	70	25,188	9,247
Other Current Assets-Restricted		4,801	4,801	
Total Current Assets	1,607,159	761,019	2,368,178	329,260
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	10,749		10,749	50,282
Other Receivables-Restricted	1,599	394,394	395,993	
Investments	28,860		28,860	750,609
Investments-Restricted	112,594	74,759	187,353	
Other Assets				16,238
Other Assets-Restricted		4,083	4,083	
Capital Assets:				
Land & Land Improvements	676,777	106,408	783,185	31,064
Buildings & Building Improvements	875,465	51,362	926,827	2,008,196
Equipment & Computer Software	430,059	77,109	507,168	165,397
Construction in Progress	231,637	75,463	307,100	122,271
Infrastructure	3,756,810	1,059,664	4,816,474	
Less: Allowance for Depreciation	(2,925,637)	(417,057)	(3,342,694)	(1,022,264)
Net Capital Assets	3,045,111	952,949	3,998,060	1,304,664
Total Noncurrent Assets	3,198,913	1,426,185	4,625,098	2,121,793
Total Assets	4,806,072	2,187,204	6,993,276	2,451,053
DEFERRED OUTFLOWS OF RESOURCES	290,981	17,292	308,273	54,850

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2017
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$436,274	$71,869	$508,143	$61,806
Accrued Payroll	44,643	3,721	48,364	6,491
Unearned Revenue	112,794	16,780	129,574	40,616
Unclaimed Property & Prizes	15,594	6,636	22,230	
General Obligation Bonds Payable	85,144	4,380	89,524	
Federal Highway Grant Anticipation Bond Payable	12,985		12,985	
Claims & Compensated Absences Payable	44,236	1,922	46,158	7,434
Other Liabilities	16,219	18,431	34,650	12,646
Revenue Bonds Payable		17,890	17,890	22,417
Total Current Liabilities	767,889	141,629	909,518	151,410
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	744,288	33,530	777,818	
Federal Highway Grant Anticipation Bond Payable	125,000		125,000	
Revenue Bonds Payable, Net		383,390	383,390	481,401
Notes Payable	47,989		47,989	
Claims & Compensated Absences Payable	96,607	5,957	102,564	27,178
Postemployment Benefits Payable	1,180,498		1,180,498	50,251
Derivative Instruments - Interest Rate Swaps				25,759
Net Pension Liability	1,029,774	52,666	1,082,440	77,703
Other Noncurrent Liabilities	53,967	5,257	59,224	72,047
Total Noncurrent Liabilities	3,278,123	480,800	3,758,923	734,339
Total Liabilities	4,046,012	622,429	4,668,441	885,749
DEFERRED INFLOWS OF RESOURCES	39,900	2,236	42,136	12,822
NET POSITION				
Net Investment in Capital Assets	2,265,036	528,287	2,793,323	812,642
Restricted for Debt Repayments		55,806	55,806	
Restricted for Uninsured Risks		3,434	3,434	
Restricted for Unemployment Benefits	11,569	300,379	311,948	
Restricted for Permanent Funds-Expendable	12,011		12,011	
Restricted for Permanent Funds-Non-Expendable	11,821		11,821	
Restricted for Prize Awards - MUSL & Tri-State		4,083	4,083	
Restricted for Environmental Remediation	339,736		339,736	
Restricted for Environmental Loan Programs	1,610	654,352	655,962	
Restricted for Health and Social Services	52,499		52,499	
Restricted for Facility Sustainment		154	154	
Restricted Component Unit Net Position				514,099
Unrestricted Net Position (Deficit)	(1,683,141)	33,336	(1,649,805)	280,591
Total Net Position	$1,011,141	$1,579,831	$2,590,972	$1,607,332

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, 2017
(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	$482,357	$313,725	$31,707	
Administration of Justice & Public Protection	516,377	397,049	69,680	$20
Resource Protection and Development	177,032	95,579	41,028	
Transportation	558,500	15,363	12,403	188,217
Health and Social Services	2,843,514	159,600	1,823,082	
Education	1,361,946	2,020	186,804	
Interest Expense	33,437			
Total Governmental Activities	5,973,163	983,336	2,164,704	188,237
Business-type Activities:				
Turnpike System	99,475	137,270		44
Liquor Commission	549,260	703,136		
Lottery Commission	228,168	304,322		
SRF	15,457	13,492	20,651	
Unemployment Compensation	74,631	80,144		
Total Business-type Activities	966,991	1,238,364	20,651	44
Total Primary Government	6,940,154	2,221,700	2,185,355	188,281
COMPONENT UNITS				
University System of New Hampshire	830,961	575,112	157,120	7,828
Non-Major Component Units	157,420	74,082	31,108	7,468
Total Component Units	$988,381	$649,194	$188,228	$15,296

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 (*)
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 (*)
$(136,925)		$(136,925)	
(49,628)		(49,628)	
(40,425)		(40,425)	
(342,517)		(342,517)	
(860,832)		(860,832)	
(1,173,122)		(1,173,122)	
(33,437)		(33,437)	
(2,636,886)		(2,636,886)	
	$37,839	37,839	
	153,876	153,876	
	76,154	76,154	
	18,686	18,686	
	5,513	5,513	
	292,068	292,068	
(2,636,886)	292,068	(2,344,818)	
			$(90,901)
			(44,762)
			$(135,663)
403,212		403,212	
662,400		662,400	
315,680		315,680	
536,998		536,998	
218,833		218,833	
184,132		184,132	
14,600		14,600	102,599
59,570		59,570	
			128,386
229,861	(229,861)		
2,625,286	(229,861)	2,395,425	230,985
(11,600)	62,207	50,607	95,322
1,022,741	1,517,624	2,540,365	1,512,010
$1,011,141	$1,579,831	$2,590,972	$1,607,332

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, 2017
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$619,237	$121,044		$9,566	$749,847
Investments	118,183			23,271	141,454
Receivables (Net of Allowances for Uncollectibles)	587,678	54,842	$82,493	3,409	728,422
Due from Other Funds	57,302	232		6,589	64,123
Other Assets	24,891				24,891
Inventories	5,122	18,258		508	23,888
Loan Receivables	12,359				12,359
Total Assets	1,424,772	194,376	82,493	43,343	1,744,984
LIABILITIES					
Accounts Payable	385,087	32,788	1,653	15,635	435,163
Accrued Payroll	35,505	8,249		889	44,643
Due to Other Funds	121		13,683	30,003	43,807
Unearned Revenue	108,463	4,331			112,794
Unclaimed Property	15,594				15,594
Other Liabilities	74				74
Total Liabilities	544,844	45,368	15,336	46,527	652,075
DEFERRED INFLOWS OF RESOURCES	127,013	1,216	62,400		190,629
FUND BALANCES					
Nonspendable:					
Inventories	5,122	18,258		508	23,888
Permanent Fund Principal				11,821	11,821
Restricted	553,760	115,634		16,035	685,429
Committed	32,006			2,481	34,487
Assigned	62,027	13,900	4,757	1,394	82,078
Unassigned:					
Revenue Stabilization	100,000				100,000
Other				(35,423)	(35,423)
Total Fund Balances (Deficits)	752,915	147,792	4,757	(3,184)	902,280
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$1,424,772	$194,376	$82,493	$43,343	$1,744,984

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, 2017
(Expressed in Thousands)

Total Fund Balances for Governmental Funds		$902,280
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.		3,045,111
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.		190,629
Revenues that will be collected after year-end and are not available		227
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.		34,509
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		14,875
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers' Compensation	(116,906)	
Net Pension Liability, Net of Deferred Amounts	(793,568)	
Other Postemployment Benefits	(1,180,498)	
Pollution Remediation Obligation	(51,462)	
Capital Lease Obligations	(6,528)	
Bonds and Notes Payable	(1,015,406)	
Advance Construction Commitments to Municipalities	(562)	
Interest Payable and Other Liabilities	(11,560)	(3,176,490)
Net Position of Governmental Activities		$1,011,141

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, 2017
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$226		$405,186		$405,412
Special Taxes	1,197,023		292,555		1,489,578
Personal Taxes	128,161		90,472		218,633
Business License Taxes	23,697	$184,132			207,829
Non-Business License Taxes	121,555	89,674		$10,761	221,990
Fees	160,824	23,871		2,372	187,067
Fines, Penalties and Interest	18,579	6,597	2	135	25,313
Grants from Federal Government	2,002,944	171,624		25,683	2,200,251
Grants from Private and Local Sources	168,344	2,881		399	171,624
Rents and Leases	1,294	143			1,437
Interest, Premiums and Discounts	15,604			1,173	16,777
Sale of Commodities	14,617	5,749		204	20,570
Sale of Service	28,929	4,874			33,803
Assessments	60,203				60,203
Grants from Other Agencies	64,579	7,844		6,029	78,452
Miscellaneous	200,581	1,973	40,003	3,829	246,386
Total Revenues	4,207,160	499,362	828,218	50,585	5,585,325
EXPENDITURES					
Current:					
General Government	346,593		1,694		348,287
Administration of Justice and Public Protection	439,359	59,040		90	498,489
Resource Protection and Development	133,196	1,737		26,869	161,802
Transportation	12,572	304,557			317,129
Health and Social Services	2,817,626			369	2,817,995
Education	397,381		955,540		1,352,921
Debt Service	107,726	31,576		395	139,697
Capital Outlay	24,651	134,585		124,558	283,794
Total Expenditures	4,279,104	531,495	957,234	152,281	5,920,114
Excess (Deficiency) of Revenues Over (Under) Expenditures	(71,944)	(32,133)	(129,016)	(101,696)	(334,789)
OTHER FINANCING SOURCES (USES)					
Transfers In	1,158	13,988	53,096	2,112	70,354
Transfers in from Enterprise Funds	153,741		76,120		229,861
Transfers Out	(67,684)	(2,670)			(70,354)
Capital Lease Acquisition	4,882				4,882
Payments to Refunding Agent				(55,082)	(55,082)
Bond Premiums				5,862	5,862
Note Issuance		38,304		119,188	157,492
Total Other Financing Sources	92,097	49,622	129,216	72,080	343,015
Net Change in Fund Balances	20,153	17,489	200	(29,616)	8,226
Fund Balances - July 1	732,211	129,791	4,557	26,671	893,230
Change in Inventory	551	512		(239)	824
Fund Balances (Deficits) - June 30	$752,915	$147,792	$4,757	$(3,184)	$902,280

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, 2017
(Expressed in Thousands)

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory		$9,050
Amounts reported for governmental activities in the Statement of Activities are different because:		
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		18,081
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	(2,340)	
Buildings & Building Improvements	62,955	
Equipment & Computer Software	31,706	
Construction in Progress	20,050	
Infrastructure	78,714	
Accumulated Depreciation, Net of Disposals	(88,855)	102,230
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.		8,247
Proceeds of bonds and notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and note 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 repayments exceeded proceeds.		
Note Proceeds Received	(38,304)	
Bond Proceeds and Premiums Received	(112,350)	
Repayment of Bond/Note Principal & Interest	147,964	
Amortization of Premiums	12,423	
Increase in Unamortized Loss on Refunding, net	492	
Accretion of Bonds Payable	(99)	
Accrued Interest & Amortization of Premiums	856	10,982
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	(2,981)	
Other Postemployment Benefits	(111,475)	
Net Pension Liability, Net of Deferred Amounts	(38,814)	
Pollution Remediation Obligation	(2,362)	
Capital Lease Obligation	(4,583)	
Advance Construction Commitments to Municipalities	25	(160,190)
Change in Net Position of Governmental Activities		$(11,600)

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

Proprietary Fund Financial Statements

Enterprise Funds

Turnpike System: *The Turnpike System presently consists of 89 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 658 total lane miles, 170 bridges, 49 interchanges, 84 toll lanes, and 25 facilities. Since beginning operations in 1950, the Turnpike System has contributed to the development of the New Hampshire economy. It has also been a major factor in the growth of the tourist industry in the State. The Turnpike System consists of three limited access highways: the Blue Star Turnpike (I-95) and the Spaulding Turnpike, (which are collectively referred to as the Eastern Turnpike), and the Central Turnpike. 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 racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. Additionally, the Racing and Charitable Gaming Commission activities are included in this fund. This net income is transferred to the Education Trust 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 Agency 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, 2017
(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	$92,136		$6,252			$98,388	$47,227
Cash and Cash Equivalents-Restricted	42,006		84	$103,174	$298,801	444,065	
Investments - Restricted	17,388			74,525		91,913	
Receivables (Net of Allowances for Uncollectibles)	7,756	$6,769	2,447			16,972	12,330
Other Receivables-Restricted				28,209	17,321	45,530	
Due from Other Funds	164	29	521			714	
Inventories	2,938	75,416	1,242			79,596	
Other Current Assets	69		1			70	
Other Current Assets-Restricted				4,801		4,801	
Total Current Assets	162,457	82,214	10,547	210,709	316,122	782,049	59,557
Noncurrent Assets:							
Investments - Restricted				74,759		74,759	
Other Receivables-Restricted				394,394		394,394	
Capital Assets:							
Land & Land Improvements	103,717	2,691				106,408	
Buildings & Building Improvements	14,477	36,885				51,362	
Equipment & Computer Software	62,846	13,619	644			77,109	
Construction in Progress	71,330	4,133				75,463	
Infrastructure	1,059,664					1,059,664	
Less: Allowance for Depreciation & Amortization	(396,691)	(19,867)	(499)			(417,057)	
Net Capital Assets	915,343	37,461	145			952,949	
Other Assets - Restricted			4,083			4,083	
Total Noncurrent Assets	915,343	37,461	4,228	469,153		1,426,185	
Total Assets	1,077,800	119,675	14,775	679,862	316,122	2,208,234	59,557
DEFERRED OUTFLOWS OF RESOURCES	5,736	8,262	1,402	1,892		17,292	
LIABILITIES							
Current Liabilities:							
Accounts Payable	8,591	60,128	1,979	1,171		71,869	1,111
Accrued Payroll	1,077	2,020	294	330		3,721	
Due to Other Funds	232	17,694			3,104	21,030	
Unearned Revenue	13,052	2,628	1,100			16,780	
Unclaimed Prizes			6,636			6,636	
General Obligation Bonds Payable		1,541		2,839		4,380	
Revenue Bonds Payable-Current	17,890					17,890	
Accrued Interest Payable	5,192	101				5,293	
Claims & Compensated Absences Payable	315	1,300	83	224		1,922	23,937
Other Liabilities	343	56	85	15	12,639	13,138	
Total Current Liabilities	46,692	85,468	10,177	4,579	15,743	162,659	25,048
Noncurrent Liabilities:							
General Obligation Bonds Payable		18,156		15,374		33,530	
Revenue Bonds Payable	383,390					383,390	
Claims & Compensated Absences Payable	1,716	3,063	434	744		5,957	
Net Pension Liabilities	13,757	27,540	4,948	6,421		52,666	
Other Noncurrent Liabilities	5,003	254				5,257	
Total Noncurrent Liabilities	403,866	49,013	5,382	22,539		480,800	
Total Liabilities	450,558	134,481	15,559	27,118	15,743	643,459	25,048
DEFERRED INFLOWS OF RESOURCES	688	1,050	214	284		2,236	
NET POSITION							
Net Investment in Capital Assets	515,408	12,734	145			528,287	
Restricted for Debt Repayments	55,806					55,806	
Restricted for Uninsured Risks	3,434					3,434	
Restricted for Prize Awards - MUSL & Tri-State			4,083			4,083	
Restricted for Environmental Loans				642,099		642,099	
Restricted for SRF Programs				12,253		12,253	
Restricted for Facility Sustainment	154					154	
Restricted for Unemployment Benefits					300,379	300,379	
Unrestricted Net Position (Deficit)	57,488	(20,328)	(3,824)			33,336	34,509
Total Net Position (Deficit)	$632,290	$(7,594)	$404	$654,352	$300,379	$1,579,831	$34,509

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, 2017
(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		$684,833	$304,222	$10,710	$73,592	$1,073,357	$293,607
Toll Revenue Pledged for Repaying Revenue Bonds	$131,388					131,388	
Total Operating Revenue	131,388	684,833	304,222	10,710	73,592	1,204,745	293,607
OPERATING EXPENSES							
Cost of Sales and Services		484,835				484,835	
Lottery Prize Awards			217,426			217,426	
Unemployment Insurance Benefits					74,631	74,631	
Principal Forgiveness				4,876		4,876	
Insurance Claims							271,903
Administration	59,047	61,436	10,660	10,123		141,266	13,457
Depreciation	27,286	2,274	82			29,642	
Total Operating Expenses	86,333	548,545	228,168	14,999	74,631	952,676	285,360
Operating Income (Loss)	45,055	136,288	76,054	(4,289)	(1,039)	252,069	8,247
NONOPERATING REVENUES (EXPENSES)							
Licenses		4,394				4,394	
Beer Taxes		12,678				12,678	
Investment Income	434		100	737	6,552	7,823	
Miscellaneous	5,448	1,231		2,045		8,724	
Federal Grant Revenue				20,651		20,651	
Interest on Bonds	(13,142)	(715)		(458)		(14,315)	
Total Nonoperating Revenues (Expenses)	(7,260)	17,588	100	22,975	6,552	39,955	
Income Before Capital Grant Contributions	37,795	153,876	76,154	18,686	5,513	292,024	8,247
Capital Contributions and Grants	44					44	
Income Before Transfers	37,839	153,876	76,154	18,686	5,513	292,068	8,247
Transfers To Governmental Funds		(153,741)	(76,120)			(229,861)	
Change in Net Position	37,839	135	34	18,686	5,513	62,207	8,247
Net Position (Deficit)- July 1	594,451	(7,729)	370	635,666	294,866	1,517,624	26,262
Net Position (Deficit) - June 30	$632,290	$(7,594)	$404	$654,352	$300,379	$1,579,831	$34,509

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, 2017
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				$7,183	$1,316	$8,499	
Receipts from Customers	$131,373	684,943	494,003		73,087	1,383,406	56,592
Receipts from Interfund Charges							234,062
Payments to Employees	(15,962)	(32,491)	(5,344)			(53,797)	
Payments to Suppliers	(39,622)	(509,692)	(12,197)	(8,595)		(570,106)	(14,229)
Payments to Prize Winners			(396,429)			(396,429)	
Payments for Insurance Claims					(76,501)	(76,501)	(269,158)
Payments for Interfund Services		(6,829)		(2,677)		(9,506)	
Net Cash Provided by (Used for) Operating Activities	75,789	135,931	80,033	(4,089)	(2,098)	285,566	7,267
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(153,211)	(76,432)			(229,643)	
Receipts from Federal Agencies				20,407		20,407	
Other Contributions				10,398		10,398	
Temporary Loan from Other State Funds		8,369				8,369	
Interest Paid on Bonds				(458)		(458)	
Principal Paid on Bonds				(2,275)		(2,275)	
Transfer: Alcohol Abuse Prevention/Treatment Fund		(3,315)				(3,315)	
Proceeds from Collection of Licenses and Beer Tax		17,072				17,072	
Other Income		1,231				1,231	
Net Cash Provided by (Used for) Noncapital and Related Financing Activities		(129,854)	(76,432)	28,072		(178,214)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(36,702)	(10,290)	(17)			(47,009)	
Interest Paid on Bonds	(21,184)	(731)				(21,915)	
Principal Paid on Bonds	(27,855)	(1,056)				(28,911)	
Net Proceeds from Issuance of Bonds		6,000				6,000	
Payments for Underwriter Discount/Premium	(49)					(49)	
Receipts from Others	6,143					6,143	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(79,647)	(6,077)	(17)			(85,741)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	64,970			2,663		67,633	
Purchase of Investment	(54,863)			(149,284)		(204,147)	
Receipts from Borrowers				29,722		29,722	
Payments to Borrowers				(63,558)		(63,558)	
Other Income	526		100	428	6,552	7,606	
Net Cash Provided by (Used for) Investing Activities	10,633		100	(180,029)	6,552	(162,744)	
Net Increase in Cash & Cash Equivalents	6,775		3,684	(156,046)	4,454	(141,133)	7,267
Cash and Cash Equivalents - July 1	127,367		2,651	259,220	294,347	683,585	39,960
Cash and Cash Equivalents - June 30	$134,142		$6,335	$103,174	$298,801	$542,452	$47,227

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, 2017
(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)	$45,055	$136,288	$76,054	$(4,289)	$(1,039)	$252,069	$8,247
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	27,286	2,274	82			29,642	
Capitalized Loan Interest				(571)		(571)	
Principal Forgiveness				4,876		4,876	
Interest Income on Loans				(2,663)		(2,663)	
Miscellaneous Income/(Expense)	272					272	
Capital Deletions / Reclassification	3,601					3,601	
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	240	(299)	(18)	(274)	811	460	(2,881)
Change in Inventories	(2,578)	(8,477)	(149)			(11,204)	
Change in Other Current Assets			47			47	
Change in Restricted Deposits-MUSL			2			2	
Change in Accounts Payable and Other Accruals	1,638	4,612	(205)	(1,463)	(1,870)	2,712	(771)
Change in Claims Payable			4,076	64		4,140	2,744
Change in Unearned Revenue	275	336	(117)			494	(72)
Change in Net Pension Liability, Net of Deferred Amounts		1,197	261	231		1,689	
Net Cash Provided by (Used In) Operating Activities	$75,789	$135,931	$80,033	$(4,089)	$(2,098)	$285,566	$7,267

Turnpike Non-Cash Capital and Related Financing Activities:				
Capital Contributions	$44			
Liquor Non-Cash Capital and Related Financing Activities:				
During fiscal year 2017, the State's Capital Projects Fund paid for Capital Assets		$6,000		
SRF Non-Cash Investing Activities:				
Principal Forgiveness			$4,876	

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. 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 and trust funds. 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 judgments 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, 2017
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$10,472	$4,011	$9,111	$12,399
Receivables:				
Due from Employers	48,149			
Due from Plan Members	23,085			
Due from Brokers for Securities Sold	15,808			
Interest and Dividends	17,580		393	
Other	3,191			
Total Receivables	107,813		393	
Investments:				
Cash & Cash Equivalents	185,167			
Certificates of Deposit			115,313	
Repurchase Agreements			6,770	
U.S. Government Obligations			12,957	
Equity Investments	4,171,846			
Fixed Income Investments	1,824,379			
Commercial Real Estate	815,293			
Commercial Paper			24,564	
Alternative Investments	1,257,025			
Other Investments		2,878		270
Total Investments	8,253,710	2,878	159,604	270
Other Assets	171			
Total Assets	8,372,166	6,889	169,108	12,669
LIABILITIES				
Management Fees and Other Payables	9,642		82	
Due to Brokers for Securities Purchased	19,091			
Custodial Funds Payable				12,669
Total Liabilities	28,733		82	$12,669
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	8,343,433			
Net Position Held in Trust for Benefits & Other Purposes		6,889	169,026	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	8,304,160			
Employees' Postemployment Healthcare Benefits	39,273			
Net Position for Pool Participants in External Investment Pool			169,026	
Other Purposes		6,889		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	$8,343,433			
Net Position Held in Trust for Benefits & Other Purposes		$6,889	$169,026	

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, 2017
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employer	$431,946		
Plan Members	213,789		
Participants		$35,235	$222,384
Total Contributions	645,735	35,235	222,384
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	837,157		
Interest Income	56,682	85	1,555
Dividends	73,487		
Alternative Investment Income	27,383		
Other	16,518	109	5
Gross Income from Investing Activities	1,011,227	194	1,560
Less Investment Activity Expenses:			
Investment Management Fees	23,695		482
Custodial Fees	652		
Investment Advisor Fees	740		
Investment Administrative Expense	627		
Total Investment Activity Expenses	25,714		482
Total Net Income from Investing Activities	985,513	194	1,078
Interest Income	181		
Total Additions	1,631,429	35,429	223,462
DEDUCTIONS			
Benefits/Distributions to Participants	763,056	32,453	
Refunds of Contributions	23,408		
Administrative Expense	7,942		
Professional Fees	996		
Interest Expense	181		
Other	264	2,799	178,335
Total Deductions	795,847	35,252	178,335
Change in Net Position	835,582	177	45,127
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	7,507,851	6,712	123,899
Net Position - June 30	$8,343,433	$6,889	$169,026

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
JUNE 30, 2017
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$66,069	$22,305	$88,374
Cash and Cash Equivalents - Restricted		21,550	21,550
Operating Investments	146,588	16,146	162,734
Accounts Receivable	21,729	4,629	26,358
Other Receivables	3,187	4,876	8,063
Notes Receivable - Current Portion	3,293	9,641	12,934
Prepaid Expenses & Other	7,811	1,436	9,247
Total Current Assets	248,677	80,583	329,260
Noncurrent Assets:			
Investments	730,508	20,101	750,609
Notes & Other Receivables	25,200	25,082	50,282
Other Assets	11,711	4,527	16,238
Capital Assets:			
Land & Land Improvements	15,865	15,199	31,064
Building & Building Improvements	1,680,661	327,535	2,008,196
Equipment	132,616	32,781	165,397
Construction in Progress	116,832	5,439	122,271
Less: Accumulated Depreciation	(826,346)	(195,918)	(1,022,264)
Net Capital Assets	1,119,628	185,036	1,304,664
Total Noncurrent Assets	1,887,047	234,746	2,121,793
Total Assets	2,135,724	315,329	2,451,053
DEFERRED OUTFLOWS OF RESOURCES	33,067	21,783	54,850
LIABILITIES			
Current Liabilities:			
Accounts Payable	57,238	4,568	61,806
Accrued Salaries and Wages		6,491	6,491
Accrued Employee Benefits - Current	7,407	27	7,434
Other Payables & Accrued Expenses		6,628	6,628
Other Liabilities	6,018		6,018
Deposits and Unearned Revenues	37,682	2,934	40,616
Long Term Debt - Current Portion	20,064	2,353	22,417
Total Current Liabilities	128,409	23,001	151,410
Noncurrent Liabilities:			
Revenue Bonds Payable	481,401		481,401
Accrued Employee Benefits	27,178		27,178
Postemployment Medical Benefits	50,251		50,251
Derivative Instruments - Interest Rate Swaps	25,759		25,759
Net Pension Liability		77,703	77,703
Other Long Term Debt	18,769	53,278	72,047
Total Noncurrent Liabilities	603,358	130,981	734,339
Total Liabilities	731,767	153,982	885,749
DEFERRED INFLOWS OF RESOURCES	2,206	10,616	12,822
NET POSITION			
Net Investment in Capital Assets	650,968	161,674	812,642
Restricted:			
Nonexpendable	270,089		270,089
Expendable	184,842	59,168	244,010
Unrestricted Net Position (Deficit)	328,919	(48,328)	280,591
Total Net Position	$1,434,818	$172,514	$1,607,332

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, 2017
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units (*)	Total
EXPENSES	$830,961	$157,420	$988,381
PROGRAM REVENUES:			
Charges for Services:			
Tuition & Fees	501,119	67,179	568,298
Student Financial Aid	(171,602)	(19,248)	(190,850)
Sales, Services, & Other Revenue	245,595	26,151	271,746
Operating Grants & Contributions	157,120	31,108	188,228
Capital Grants & Contributions	7,828	7,468	15,296
Total Program Revenues	740,060	112,658	852,718
Net Expenses	(90,901)	(44,762)	(135,663)
Interest & Investment Income	99,908	2,691	102,599
Payments from State of New Hampshire	84,611	43,775	128,386
Change in Net Position	93,618	1,704	95,322
Net Position - July 1, restated (*)	1,341,200	170,810	1,512,010
Net Position - June 30	$1,434,818	$172,514	$1,607,332

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

Notes to the Basic Financial Statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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 (U.S. 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 5 Chenell Drive Suite 301, Concord, NH 03301.

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, 2017, 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.

(*) Beginning Net Position was restated by approximately $3 thousand. An adjustment was made after their fiscal year 2016 financials were issued.

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, 2017, 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, 2017, the debt retained by the State for CCSNH assets was approximately $19.2 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 (the "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. It 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 supervising 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 Trust 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 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, 2017, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2016.

D. CASH EQUIVALENTS

For the purposes of reporting in the Statement of Net Position, Statement of Fiduciary Net Position and 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 valued at cost, which approximates fair value, or net asset value. Cash equivalents include money market mutual funds, the State's holdings in the New Hampshire Public Deposit Investment Pool and investments in Unemployment Compensation external pooled short-term investments managed by the State's custodian.

E. FAIR VALUE MEASUREMENT OF 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. In determining fair value, the State utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. If an investment is in an active market where quoted prices exist, the market price of an identical security is used to report fair value. Corporate fixed income securities and certain U.S. government securities utilize pricing that may involve estimation using similar securities or trade dates. As these investments are generally not traded in an active market, fair value measurements are determined using market data and matrix pricing. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices. Money market mutual funds are generally reported at net asset value (NAV) reported by the fund managers and assessed as reasonable by the State, which is used as a practical expedient to estimate the fair value. Fair market value techniques for investments held by the State's Fiduciary and Major Component Units are described in Note 2.

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 occurred 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 and safe drinking water systems. Loans are funded by federal grants from programs by the U.S. Environmental Protection Agency, 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 (FIFO) 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 acquisition value.

Equipment is capitalized when the cost of individual items exceeds $10,000, and all other capital assets are capitalized when the cost of individual items or projects exceeds $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 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.

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 last-in, first-out (LIFO) 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 referred to as the Revenue Stabilization Account (the "Rainy Day Fund") in the general fund and reported as unassigned fund balance. See Note 16 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 and notes. 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 Trust 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 Position, 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 and permanent 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 expenditure class level within each accounting unit within each department.

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, 2017, the State adopted the following new accounting standards issued by the GASB:

GASBS No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74) improves the usefulness of information about postemployment benefits other than pensions included in external financial reports of state and local government OPEB plans. This Statement requires enhanced note disclosures and schedules of required supplementary information to be presented by OPEB plans that are administered through trusts. The implementation of GASB 74 did not require modification of the financial statements, but did impact the State's fiduciary component unit (NHRS), which has stand alone audited financial statements.

GASB No. 77, *Tax Abatement Disclosures* (GASB 77) defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The new disclosure resulting from implementation of this statement can be found in Note 14.

GASB No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78) amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state and local governmental employers through cost-sharing multiple-employer defined benefit plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state and local governmental employers and to employees of employers that are not state and local government employers, and (3) has no predominant state or local governmental employers. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The implementation of GASB 78 did not have an impact on the financial statements.

GASB No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* (GASB 80) improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of component units incorporated as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB 80 did not have an impact on the financial statements.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82) addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The new disclosures resulting from implementation of this statement can be found in the required supplementary information.

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 statements of financial position under the captions "Cash and Cash Equivalents" and "Investments."

DEPOSITS:

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

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

Custodial Credit Risk: The custodial 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) are 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.

The table below details the State's bank balances at June 30, 2017 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	$1,500	$672,317	$1,548		$11,190	$29
Money Market			340,381			8,144
Savings Accounts	500	154	37,063		791	
CDs	500	8,461	4,062			
Total	$2,500	$680,932	$383,054		$11,981	$8,173

New Hampshire Public Deposit Investment Pool (NHPDIP):

The NHPDIP (the "pool") 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. As of June 30, 2017, the State held an investment position in NHPDIP, which is reported as the State's share of the overall pool and not by investment type based on the underlying investment securities held by the pool. 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. In accordance with GASBS 79, the pool's portfolio securities are valued at amortized cost, which approximates fair value. 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.

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 and 383-B:3-303). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars.

The State Treasury classifies the following balances by investment type as of June 30, 2017. The reconciliation table on page 61 provides a comparison of the Treasury presentation to the classification per the financial statements.

	(Fair values in thousands)	
State Treasury Investments by Type	**Governmental & Business-Type**	**Fiduciary (excluding Pension Trust Funds)**
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	$13,023	$251
Equity Securities	18,588	
Corporate Bonds	1,583	
US Government Obligations	253,740	
Municipal Bonds	326	
Money Market Mutual Funds	2,995	5,601
Equity Open Ended Mutual Funds	16,402	848
Fixed Income Open Ended Mutual Funds	4,446	2,003
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	10,085	46
External Portion of NH Public Deposit Investment Pool		159,604
Totals	**$321,188**	**$168,353**
Less Investments Not Measured at Fair Value		
Investments in Non-Participating Interest Earning Investment Contracts (CD's)	(13,023)	(251)
NH Public Deposit Investment Pool (Internal investment held by State and NHH patient agency fund)	(10,085)	(46)
External Portion of NH Public Deposit Investment Pool		(159,604)
Investments Measured at Fair Value	**$298,080**	**$8,452**

Fair Value Hierarchy of Investments: In accordance with GASBS 72, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the State categorizes the fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into the following levels:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the State has the ability to access at the measurement date. Most of the State's directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities, as well as the State's holdings in U.S. government obligations and corporate bonds, are categorized in Level 2.

Level 3 inputs are significant unobservable inputs. The State held no Level 3 investments as of June 30, 2017.

The fair value hierarchy gives the highest priority to Level 1 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Whereas Level 2 investments generally refer to investments not traded in an active market, fair value measurements are determined using market data and matrix pricing.

Investments in money market mutual funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the State's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At June 30, 2017 the State had no plans or intentions to sell investments at amounts different from NAV. NAVs determined by fund managers generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainties of valuation, the estimated fair values used in NAV calculations may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

The following table summarizes the hierarchy of the State's investments measured at fair value, by type, as of June 30, 2017 (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Total
Governmental & Business-Type Activities				
U.S. Government Obligations & Municipal Bonds (1)		$254,066		$254,066
Equity Securities	$18,588			18,588
Corporate Bonds		1,583		1,583
Money Market Mutual Funds			$2,995	2,995
Equity Open Ended Mutual Funds			16,402	16,402
Fixed Income Open Ended Mutual Funds			4,446	4,446
Total Governmental & Business-Type Activities	18,588	255,649	23,843	298,080
Fiduciary Activities				
Money Market Mutual Funds			5,601	5,601
Equity Open Ended Mutual Funds			848	848
Fixed Income Open Ended Mutual Funds			2,003	2,003
Total Fiduciary Activities			8,452	8,452
Total Investments	$18,588	$255,649	$32,295	$306,532

Notes to the table above:

(1) Rates range from 0.0% to 5.25% and maturities from fiscal year 2018 to 2029.

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	$555,120	$28,860	$784,407	$279,266	$1,647,653
Per Statement of Fiduciary Net Position	Private Purpose	4,011	2,878			6,889
	Investment Trust	9,111	159,604			168,715
	Agency Funds	12,399	270			12,669
	Total per Financial Statements	**$580,641**	**$191,612**	**$784,407**	**$279,266**	**$1,835,926**

Per Footnote	
Carrying Amount of Cash Equivalents	1,346,385
Treasury Investments	489,541
Total Per Footnote	**$1,835,926**

Equity Securities and Mutual Funds:
The State's policy relative to operating funds and mitigation of concentration and credit risk does not permit investing in equity securities. 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. All equity mutual funds are open ended and not exposed to custodial credit risk. There is no concentration, custodial or credit risk to the State for amounts held in the State's abandoned property program.

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, and securities issued by the U.S. Treasury and Government Agencies. The Turnpike System's investment in U.S. Treasury Bonds and Bills represent $14.0 million of the State's debt securities.

Credit Risk: The risk that the issuer will not fulfill its obligations. The State invests in only investment grade securities which are defined as those with a grade B or higher. Obligations of the U.S. Government or obligations backed by the U.S. 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 3 years. Trust and custodial funds manage and monitor interest rate risk primarily through a weighted average maturity (WAM) approach. 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. The Turnpike System's investments are held by its custodian in the name of the Turnpike System.

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. However, as all corporate bonds are held in the State's abandoned property program, there is no concentration risk. 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.

Credit Risk and Interest Rate Risk (expressed in thousands)

	Governmental & Business Type			Fiduciary		
Type	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$1,583		4.7			
U.S. Government Obligations Held in Permanent Funds	1,145		10.9			
U.S. Government Obligations Held in Governmental and Business Type Activities	252,595		1.1			
Fixed Income Open Ended Mutual Funds		$4,446	4.6		$2,003	7.4
Municipal Bonds	$326		10.1			

FIDUCIARY COMPONENT UNIT (New Hampshire Retirement System – NHRS)

Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value (NAV) as a practical expedient to estimate fair value.

Real estate includes investments in commingled funds. The NAVs for real estate investments recorded in this report were obtained from statements provided by the general partners of commingled funds. Real estate commingled funds are selected by NHRS's discretionary real estate manager.

Alternative investments include investments in private equity, private debt and absolute return strategies. The NAVs for alternative investments recorded in this report were obtained from statements provided by the investment managers.

Cash and cash equivalents are valued at cost, which approximates fair value. Cash and cash equivalents primarily represent investments in the pooled short term investment fund managed by NHRS's master custodian. This fund invests mainly in high-grade money market instruments with maturities averaging less than three months. The fund provides daily liquidity.

The Plan holds no investments, either directly or indirectly, nor participates in any loans or leases, nor other party-in-interest transactions with any NHRS officials, New Hampshire State Government officials, or parties related to these officials.

The annual money-weighted rate of return at June 30, 2017 was 13.4%. The return shows the investment performance net of fees and is adjusted for the timing of cash flows and the changing amounts actually invested.

RSA 100-A:15, I, provides separate and specific authorities to the NHRS Board of Trustees and the Independent Investment Committee for the management of the funds of the Plans and charges them with exercising the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters, would use in the conduct of a pension plan of like character and with like aims of the Plans.

To aid in the prudent investment of the Plans' assets, NHRS has adopted an Investment Manual which includes an investment policy. Primary components of the investment policy include the delineation of roles and responsibilities of the NHRS Board of Trustees, Independent Investment

Committee, staff, and service providers; investment objectives; asset allocation policy; and asset class performance measurement and monitoring policy. This policy may be modified by the NHRS Board of Trustees as deemed necessary. In addition, the Investment Manual includes asset class guidelines which provide parameters for investment management.

Professional investment managers are bound by policy and contract to a standard of care that establishes a fiduciary relationship, to the extent permitted by law, requiring the manager to act prudently and solely in the best interest of the Plan and beneficiaries. Investment guidelines provide portfolio-level standards for separate account management including permissible investment types; security concentration thresholds; investment restrictions; and benchmarks for performance measurement and monitoring. NHRS utilizes a custodial bank compliance system to monitor the marketable investment portfolios against their respective guidelines.

NHRS's asset allocation as of June 30, 2017, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	2017	
Asset Class:	**Target**	**Range**
Large Cap Equities	22.50%	
Small/Mid Cap Equities	7.50%	
Total Domestic Equity	**30.00%**	**20–50%**
Int'l Equities (Unhedged)	13.00%	
Emerging Int'l Equities	7.00%	
Total International Equity	**20.00%**	**15–25%**
Core Bonds	5.00%	
Short Duration	2.00%	
Global Multi-Sector Fixed Income	11.00%	
Absolute Return Fixed Income	7.00%	
Total Fixed Income	**25.00%**	**20–30%**
Private Equity	5.00%	
Private Debt	5.00%	
Opportunistic	5.00%	
Total Alternative Investments	**15.00%**	**0–25%**
Real Estate	10.00%	
Total Real Estate	**10.00%**	**5-20%**
TOTAL	**100.00%**	

Custodial Credit Risk - Deposits: Custodial credit risk for deposits is the risk that in an event of a bank failure, deposits may not be recovered. NHRS does not have a deposit policy to manage custodial credit risk on deposits.

At June 30, 2017, NHRS held deposits of $9.4 million in the local custodian bank. These deposits are fully insured or collateralized and are used to support the daily working capital needs of NHRS.

Custodial Credit Risk - Investments: Investment securities are exposed to custodial credit risk if the investment securities are uninsured, are not registered in the name of the Plan, and are held by either:

a. The counterparty to a transaction or,

b. The counterparty's trust department or agent but not in the Plan's name.

All of NHRS's securities are held by NHRS's bank in NHRS's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of the Plan's investments in a single issuer. NHRS policy is expressed through individual separate account manager guidelines which limit investments in a single issuer to 10%, or less, of the portfolio value in order to control the overall risk of loss on a total portfolio level. This threshold is set as an upper limit, and in actual practice, managers generally do not reach this limit. Certain securities may be excluded from this limitation due to the nature of the investments (such as U.S. government securities, government-sponsored enterprise obligations, and supranational debt). NHRS fixed income managers have consistently adhered to the established guidelines for issuer concentration. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk. The total portfolio is broadly-diversified across equities, fixed income, cash equivalent securities, real estate and alternative investments. Due to this diversification, the concentration of credit risk in a single issuer is below 5% at the total portfolio level.

Interest Rate Risk - Fixed Income Investments: Interest rate risk is the effect on the fair value of fixed income investments from changes in interest rates. Duration measures a debt investment's change in fair value arising from a change in interest rates.

Interest rate risk is illustrated below using the effective duration or option-adjusted methodology. This methodology is widely-used in the management of fixed income portfolios to quantify the risk associated with interest rate changes. The effective duration methodology takes into account the most likely timing and magnitude of variable cash flows, such as callable options, prepayments and other factors, and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

The NHRS policy on duration is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. Duration guidelines have been established with each fixed income manager in order to manage interest rate risk within the separate account portfolios. The fixed income commingled fund managers also have established investment guidelines regarding duration. These provisions specify that the duration of each individual fixed income portfolio will be managed within a specified percentage or number of years relative to its benchmark index. NHRS fixed income managers follow the established guidelines for duration. If there is an occasional exception, the manager prudently remedies the guideline breach.

The following effective duration table quantifies the interest rate risk of the Plan's fixed income assets, as of June 30, 2017 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2017	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	$145,486	8.0%	4.5	0.4
Corporate Bonds	590,951	32.6%	5.5	1.8
Government and Agency Bonds	643,823	35.5%	6.2	2.2
Commingled Fund	222,500	12.2%	(0.4)	(0.04)
Commingled Fund	211,745	11.7%	2.4	0.3
Totals	**$1,814,505**	**100.0%**		**4.7**

Credit Risk - Fixed Income Securities: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

NHRS controls credit risk on debt securities by establishing requirements for average credit quality at the separate account portfolio level and through credit quality standards for individual securities. The NHRS policy on credit quality is expressed through individual portfolio guidelines with each investment manager in lieu of a broad, plan-level policy. The investment guidelines are customized to the individual manager's strategy. NHRS fixed income managers follow established guidelines for credit quality. If there is an occasional exception, the manager prudently remedies the guideline breach. NHRS applies standards with regard to securities rated by nationally recognized statistical rating organizations ("NRSRO") and uses the lowest agency ratings for evaluating the credit quality of a specific security. The fixed income commingled fund managers have established investment guidelines regarding concentration of credit risk.

The following schedule illustrates the Plan's fixed income investments as of June 30, 2017, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

		Quality Ratings1				
Investment Type	Fair Value June 30, 2017	AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	$145,486	$103,914	$2,455	$6,317	$17,692	$15,108
Corporate Bonds	590,951	5,323	46,638	123,602	413,399	1,989
Government and Agency Bonds2	152,631	13,374	25,186	65,352	48,719	
Commingled Fund3	222,500			222,500		
Commingled Fund3	211,745		211,745			
Totals	**$1,323,313**	**$122,611**	**$286,024**	**$417,771**	**$479,810**	**$17,097**
Percent of Total Fair Value		**9.27%**	**21.61%**	**31.57%**	**36.26%**	**1.29%**

1Ratings were derived primarily from Standard & Poor's (S&P). In instances where S&P did not rate a security, the Moody's rating was used.

2Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government ($491,192) because these securities are not considered to have credit risk.

3Average credit quality rating for the commingled funds was provided by GAM and Manulife respectively.

Investments in asset-backed and mortgage-backed securities are reported at fair value. Although not generally considered to be derivatives, asset-backed and mortgage-backed securities receive cash flows from interest and principal payments on the underlying assets and mortgages. As a result, they are exposed to prepayment risk. As of June 30, 2017, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $131.0 million.

Foreign Currency Risk - Investments: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NHRS manages its foreign currency risk primarily through its strategic asset allocation policy. As of June 30, 2017, investments in non-U.S. equity securities have a target asset allocation of 20% of total investments with a target range of 15–25%. As of June 30, 2017, non-U.S. fixed income securities represent 2.7% of the total investments as a result of the managers' security selection process. Non-U.S. investments are permitted in the alternative investment asset class, which includes private equity, private debt and absolute return strategy investments. The target allocation for alternative investments is 15% and the NHRS investment policy does not set limits for foreign investments in this asset class. The target allocation for real estate investments is 10%, and up to 35% of the Plan's real estate allocation may be invested in non-U.S. investments.

In addition, foreign currency risk is mitigated through the investment guidelines. NHRS manages its foreign exposure by requiring that separate account managers diversify their non-U.S. portfolios by country, sector and issuer to limit both foreign currency risk and security risk. Managers of commingled funds have discretion over their respective investment guidelines which must be consistent with strategies approved by NHRS. In certain instances, where permitted in the investment guidelines, investment managers may also use foreign currency forward contracts to hedge against foreign currency risk.

The Plan's exposure to foreign currency risk at June 30, 2017 is presented on the following schedule (expressed in thousands):

Currency	Equity*	Fixed Income	Real Estate & Alternative Investments	Cash and Cash Equivalents	Totals
Total investments subject to foreign currency risk	**$664,388**	**$217,508**	**$98,883**	**$298**	**$981,077**

*NHRS also invests in commingled funds where foreign currency risk information is not available. As a result, totals for equity shown on this schedule will not match the total non-U.S. equity shown on the Combining Statements of Fiduciary Net Position.

Derivatives: Derivative instruments are contracts whose values are based on the valuation of an underlying asset, reference rate or index. Derivatives include futures, options, forward contracts and forward foreign currency exchanges. NHRS managers may enter into certain derivative instruments primarily to enhance the efficiency and reduce the volatility of the portfolio. As of June 30, 2017, there was $3.8 million invested in equity futures and there were no investments in options within the separate account portfolios. The NHRS investment policy and certain investment manager guidelines allow for the use of derivative instruments. The use of futures, options, or forward contracts is not permitted for any speculative hedging or leveraging of the portfolios and is prohibited in separate account mandates. Managers of commingled funds have discretion over their respective investment guidelines which may allow for the use of derivative instruments.

The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards.

NHRS managers may use futures, options, and foreign currency exchange contracts in order to manage currency risk or initiate transactions in non-U.S. investments. NHRS may be positively or negatively impacted by foreign currency risk due to fluctuations in the value of different currencies. The Plan could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. To mitigate this risk, investment managers conduct assessments of their counterparties and utilize exchanges which have trading standards. The fair value of open foreign currency exchange contracts including unrealized appreciation or depreciation is recorded on the Statement of Fiduciary Net Position as Due from Brokers for Securities Sold and as Due to Brokers for Securities Purchased.

Foreign currency exchange contracts open at June 30, 2017 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	$2,660	$(893)

Fair Value: NHRS categorizes the fair value measurements of its investment within the fair value hierarchy established by generally accepted accounting principles as described in detail earlier in Note 2. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Level 1 - Unadjusted quoted prices for identical instruments in active markets.
Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable. NHRS had no level 3 investments as of June 30, 2017.

Investments that are measured at fair value using the net asset value (NAV) as a practical expedient are not classified in the fair value hierarchy. At June 30, 2017 NHRS had no plans or intentions to sell investments at amounts different from NAV.

The categorization of investments within the hierarchy is based on the pricing transparency of the investment and should not be perceived as the particular investment's risk.

The following table summarizes NHRS's investments measured at fair value, by type, as of June 30, 2017 (expressed in thousands):

	2017				
	Fair Value Measurements Using				(in thousands)
Investments at Fair Value	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**	**Unfunded Commitments**
Short -term:					
Cash and Cash Equivalents	$185,167	$175,043	$10,124		
Fixed Income:					
U.S Government Obligations (1)	393,641	363,018	30,623		
Domestic Fixed Income (2)	769,111	7,284	761,827		
Commingled Funds (3)	434,245			$434,245	
International Fixed Income (4)	217,508		217,508		
Equity:					
Domestic Equity Securities	2,802,758	2,799,295	3,463		
Commingled Funds (5)	662,221			662,221	
International Equity Securities	678,052	678,052			
Real Estate:					
Real Estate Funds (6)	815,293			815,293	$120,985
Alternative Investments:					
Private Equity (7)	612,575			612,575	687,797
Private Debt (8)	420,218			420,218	141,674
Opportunistic (9)	214,392			214,392	
Total Investments	**$8,205,181**	**$4,022,692**	**$1,023,545**	**$3,158,944**	**$950,456**

Notes to the table above:

(1) Fiscal 2017 rates range from 0.750% to 6.000%, and maturities from 2017 to 2046. Fiscal 2016 rates range from 0.625% to 6.770%, and maturities from 2017 to 2046.

(2) Fiscal 2017 rates range from 0.00% to 11.000%, and maturities from 2016 to 2057. Fiscal 2016 rates range from 0.000% to 10.500%, and maturities from 2016 to 2057.

(3) This represents investments in two commingled fixed income funds that invest globally in both developed and emerging markets with investments consisting primarily of corporate bonds (investment grade and high yield), sovereign bonds and securitized bonds. These funds may also invest in convertible bonds and currencies. The redemption frequency for these investments range from daily to monthly with one to 30 business days' prior written notice.

(4) Fiscal 2017 rates range from 1.250% to 10.600%, and maturities from 2017 to 2064. Fiscal 2016 rates range from 0.250% to 10.250%, and maturities from 2016 to 2064.

(5) This represents investments in five commingled equity funds that invest primarily in common stock of companies located outside the U.S., including emerging markets. These investments have daily liquidity and require up to 10 business days' notice for redemption.

(6) This represents investments in 45 funds consisting of 10 open-end funds and 35 closed-end funds. The open-end funds, totaling $517.6 million at June 30, 2017, can be redeemed on a quarterly basis with 45–90 days' notice periods. The closed-end funds are not redeemable.

(7) This represents 30 investments in private partnerships focused primarily on the following strategies: buyouts, growth equity, secondaries and energy. These private partnerships typically have 10 to 15 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions as the partnerships liquidate their underlying assets.

(8) This represents 16 investments in private partnerships focused primarily on the following strategies: direct lending, mezzanine and distressed debt. These private partnerships typically have 6 to 10 year life cycles during which limited partners are unable to redeem their positions, but instead, receive distributions from coupon payments and/or as the partnerships liquidate their underlying assets.

(9) SLI GARS is held within the Opportunistic sleeve of the Alternative Investments asset allocation as SLI GARS is an "unconstrained/go anywhere" manager that invests across various geographies and asset classes including equity, credit, interest rates, currencies and real estate. This manager invests on an opportunistic basis to take advantage of market dislocations.

Unfunded commitments with various real estate and alternative investment funds total $0.95 billion as of June 30, 2017.

ASSET ALLOCATION	**2017**	
Asset Class:	**Target**	**Policy Range**
Large Cap Equities	34.6%	
Small Cap Equities	4.6%	
Domestic Equity	**39.2%**	**35–45%**
International Equity	**15.8%**	**8–20%**
Inflation-indexed bonds	5.3%	
Core Fixed Income	16.1%	
Fixed Income	**21.4%**	**10–33%**
Alternatives	**22.9%**	**0–33%**
Cash and cash equivalents	**0.7%**	**0-15%**

FIDUCIARY COMPONENT UNIT (New Hampshire Judicial Retirement Plan – NHJRP)

Investments are reported at fair value. Investments in mutual funds are valued at current market prices. Alternative investments include investments in limited partnerships valued at net asset value (NAV) as a practical expedient to estimate fair value. The NAVs for alternative investments were obtained from statements provided by the investment managers in good faith by the funds' managers or underlying investments' general partners. These values may not reflect the amount that would be realized upon an immediate sale due to lack of liquidity or other market conditions. Due to the uncertainty of valuation, the investment manager's estimated values may differ from the values that would have been used had a ready market existed for the fund's investments, and the difference could be material. The net appreciation (depreciation) in the fair value of investments held by NHJRP is based on the valuation of investments as of the date of the statement of fiduciary net position.

For the year ended December 31, 2016, the annual money-weighted rate of return on investments, net of investment expenses, was 6.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The investment philosophy of the Board of Trustees of NHJRP flows from its responsibility as fiduciary with respect to the NHJRP members and beneficiaries. As such, the Plan's assets are invested and managed for the exclusive purpose of providing plan benefits and are invested pursuant to RSA 100-C:12. The Board of Trustees pursues an investment strategy designed to meet the long-term funding requirements of NHJRP as determined by the NHJRP's actuary.

The Board's investment policy permits NHJRP assets to be invested in U.S. and non-U.S. equities, U.S. and non-U.S. fixed income securities, and certain hedge funds and alternative fund-of-funds, subject to certain portfolio restrictions. Asset allocations among various classes are as follows as of December 31, 2016:

Custodial Credit Risk – Deposits: At times, NHJRP maintains cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation. NHJRP has not experienced any losses in such accounts. NHJRP believes it is not exposed to any significant risk with respect to these accounts held at Bank of New Hampshire.

Custodial Credit Risk – Investments: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, NHJRP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NHJRP and are held by either the counterparty, or the counterparty's trust department or agency, but not in NHJRP's name.

NHJRP does not have a written policy in place to address custodial credit risk on investments. As of December 31, 2016, NHJRP's investments included in the Statement of Fiduciary Net Position were exposed to custodial credit risk. The investments were held by the counterparty, not in the name of NHJRP.

Concentration of Credit Risk: NHJRP's investment policy prohibits more than 5% of the portfolio, at fair value, to be invested in the securities of any one company. These guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

Interest Rate Risk – Fixed Income Investments: Interest rate risk associated with adverse effects of changes in the fair value of fixed income securities is not addressed in the policy by NHJRP. While policies do exist to limit the percentage of market value in a single issue at any one time and of the total percentage held of any issuer's debt instruments, the duration of the remaining life of individual securities is not subject to any limitations and may therefore introduce a measure of interest rate risk.

Credit Quality Risk – Fixed Income Investments: The investment policy uses quality ratings by Standard & Poor's and Moody's as the primary guide for corporate fixed income investments. There are no limits on the use of U.S. Government, agency or guaranteed issues. In addition, there are no limits on the use of issues of Canadian, British, Japanese, Australian, or European monetary systems bloc governments and their agencies and supranational borrowers in local currency or European Currency Unit. A 15% limit is placed on all other issues.

Fair Value: NHJRP categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are other significant observable inputs. Level 3 inputs are unobservable inputs. NHJRP has no unfunded commitments, and the following recurring fair value measurements as of December 31, 2016 (expressed in thousands):

	Fair Value Measurements as of December 31, 2016 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)	Total
Investments at fair value					
Domestic equity	$21,801				$21,801
International equity	7,014				7,014
Fixed income	9,874				9,874
Alternatives				$9,840	9,840
	$38,689			$9,840	$48,529

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

Cash, cash equivalents, and short-term investments are recorded at fair value. USNH's investment policy and guidelines specify permitted instruments, durations, required ratings and insurance of USNH cash, cash equivalents and short-term investments. The investment policy and guidelines are intended to mitigate credit risk on investments individually and in the aggregate through restrictions on investment type, liquidity, custodian, dollar level, maturity, and rating category. Money market funds are placed with the largest national fund managers. These funds must be rated AAA/Aaa by Standard & Poor's and Moody's Investor Service and comply with Securities and Exchange Commission Rule 2A-7. Repurchase agreements must be fully collateralized at 102% of the face value by U.S. Treasuries, or 103% of the face value by US Government-backed or guaranteed agencies or government sponsored enterprises. In addition, USNH investments may not exceed 5% of any institution's total deposits or 20% of any institution's net equity.

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. Short-term investments are highly liquid amounts held to support specific current liabilities. Cash, cash equivalents and short-term investments are generally uninsured and uncollateralized against custodial credit risk, and the related mutual funds are not rated. Cash and cash equivalents totaled $66.1 million and short-term investments totaled $146.6 million at June 30, 2017.

The components of cash, cash equivalents and short-term investments are summarized below (expressed in thousands):

	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	$3,803		$3,803	Less than 1 year
Repurchase agreements		$25,475	25,475	Less than 1 year
Money market funds	64,909		64,909	Less than 1 year
Domestic equity	276		276	Less than 1 year
Mutual funds	91,947		91,947	1-5 years
U.S. Treasuries		26,247	26,247	1-5 years
Total cash, cash equivalents and short-term investments	$160,935	$51,722	$212,657	

USNH's investment policy and guidelines specify permitted instruments, duration and required ratings for pooled endowment funds. The policy and guidelines are intended to mitigate risk on investments individually and in the aggregate while maximizing total returns and supporting intergenerational equity of spending levels. Illiquid investments are limited to 20% of the USNH consolidated endowment pool. Credit risk is mitigated by due diligence in the selection and continuing review of investment managers as well as diversification of both investment managers and underlying investments. No more than $50 million may be invested in any single fund and no more than $75 million or 10% of the pool may be invested with any single bank, fund manager, or investment group unless approved by the Finance Committee for Investments. Foreign currency risk is mitigated by limiting global equity investments in publically traded international and emerging market funds to 25% of the endowment pool. Private global equity investments are limited to 15% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2017.

Endowment and similar investments are reported at estimated fair value. The fair value of these investments is based on quoted market prices when available. If an investment is held directly by USNH and an active market with quoted prices exists, the market price of an identical security is used to determine its fair value. Fair values of shares in registered mutual funds are based on published share prices. Registered mutual funds and directly held equity securities are classified in Level 1 of the fair value hierarchy. Investments classified in Level 2 consist of directly held investments that have valuations based on inputs other than quoted prices. There were no transfers between levels in 2017.

As a practical expedient to estimate the fair value of USNH's interests, certain investments in commingled funds and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by USNH, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. 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. As of June 30, 2017, USNH had no plans or intentions to sell such investments at amounts different from NAV.

The following tables summarize USNH's investments by type (expressed in thousands):

	Investments Classified in the Fair Value Hierarchy		Investments Measured at NAV	Total
	Level 1	Level 2		
Endowment and similar investments - campuses				
Money market	$13,694			$13,694
Domestic equity	106,689		$50,323	157,012
International equity	53,145		42,996	96,141
Global fixed income	17,865	$29,214		47,079
Inflation hedging assets		8,041	9,593	17,634
Hedge funds:				
Fund of Funds			56,640	56,640
Event-Driven			29,775	29,775
Equity Hedge			44,479	44,479
Distressed/Restructuring			12,236	12,236
Private equity & non-marketable real assets			23,280	23,280
Funds held in trust		16,192		16,192
Total endowment and similar investments - campuses	191,393	53,447	269,322	514,162
Endowment and similar investments - affiliated entities				
Money market	3,303			3,303
Domestic equity	37,240		34,635	71,875
International equity	15,788		29,918	45,706
Global fixed income	12,795	720	1,342	14,857
Inflation hedging assets	2,785	3,799	3,352	9,936
Hedge funds:				
Equity Hedge			21,216	21,216
Distressed/Restructuring			26,075	26,075
Diversified			9,797	9,797
Private equity & non-marketable real assets			13,581	13,581
Total endowment and similar investments - affiliated entities	71,911	4,519	139,916	216,346
Total endowment and similar investments	$263,304	$57,966	$409,238	$730,508

The majority of USNH's investments are units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments which are valued by the investment manager. To the extent quoted prices exist the manager would use those; otherwise, other methodologies maximizing observable inputs would be used for the valuation, such as discounted cash flow analysis, capitalization of current or stabilized net operating income, replacement costs, or sales contracts and recent sales comparable in the market. Private equity funds employ buyout, growth and venture capital, and distressed security strategies. Real asset funds generally hold interests in private real estate. As of June 30, 2017, fixed income securities had 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.

As of June 30, 2017, the University of New Hampshire Foundation, Inc. (UNHF) had one equity hedge fund with lock-up periods for multiple share classes ranging from 2 to 17 months, one distressed hedge fund with a lock-up period set to expire in 13 months, and one diversified fund with a lock-up period ending in 18 months. As of June 30, 2017, USNH had no funds in an active lock-up period. Hedge funds, private equity and real estate funds classified as illiquid have no ability to be redeemed. For USNH, of the 28 funds classified as illiquid, nine are currently in liquidation; five are expected to start liquidation within the next year; five are expected to start liquidation in 2 to 9 years, and nine currently have no expected liquidation dates. For UNHF, fourteen funds are classified as illiquid and are expected to be liquidated over the next 2 months to 14 years.

As of June 30, 2017, USNH has three outstanding investment liquidation requests which have been limited by the respective fund managers. Management of the fund in which USNH has the largest of these balances has approved a plan to fully liquidate all balances by the end of 2018. USNH's balance in that fund was $482,000 as of June 30, 2017. Plans have not been communicated for the remaining two funds. USNH's balance in the remaining funds totaled $233,000 as of June 30, 2017. The fair values based on NAV of all three investments at June 30, 2017 are $714,000. It is uncertain when, or if, the funds will be fully collected at the NAV recorded.

Unfunded commitments with various private equity and similar alternative investment funds total $15.3 million for USNH and $17.4 million for (UNHF) at June 30, 2017. This compares to $15.8 million and $21.6 million, respectively, at June 30, 2016.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2017 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	$41,338		$41,338	
Business Taxes	171,535		171,535	
Tobacco	13,644		13,644	
Real Estate Transfer	16,039		16,039	
Interest & Dividends	25,216		25,216	
Communications	3,715		3,715	
Utility Property Tax	20,200		20,200	
Gasoline Road Toll	11,158		11,158	
Subtotal	302,845		302,845	
Other Receivables:				
Turnpike System		$7,756	7,756	
Liquor Commission		6,769	6,769	
Lottery Commission		2,447	2,447	
Unemployment Trust Fund		17,321	17,321	
Internal Service Fund	12,330		12,330	
Federal Grants	310,575		310,575	$18,847
Local Grants	32,944		32,944	
Miscellaneous	134,180		134,180	6,095
Short Term Portion Of SRF Loans Receivable		28,209	28,209	
Short Term Portion Of Note/Pledge Receivable				6,480
Subtotal	490,029	62,502	552,531	31,422
Total Current Receivables (Gross)	792,874	62,502	855,376	31,422
Long-Term Receivables				
SRF Loans Receivable		394,394	394,394	
Miscellaneous	12,359		12,359	
Note/Pledge Receivable				30,759
Total Long Term Receivables (Gross)	12,359	394,394	406,753	30,759
Allowance for Doubtful Accounts	(52,122)		(52,122)	(8,772)
Total Receivables (Net)	$753,111	$456,896	$1,210,007	$53,409

State Revolving Fund (SRF):

Business-type activities include 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. Amounts recorded as principal forgiveness totaled approximately $4.9 million for the year ended June 30, 2017.

Unearned Revenue:

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2017, unearned revenue reported in governmental funds was $112.8 million, and in business-type activities was $16.8 million.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$558,327	$11,531	$(17,024)	$552,834
Construction in Progress	211,587	168,506	(148,456)	231,637
Work in Progress Computer Software	75,478	11,690	(3,461)	83,707
Total Capital Assets not being depreciated	845,392	191,727	(168,941)	868,178
Other Capital Assets:				
Equipment & Computer Software	322,875	32,140	(8,663)	346,352
Buildings & Building Improvements	812,510	66,665	(3,710)	875,465
Land Improvements	120,790	3,503	(350)	123,943
Infrastructure	3,678,096	87,078	(8,364)	3,756,810
Total Other Capital Assets	4,934,271	189,386	(21,087)	5,102,570
Less accumulated depreciation for:				
Equipment & Computer Software	(284,222)	(19,559)	5,467	(298,314)
Buildings & Building Improvements	(411,467)	(25,198)	3,827	(432,838)
Land Improvements	(96,607)	(2,282)	359	(98,530)
Infrastructure	(2,044,486)	(54,704)	3,235	(2,095,955)
Total Accumulated Depreciation	(2,836,782)	(101,743)	12,888	(2,925,637)
Other Capital Assets, Net	2,097,489	87,643	(8,199)	2,176,933
Governmental Activities Capital Assets, Net	$2,942,881	$279,370	$(177,140)	$3,045,111
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	$101,404	$310		$101,714
Construction in Progress	141,697	41,197	$(111,564)	71,330
Capital Assets not being depreciated	243,101	41,507	(111,564)	173,044
Other Capital Assets:				
Equipment & Computer Software	50,227	13,209	(590)	62,846
Buildings & Building Improvements	14,459	18		14,477
Land Improvements	2,003			2,003
Infrastructure	962,900	97,368	(604)	1,059,664
Total Other Capital Assets	1,029,589	110,595	(1,194)	1,138,990
Less accumulated depreciation for:				
Equipment	(45,255)	(6,026)	555	(50,726)
Buildings & Building Improvements	(2,820)	(363)		(3,183)
Land Improvements	(198)	(101)		(299)
Infrastructure	(322,287)	(20,800)	604	(342,483)
Total Accumulated Depreciation	(370,560)	(27,290)	1,159	(396,691)
Turnpike Capital Assets, Net	$902,130	$124,812	$(111,599)	$915,343
Liquor:				
Capital Assets not being depreciated:				
Land	$2,002			$2,002
Construction In Progress	1,143	$4,108	$(1,118)	4,133
Work In Progress Computer Software	911	2,692		3,603
Total Capital Assets not being depreciated	4,056	6,800	(1,118)	9,738
Other Capital Assets:				
Equipment	7,543	2,626	(153)	10,016
Buildings & Building Improvements	34,597	2,288		36,885
Land Improvements	689			689
Total Other Capital Assets	42,829	4,914	(153)	47,590
Less accumulated depreciation for:				
Equipment	(5,394)	(1,159)	153	(6,400)
Buildings & Building Improvements	(11,756)	(1,110)		(12,866)
Land Improvements	(596)	(5)		(601)
Total Accumulated Depreciation	(17,746)	(2,274)	153	(19,867)
Liquor Capital Assets, Net	$29,139	$9,440	$(1,118)	$37,461
Lottery Commission:				
Equipment	$652	$17	$(25)	$644
Less Accumulated Depreciation for Equipment:	(441)	(82)	24	(499)
Lottery Capital Assets, Net	$211	$(65)	$(1)	$145

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

Governmental Activities:	
General Government	$10,690
Administration of Justice and Public Protection	15,466
Resource Protection and Development	5,041
Transportation	65,081
Health and Social Services	5,085
Education	380
Total Governmental Activities Depreciation Expense	$101,743

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 requires 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	$15,780	$85		$15,865
Building and Building Improvements	1,593,091	96,333	$(8,763)	1,680,661
Equipment	123,087	12,603	(3,075)	132,615
Construction in Progress	118,357	94,894	(96,418)	116,833
Subtotal	1,850,315	203,915	(108,256)	1,945,974
Less: Accumulated Depreciation	(773,264)	(62,942)	9,860	(826,346)
Total	$1,077,051	$140,973	$(98,396)	$1,119,628

Contractual Obligations for major construction projects totaled approximately $26.8 million at June 30, 2017.

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to $675.7 million at June 30, 2017. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$178.5
Federal Highway/Garvees	447.0
Turnpike System	50.2
Total	$675.7

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to $766.0 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 millions):

Date of Advance Refunding	Amount Outstanding at June 30, 2017
Governmental Fund Types (General Obligation Bonds):	
April 8, 2010	$89,575
December 10, 2014	$60,640
November 30, 2016	$12,775
Subtotal	$162,990

Bond/Note Issuances:
Effective July 1, 2014, Chapter 17 of the Laws of 2014 and as amended by Chapter 276:210 and 276:211, Laws of 2015, authorized the use of a 4.2 cent increase in motor vehicle fuel fees (referred to as a 'road toll' in New Hampshire laws) to fund $200 million in general obligation bonds or revenue bonds, or both, to complete the I-93 Salem to Manchester widening project. Subsequent legislation specifically authorized a Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) loan as an alternative to a traditional general obligation bond issue including, without limitation, a pledge of the revenue collected from adjustments under RSA 260:32-a for rates that exceed $0.18 per gallon less required distributions under RSA 235:23, I, on said revenues.

The State, through the State Treasurer and the NH Department of Transportation (Department) was approved for a TIFIA loan in May of 2016. The TIFIA loan resulted in $200.0 million of funding at a favorable 1.09% interest rate that will allow the Department to perform additional bridge repair and pavement maintenance and completion of the I-93 project within the time frame of the law. This increase under Chapter 17 of the Laws of 2014, as amended, will expire once all debt service payments for the I-93 project have been made or 20 years after the initial issuance of such bonds, whichever is earlier. As of June 30, 2017, $48.0 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to $9.7 million as of June 30, 2016. The TIFIA obligation is payable on an interest-only basis initially, with principal payments beginning in 2025. A final principal payment schedule will be established once all proceeds have been drawn against the loan. Interest paid during the fiscal year ended June 30, 2017 was $203 thousand.

On July 12, 2016, the State issued $3.9 million of general obligation capital improvement bonds. The bonds were sold via private placement with 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 $63.4 million General Obligation Capital Improvement Bonds 2016 Series B on November 30, 2016 through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 2.80% with coupons ranging from 3.00% to 5.00% and with final maturity on 6/1/2036. The proceeds of these bonds will be used to fund all or part of various capital projects of the State.

The State also issued $50.9 million General Obligation Refunding Bonds 2016 Series A on November 30, 2016 for the current and advanced refunding of outstanding general obligation debt of the State. The Series A Refunding Bonds were sold through a competitive sale which resulted in an overall true-interest-cost (TIC) to the State of 1.69% with coupons at 5.00% and final maturity on 10/15/2024. These bonds were used to refund $53.8 million of existing outstanding bonds, which resulted in an overall net present value savings of $2.9 million or 5.17% savings on the refunded bonds.

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the primary government during the fiscal year (expressed in thousands):

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable	$862,887	$99	$112,350	$145,904	$829,432	$85,144	$744,288
Federal Highway Grant Anticipation Bonds	152,468			14,483	137,985	12,985	125,000
Notes Payable	9,685		38,304		47,989		47,989
Compensated Absences	88,052		2,872	788	90,136	14,422	75,714
Claims Payable	47,066		281,934	278,293	50,707	29,814	20,893
Net Pension Liability	795,345		234,429		1,029,774		1,029,774
Other Postemployment Benefits	1,069,023		203,516	92,041	1,180,498		1,180,498
Pollution Remediation Obligation	49,100		3,690	1,328	51,462	2,875	48,587
Capital Lease	1,945		4,882	299	6,528	1,148	5,380
Advance Construction Commitments	587			25	562	562	
Total Governmental	3,076,158	99	881,977	533,161	3,425,073	146,950	3,278,123
Business-Type Activities							
Turnpike System							
Revenue Bonds	431,982			30,702	401,280	17,890	383,390
Pollution Remediation Obligation	2,889		2,527	70	5,346	343	5,003
Claims & Compensated Absences Payable	2,236		132	337	2,031	315	1,716
Net Pension Liability	10,100		3,657		13,757		13,757
Total	447,207		6,316	31,109	422,414	18,548	403,866
Liquor Commission							
General Obligation Bonds Payable	14,780		6,000	1,083	19,697	1,541	18,156
Capital Lease	353			43	310	56	254
Claims & Compensated Absences Payable	4,802			439	4,363	1,300	3,063
Net Pension Liability	20,141		7,399		27,540		27,540
Total	40,076		13,399	1,565	51,910	2,897	49,013
Lottery Commission							
Claims & Compensated Absences Payable	621		424	528	517	83	434
Net Pension Liability	3,675		1,273		4,948		4,948
Total	4,296		1,697	528	5,465	83	5,382
State Revolving Fund Programs							
General Obligation Bonds Payable	12,135		8,353	2,275	18,213	2,839	15,374
Claims & Compensated Absences Payable	851		117		968	224	744
Net Pension Liability	4,805		1,616		6,421		6,421
Total	17,791		10,086	2,275	25,602	3,063	22,539
Total Business-Type	$509,370		$31,498	$35,477	$505,391	$24,591	$480,800

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, 2017, 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, 2017, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $158.0 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Pollution Remediation Obligations: Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the U.S. Environmental Protection Agency expends superfund trust monies for cleanup. Currently there are seven 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 $51.5 million and $5.2 million were reported for governmental activities and business-type activities, respectively, at June 30, 2017. 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 and TIFIA note payable, 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			
Payable June 30,	General Fund	Highway Fund	Federal Highway (GARVEE)	Self Supporting	Total	Liquor Commission General Obligations	SRF Funds General Obligations	Turnpike System Revenue	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2018	$63,904	$9,918	$12,985	$11,322	**$98,129**	$1,541	$2,839	$17,890	$120,399	$60,086	$6,307	**$174,178**
2019	65,077	8,038	13,620	11,479	**98,214**	1,542	2,077	27,110	128,943	53,987	6,199	**176,731**
2020	61,985	7,666	14,300	10,923	**94,874**	1,559	2,077	30,040	128,550	47,873	6,089	**170,334**
2021	54,193	7,085	15,000	7,744	**84,022**	1,559	2,072	24,145	111,798	41,858	5,949	**147,707**
2022	49,561	6,530	14,400	7,941	**78,432**	1,456	2,072	26,285	108,245	36,846	5,627	**139,464**
2023-2027	169,968	28,093	61,400	33,930	**293,391**	5,513	4,078	78,640	381,622	119,438	20,171	**480,889**
2028-2032	77,493	7,913		18,185	**103,591**	4,627	1,670	61,285	171,173	53,575	8,987	**215,761**
2033-2037	25,004	2,359		2,740	**30,103**	1,900	1,328	57,025	90,356	24,010	4,420	**109,946**
2038-2042								52,165	52,165	6,356	778	**57,743**
2043-2047								6,270	6,270	125		**6,395**
Subtotal	**$567,185**	**$77,602**	**$131,705**	**$104,264**	**$880,756**	**$19,697**	**$18,213**	**$380,855**	**$1,299,521**	**$444,154**	**$64,527**	**$1,679,148**
Unamortized (Discount) / Premium	80,381		6,280		86,661			20,425	107,086			**107,086**
Total	**$647,566**	**$77,602**	**$137,985**	**$104,264**	**$967,417**	**$19,697**	**$18,213**	**$401,280**	**$1,406,607**	**$444,154**	**$64,527**	**$1,786,234**

Revenue Bond Resolutions: Turnpike System revenue bonds are secured by a pledge of substantially all Turnpike System revenues and monies deposited into accounts created by the bond resolutions, subject only to the payment of operating expenses.

The bond resolutions require the Turnpike System to establish and collect tolls which are adequate at all times, when combined with other available sources of revenues, to provide for the proper operation and maintenance of the Turnpike System and for the timely payment of the principal and interest on all bonds, notes, or other evidences of indebtedness. The resolutions further require the Turnpike System to collect sufficient tolls so that in each fiscal year net revenues as defined by the resolutions will be at least equal to the greater of: (a) 120% of current year debt service on the revenue bonds, or (b) 100% of current year debt service on the revenue bonds and on all general obligation or other bonds, notes or other indebtedness, and the additional amount, if any, required to be paid from the revenue bond general reserve account to satisfy the Renewal & Replacement (R&R) requirement for the fiscal year.

The resolutions further require the Turnpike System to request payment from the Revenue Bond Construction Account and an Authorized Officer shall sign a written order and file the request with the State Treasurer.

The Turnpike System is required to review the adequacy of its tolls after each fiscal year. If this review indicates that the tolls and charges are, or will be, insufficient to meet the requirements described above, then the Independent Engineer of the Turnpike System will make a study and recommend a schedule of tolls and charges which will provide revenues sufficient to comply with the requirements described above. For fiscal year 2017, the toll rate schedule was deemed to be sufficient to meet all required payments in connection with the Turnpike System, and as such, no Independent Engineer's study was necessary.

The resolutions establish an R&R requirement with respect to each fiscal year. R&R costs consist of rehabilitation, renewals, replacements, and extraordinary repairs necessary for the sound operation of the Turnpike System or to prevent loss of revenues, but not costs associated with new construction, additions or extensions. Total R&R costs for fiscal year 2017 were $9.3 million, of which $9.1 million were recorded as current year expenses and $0.1 million were capitalized.

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 $491.5 million; capital lease obligations of $9.9 million; deferred obligations interest swaps of $25.8 million; accrued employee benefits and compensated absences of $34.6 million; other postemployment benefits of $56.3 million; and other liabilities of $18.7 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$679,211	$9,361	$51,725	$636,847	$33,489	$603,358

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
2018	$18,615	$20,672	$39,287
2019	66,512	19,886	86,398
2020	20,567	16,630	37,197
2021	50,594	15,987	66,581
2022	24,778	13,458	38,236
2023-2027	120,529	50,399	170,928
2028-2032	69,315	31,884	101,199
2033-2037	60,180	17,481	77,661
2038-2042	23,490	8,631	32,121
2043-2047	24,634	2,899	27,533
Subtotal	479,214	197,927	677,141
Unamortized Discounts/Premium, net	22,251		22,251
Total	$501,465	$197,927	$699,392

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, 2017 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$265,815	$15,947	$281,762
New Hampshire Judicial Retirement Plan	10,291		10,291
Total pension related amounts	276,106	15,947	292,053
Loss on refunding of debt, net	14,875	1,345	16,220
Total deferred outflows of resources	$290,981	$17,292	$308,273
Deferred inflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$39,900	$2,236	$42,136
Total deferred inflows of resources	$39,900	$2,236	$42,136

The components of deferred inflows of resources related to the governmental funds at June 30, 2017 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$107,949		$62,400	$170,349
Local assistance	10,698			10,698
Other loans	1,610			1,610
Indigent representation advances	4,675			4,675
Banking assessments	1,500			1,500
Miscellaneous fees & fines	581	$1,216		1,797
Total deferred inflows of resources	$127,013	$1,216	$62,400	$190,629

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2017 are as follows (expressed in thousands):

Deferred outflows of resources:	
Accumulated decrease in fair value of hedging derivatives	$25,759
Accounting loss on debt refinancing, net	7,308
Total deferred outflows of resources	$33,067
Deferred inflows of resources:	
Deferred inflows of resources related to retirement	$698
Accounting gain on debt financing, net	1,508
Total deferred inflows of resources	$2,206

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 23 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, one fleet claim was settled in excess of policy limits during fiscal year 2016. As of June 30, 2017, there are no outstanding fleet claims that are currently expected to exceed the policy coverage. The State's exposure per claimant is limited by law to a total of $475 thousand under RSA 541-B:14 and the State's current fleet policy coverage is $250 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, which totaled $16.0 million as of June 30, 2017. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual claims and administrative costs, for unexpected costs. For fiscal year 2017, this reserve equaled $16.2 million for the Fund. The State maintains a reserve for four plans in the Fund: Actives, Troopers, Retirees, and Dental. The Trooper plan is reported as part of the Active plan, however, the Trooper component of the Active reserve amount represents 90% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 825 members), which equaled $3.0 million for fiscal year 2017. The Active (with Trooper), Retiree, and Dental reserves totaled $12.2 million, $3.6 million, and $0.4 million, respectively. Outside of the Trooper component, the Active, Retiree, and Dental accounts maintained a reserve of 5%, 4%, and 3%, respectively, of the estimated annual claims and administrative expenses. Health and Dental Plan 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 fiscal year 2017 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 $29.8 million as of June 30, 2017.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2016 and 2017 (expressed in thousands):

Governmental Activities	6/30/2015 Balance	Increases	Decreases	6/30/2016 Balance	Increases	Decreases	6/30/2017 Balance	Current	Long-Term
Workers' Compensation Claims Payable	$23,079	$9,541	$6,747	$25,873	$7,287	$6,390	$26,770	$5,877	$20,893
Health Claims Payable*	23,161	260,878	262,846	21,193	274,647	271,903	$23,937	23,937	
Total	46,240	270,419	269,593	47,066	281,934	278,293	50,707	29,814	20,893
Business-Type Activities									
Turnpike System									
Workers' Compensation Claims Payable	1,634		619	1,015		224	791	117	674
Total	1,634		619	1,015		224	791	117	674
Liquor Commission									
Workers' Compensation Claims Payable	2,139	1,027	526	2,640	372	806	2,206	741	1,465
Total	2,139	1,027	526	2,640	372	806	2,206	741	1,465
Lottery Commission									
Workers' Compensation Claims Payable	25		24	1			1		1
Total	25		24	1			1		1
Total Business-Type	$3,798	$1,027	$1,169	$3,656	$372	$1,030	$2,998	$858	$2,140

* 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, 2017 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$232	Turnpike System	$232
General Fund	13,597	Education Fund	13,597
General Fund	3,104	Unemployment Compensation	3,104
General Fund	10,598	Liquor Commission	10,598
General Fund	30,003	Non-Major Fund	30,003
Non-Major Fund	6,589	Liquor Commission	6,589
Liquor Commission	29	General Fund	29
Turnpike System	92	General Fund	92
Turnpike System	72	Liquor Commission	72
Lottery Commission	86	Education Fund	86
Lottery Commission	435	Liquor Commission	435
Total	$64,837	Total	$64,837

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 $20.8 million from business-type activities represents the "internal balances" amount on the statement of net position. The $38.7 million between governmental funds, and the $0.6 million between enterprise funds has been eliminated on the government-wide financial statements.

9. INTERFUND TRANSFERS

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

	Transferred To					
Transferred From	General Fund	Highway Fund	Education Fund	Non-Major Funds		Total Governmental Funds
Governmental Funds						
General Fund		$13,988	$53,096	$600		$67,684
Highway Fund	$1,158			1,512		2,670
Total Governmental Funds	* 1,158	* 13,988	53,096	* 2,112	*	70,354
Proprietary - Enterprise Funds						
Liquor Commission	153,741					153,741
Lottery Commission			76,120			76,120
Total Proprietary - Enterprise Funds	$153,741		$76,120			$229,861
* 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 $76.1 million to fund education
- Transfer of Liquor Commission profits of $150.4 million to the general fund for government operations and $3.3 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.
- $53.1 million transfer from the general fund to eliminate the education fund deficit

Pursuant to RSA 260:61, $0.6 million was transferred from the Highway Fund to the Fish and Game Fund for the Bureau of Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, $1.8 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General Fund and Fish & Game Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $59.4 million at June 30, 2017. This represents total obligations of $253.9 million less $194.5 million in estimated federal aid.

Encumbrances: Encumbrances by fund for the State at June 30, 2017, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$(243.3)
Highway Fund	(471.7)
Education Fund	(4.8)
Non-Major Governmental Funds	(96.3)
	$(816.1)

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 12.50% of gross payroll for Group I members, 29.16% of gross payroll for Group II firefighter members, and 26.38% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2017 were $84.8 million, which included an amount for other postemployment benefits of $12.1 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2017, the State reported a liability of $1,035.4 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures used to roll the total pension liability forward to June 30, 2016. 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 the measurement date, the State's proportion was 19.47%, which was a decrease of 60 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2017, the State recognized total pension expense of $110.1 million. NHRS has not adopted changes to certain economic and demographic assumptions since the measurement date.

As of June 30, 2017, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $207.4 million and $40.4 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	$64,778	
Differences between expected and actual experience	2,877	$13,074
Changes in assumptions	127,421	
Changes in employer proportion	12,305	27,362
Contributions subsequent to the measurement date	72,680	
Total	$280,061	$40,436

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, 2018. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2018	$31,600
2019	31,600
2020	56,105
2021	45,608
2022	2,032
	$166,945

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2016, was determined by a roll forward of the actuarial valuation as of June 30, 2015, for which the following actuarial assumptions were used:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 - June 30, 2015.

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 2016:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.75%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute return fixed income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total real estate investments	10.00%	
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. 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 NHRS's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, 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 NHRS's net pension liability to changes in the discount rate. In particular, the table presents the State's proportionate share of NHRS's net pension liability measured at June 30, 2016 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 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
$1,330.4	$1,035.4	$790.7

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 NHRS. Pension-related amounts for each reporting unit are as follows (expressed in thousands):

	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	Primary Government
Proportionate share of Statewide amount	94.91%	1.33%	2.66%	0.48%	0.62%	5.09%	100.00%
Net pension liability	$982,704	$13,757	$27,540	$4,948	$6,421	$52,666	$1,035,370
Pension expense	104,210	1,500	3,092	594	693	5,879	110,089
Deferred outflows of resources representing contributions subsequent to the measurement date	68,970	1,030	1,890	330	460	3,710	72,680
Deferred outflows of resources representing the changes in employer proportion	11,706	152	313	57	77	599	12,305
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	61,460	855	1,740	309	414	3,318	64,778
Deferred outflows of resources representing changes in assumptions	120,940	1,693	3,389	609	790	6,481	127,421
Deferred outflows of resources representing the differences between expected and actual experience	2,732	38	76	14	17	145	2,877
Deferred inflows of resources representing the differences between expected and actual experience	12,438	162	332	61	81	636	13,074
Deferred inflows of resources representing the changes in employer proportion	25,986	359	718	130	168	1,375	27,361
Deferred outflows of resources representing change in proportion within the entity	7	623	854	83	134	1,694	1,701
Deferred inflows of resources representing change in proportion within the entity	1,476	167		23	35	225	1,701
Amortization of deferred amounts:							
2018	29,615	525	1,066	163	231	1,985	31,600
2019	29,615	525	1,066	163	231	1,985	31,600
2020	52,891	845	1,704	282	383	3,214	56,105
2021	42,924	740	1,418	236	290	2,684	45,608
2022	1,900	38	68	14	13	133	2,033
Total	156,945	2,673	5,322	858	1,148	10,001	166,946
Sensitivity analysis:							
Net pension liability at 6.25% discount rate	1,262,664	17,694	35,388	6,386	8,248	67,716	1,330,380
Net pension liability at 8.25% discount rate	750,459	10,516	21,033	3,795	4,902	40,246	790,705

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. 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, 2016, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	65
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	58
	124

The NHJRP is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System. The Board consists of 7 members, 2 of which are appointed by the Governor and Council and 1 of whom the Governor shall designate to serve as chairman of the Board of Trustees, and who shall be qualified persons with business experience and not members of NHJRP. The Chief Justice of the state supreme court shall appoint 3 trustees, at least 2 of whom shall be active members of NHJRP and one of whom may be a retired member of NHJRP. One member of the state senate and one member of the house of representatives shall be appointed biennially. Certain daily administrative functions of NHJRP 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, 2017, State contributions to the NHJRP totaled $6.0 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2017, the State reported a net pension liability of $47 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, and was then projected forward to the measurement date. Changes in the components of net pension liability for the measurement period ended December 31, 2016 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, 2015	$86,039	$46,906	$39,133
Changes for the year:			
Service cost	3,248		3,248
Interest on total pension liability	6,568		6,568
Effect of differences between expected and actual experience	3,773		3,773
Effect of changes in actuarial assumptions	3,806		3,806
Benefit payments	(6,192)	(6,192)	
Employer contributions		6,096	(6,096)
Member contributions		727	(727)
Net investment income		2,874	(2,874)
Administrative expenses		(239)	239
Balances as of December 31, 2016	$97,242	$50,172	$47,070

For the year ended June 30, 2017, the State recognized pension expense of $9.8 million for the NHJRP. As of June 30, 2017, the State reported deferred outflows of resources on its government-wide financial statements related to the NHJRP of $10.3 million from the following sources (in thousands):

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$2,580
Net difference between expected and actual experience	2,322
Change in assumptions	2,342
Contributions subsequent to the measurement date	3,047
Total	$10,291

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, 2018. 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)
2018	$3,770
2019	2604
2020	785
2021	85
	$7,244

Actuarial Assumptions: The total pension liability in the January 1, 2016 actuarial valuation, which was projected forward to the measurement date of December 31, 2016, was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.25%
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB.

The actuarial assumptions used in the January 1, 2016 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 2016:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	0.70%	0.80%
Core Fixed Income	16.10%	2.55%
Inflation-Indexed Bonds	5.30%	1.80%
Large Cap US Equities	34.60%	3.86%
Small Cap US Equities	4.60%	4.25%
International equity	15.80%	4.35%
Alternatives	22.90%	1.86%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		2.00%
Portfolio Real Mean Return		3.29%
Portfolio Nominal Mean Return		6.10%
Portfolio Standard Deviation		10.30%
Long-Term Expected Rate of Return		**7.00%**

Discount Rate: The single discount rate used to measure the collective total pension liability was 7.00%, the same rate used for the prior year measurement of total pension liability. 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 discount rate (expressed in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net pension liability	$56,242	$47,070	$39,164

OTHER POSTEMPLOYMENT BENEFITS

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type ("medical subsidy plan"). The medical subsidy is a payment made by NHRS to the former employers of its members, or their insurance administrator, toward the cost of health insurance. The State is a recipient of these medical subsidy payments on behalf of its former employees. Eligibility for the medical subsidy payment is determined by the relevant RSA's, however, the medical subsidy plan is closed to new entrants. Funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan. Employer contributions made by the State to NHRS for the medical subsidy component amounted to $11.4 million in fiscal year 2017 and $11.0 million in fiscal years 2016 and 2015.

Medical subsidy plan obligations of all former employers of NHRS members are pooled and the assets can be used to pay benefits of the retirees of any employer participating in the medical subsidy plan, therefore, the medical subsidy plan is considered a single plan for purposes of reporting in accordance with GASB 74. As a result, the State, as an employer, has no disclosure requirements pertaining to the medical subsidy plan.

In addition, 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. These benefits are referred to as "OPEB". 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 and prescription drug 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 NHRS medical subsidy payment described earlier, which totaled approximately $12.3 million, $12.8 million and $13.1 million, respectively, for the fiscal years ended June 30, 2017, 2016 and 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 2017 (dollar amounts in thousands):

Annual Required Contribution	$155,413
Interest on net OPEB obligation	48,103
Adjustment to annual required contribution	(42,195)
Annual OPEB cost	161,321
Contributions made (pay-as-you-go)	(49,846)
Increase in Net OPEB Obligation	111,475
Net OPEB Obligation - Beginning of Year	1,069,023
Net OPEB Obligation - End of Year	**$1,180,498**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017, 2016 and 2015 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/17	$161,321	$49,846	30.90%	$1,180,498
06/30/16	$160,424	$53,218	33.17%	$1,069,023
06/30/15	$155,048	$51,600	33.28%	$961,817

As of December 31, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $2,283 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,283 million. The covered payroll (annual payroll of active employees covered by the plan) was $588 million during fiscal year 2017 and the ratio of the UAAL to the covered payroll was 389 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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return, a 3.25% inflation rate and projected salary increases of 3.25% per annum. The projected medical cost trend rate for under age 65 retirees is 4.50%. The projected medical cost trend rate for age 65 and over retirees is 4.50%. The drug cost trend rate is 11% initially, decreasing at 0.5% for 13 years to an ultimate level of 4.50%. The UAAL is being amortized using level percent of pay, open amortization method. The remaining amortization period at December 31, 2016, 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 $83.1 million of financial guarantees outstanding and statutory limits as of June 30, 2017 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2017 Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$50,000	$49,702	$290	$8	$298
School Construction Bonds	195-C:2	95,000	65,812	22,378	6,810	29,188
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	2,433	22,433
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	30,867	393	31,260
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 64,133	50,867	2,826	53,693
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	$268,857	$73,535	$9,644	$83,179

* Plus Interest

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

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 2017 for governmental activities and business-type activities were approximately $28.5 million and $8.6 million, respectively. The leases for space, which are subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. The following is a schedule of future minimum space rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2017 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	$10,343	$6,140
2019	8,730	6,170
2020	6,698	5,891
2021	6,008	5,484
2022	3,762	5,209
2023-2027	11,194	18,377
2028-2032		5,638
2033-2037		4,067
2038-2042		415
Total	$46,735	57,391

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, 2017 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2018	$1,148	$125
2019	1,012	125
2020	909	125
2021	903	104
2022	772	
2023-2027	2,491	
2023-2027	1,846	
Total	9,081	479
Amount Representing Interest	(2,553)	(169)
Present Value of Minimum Lease Payments	$6,528	$310

The assets acquired through capital leases and included in capital assets at June 30, 2017 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$4,630	
Buildings & Building Improvements	3,660	$1,563
Total	8,290	1,563
Less: Accumulated Depreciation	(2,119)	(1,151)
Net	$6,171	$412

14. TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens. The State has conducted an analysis of tax abatement programs that meet the definition for disclosure, which are described below:

Economic Revitalization Zone Tax Credit (ERZTC) (RSA 162-N:7)

Description: The authority to enter into Community Reinvestment and Opportunity (CROP) Zone Credit Agreements became effective July 1, 2003. The CROP Zone tax credit was replaced with the ERZTC and shall be available to taxpayers only for tax liabilities arising during the five consecutive tax periods following the signing of the agreement. ERZTC shall be applied against tax due under RSA 77-E, the Business Enterprise Tax (BET). For the purpose of the credit allowed under RSA 77-A:5, XII, the Business Profits Tax (BPT), the ERZTC shall be considered taxes paid under RSA 77-E. ERZTCs shall not be transferable. This tax credit has carryforward provisions.

The ERZTC is a "cascading" tax credit that may be used to reduce a BET liability and, as considered "taxes paid" under RSA 77-E, may then be used to reduce a BPT liability. The amount disclosed below is total the reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

Agreement: An agreement between the State and the taxpayer determines the amount of credit awarded and includes provisions such as quality and quantity of full-time jobs to be created, duration of the taxpayer's commitments with respect to the economic revitalization zone, the amount of the taxpayer's investment in the project, and a precise definition of the location of the facility eligible for the credit. There are no provisions to recapture previous credits.

Methodology: Credit used is the amount actually reported by 57 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

Tax returns filed in fiscal year 2017: The tax credit used against BPT, BET, or both totaled $823,000. The maximum aggregate credit amount allowable for all taxpayers was $825,000.

Education Tax Credit (RSA 77-G)

Description: Chapter 287, Laws of 2012 (SB 372) enacted a law that allows a business organization and business enterprise to make a money donation (up to $400,000 in the first year of the program and $600,000 in the second year of the program) to an approved scholarship organization(s) for which the business organization or business enterprise will receive a tax credit against the BPT and/or BET for 85% of their donation. The donations are used by an approved scholarship organization(s) to grant scholarships for children to attend private schools. The Education Tax Credit Program began January 1, 2013.

This tax credit is not a "cascading" credit and it also does not have any carryforward provisions. The tax credit may only be used to offset tax liabilities incurred in the tax year in which the donation was made.

The amount disclosed below is the total reduction in revenue to the State whether applied against BPT, BET, or both tax liabilities. There were no other commitments made by the State other than the agreement to credit taxes.

Agreement: For each contribution made to a scholarship organization, a business organization or business enterprise may claim the credit on their return per the allowable amount calculated by the Department of Revenue Administration. There are no provisions to recapture previous credits.

Methodology: Credit used is the amount actually reported by 35 taxpayers and used to offset a tax liability on the New Hampshire BET and BPT returns.

Tax returns filed in fiscal year 2017: The tax credit used against BPT, BET or both totaled $188,000. The maximum aggregate credit amount allowable for all taxpayers was $5,100,000.

15. LITIGATION AND OTHER MATTERS

Department of Health and Human Services (DHHS)

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 agreed upon funding will be appropriated, 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 expected that the agreed upon funding will be appropriated, it is not possible to predict the outcome of this case at this time.

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. 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. On August 16, 2016, the court granted DHHS' motion as to the Title VII claim, but denied it with regard to the ADA and wrongful termination claims. On October 26, 2016, DHHS filed a motion for judgment on the pleadings, asserting Eleventh Amendment immunity. On May 6, 2017, the court granted DHHS's motion, thereby ending the litigation. Pursuant to RSA 508:10, the Plaintiff has the option to re-file her claims in state court within one year of the May 6, 2017 order**.**

NHHA v. Sylvia Matthews Burwell, USDC 15-cv-460-LM

New Hampshire Hospital Association (NHHA) filed a lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to prevent the application of CMS answers to FAQ's 33 and 34 concerning audit requirements that require hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care, arguing that CMS had engaged in illegal informal rulemaking and that the substance was not authorized by the CMS statute. NHHA requested that the application of the audit requirements related to uncompensated care be enjoined prospectively to future years disproportionate share reporting and calculations and retroactively to the then pending 2011 audit findings that several million dollars would have to be recouped from the critical care hospitals and several of the major hospitals. The State is not a party to this lawsuit, but has acknowledged that it would be bound by any order issued to CMS, as the State has adopted the CMS requirements for calculation of uncompensated care as the basis for how disproportionate share (DSH) payments are made.

Following a Preliminary Injunction hearing in January 2016, on March 11, 2016 the New Hampshire Federal District Court enjoined CMS from enforcing these audit requirements on procedural grounds for failure to use formal rulemaking and also found a likelihood of success on the merits. The parties filed cross-motions for summary judgment. Oral argument occurred on those motions on September 13, 2016.

In August 2016, CMS filed a notice of rulemaking to adopt a rule that would memorialize its position. On April 3, 2017 CMS published notice adopting the final rule, which became effective on June 2, 2017. As a result of the Court's order, not only is recoupment of the 2011 overpayments based on TPL enjoined, but the hospitals were allowed in the current year, and will need to be allowed going forward as long as the injunction is in place, to claim uncompensated care without deducting these third party payments. In the last fiscal year this resulted in approximately a $17 million increase in the DSH payments owed to hospitals. The State filed a motion for permissive intervention indicating that it supports CMS statutory authority to adopt the substance of FAQ 33 and 34. That motion was denied.

On March 3, 2017, the federal court granted the hospitals summary judgment motion in part, finding that CMS did not have authority to adopt these substantive interpretations by FAQ. This final order assumed that CMS could adopt its interpretation through rulemaking. A permanent

injunction has been entered. The court rejected a request by the Hospitals challenging the validity of the newly enacted rule in this action. CMS has appealed the portion of the decision rejecting their authority to enforce the FAQ's. The case has been briefed and is scheduled for oral argument in the First Circuit Court of Appeal on January 9, 2018. Although CMS has indicated it does not seek to enforce the FAQ's retroactively against the New Hampshire Hospitals, if CMS were to prevail on its appeal, it is unclear whether they would have the legal option to do so. As such, it is not possible to predict the outcome of the matter at this time.

NHHA v. Centers for Medicare and Medicaid Services (Price), USDC 1:17-cv-349-JD

On August 10, 2017 the New Hampshire Hospital Association (NHHA) filed a new lawsuit against Centers for Medicare & Medicaid Services (CMS) seeking to challenge the validity of the recent adoption by rule on June 2, 2017 of the polices in FAQ's 33 and 34. (see above case). The rule requires hospitals to exclude any payments related to Medicaid recipients from third parties (TPL), including Medicare or private insurance, from claimed uncompensated care. The Hospitals argue that CMS failed to comply with the Regulatory Flexibility Act and other statutes that require financial impact analysis during rulemaking and that the substance of the rule is not authorized by the CMS statute. Summary judgment briefing will occur over the next few months and the district court has indicated it plans to render a decision by or before the May 31, 2018 DSH payment deadline. The same issue as to authority for the rule has been brought in several other jurisdictions, most notably the District of Columbia USDC, where it has already been briefed and argued. The potential impact to the state budget going forward if the rule is invalidated would be similar to the impact of the preliminary and permanent injunction mentioned in the prior case remaining in place. It is not possible to predict the outcome of the matter at this time. The State also cannot predict what actions the Hospitals may take if the Court upholds the CMS rule, which could include possible challenges to their obligations to pay some or all of the MET tax due in 2018 ($214 million) or reinitiating their earlier constitutional challenge to the MET tax.

T.C. et al. v. State of New Hampshire, Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF") et al., Dkt. No. 216-2016-CV-743 (N.H. Super. Ct. Hillsborough North).

In or about October 2016, this lawsuit was filed in New Hampshire state superior court by four plaintiffs, who are identified by the initials T.C., D.C., N.B., and J.B. T.C. and D.C. are the biological grandparents and the adoptive parents of N.B. and J.B. The complaint contained multiple counts of negligence, negligent training and supervision, and breach of fiduciary duty against defendants DCYF and Easter Seals New Hampshire, Inc. The plaintiffs allege that the defendants' negligence in, among other things, permitting the children to have unsupervised visits with their biological parents resulted in the sexual abuse of N.B. and J.B. on multiple occasions. The abuse occurred at the hands of N.B. and J.B.'s biological parents. On or about December 12, 2016, DCYF answered the complaint and also moved to dismiss the plaintiffs' claims against DCYF.

On or about January 6, 2017, the plaintiffs moved to amend their complaint, seeking to add a request for declaratory relief on the interpretation and constitutionality of the confidentiality provisions in RSA 169-C:25 and RSA 170-G:8-a. At the same time, plaintiffs amended their complaint to add claims against a third defendant, the Court Appointed Special Advocates of New Hampshire, Inc. ("CASA"). On or about January 17, 2017, DCYF objected to the motion to amend. By order dated April 12, 2017, the court denied DCYF's motion to dismiss and granted the plaintiffs' motion to amend. On or about September 15, 2017, the plaintiffs filed a second amended complaint, which includes a claim by T.C. and D.C. for negligent infliction of emotional distress against all defendants, including DCYF. On November 16, 2017, the court issued an order, which (a) granted a motion to dismiss all claims in the operative complaint as against CASA; and (b) declared that the plaintiffs, with certain exceptions, may waive confidentiality with respect to the contents of DCYF case records as defined by RSA 170-G:8-a. Plaintiffs have indicated they intend to appeal the dismissal of CASA from the action. This case is in the discovery phase. Discovery is currently scheduled to close on February 28, 2018. Trial in the case is currently scheduled for June 2018.

While this case would typically be subject to the statutory cap on damages, plaintiffs recently have argued that they are entitled to damages for multiple alleged incidents of harm, which would bring the claim for damages above the level determined by the State for disclosure in the financial statements. It is not possible to predict the outcome of the case at this time.

Additional litigation and threatened litigation relating to the Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF").

DCYF is currently defending or has been advised of several claims relating to physical and sexual abuse of children either directly or indirectly under the supervision of DCYF. Individually, other than the litigation described above (T.C. et al. v. State of New Hampshire, Department of Health and Human Services, Division of Children, Youth, and Families ("DCYF") et al., Dkt. No. 216-2016-CV-743 (N.H. Super. Ct. Hillsborough North)) none of these claims appear to individually meet the level determined by the State for disclosure in the financial statements. Cumulatively, however, the aggregate of the claims may exceed this level. Only one of these claims is currently the subject of a lawsuit, which has been filed under seal due to the confidential nature of the records. It is not possible to predict the outcome of these cases 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 fiscal year 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. All that remains of this litigation are CMS and Exeter's claims, which are administratively closed pursuant to the global settlement agreement. Pursuant to the Agreement, CMS and Exeter's claims can only be revived if the legislature fails to appropriate the requested funds and precludes the State from complying with this Agreement.

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. Following the May 1-12, 2017 trial and post-trial memoranda, the Court ruled that the OTCs are not operators subject to the M&R Tax law. The State filed a notice of appeal on November 17, 2017.

Michael Gill v. DRA; The Mortgage Specialists, Inc. v. DRA

The NH Supreme Court affirmed a consolidated lower court decision granting summary judgment in favor of the State in this appeal of administrative decisions that Mr. Gill and The Mortgage Specialists owe taxes. The total amount owed, with penalties and interest, is approximately $3.9 million. The State has initiated collection efforts, and believes the taxpayers have sufficient assets to pay at least a substantial portion of the taxes, penalties and interest. The State has collected approximately $310,000 to date, however, it is not possible to predict the total amount that will be recovered at this time.

Liquor Commission

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 judgment, denying both parties' motions. On May 23, 2016, trial commenced in this matter, which lasted eight days. The parties filed post-trial memoranda on July 22, 2016. On September 8, 2016, the Court issued an order rejecting XTL's claims and finding for NHSLC. In doing so, the Court found that the RFP, evaluation process, and contract award to Exel were lawful and in compliance with New Hampshire competitive bidding law. On October 7, 2016, XTL filed a timely appeal of the trial court's order through which it raised five appellate issues. The NHSLC subsequently filed a narrow cross-appeal raising one issue. The parties have submitted their briefs, and the court held oral argument on March 14, 2017. 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 fiscal year 14/15 Capital Budget (Chapter 195 Laws 2013). The groundbreaking ceremony occurred on August 18, 2014 and the facility is expected to be substantially completed in December 2017, however, it is likely its opening will be delayed until sometime in 2018 given challenges to fully staffing the facility. A status conference was held for December 14, 2017. The case continues to remain stayed. The next status conference is scheduled for March 2018. It is not possible to predict the outcome of this case at this time.

Other Departments

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 $2.1 million in damages. The State filed a motion for partial summary judgment seeking dismissal of all claims except the breach of contract claim. The parties agreed to settle the remaining claim for $500 thousand in December of 2016 and the matter was closed in January 2017.

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 obtained judgment on the pleadings with regard to the Fifth and Fourteenth Amendment claims. 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. That claim was later non-suited with prejudice by the plaintiff. The court denied the State's motion for summary judgment on the Fourth Amendment claim. On November 1, 2017, the parties settled the litigation for $750 thousand in exchange for a general release of all claims by the plaintiff. This expense has not been recorded in the accompanying financial statements.

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 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 was approximately $10.44 million. Shortly after the suit was filed, the State entered into a stipulation agreeing that any final rulings regarding the constitutionality of the cap would apply not only to Dover, but to all other municipalities affected by the cap.

On September 6, 2016, the Superior Court issued a final order ruling that the cap is unconstitutional but limiting Dover to prospective relief. In effect, this ruling entitles Dover to the $1.377 million it would have received but for the cap in fiscal year 2016. It is the State's position that this ruling also entitles the twenty-four other municipalities to the difference between the amount they would have received in fiscal year 2016 and the amount they actually received due to the cap; in total, the amount for the other municipalities is approximately $9.065 million. On September 26, 2016, the State agreed to settle the lawsuit with Dover by paying the $1.377 million. The approximately $9.065 million for the other municipalities had to be appropriated by the Legislature in accordance with RSA 14:35-b. HB 354 was enacted by the legislature in April 2017, paying Bedford and the other towns the 2016 adequacy payments but for the cap. This litigation is now concluded.

Bedford School District and William Foote v. State of New Hampshire, et. al.

The Bedford School District and Mr. Foote, a taxpayer in Bedford, sued the State arguing that Bedford did not receive all of the education adequacy payments for fiscal year 2016 and would not receive all of the education adequacy payments for fiscal year 2017. A hearing was held on June 29, 2016, where Bedford's request for a preliminary injunction was denied. The State filed an Answer objecting to Bedford's claim for adequacy payments from fiscal year 2016 as being untimely filed thus barring it by sovereign immunity. Bedford received its fiscal year 2017 adequacy payments in the ordinary course from funds already appropriated for that purpose. On April 6, 2017, the court issued an order granting Bedford's motion for summary judgment requesting payment of the adequacy payments for fiscal year 2016 but for the cap and granted Bedford attorneys' fees. In the meantime, HB 354 was enacted by the legislature in April 2017, paying Bedford and the other towns the 2016 adequacy payments but for the cap. The State appealed the order requiring the payment of attorneys' fees to Bedford. Briefing will be completed on December 28, 2017. Oral arguments have not yet been scheduled. It is not possible at this time to predict the outcome of this case.

Conduent State and Local Solutions, Inc. (formerly Xerox) v. Department of Transportation et al

In this case, filed in superior court in October 2015 and appealed to the NH Supreme Court on September 20, 2017, Conduent (formerly Xerox), sued 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. Conduent was the former 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 $51.9 million. Conduent alleges the bidding process was flawed and specifically brings claims to invalidate the bidding process and seeking damages. After the defendants filed several motions for summary judgment, the court dismissed many of the equitable claims made by the plaintiff. The plaintiff filed a notice of voluntary non-suit of the non-dismissed claims without prejudice and has appealed the single issue of whether the Department of Transportation had legal authority to procure this contract on a "best value" basis. The superior court dismissed the remaining claims without prejudice and the plaintiff's appeal will move forward. The Plaintiff's brief is due on or before January 8, 2018. It is not possible at this time to predict the outcome of this case.

State v. Volkswagen, et al

In September of 2015, a number of states engaged Volkswagen and related companies to discuss litigation related to the company's "defeat devices". These devices disabled the emissions control systems on all affected vehicles during normal, "on road" conditions As part of a settlement between Volkswagen, the California Air Resources Board (CARB) and the U.S. EPA, New Hampshire opted-in to provisions which will provide it approximately $6 million to resolve state consumer claims and $31 million in environmental mitigation (restitution to owners was covered separately through the plaintiffs' steering committee and will result in recalls, buybacks, and cash payments). On September 15, 2016, the State sued Volkswagen for the one remaining issue, environmental penalties. Possible liability for Volkswagen is more than $2 million, but a likely litigation or settlement result is, at this point, unknown.

Conservation Law Foundation, Inc. v. Pease Development Authority, et al and Notice of Intent to File Suit Against Pease Development Authority

On September 8, 2016, the Conservation Law Foundation (CLF) gave notice to the Pease Development Authority (PDA) that it intends to file suit pursuant to Section 7002 of the Resource Conservation and Recovery Act (RCRA) for violations related to PDA's storage and disposal of perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS). CLF alleges that PDA is discharging stormwater to the waters of the United States which convey discarded PFOA and PFOS into the waters thereby jeopardizing the health of individuals, wildlife, and the environment in the vicinity of the waters into which PDA discharged the PFOA and PFOS. CLF will seek injunctive relief to remediate the effects of the PFOA and PFOS in and around Pease, including removal of PFOA and PFOS from the site; containment of PFOA and PFOS present on-site so that stormwater runoff and groundwater cannot be contaminated; and any and all other legal and equitable relief that may be necessary to terminate the alleged imminent and substantial endangerment to human health or the environment posed by PFOA and PFOS. CLF will also seek recovery of costs and fees, including reasonable attorney and expert witness fees associated with this matter. CLF has yet to file litigation pursuant to RCRA.

On the same date, CLF also gave notice to PDA of its intent to file suit pursuant to Section 505 of the Federal Water Pollution Control Act (Clean Water Act) for the following violations: (1) discharging stormwater from systems of conveyances to the waters of the United States without a permit; (2) failure to obtain coverage under the required Clean Water Act National Pollutant Discharge Elimination System permit; and (3) failure to comply with the specific requirements of any such permit. CLF alleges that each separate violation of the Clean Water Act subjects PDA to a penalty of up to $37,500 per day per violation for all violations occurring from January 2009 through November 2015 and $51,570 thereafter, if assessed on or after August 1, 2016. On November 10, 2016, CLF filed the Complaint pursuant to Section 505 of the Clean Water Act. CLF is seeking the full penalties allowed by law. In addition to civil penalties, CLF is seeking declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF is also seeking an order from the court requiring PDA to correct all identified violations by implementing permitting requirements; and will seek recovery of costs and fees associated with this matter. On February 8, 2017, PDA filed a motion to dismiss the entire Complaint on Eleventh Amendment immunity grounds. The Court granted the motion in part, holding that all retrospective relief is barred. The claims for prospective relief against the named officials at PDA remain. The matter is currently stayed to allow the parties to pursue potential settlement. It is not possible to predict the outcome of this case at this time.

NIMCO Real Estate Assoc., LLC v. Nadeau, et al – U.S. District Court

The Plaintiffs are NIMCO Real Estate Associates, LLC (owned by 1 Pine Street Extension prior to condemnation in 2003); Ultima Nashua Industrial Corporation (tenant of 1 Pine Street Extension, Nashua filed eviction action which resulted in writ of possession on July 20, 2016, but

appeal is pending); and Dr. Anoosh Kiamanesh (aka "Dr. Kia")(Manager of NIMCO, and sole Director/President of Ultima). The Defendants are Gregory Nadeau, Administrator of Federal Highway Administration; the City of Nashua; and the NH Department of Transportation ("NHDOT").

The Plaintiffs have filed a nine count Complaint (Counts I-IX) against the defendants seeking $25 million in damages and equitable relief. The State is named as a Defendant only in one count (Count II). Plaintiffs allege three separate causes of action within this count, alleging that the State violated: (1) RSA 124-A:1, et seq. (the State's law which provides for payment of relocation costs for persons displaced by eminent domain takings), (2) the Uniform Relocation Assistance and Real Property Acquisition Act, (the "URA") 42 USC4601, et seq., and (3) Part I, Article 1 of the NH State Constitution. Plaintiffs indicate that they are seeking equitable relief only against the State in the sub-heading of the Complaint. The State filed a motion to dismiss on the basis of sovereign immunity, statute of limitations, failure to exhaust administrative remedies, eleventh amendment immunity, and that the URA does not create a private right of action.

The City of Nashua has filed a three count cross-claim against the State. Count I claims that NHDOT is negligent in two respects. First, it claims that the NHDOT was negligent acting as an agent for the City, when it failed to charge and collect fair market rent as is required by Federal regulations, 23 C.F.R. 710.403, from 2004 to 2010. Second, that NHDOT was negligent in failing to follow federal and state law by failing to provide relocation assistance. Count II alleges that NHDOT breached its "agreements" with the City by failing to collect fair market rent, although it does not spell out specifically what agreement or provision required NHDOT to do this. Count III only states "To the extent Plaintiffs recover any amount against the City, NHDOT is obligated to indemnify the City." The Complaint does not cite anything (an agreement, federal or state law, etc.) to support its claim for indemnity. The State filed a motion to dismiss Nashua's cross-claims against the State arguing that the cross-claims are barred by the statute of limitations, sovereign immunity, as well as other grounds. In January 2017, after the City evicted Plaintiffs and retook possession of the premises, Plaintiffs filed a Motion for a Preliminary Injunction against the City seeking to prevent the City from dismantling or removing the machines located inside the premises, which it claimed were worth $12 million. The City filed an objection. In March, the court dismissed the cross-claims, as well as all counts, and ordered that judgment be entered accordingly and the case closed. The matter should be closed.

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.

OTHER MATTERS

During fiscal year 2017, the State recorded an expense of $21 million to recognize the impairment of certain assets that had been previously capitalized as part of the state department of transportation's project to upgrade the Conway, New Hampshire bypass corridor. This project had multiple segments, some of which were completed, and some were not completed in the timeframes required by the U.S. Department of Transportation Federal Highway Administration ("FHWA"). Capitalized expenses which met the State's definition for impairment included both preliminary engineering and right of way related expenses. The State is in the process of determining what portion, if any, of either the preliminary engineering or right of way related expenses that were incurred utilizing federal funds, would result in a potential liability to FHWA. As certain segments of the project were completed, only the bypass segment of the expenditures is at risk of being deemed ineligible by FHWA. The state has been advised that formal guidance in making this determination is forthcoming from FHWA, however, the State has not received this guidance or any demand for payment as of this date. As such, the State is unable to determine the likelihood of an unfavorable outcome, or the amount or range of any liability if an unfavorable outcome occurs.

16. GOVERNMENTAL FUND BALANCES AND STABILIZATION ACCOUNT

A summary of the nature and purpose of the constraints and related amounts by fund at June 30, 2017 follows:

Governmental Fund Balances - Restricted, Committed, Assigned and Unassigned
(expressed in thousands)

	Restricted	Committed	Assigned	Unassigned
General Fund:				
General Government	$23,030	$5,751	$30,295	
Administration of Justice & Public Protection	40,778	21,793	12,484	
Resources Protection & Development	378,867	4,308	5,344	
Transportation	37,877			
Health & Human Services	52,499	154	7,358	
Education	20,709		6,546	
Total	553,760	32,006	62,027	
Highway Fund:				
Administration of Justice & Public Protection	6,097			
Resources Protection & Development	31			
Transportation	109,506		13,900	
Total	115,634		13,900	
Education Trust Fund:				
Education			4,757	
Total			4,757	
Non-Major Governmental Funds:				
Resources Protection & Development	4,024	2,481	1,394	
Other Purposes	12,011			(35,423)
Total	$16,035	$2,481	$1,394	$(35,423)

The deficit in the non-major governmental funds will be eliminated through future intergovernmental revenues and the future issuance of general obligation bonds.

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 non-lapsing account. Prior to the 2016 legislative session, in any single fiscal year the total of such transfer could not exceed ½ of the total potential maximum balance allowable which is defined by the statute as 10% of the actual general fund unrestricted revenues for the most recently completed fiscal year. Chapter 237 of the 2016 legislative session repealed the law which capped the single year transfer amount. 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.

According to the governing statute, transfers into the Rainy Day Fund only occur in the second year of a biennium. However, per Chapter 264 of the 2016 legislative session, to the extent the results of the fiscal year 2016 audited financial statements show that unrestricted General fund and Education Trust fund revenues exceed the plan, an amount not to exceed $40 million will be transferred to the Revenue Stabilization Reserve Account. According to the audited results, these revenues exceeded plan by $150.5 million, and $40 million was transferred into the Rainy Day fund. In addition, in accordance with RSA 7:6-e, 10 percent of the $300 million (plus interest) verdict in the State v. Exxon for the MtBE water contamination lawsuit went to the State's Rainy Day Fund, bringing the balance as of June 30, 2016 to $93.0 million, leaving $88.5 million to remain in the general fund at the beginning of fiscal year 2017. During fiscal year 2017 an additional $7.0 million was transferred to the Rainy Day Fund, bringing the balance as of June 30, 2017 to $100.0 million.

17. 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, Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30. 2017, the Lottery recognized

$7.9 million of net income from Tri-State. At June 30, 2017 Tri-State reported total installment prize obligations owed to jackpot winners of $27.3 million, payable through the year 2045.

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 $1.8 million at June 30, 2017. 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, 2017, the Lottery recognized $20.0 million of net income from MUSL.

In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was $2.3 million at June 30, 2017. 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 twenty-two 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, 2017, New Hampshire's total share of the net operating income for Lucky for Life was $1.7 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.

The State's total share of accrued prize and operating amounts due at June 30, 2017 amounted to $2.3 million, representing MUSL prize reserves which could be returned to the State's Education Trust Fund.

18. SUBSEQUENT EVENTS

General Obligation Capital Improvement Bonds:

The State issued $4,375,000 General Obligation Capital Improvement Bonds 2017 Series A through a private placement with the New Hampshire Municipal Bond Bank ("NHMBB") which closed on July 13, 2017. These bonds were issued with an overall true-interest-cost (TIC) to the State of 2.66%, which, as is the case with all such NHMBB bond placements, reflects a cost of funds based on the prevailing market rates for credit similar to the State's at the time the bonds are issued. This is the ninth transaction of its kind since 2009, providing an investment for the NHMBB to hold in its Debt Service Reserve Fund while providing the State with low-cost financing to fund capital spending.

The State issued $66,510,000 General Obligation Capital Improvement Bonds 2017 Series B through a competitive sale which priced on December 6, 2017 and is scheduled to close on December 20, 2017. These bonds were issued with an overall true-interest-cost (TIC) to the State of 2.42%, with coupons ranging from 3.00% to 5.00% and with final maturity on 12/1/2037. The proceeds of this bond issue will be used to fund all or part of various capital projects of the State.

Federal Transportation Infrastructure Finance and Innovation Act (TIFIA) Notes:

Under the TIFIA loan agreement, the State has the ability to draw up to $200 million in funds as described in Note 5 to the Financial Statements. During the period July 1, 2017 through December 15, 2017, an additional $27.2 million of TIFIA proceeds had been requested/received under this arrangement, representing a long-term note payable.

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, 2017
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
General Property Taxes	$236	$236	$226	$(10)
Special Taxes	1,147,472	1,146,061	1,197,023	50,962
Personal Taxes	124,090	124,090	128,161	4,071
Business License Taxes	21,409	21,437	23,697	2,260
Non-Business License Taxes	125,132	125,256	121,555	(3,701)
Fees	181,719	193,746	174,324	(19,422)
Fines, Penalties and Interest	11,835	12,703	18,579	5,876
Grants from Federal Government	1,741,867	2,534,626	1,932,021	(602,605)
Grants from Private and Local Sources	191,058	191,687	169,761	(21,926)
Rents and Leases	2,954	3,584	1,295	(2,289)
Interest Premiums and Discounts	14,339	14,358	15,585	1,227
Sale of Commodities	12,298	18,023	14,721	(3,302)
Sale of Services	39,803	40,097	29,038	(11,059)
Assessments	69,320	82,745	68,038	(14,707)
Grants from Other Agencies	266,292	271,613	142,526	(129,087)
Miscellaneous	1,295,631	371,519	381,310	9,791
Total Revenue	5,245,455	5,151,781	4,417,860	(733,921)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	24,056	24,683	16,408	8,275
Executive	41,728	47,066	27,572	19,494
Information Technology	74,710	80,290	64,441	15,849
Executive Council	236	240	233	7
Administrative Services	134,855	161,698	134,392	27,306
Sec of State	10,885	13,571	9,346	4,225
Cultural Affairs	8,786	8,950	5,548	3,402
Revenue Administration	20,558	18,676	16,513	2,163
State Treasury	106,763	105,641	90,140	15,501
NH Retirement System	8,578	8,589	7,077	1,512
Developmental Disabilities Council	664	671	415	256
Office of Professional Licensure and Certification	7,943	8,299	7,344	955
Boards and Commissions	936	953	928	25
Total	440,698	479,327	380,357	98,970
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	84,884	89,422	81,958	7,464
Adjutant General	28,402	31,985	19,624	12,361

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, 2017
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Agriculture	6,811	9,105	6,695	2,410
Justice Department	110,019	120,056	36,043	84,013
Bank Commission	6,114	6,207	4,875	1,332
Insurance	15,186	15,951	11,697	4,254
Labor	9,919	27,936	26,313	1,623
Public Utilities Commission	34,971	54,433	30,300	24,133
Safety	125,636	135,425	91,673	43,752
Corrections Department	115,590	120,240	113,488	6,752
Employment Security	77,708	80,611	29,894	50,717
Judicial Council	26,624	27,990	27,733	257
Human Rights Commission	672	689	635	54
Boards and Commissions	439	447	428	19
Total	642,975	720,497	481,356	239,141
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	98,413	113,371	59,475	53,896
Pease Development Authority	670	683	500	183
Environmental Services	128,246	137,002	80,138	56,864
Development Finance Authority	171	171	171	
Boards and Commissions	50	78	78	
Total	227,550	251,305	140,362	110,943
TRANSPORTATION				
Transportation	28,487	69,135	11,568	57,567
Total	28,487	69,135	11,568	57,567
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	121,792	124,786	96,453	28,333
Office of Health Management	120,321	127,384	76,958	50,426
Transitional Assistance	100,886	94,720	82,078	12,642
Office of Medicaid & Business Policy	894,179	1,725,528	1,446,946	278,582
Behavioral Health	49,743	49,281	39,980	9,301
Developmental Services	332,878	332,338	319,111	13,227
N H Hospital	73,166	72,211	66,357	5,854
Glencliff Home	16,276	15,081	13,793	1,288
N H Veterans Home	34,114	34,389	31,615	2,774
Veterans Council	551	577	489	88
Human Services	181,065	185,674	167,519	18,155
Elderly and Adult Services	452,801	446,599	415,133	31,466
Community Based Care Svc	57,895	64,243	27,891	36,352
Total	2,435,667	3,272,811	2,784,323	488,488

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, 2017
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
EDUCATION				
Department of Education	370,708	339,094	280,744	58,350
NH Comm. Tech. College System	42,500	43,779	43,779	
Police Standards and Training Council	3,469	4,033	3,161	872
University of New Hampshire	81,000	81,000	81,000	
Total	497,677	467,906	408,684	59,222
Debt Service	110,352	110,352	110,352	
Capital Outlays	24,651	24,651	24,651	
Total Expenditures	4,408,057	5,395,984	4,341,653	1,054,331
Excess (Deficiency) of Revenues Over (Under) Expenditures	837,398	(244,203)	76,207	320,410
OTHER FINANCING SOURCES (USES)				
Transfers In		1,158	1,158	
Transfers Out		(42,690)	(42,690)	
Miscellaneous		441	441	
Total Other Financing Sources (Uses)		(41,091)	(41,091)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	837,398	(285,294)	35,116	320,410
Fund Balance - July 1	874,359	874,359	874,359	
Fund Balance - June 30	$1,711,757	$589,065	$909,475	$320,410

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, 2017
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$150,071	$150,071	$181,203	$31,132
Non-Business License Taxes	63,999	63,999	71,625	7,626
Fees	55,894	55,919	18,390	(37,529)
Fines, Penalties and Interest	8,024	8,026	6,573	(1,453)
Grants from Federal Government	654,540	659,560	182,233	(477,327)
Grants from Private and Local Sources	10,476	10,476	2,867	(7,609)
Rents and Leases	239	239	143	(96)
Sale of Commodities	598	15,805	11,569	(4,236)
Sale of Services	5,451	5,151	4,888	(263)
Grants from Other Agencies	12,384	11,585	9,571	(2,014)
Miscellaneous	66,882	69,435	28,463	(40,972)
Total Revenues	1,028,558	1,050,266	517,525	(532,741)
EXPENDITURES				
Justice and Public Protection	97,788	100,745	58,607	42,138
Resource Protection and Development	1,845	1,879	1,728	151
Transportation	970,103	1,009,468	452,674	556,794
Debt Service	31,576	31,576	31,576	
Capital Outlays	9,755	9,755	9,755	
Total Expenditures	1,111,067	1,153,423	554,340	599,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,509)	(103,157)	(36,815)	66,342
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,670)	(2,670)	
Transfers In		13,988	13,988	
Miscellaneous		512	512	
Total Other Financing Sources (Uses)		11,830	11,830	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(82,509)	(91,327)	(24,985)	66,342
Fund Balance - July 1	643,133	643,133	643,133	
Fund Balance - June 30	$560,624	$551,806	$618,148	$66,342

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, 2017
(Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$404,900	$404,900	$405,186	$286
Special Taxes	344,462	344,462	292,242	(52,220)
Personal Taxes	97,591	97,591	166,904	69,313
Fines, Penalties and Interest			2	2
Miscellaneous	39,000	39,000	40,004	1,004
Total Revenues	885,953	885,953	904,338	18,385
EXPENDITURES				
Education	965,564	980,691	966,990	13,701
Total Expenditures	965,564	980,691	966,990	13,701
Deficiency of Revenues Under Expenditures	(79,611)	(94,738)	(62,652)	32,086
OTHER FINANCING SOURCES (USES)				
Transfers In		28,052	28,052	
Total Other Financing Sources (Uses)		28,052	28,052	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(79,611)	(66,686)	(34,600)	32,086
Fund Balance - July 1	(21,043)	(21,043)	(21,043)	
Fund Balance - June 30	$(100,654)	$(87,729)	$(55,643)	$32,086

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, 2017

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 Trust Fund, presents the original and final appropriated budgets for fiscal year 2017, 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 (HB1) as of September 16, 2015 with an effective date of July 1, 2015, 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, 2017 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, 2017 (expressed in thousands).

	General Fund	Highway Fund	Education Trust Fund
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (Budgetary Basis)	$35,116	$(24,985)	$(34,600)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	204,798	22,844	9,756
To record change in Accounts Receivable	(352,640)	(18,162)	(76,120)
To record Other Financing Sources (Uses)	133,430	38,304	101,164
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	$20,704	$18,001	$200

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, 2016, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $2,283 million, with no actuarial value of assets, resulting in UAAL of $2,283 million, which is an increase as compared with a UAAL as of December 31, 2014 of $2,138 million. Plan obligations had been expected to increase, but the smaller than expected increase was the net result of an actuarial experience gain decreasing obligations while changes in valuation assumptions increased obligations. In addition, plan amendments such as contribution rates increasing for retirees and spouses resulted in decreased obligations. The AAL and UAAL as of December 31, 2014 of $2,138 million was an increase from the AAL and UAAL as of December 31, 2012 of $1,857 million, which was attributable 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 assumption changes in the December 31, 2016 report as compared to the previous report are per capita health costs recalculated based on more recent data, medical and drug trends updated to reflect experience and future expectations, the excise tax on high cost health plans beginning in 2020 revised due to recent experience and updated demographic assumptions. 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
12/31/16		$2,282,723	$2,282,723	0%	$587,543	388.52%
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, 2017	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	19.47%	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	$1,035,370	$794,933	$735,869
State's Covered-Employee Payroll	$562,387	$563,322	$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	184.10%	141.12%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2016, June 30, 2015 and June 30, 2014. The 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,			
	2017	2016	2015	2014
Required State Contribution	$72,680	$69,700	$67,450	$63,621
Actual State Contributions	72,680	69,700	67,450	63,621
State's Covered-Employee Payroll	$587,542	$562,387	$563,322	$533,457
State Contribution as a Percentage of its Covered-Employee Payroll	12.37%	12.39%	11.97%	11.93%

Note: The 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, 2017	June 30, 2016	June 30, 2015
Total Pension Liability			
Service cost	$3,248	$2,693	$2,351
Interest on total pension liability	6,568	5,642	5,648
Effect of differences between expected and actual experience	3,773		
Effect of changes in actuarial assumptions	3,806		
Benefit payments	(6,192)	(5,694)	(5,775)
Net change in total pension liability	11,203	2,641	2,224
Total pension liability, beginning	86,039	83,398	81,174
Total pension liability, ending (a)	$97,242	$86,039	$83,398
Fiduciary Net Position			
Employer contributions	$6,096	$5,470	$4,923
Member contributions	727	664	635
Investment income net of investment expenses	2,874	(249)	2,759
Benefit payments	(6,192)	(5,694)	(5,775)
Administrative expenses	(239)	(208)	(203)
Net change in plan fiduciary net position	3,266	(17)	2,339
Fiduciary net position, beginning	46,906	46,923	44,584
Fiduciary net position, ending (b)	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	$47,070	$39,133	$36,475
Fiduciary net position as a % of total pension liability	51.60%	54.52%	56.26%
Covered payroll	$8,525	$8,031	$7,535
Net pension liability as a % of covered payroll	552.11%	487.29%	484.05%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2016, December 31, 2015 and December 31, 2014. The schedule is intended to show 10 years. Additional years will be added as they become available.

Schedule of Employer Contributions

(dollars in thousands)

Fiscal Year Ended June 30,	2017	2016	2015	2014
Actuarially Determined Contribution	$6,151	$5,678	$5,100	$4,666
Contributions in Relation to the Actuarially Determined Contribution	6,151	5,678	5,100	4,666
Covered-Employee Payroll	$8,686	$8,209	$7,944	$7,348
Contribution as a Percentage of the Covered-Employee Payroll	70.82%	69.17%	64.20%	63.50%

Note: The schedule is intended to show 10 years. Additional years will be added as they become available.

Notes to the Required Supplementary Information:

Valuation	Actuarially determined contribution rates are calculated as of January 1, eighteen and thirty 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%
Cost of living adjustment	2.25%
Mortality	RP-2000 Mortality Tables for Employees and Healthy Annuitants with generational projection per Scale BB
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed 25 years was used for the year ended December 31, 2015
Remaining amortization period	24 years
Asset valuation method	5-year non-asymptotic
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*

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, 2017, 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 22, 2017. Our report includes a reference to other auditors who audited the financial statements of the Liquor Commission, Lottery Commission, Business Finance Authority of the State of New Hampshire, Community Development Finance Authority, Pease Development Authority, Community College System of New Hampshire, New Hampshire Public Deposit Investment Pool, and New Hampshire Judicial Retirement Plan. 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*. Our report also includes an emphasis of matter paragraph related to the State's implementation of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* GASB Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 82*, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*.

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 State'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.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 a deficiency in internal control, in the accompanying schedule of findings and questioned costs as 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The State's Response to the Finding

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

Purpose of this Report

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

KPMG LLP

December 22, 2017

KPMG LLP
Two Financial Center
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 the Uniform Guidance

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 *OMB 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, 2017. 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, 2017. 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 the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the compliance supplement that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

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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
2017-004 2017-006	93.778	Medicaid Assistance Program	Cash Management Special Test
2017-017 2017-018	93.667	Social Services Block Grant	Earmarking Subrecipient Monitoring
2017-023 2017-024	93.959	Block Grants for the Prevention and Treatment of Substance Abuse	Subrecipient Monitoring Maintenance of Effort
2017-039	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	Maintenance of Effort
2017-042	84.010	Title I Grants to Local Educational Agencies	Special Test
2017-043	84.010 84.367 84.027, 84.173	Title I Grants to Local Educational Agencies Improving Teacher Quality State Grants Special Education Cluster	Subrecipient Monitoring
2017-044	10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster	Equipment Management

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, 2017.

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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-005, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-016, 2017-020, 2017-021, 2017-022, 2017-025, 2017-027, 2017-028, 2017-029, 2017-030, 2017-032, 2017-033, 2017-034, 2017-035, 2017-036, 2017-037, 2017-038, 2017-040, 2017-041, 2017-045, 2017-046, and 2017-048. 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 types of 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 the Uniform Guidance, 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 preceding paragraph 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 or 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 items 2017-004, 2017-006, 2017-009, 2017-017, 2017-018, 2017-023, 2017-024, 2017-025, 2017-039, 2017-042, 2017-043, and 2017-044 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 items 2017-002, 2017-003, 2017-005, 2017-007, 2017-008, 2017-010, 2017-011, 2017-012, 2017-014, 2017-015, 2017-016, 2017-019, 2017-020, 2017-021,

2017-022, 2017-026, 2017-027, 2017-028, 2017-029, 2017-030, 2017-031, 2017-032, 2017-033, 2017-034, 2017-035, 2017-036, 2017-037, 2017-038, 2017-040, 2017-041, 2017-045, 2017-046, 2017-047, 2017-048 and 2017-049 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 22, 2017 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* GASB Statement No. 77, *Tax Abatement Disclosures,* and GASB Statement No, 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73.*

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 the Uniform Guidance 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 29, 2018

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title		2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Agriculture						
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care		157,186	0%	-
1800	10.170	Specialty Crop Block Grant Program – Farm Bill		177,520	0%	-
1800	10.171	Organic Certification Cost Share Programs		17,672	0%	-
		Supplemental Nutrition Assistance Program (SNAP) Cluster				
9500	10.551	Supplemental Nutrition Assistance Program (Notes 3,9)		115,265,961	0%	-
9500	10.561	State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 9)		9,931,136	0%	-
		SNAP Cluster Total		125,197,097	0%	-
		Child Nutrition Cluster				
5600	**10.553**	**School Breakfast Program (Note 9)**		**5,352,430**	**100%**	**5,352,430**
5600	**10.555**	**National School Lunch Program (Note 3, 9)**	**22,563,799**			
1400		**National School Lunch Program (Note 3, 9)**	**4,919,760**	**27,483,559**	**100%**	**27,483,559**
5600	**10.556**	**Special Milk Program For Children (Note 9)**		**147,120**	**100%**	**147,120**
5600	**10.559**	**Summer Food Service Program For Children (Note 9)**		**934,852**	**95%**	**888,542.00**
		Child Nutrition Cluster Total		**33,917,961**	**100%**	**33,871,651**
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**		**8,954,475**	**35%**	**3,139,825**
5600	10.558	Child And Adult Care Food Program (Note 3)	4,937,878			
1400		Child And Adult Care Food Program (Note 3)	240,767	5,178,645	99%	5,105,073
5600	10.560	State Administrative Expenses For Child Nutrition	628,848			
1400		State Administrative Expenses For Child Nutrition	178,349	807,197	0%	-
		Food Distribution Cluster				
9500	10.565	Commodity Supplemental Food Program (Note 3,9)		1,200,586	26%	310,946
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 9)		168,278	0%	-
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Note 3,9)		3,113,136	100%	3,113,136
		Food Distribution Cluster Total		4,482,000	76%	3,424,082
9500	10.576	Senior Farmers Market Nutrition Program		71,874	99%	70,867
9500	10.578	WIC Grants to States		52,602	0%	-

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Bolded programs were audited during the 2017 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
5600	10.579	Child Nutrition Discretionary Grants Limited Availability	52,971	100%	52,971
5600	10.582	Fresh Fruit And Vegetable Program	1,830,870	98%	1,803,368
3500	10.664	Cooperative Forestry Assistance	873,707	27%	232,322
3500	10.676	Forest Legacy Program	24,516	0%	-
3500	10.912	Environmental Quality Incentives Program (EQIP)	10,109	0%	-
4400	10.916	Dam Watershed Program	31,532	0%	-
		Department of Agriculture Total:	**181,837,934**	**26%**	**47,700,159**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Commerce					
7500	11.407	Interjurisdictional Fisheries Act Of 1986	12,534	0%	-
4400	11.419	Coastal Zone Management Administration Awards	2,657,359	63%	1,676,375
7500	11.420	Coastal Zone Management Estuarine Research Reserves	494,669	0%	-
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	127,361	0%	-
2300	11.549	State and Local Implementation Grant Program (SLIGP)	73,552	0%	-
7500	11.999	No Program Title	479,880	0%	-
		Department of Commerce Total:	**3,845,355**	**44%**	**1,676,375**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Defense					
3500	12.002	Procurement Technical Assistance For Business Firms	310,387	0%	-
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	405,730	0%	-
1200	12.400	Military Construction, National Guard	4,986,010	0%	-
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M) Projects**	**16,134,141**	**0%**	**-**
3500	12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies.	123,775	0%	-
		Department of Defense Total:	**21,960,043**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	750,989	95%	711,853
9500	14.241	Housing Opportunities For Persons With AIDS	548,371	96%	528,814
9500	14.267	Continuum of Care Program	3,229,875	95%	3,072,960
		Department of Housing and Urban Development Total:	**4,529,235**	**95%**	**4,313,628**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of the Interior					
4400	15.424	Marine Minerals Activities	14,272	0%	-
		Fish and Wildlife Cluster			
7500	**15.605**	**Sport Fish Restoration Program (Note 9)**	**3,651,905**	**0%**	**-**
7500	**15.611**	**Wildlife Restoration And Basic Hunter Education (Note 9)**	**3,382,719**	**5%**	**169,917**
		Fish and Wildlife Cluster Total	**7,034,624**	**2%**	**169,917**
3500	15.615	Cooperative Endangered Species Conservation Fund	71,036	0%	288
4400	15.616	Clean Vessel Act	171,455	24%	40,374
7500	15.626	Enhanced Hunter Education And Safety Program	41,695	0%	-
7500	15.634	State Wildlife Grants	472,404	17%	80,924
7500	15.650	Research Grants (Generic)	38,970	0%	-
7500	15.655	Migratory Bird Monitoring, Assessment and Conservation	11,219	0%	-
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	8,834	0%	-
4400	15.808	U.S. Geological Survey - Research And Data Collection	7,857	0%	-
4400	15.810	National Cooperative Geologic Mapping Program	53,904	0%	-
3400	15.904	Historic Preservation Fund Grants-In-Aid	489,324	18%	88,078
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	1,057,640	0%	-
3400	15.957	HPF Emergency Supplemental Sandy Relief	143,916	34%	48,931
		Department of the Interior Total:	**9,617,150**	**4%**	**428,513**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title		2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Justice						
1000	16.013	Violence Against Women Act Court Training and Improvement Grants		15,308	0%	-
2000	16.017	Sexual Assault Services Formula Program		295,549	95%	280,772
2000	16.021	OVW Justice for Families Program		181,122	0%	-
9500	16.523	Juvenile Accountability Block Grants		112,942	0%	-
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States		324,947	0%	-
2000	16.575	Crime Victim Assistance		3,849,012	80%	3,079,210
2000	16.576	Crime Victim Compensation		119,033	0%	-
2000	16.582	Crime Victim Assistance/Discretionary Grants		37,674	95%	35,790
1000	16.585	Drug Court Discretionary Grant Program		136,876	0%	-
2000	16.588	Violence Against Women Formula Grants		1,041,901	90%	937,711
2000	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		315,236	70%	220,665
2000	16.593	Residential Substance Abuse Treatment For State Prisoners		31,962	90%	28,766
4600	16.609	Project Safe Neighborhoods		31,226	0%	-
2300	16.710	Public Safety Partnership And Community Policing Grants		540,772	0%	-
2000	16.738	Edward Byrne Memorial Justice Assistance Grant Program		1,098,051	0%	-
2000	16.740	Statewide Automated Victim Information Notification (SAVIN) Program		573,007	0%	-
2300	16.741	DNA Backlog Reduction Program		150,401	0%	-
2000	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		75,929	90%	68,336
2300	16.750	Support For Adam Walsh Act Implementation Grant Program		21,945	0%	-
2000	16.751	Edward Byrne Memorial Competitive Grant Program		63,558	0%	-
2000	16.754	Harold Rogers Prescription Drug Monitoring Program		289,582	91%	264,892
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act		62,184	90%	55,966
2000	16.826	Vision 21: Building State Technology Capacity		102,372	0%	-
2000	16.828	Swift and Certain Sanctions/Replicating Project HOPE		123,914	92%	114,001
2000	16.922	Equitable Sharing Program	141,681			
4600		Equitable Sharing Program	18,395	160,076	0%	-
2300	16.999	No Program Title		324,725	0%	-
		Department of Justice Total:		**10,079,304**	**50%**	**5,086,108**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Labor					
2700	17.002	Labor Force Statistics	816,644	0%	-
3200	17.005	Compensation And Working Conditions	22,100	0%	-
		Employment Service Cluster			
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 9)	3,011,239	0%	-
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 9)	666,148	0%	-
2700	17.804	Local Veterans` Employment Representative Program (Note 9)	305,112	0%	-
		Employment Service Cluster Total	3,982,499	0%	-
2700	**17.225**	**Unemployment Insurance (Note 4)**	**74,850,160**	**0%**	**-**
3500	17.235	Senior Community Service Employment Program	478,159	99%	471,125
2700	17.245	Trade Adjustment Assistance	740,023	0%	-
		Workforce Investment Act (WIA) Cluster			
3500	17.258	WIA Adult Program (Note 9)	1,648,697	75%	1,235,183
3500	17.259	WIA Youth Activities (Note 9)	2,152,778	77%	1,646,984
3500	17.278	WIA Dislocated Formula Grants (Note 9)	2,302,674	71%	1,634,222
		WIA Cluster Total	6,104,149	74%	4,516,389
2700	17.261	WIA Pilots, Demonstrations, and Research Projects	98,611	0%	-
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	37,865	0%	-
2700	17.273	Temporary Labor Certification For Foreign Workers	83,538	0%	-
3500	17.277	Workforce Investment Act (WIA) National Emergency Grants	2,283,989	97%	2,225,539
3500	17.281	WIA Dislocated Worker National Reserve Technical Assistance and Training	17,092	94%	16,084
3500	17.600	Mine Health And Safety Grants	34,677	90%	31,066
		Department of Labor Total:	**89,549,506**	**8%**	**7,260,202**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Transportation					
9600	20.106	Airport Improvement Program (Note 6)	4,205,295	100%	4,205,295
9600	20.200	Highway Research & Development	498,381	0%	-
		Highway Planning and Construction Cluster			
9600	**20.205**	**Highway Planning And Construction (Note 9)**	**178,708,390**	**16%**	**28,843,534**
9600	**20.219**	**Recreational Trails Program (Note 9)**	**1,064,801**	**0%**	**-**
9600	**20.224**	**Federal Lands Access Program (Note 9)**	**25,916**	**0%**	**-**
9600	**20.003**	**Appalachian Development Highway System**	**-**	**0%**	**-**
		Highway Planning and Construction Cluster Total	**179,799,107**	**16%**	**28,843,534**
9600	20.215	Highway Training & Education	287,394	0%	-
2300	20.218	National Motor Carrier Safety	995,421	0%	-
9600	20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (Note 8)	38,303,858	0%	-
2300	20.237	Commercial Vehicle Information Systems & Networks	33,836	0%	-
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	9,943	0%	-
		Federal Transit Cluster			
9600	20.500	Federal Transit - Capital Investment Grants (Note 9)	199,106	100%	199,106
9600	20.507	Federal Transit - Formula Grants (Note 9)	5,146,462	100%	5,146,462
		Federal Transit Cluster Total	5,345,568	100%	5,345,568
9600	20.509	Formula Grants For Rural Areas	4,197,951	90%	3,764,722
		Transit Services Program Cluster			
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 9)	2,231,334	96%	2,137,395
9600	20.516	Job Access - Reverse Commute (Note 9)	58,195	100%	58,195
9600	20.521	New Freedom Program (Note 9)	66,419	100%	66,419
		Transit Services Program Cluster Total	2,355,948	96%	2,262,009
9600	20.522	Alternative Analysis	2,230,465	100%	2,230,465

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
		Highway Safety Cluster			
2300	20.600	State And Community Highway Safety (Note 9)	1,860,285	60%	1,120,464
2300	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants (Note 9)	193,529	12%	23,223
2300	20.616	National Priority Safety Programs (Note 9)	1,822,224	35%	646,322
		Highway Safety Cluster Total	3,876,038	46%	1,790,009
8100	20.700	Pipeline Safety Program State Base Grant	674,525	0%	-
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	32,098	87%	27,925
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	44,922	0%	-
		Department of Transportation Total:	**242,890,750**	**20%**	**48,469,527**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	152,930	0%	-
		Equal Employment Opportunity Commission Total:	**152,930**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)	182,618	100%	182,618
3200	39.011	Election Reform Payments (Note 5)	94,252	0%	-
		General Services Administration Total:	**276,870**	**66%**	**182,618**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
National Endowment for the Arts					
3400	45.025	Promotion of The Arts - Partnership Agreements	683,241	45%	307,458
3400	45.310	Grants To States	1,078,467	5%	53,923
		National Endowment for the Arts Total:	**1,761,708**	**21%**	**361,382**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Small Business Administration					
3500	59.061	State Trade Expansion Program (STEP)	203,836	0%	-
		Small Business Administration Total:	**203,836**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Veterans Administration					
4300	64.015	Veterans State Nursing Home Care	9,537,732	0%	-
1200	64.101	Burial Expenses Allowance For Veterans	1,537,387	0%	-
5600	64.124	All-Volunteer Force Educational Assistance	150,304	0%	-
		Veterans Administration Total:	**11,225,423**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Environmental Protection Agency					
4400	66.040	State Clean Diesel Grant Program	148,990	89%	132,601
4400	66.454	Water Quality Management Planning	129,043	38%	49,594
		Clean Water State Revolving Fund Cluster			
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Fund (Note 9)**	**9,715,119**	**92%**	**8,890,075**
4400	**66.482**	**Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds (Note 9)**	**-**	**0%**	**-**
		Clean Water State Revolving Fund Cluster Total	**9,715,119**	**0%**	**-**
4400	66.460	Nonpoint Source Implementation Grants	708,548	95%	671,232
4400	66.461	Regional Wetland Program Development Grants	259,710	4%	10,029
		Drinking Water State Revolving Fund Cluster			
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund (Note 9)**	**9,989,472**	**73%**	**7,274,971**
4400	**66.483**	**Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds (Note 9)**	**-**	**0%**	**-**
		Drinking Water State Revolving Fund Cluster Total	**9,989,472**	**0%**	**7,274,971**
4400	66.472	Beach Monitoring And Notification Program Implementation Grants	199,747	0%	-
4400	66.474	Water Protection Grants To The States	21,691	0%	-
4400	66.605	Performance Partnership Grants	5,484,593	1%	49,850
4400	66.606	Surveys, Studies, Investigations And Special Purpose Grants	132,809	0%	-
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	156,057	0%	-
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	289,689	0%	-
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	99,267	0%	-
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	264,820	0%	-
4400	66.708	Pollution Prevention Grants Program	163,816	0%	-
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	1,506,388	0%	-
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	273,958	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	389,901	0%	-
4400	66.817	State And Tribal Response Program Grants	1,005,465	0%	-
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements	16,103	0%	-
		Environmental Protection Agency Total:	**30,955,186**	**55%**	**17,078,352**

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Bolded programs were audited during the 2017 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title		2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Energy						
0240	81.041	State Energy Program		265,775	18%	47,695
0240	81.042	Weatherization Assistance For Low-Income Persons		1,421,287	89%	1,260,255
4400	81.086	DOE Clean Cities		44,856	0%	-
0240	81.119	State Energy Program Special Projects	109,497			
		State Energy Program Special Project Subaward # 02240-FY15-SEP-006 from The State of Vermont	8,265	117,762	0%	
0240	81.138	State Heating Oil and Propane Program		8,493	0%	-
		Department of Energy Total:		**1,858,173**	**70%**	**1,307,950**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,581,001	84%	1,321,531
5600	**84.010**	**Title I Grants To Local Educational Agencies**	**42,827,781**	**97%**	**41,363,917**
5600	84.011	Migrant Education - State Grant Program	140,761	0%	-
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	414,551	99%	408,636
		Special Education Cluster			
5600	**84.027**	**Special Education - Grants To States (Note 9)**	**48,529,840**	**91%**	**44,390,573**
5600	**84.173**	**Special Education - Preschool Grants (Note 9)**	**1,636,451**	**90%**	**1,474,355**
		Special Education Cluster Total	**50,166,291**	**91%**	**45,864,928**
5600	84.048	Career And Technical Education - Basic Grants To States	5,732,025	90%	5,143,134
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**	**12,454,203**	**0%**	**-**
5600	84.144	Migrant Education - Coordination Program	127,495	0%	-
0205	84.161	Rehabilitation Services - Client Assistance Program	113,880	0%	-
5600	84.169	Independent Living - State Grants	276,678	0%	-
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	186,923	0%	-
9500	84.181	Special Education Grants For Infants And Families	1,898,573	74%	1,414,401
5600	84.184	Developing Capacity to Improve Emergency Operations Plans in New Hampshire	101,583	0%	-
5600	84.196	Education For Homeless Children And Youth	171,930	74%	127,165
5600	84.282	Charter Schools	952,112	100%	952,112
5600	84.287	Twenty-First Century Community Learning Centers	5,187,104	96%	4,969,398
5600	84.323	Special Education - State Personnel Development	726,100	75%	544,870
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	23,783	100%	23,783
5600	84.358	Rural Education	691,700	95%	654,747
5600	84.365	English Language Acquisition State Grants	1,014,661	83%	843,432
5600	84.366	Mathematics And Science Partnerships	778,089	96%	743,129
5600	**84.367**	**Improving Teacher Quality State Grants**	**10,358,895**	**97%**	**10,078,539**
5600	84.369	Grants For State Assessments And Related Activities	3,644,506	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
5600	84.372	Statewide Data Systems	321,354	0%	-
5600	84.377	School Improvement Grants	1,473,926	93%	1,373,046
5600	84.999	No Program Title	154,810	0%	-
		Department of Education Total:	**141,520,715**	**82%**	**115,826,767**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments (Note 5)	428,961	0%	-
		U.S. Election Assistance Commission Total:	**428,961**	**0%**	**-**

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State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Health and Human Services					
9500	93.041	Special Programs for the Aging - Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	40,819	0%	-
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	80,543	0%	-
		Aging Cluster			
9500	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 9)	2,087,620	0%	-
9500	93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 9)	3,693,772	0%	-
9500	93.053	Nutrition Services Incentive Program (Note 9)	1,337,227	100%	1,337,227
		Aging Cluster Total	7,118,619	19%	1,337,227
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	229,254	0%	-
9500	93.052	National Family Caregiver Support, Title III, Part E	728,202	0%	-
9500	93.069	Public Health Emergency Preparedness	4,582,430	37%	1,717,067
4400	93.070	Environmental Public Health And Emergency Response	2,462,096	0%	-
9500	93.071	Medicare Enrollment Assistance Program	156,544	0%	-
9500	93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	12,916	0%	-
9500	93.074	HPP AND PHEP Cooperative Agreement	481,715	95%	457,629
5600	93.079	Promoting the Health of NH Youth School Based HIV/STD Prevention	64,711	0%	-
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	217,043	99%	214,873
9500	93.103	Food And Drug Administration - Research	89,276	0%	-
5600	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED)	14,100	63%	8,818
9500	93.110	Maternal And Child Health Federal Consolidated Programs	330,095	54%	177,538
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	125,275	0%	-
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	157,162	0%	-
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	372,062	68%	251,652
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	295,296	96%	283,484
4400	93.204	Surveillance of Hazardous Substance Emergency Events	288,495	0%	-
9500	93.217	Family Planning - Services	756,517	90%	680,865
9500	93.234	State Health Insurance Assistance Program	236,911	100%	236,911

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title		2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.236	Grants To States To Support Oral Health Workforce Activities		1,403	0%	-
9500	93.241	State Rural Hospital Flexibility Program		95,489	0%	-
5600	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,602,995			
9500		Substance Abuse and Mental Health Services - Projects of Regional and National Significance	2,829,902	6,432,897	47%	3,004,673
9500	93.251	Universal Newborn Hearing Screening		120,078	0%	-
9500	**93.268**	**Immunization Cooperative Agreements (Note 3)**		**12,368,253**	**2%**	**209,477**
9500	93.270	Adult Viral Hepatitis Prevention And Control		128,102	0%	-
9500	93.283	Affordable Care Act: Centers For Disease Control And Prevention - Investigations And Technical		1,027,127	39%	399,996
9500	93.301	Small Rural Hospital Improvement Grant Program		46,501	0%	-
9500	93.305	Tobacco Control Program		827,821	0%	-
9500	93.314	NH EHDI Program		100,308	0%	-
9500	93.323	NH ELC NON PPHF		538,807	0%	-
9500	93.324	State Health Insurance Assistance Program		305,852	0%	-
9500	93.336	Behavorial Risk Factor Survey		196,494	0%	-
9500	93.448	Food Safety And Security Monitoring Project		528,232	0%	-
5600	93.500	TEEN E3 GRANT		348,353	20%	71,108
		Maternal, Infant, and Early Childhood Home Visiting Cluster				
9500	93.505	Affordable Care Act (ACA) Maternal, Infant, And Early Childhood Home Visiting Program (Note 9)		2,515,413	88%	2,214,777
	93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program (Note 9)		-	0%	-
		Maternal, Infant, and Early Childhood Home Visiting Cluster		2,515,413	88%	2,214,777
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review		1,431,845	0%	-
9500	93.517	Affordable Care Act – Aging and Disability Resource Center		440,573	0%	-
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity		818,418	0%	-
9500	93.536	The Affordable Care Act Medicaid Incentives for Prevention of Chronic Disease Demonstration Project		76,807	100%	76,807
9500	93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance		1,005,185	0%	-
9500	93.556	Promoting Safe And Stable Families		470,928	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
		Temporary Assistance for Needy Families (TANF) Cluster			
9500	93.558	Temporary Assistance For Needy Families (TANF) (Note 9)	22,116,399	0%	-
9500	93.714	ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) (Note 9)	-	0%	-
		TANF Cluster Total	22,116,399	0%	-
9500	**93.563**	**Child Support Enforcement**	**13,446,374**	**0%**	**-**
9500	93.566	Refugee And Entrant Assistance - State Administered Programs	1,264,337	0%	-
0240	93.568	Low-Income Home Energy Assistance	21,946,140	99%	21,672,866
9500	93.569	Community Services Block Grant	2,925,776	0%	-
		Child Care and Development Fund (CCDF) Cluster			
9500	**93.575**	**Child Care and Development Block Grant (Note 9)**	**12,845,864**	**0%**	**-**
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 9)**	**10,456,083**	**0%**	**-**
		CCDF Cluster Total	**23,301,947**	**0%**	**-**
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants	105,597	0%	-
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants	94,468	0%	-
1000	93.586	State Court Improvement Program	273,442	0%	-
9500	93.597	Grants To States For Access And Visitation Programs	112,304	0%	-
9500	93.599	Chafee Education And Training Vouchers Program (ETV)	89,231	0%	-
9500	93.600	Head Start	125,723	0%	-
9500	93.609	The Affordable Care Act – Medicaid Adult Quality Grants	96,849	0%	-
9500	93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools	17,820	0%	-
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	418,422	0%	-
2000	93.643	Children's Justice Grants To States	63,648	40%	25,459
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program	710,006	0%	-
9500	93.652	Adoption Opportunities	381,081	0%	-
9500	**93.658**	**Foster Care - Title IV-E**	**12,397,705**	**0%**	**-**
9500	**93.659**	**Adoption Assistance**	**3,074,630**	**0%**	**-**
9500	**93.667**	**Social Services Block Grant**	**7,718,425**	**80%**	**6,174,740**
9500	93.669	Child Abuse And Neglect State Grants	64,306	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes	814,418	0%	-
9500	93.674	Chafee Foster Care Independent Program	462,305	0%	-
9500	93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	253,321	0%	-
9500	93.745	Behavorial Risk Factor Surveillance System (BRFSS)	68,029	0%	-
9500	93.752	RegistryCancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	1,542,830	50%	771,415
9500	93.753	NH Reduced Lead Poisoning of Children	343,489	0%	-
9500	93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	324,157	0%	-
9500	93.758	Preventive Health and Health Services Block Grant	2,068,375	37%	765,299
9500	93.767	Children`s Health Insurance Program	8,921	0%	-
		Medicaid Cluster			
2000	**93.775**	**State Medicaid Fraud Control Units (Note 9)**	**512,597**	**0%**	**-**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 9)**	**2,218,297**	**0%**	**-**
9500	**93.778**	**Medical Assistance Program (Note 9)**	**1,378,249,988**	**0%**	**-**
		Medicaid Cluster Total	**1,380,980,882**	**0%**	**-**
9500	93.791	Money Follows The Person Rebalancing Demonstration	467,879	0%	-
9500	93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	355,483	0%	-
9500	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	38	0%	-
2400	93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	70,953	0%	-
9500	93.889	National Bioterrorism Hospital Preparedness Program	995,298	71%	706,662
9500	93.912	Rural Health Care Services Outreach, Rural Health Network Development And Small Health Care Provider Quality Improvement Program	233,353	0%	-
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	165,415	0%	-
9500	93.914	HIV Emergency Relief Project Grants - Subaward H89HA00011 from the City of Boston	353,629	0%	
9500	93.917	HIV Care Formula Grants	643,564	0%	-
9500	93.940	HIV Prevention Activities - Health Department Based	425,239	33%	140,329
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	88,485	0%	-
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	652,794	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	177,195	0%	-
9500	93.958	Block Grants For Community Mental Health Services	1,754,779	94%	1,643,378
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**	**13,044,198**	**95%**	**12,391,988**
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	183,497	76%	139,458
9500	93.994	Maternal And Child Health Services Block Grant To The States	2,116,566	0%	-
		Department of Health and Human Services Total:	**1,568,004,689**	**4%**	**57,989,274**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title	2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Social Security Administration					
		Disability Insurance/SSI Cluster			
5600	**96.001**	**Social Security - Disability Insurance (Note 9)**	**6,183,392**	**0%**	**-**
5600	**96.006**	**Supplemental Security Income (SSI) (Note 9)**	**-**	**0%**	**-**
		Disability Insurance/SSI Cluster Total	**6,183,392**	**0%**	**-**
5600	96.009	Social Security State Grants for Work Incentives Assistance To Disabled Beneficiaries	2,870,451	0%	-
		Social Security Administration Total:	**9,053,843**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2017

State Agency	CFDA Number	Program or Cluster Title		2017 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Homeland Security						
2300	97.012	Boating Safety Financial Assistance		1,200,636	0%	-
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)		89,305	0%	-
2300	97.029	Flood Mitigation Assistance		-		-
2300	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 7)		1,040,597	86%	895,497
2300	97.039	Hazard Mitigation Grant		814,450	87%	708,223
4400	97.041	National Dam Safety Program		92,311	0%	-
2300	97.042	Emergency Management Performance Grants		3,761,756	0%	-
2300	97.043	State Fire Training Systems Grants		358,222	0%	-
2300	97.044	Assistance to Firefighters Grant		6,219	0%	-
0240	97.045	Cooperating Technical Partners (CTP)	31,373			
		Subaward 11-055 from the University System of New Hampshire	725			
		Subaward 12-073 from the University System of New Hampshire	1,120			
		Subaward 17-033 from the University System of New Hampshire	3,449			
		Subaward 17-027 from the University System of New Hampshire	359	37,026	78%	28,706
2300	97.047	Pre-Disaster Mitigation		261,451	99%	258,836
2300	97.067	Homeland Security Grant Program		4,249,622	94%	3,992,762
		Department of Homeland Security Total:		**11,911,595**	**49%**	**5,884,025**
		Grand Total of All Federal Assistance:		**2,341,663,206**		

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Bolded programs were audited during the 2017 audit

STATE OF NEW HAMPSHIRE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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. Code of Federal Regulations Title 2; Grants and Agreements Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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, 2017, 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 the U.S. Code of Federal Regulations Title 2; Grants and Agreements Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

a. *Federal Awards* – Federal financial assistance and federal cost-reimbursement contracts 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 Title 2 Part 200 of the Code of Federal Regulations; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, federal financial assistance is assistance that non-federal entities receive or administer in the form of grants, cooperative agreements, non-cash contributions or donations of property, direct appropriations, food commodities, loans, loan guarantees, interest subsidies, insurance, or other financial assistance. Accordingly, nonmonetary federal assistance, as described in Note 3, is reported as federal financial assistance on the Schedule. Federal financial assistance does not include direct federal cash payments to individuals.

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

c. *Type A and Type B Programs* – Title 2 Part 200.518 of the Code of Federal Regulations establishes the levels of expenditures to be used in defining for the State of New Hampshire Type A and Type B federal financial assistance programs. Type A programs are those programs and clusters of programs that equal or exceed $7,024,990 in federal expenditures, distributions, or issuances for the year ended June 30, 2017. Programs selected for audit 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.

e. *Amounts Provided to Subrecipients* – The amount of federal funds passed through by State agencies to various non-state subrecipients expressed in dollars.

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.

E. Indirect Cost Recovery

Whereas the various agencies and departments of the State have historically negotiated indirect cost recovery rates with their cognizant federal agencies the State does not utilize the 10% de minimus cost rate allowed under certain conditions per 2 CFR 200.414.

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 the Uniform Administrative Guidance of Title 2 Section 200 of the Code of Federal Regulations. 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 2017. 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 $115,265,961 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, 2017.

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	$ 4,919,760
10.558	Child and Adult Care Food Program	240,767
10.565	Commodity Supplemental Food Program	884,263
10.569	Emergency Food Assistance Program (Food Commodities)	3,113,136
	Total:	**$ 9,157,926**

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 $182,618 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 $11,562,573 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:	$ 59,172,615
Administrative Grants:	15,161,911
Federal Employees	259,739
Ex-Servicemen:	231,803
EUC08:	(270,827)
FAC:	(41,225)
Trade Act:	281,173
Extended Benefits:	(11,163)
ATAA:	66,136
Total	$ 74,850,162

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, 2017, the State had expended a cumulative total of $12,018,847 of the $18,021,803 Election Reform payments received, leaving a remaining balance of $6,002,956.

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 – 97.036 DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS):

There were no public assistance projects relating to presidentially declared disasters in fiscal years 2015 or 2016 approved by FEMA during fiscal year 2017. Of the $1,040,597 of program expenditures recorded during fiscal year 2017, $100 were for reimbursement of expenditures incurred by municipalities related to fiscal year 2015 presidentially declared disasters. There is no remaining disaster relief approved expenditures for reimbursement to municipalities for disasters occurring during fiscal year 2015. There were no presidentially declared disasters during fiscal year 2016.

Public assistance related to presidentially declared disasters in fiscal year 2017 was declared on June 1, 2017 for the March 2017 severe winter storm incident. No projects were approved by FEMA during fiscal year 2017.

NOTE 8 – LOANS OR LOAN GUARANTEES

Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223)

The State of New Hampshire acting by and through the New Hampshire State Treasurer and the New Hampshire Department of Transportation (NHDOT) is participating in the Transportation Infrastructure Finance and Innovation Act (TIFIA) program by receipt of a loan in the amount of $200 million that was approved in May of 2016.

The TIFIA proceeds are being used on four Federal Highway Administration (FHWA) approved projects on the I-93 widening project, all of which were active in state fiscal year 2017. These projects are accounted for and reported in the Highway Fund. TIFIA eligible expenditures are for the construction contracts only within each project. There is no sub-recipient as the NHDOT is reimbursing the contract vendor directly. All construction contracts and invoice payments to the vendors follow NHDOT's federal procedures.

Beginning Loan Balance	Additions	Deletions	Ending Loan Balance
$ 9,684,581	$ 38,303,858	$ -	$ 47,988,439

NOTE 9 - CLUSTERED PROGRAMS

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards codified at 2 CFR 200 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 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	$	115,265,961
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		9,931,136
	SNAP Cluster Total	$	125,197,097
Child Nutrition Cluster			
10.553	School Breakfast Program	$	5,352,430
10.555	National School Lunch Program		27,483,559
10.556	Special Milk Program for Children		147,120
10.559	Summer Food Service Program for Children		934,852
	Child Nutrition Cluster Total	$	33,917,961
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,200,586
10.568	Emergency Food Assistance Program (Administrative Costs)		168,278
10.569	Emergency Food Assistance Program (Food Commodities)		3,113,136
	Food Distribution Cluster Total	$	4,482,000
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,651,905
15.611	Wildlife Restoration and Basic Hunter Education		3,382,719
	Fish and Wildlife Cluster Total	$	7,034,624
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	3,011,239
17.801	Disabled Veterans' Outreach Program (DVOP)		666,148
17.804	Local Veterans' Employment Representative Program		305,112
	Employment Service Cluster Total	$	3,982,499

CFDA #	Program Title		Expenditures
Workforce Investment Act (WIA) Cluster			
17.258	WIA Adult Program	$	1,648,697
17.259	WIA Youth Activities		2,152,778
17.278	WIA Dislocated Worker Formula Grants		2,302,674
	WIA Cluster Total	$	6,104,149
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	178,708,390
20.219	Recreational Trails Program		1,064,801
20.224	Federal Lands Access Program		25,916
23.003	Appalachian Development Highway System		-
	Highway Planning and Construction Total	$	179,799,107
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	199,106
20.507	Federal Transit – Formula Grants		5,146,462
20.525	State of Good Repair Grants Program		-
20.526	Bus and Bus Facilities Formula Program		-
	Federal Transit Cluster Total	$	5,345,568
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	2,231,334
20.516	Job Access – Reverse Commute		58,195
20.521	New Freedom Program		66,419
	Transit Services Programs Cluster Total	$	2,355,948
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	1,860,285
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		193,529
20.602	Occupant Protection Incentive Grants		-
20.609	Safety Belt Performance Grants		-
20.610	State Traffic Safety Information System Improvement Grants		-
20.611	Incentive Grant Program to Prohibit Racial Profiling		-
20.612	Incentive Grant Program to Increase Motorcyclist Safety		-
20.613	Child Safety and Child Booster Seat Incentive Grants		-
20.616	National Priority Safety Programs		1,822,224
	Highway Safety Cluster Total	$	3,876,038
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds	$	9,715,119
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds		-
	Clean Water State Revolving Fund Cluster Total	$	9,715,119

CFDA #	Program Title	Expenditures
Drinking Water State Revolving Fund Cluster		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 9,989,472
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds	-
	Drinking Water State Revolving Fund Cluster Total	$ 9,989,472
Special Education Cluster		
84.027	Special Education-Grants to States	$ 48,529,840
84.173	Special Education-Preschool Grants	1,636,451
	Special Education Cluster Total	$ 50,166,291
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 2,087,620
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	3,693,772
93.053	Nutrition Services Incentive Program	1,337,227
	Aging Cluster Total	$ 7,118,619
Maternal, Infant, and Early Childhood Home Visiting Cluster		
93.505	Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Programs	$ 2,515,413
93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program	-
	Maternal, Infant, and Early Childhood Home Visiting Cluster Total	$ 2,515,413
TANF Cluster		
93.558	Temporary Assistance for Needy Families (TANF) State Programs	$ 22,116,399
93.714	Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	-
	TANF Cluster Total	$ 22,116,399
Child Care and Development Fund (CCDF) Cluster		
93.575	Child Care and Development Block Grant	$ 12,845,864
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	10,456,083
	CCDF Cluster Total	$ 23,301,947

CFDA #	Program Title	Expenditures
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ 512,597
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,218,297
93.778	Medical Assistance Program	1,378,249,988
	Medicaid Cluster Total	$ 1,380,980,882
Disability Insurance/SSI Cluster		
96.001	Social Security--Disability Insurance (DI)	$ 6,183,392
96.006	Supplemental Security Income (SSI)	-
	Disability Insurance/SSI Cluster Total	$ 6,183,392

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether financial statements were prepared in accordance with U.S. GAAP: **Unmodified**

Internal control over financial reporting:				
• Material weakness identified?	_____	yes	X	no
• Significant deficiency identified that is not considered to be a material weakness?	X	yes	_____	no
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards:

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

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

CFDA #93.778 Medical Assistance Program- **Qualified**
CFDA #93.667 Social Services Block Grant- **Qualified**
CFDA #93.959 Block Grants for the Prevention and Treatment of Substance Abuse- **Qualified**
CFDA #84.126 Rehabilitation Services Vocational Rehabilitation Grants to States- **Qualified**
CFDA #84.010 Title I Grants to Local Educational Agencies- **Qualified**
CFDA #10.553,10.555,10.556,10.559 Child Nutrition Cluster- **Qualified**
CFDA #84.367 Improving Teacher Quality State Grants- **Qualified**
CFDA #84.027, 84.173 Special Education Cluster- **Qualified**

All Other Major Programs – **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).	X	yes	_____	no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program For Children
10.559	Summer Food Service Program For Children
Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
Highway Planning Cluster	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
23.003	Appalachian Development Highway System
Clean Water State Revolving Fund Cluster	
66.458	Capitalization Grants For Clean Water State Revolving Fund
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants For Clean Water State Revolving Funds
Drinking Water State Revolving Fund Cluster	
66.468	Capitalization Grants For Drinking Water State Revolving Fund
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants For Drinking Water State Revolving Funds
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education - Preschool Grants
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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Medicaid Cluster	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
Disability Insurance/SSI Cluster	
96.001	Social Security- Disability Insurance
96.006	Supplemental Security Income (SSI)
Other Programs	
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
84.010	Title I Grants to Local Educational Agencies
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.367	Improving Teacher Quality State Grants
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between
Type A and Type B Programs: $7,024,990

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Part II - Financial Statement Findings

Finding 2017-001 was identified as a significant deficiency relating to the State's basic financial statements and is required to be reported in accordance with *Government Auditing Standards* in this section.

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

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART II

FINANCIAL STATEMENT FINDINGS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

2017-001 –Department of Administrative Services

Finding: Capital assets accounting and financial reporting

Severity of Control Deficiency: Significant deficiency (unremediated as of June 30, 2017)

Repeat Observation: Yes (2016-003)

Background

The Department of Administrative Services (DAS) Long-Term Assets Policy and Procedures Manual outlines policies, definitions, and dollar thresholds for the accounting and financial reporting of the State's capital assets in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The DAS Manual provides agencies with guidance for determining what a long-term asset is, as well as when and how to record it, in accordance with U.S. generally accepted accounting principles.

As part of the State's fiscal year-end closing process, each agency is required to complete an "Exhibit E" spreadsheet, representing a roll-forward of capital assets and related depreciation/amortization by asset category for the fiscal year, and subject it to the agency's internal review process to ensure its completeness and accuracy before submitting it to DAS. DAS management, in turn, review the submission for overall reasonableness before recording the government-wide accrual entries and preparing the Comprehensive Annual Financial Report (CAFR).

Observation

As a result of substantive audit procedures performed over capital assets activity for the year ended June 30, 2017, KPMG observed the following:

- One of four samples selected from a detailed schedule of fiscal year 2017 capital asset additions (excluding additions recorded by the Adjutant General's office), totaling $10.2 million, was determined to be inaccurate. The sample represented the NH Department of Health and Human Services' (DHHS) purchases of MMIS computer software during the year that were reported to DAS through DHHS's Exhibit E at year-end. Based on inquiry of HHS accounting personnel and review of underlying accounting records, software purchases by the agency totaled only $4.0 million for the fiscal year, resulting in an overstatement in capital assets of $6.1 million. Both DAS and HHS management acknowledged that HHS's Exhibit E contained a data entry misstatement, which was not detected during management's review process. As such, DAS management recorded an adjustment to correct the $6.1 million overstatement of capital assets as of June 30, 2017.
- Two of four samples selected from a detailed schedule of fiscal year 2017 capital asset additions recorded by the Adjutant General's office, totaling $2.1 million, represented building improvements that were properly recorded as of June 30, 2017 but should have been capitalized through the construction in progress (CIP) account in a prior period. Each of these samples had cumulative costs exceeding 90% of their estimated total project costs prior to fiscal year 2017, indicating that they had reached the point of "substantial completion," as described in the DAS Manual, in an earlier fiscal year, thereby resulting in an understatement of capital assets as of June 30, 2016. Consistent with KPMG's prior year finding (2016-003), the agency had been consistently expensing all costs for long-term

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

construction projects as incurred and capitalizing them only upon project completion, regardless of when these costs exceeded the State's capitalization threshold, as defined in the DAS Manual. KPMG notes that while the State made improvements in the oversight of Exhibit E reporting and the related accrual journal entries during fiscal year 2017, the prior period errors reflected in these samples demonstrate the need for continued improvement over accounting and financial reporting for capital assets.

- One of four samples selected from a detailed schedule of fiscal year 2017 capital asset deletions, totaling $14.4 million, represented a group of agricultural land tracts that was determined to be improperly written off. The reporting agency, NH Department of Agriculture, Markets and Food, reviewed the assets during the year and, after confirming that the land was not State-owned, reported them as deletions on its Exhibit E at year-end to remove the capital asset balances. However, because the State is listed as the deed holder for each of these land tracts and holds rights to the land, the DAS Manual provides that the State recognize these land rights as capital assets. Failure to refer to and sufficiently understand this accounting policy as part of the agency's and DAS's internal review process resulted in the error. DAS recorded an adjustment to reverse the deletion and correct the $14.4 million understatement of capital assets as of June 30, 2017.

Risk

Capital assets are not properly recorded and reported in the State's basic financial statements.

Recommendation

We recommend that DAS and all State agencies continue to refine the design of its internal management review controls over capital asset reporting at year-end in order to prevent, and to detect and correct, errors that are material to the financial statements.

Management Response

We concur. Further refining of the current review controls over agency submitted Exhibit E's is an ongoing task of the Division of Accounting Services, Bureau of Financial Reporting (BFR). There will continue to be outreach to all agencies as part of the annual fiscal year-end closing process to ensure internal procedures and management reviews result in reporting that is in compliance with U.S. GAAP and State policies.

During the fiscal year ended June 30, 2017, there were significant improvements in the oversight of the Exhibit E reporting. With the turnover in the Financial Reporting Administrator position during FY17, emphasis was placed on the proper use of construction in progress and performing analysis over capital project expenditures throughout the year to address the specific prior year issues. Going forward, the focus will be on other areas of noncompliance as described in the finding and on continuing to improve agency knowledge and the overall reporting and review process to ensure that capital asset reporting is accurate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Education ***2017-002***
N.H. Department of Education
CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States

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 #93.563 Child Support Enforcement
CFDA #93.575/93.596 Child Care and Development Block Grant Cluster
CFDA #93.658 Foster Care – Title IV-E
CFDA #93.659 Adoption
CFDA #93.667 Social Services Block Grant
CFDA #93.959 Substance Abuse

U.S. Social Security Administration
N.H. Department of Education
CFDA #96.001 Social Security Disability Insurance

U.S. Department of Defense
N.H. Adjutant General
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

Grant Year and Award: Various

Finding: Certain General Information Technology Controls related to removing terminated employees access rights in NHFIRST Human Resources/Payroll ERP System were not operating effectively for the period.

Criteria:

Per 2 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Condition:

The State of New Hampshire uses the NHFIRST ERP System (NH FIRST or ERP System) for the Financial Reporting and Human Resource/Payroll functions. As a result of testing performed over ERP System, we have determined that certain General Information Technology Controls (GITCs) related to the ERP System were not operating effectively for the period.

Specifically, for terminated users, access to NH FIRST should be removed in a timely manner after the date of termination of the employee. Upon date of termination, the Human Resource function at the agency level initiates a transaction that triggers an automated notification to the DAS Division of Personnel, including the security management team for NH FIRST, that the employee has been terminated. Once notification is received, the security management team for NH FIRST modifies the individual's access rights such that they are limited to read-only access to the individual's payroll and benefit information. This read-only access remains in place for 60 days, after which all access rights are automatically deleted.

During our review, we noted that access to the NH FIRST ERP application was not removed in a timely manner for 7 users, with a duration of time between the date of termination and the removal of access ranging from 42 to 266 days. The audit team compared the termination list to the active user listing for the audit period and noted no additional terminated users that were not removed in a timely manner. Furthermore, we examined systematic evidence to determine that none of the user accounts related to the exceptions identified were used subsequent to the individual's termination date.

Cause:

The policies and procedures in place, including the notifications that trigger removal of elevated (more than read-only) user access rights for terminated employees, are decentralized across the various State agencies, for which management of the NH FIRST ERP application has no control over. As such, in order to remove a terminated individual from the NH FIRST ERP application in a timely manner, they must rely on timely 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 terminated users may obtain access to the NH FIRST ERP application.

Questioned Costs:

No

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-005

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Recommendation:

Management responsible for the NH FIRST ERP application should establish and enforce policies and procedures to ensure that notification of termination for users of the NH FIRST ERP application occurs in a timely manner, resulting in timely removal of access rights in excess of read-only, as well as the removal of all access rights upon reaching 60 days post-termination.

View of Responsible Officials:

We concur. The corrective actions taken by the State in response to similar findings from prior years continue to place reliance upon policies and procedures whose effectiveness is dependent upon compliance by State agencies. The corrective actions include an established process of periodic monitoring to ensure elevated access rights of terminated users are removed on a timely basis. Although the corrective actions have significantly reduced the number of instances of non-compliance, they have not completely remediated the deficiency noted.

Additionally, it is recognized the reduction in the number of instances of non-compliance does not correlate to the duration of the State's risk exposure resulting from untimely termination of elevated user access rights. Accordingly, the State will explore and consider additional system controls to limit the duration of exposure.

Contact Person:

Steven Giovinelli, Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S Department of Health and Human Services ***2017-003***
NH Department of Health and Human Services

CFDA #93.778 Medicaid Assistance Program
CFDA #93.575; 93.596 Child Care Development Block Grant; Child Care Mandatory and Matching Funds of the Child Care Development Fund
CFDA #93.658 Foster Care Title IV-E
CFDA #93.659 Adoption

Grant Year and Award: Various

Finding: Certain General Information Technology Controls related to the New Heights environment were not operating effectively.

Criteria:

Per 200 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

The State of New Hampshire uses the New Heights application for eligibility determinations for certain programs. We tested the General Information Technology Controls (GITC) related to the New Heights application for the following domains: Access to Programs and Data; Change Management; Computer Operations; Program Development. During this testing it was determined that certain controls were not operating effectively for the period of July 1, 2016 - June 30, 2017, as noted below.

When de-provisioning access for terminated users, access to the New Heights application and related infrastructure should be removed in a timely manner after the date of termination of the employee. During our review, we noted access to New Heights was not removed in a timely manner for 1 out of 8 samples made, as the duration of time between the date of termination and the removal of access was 12 days. Furthermore, the audit team obtained systematic evidence that showed none of the 7 terminated users accessed the account after termination date.

A periodic user access recertification should include a complete population of users with access to the New Heights application during the fiscal year. During our review, it was determined that the population of users reviewed was not complete or accurate. Access rights for 131 users, out of a total population of 1,704 users, were not reviewed as part of the access recertification process for the period under audit.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

With regards to removal of access rights to the New Heights application and related infrastructure for terminated users, the policies and procedures related to removal of access for a terminated employee is decentralized to various agencies, for which management of the New Heights application must rely on. When access rights 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 New Heights application and related infrastructure.

With regards to periodic review of user access rights, lack of a periodic review for all users of the New Heights application and related infrastructure can result in individuals having inappropriate access rights, increasing the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions may be compromised.

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 applications.
Inappropriate access to application functions and capabilities increase the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error or fraud.

Questioned Costs:

No

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-006, Findings 1 and 2

Recommendation:

Management should reinforce policies and procedures and strengthen controls relative to logical access de-provisioning for terminated users to ensure that access rights related to terminated individuals is removed in a timely manner.

Management should perform procedures necessary and strengthen controls to ensure that the population of users reviewed during the periodic recertification of user access rights is complete and accurate.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

View of Responsible Officials:

Condition (referred in response as findings 1 & 2)
#1) When de-provisioning access for terminated users, access to the New Heights application and related infrastructure should be removed in a timely manner after the date of termination of the employee. During our review, we noted access to New Heights was not removed in a timely manner for 1 out of 8 samples made, as the duration of time between the date of termination and the removal of access was 12 days. Furthermore, the audit team obtained systematic evidence that showed none of the 7 terminated users accessed the account after termination date.

Department Response:

This finding is in regards to a specific user where her access was not terminated in a timely manner. During the period 7/1/16 – 6/30/17 New HEIGHTS relied upon DHHS Human Resources and/or the direct supervisor to receive notification of termination. For this user, DHHS HR notified New HEIGHTS via email on August 25, 2016 that the user‘s last work day was 8/19/16.

Effective 7/1/17 the notification process for terminated employees was changed to an automated process through the Identity Management (IdM) system where access privileges are revoked by the system. Additionally, DHHS Human Resources and/or the direct supervisors continue to send an email notification as a backup to the IdM process.

Department concurs, and has resolved the issue as stated above, which mirrors the related 2016 finding. New HEIGHTS has an Identity Management (IdM) project which integrates with the State of New Hampshire’s Human Resources system (LAWSON) and triggers notification to the Security Administrator for employees being terminated. Security enhancements to HEIGHTS interact with Identity Management (IdM) solution which enables operational efficiency, security compliance, and risk management to the Department of Health and Human Services (DHHS). Activation of the Lawson integration to terminate users was completed in July of 2017.

The Department has implemented the corrective action.

#2) A periodic user access recertification should include a complete population of users with access to the New Heights application during the fiscal year. During our review, it was determined that the population of users reviewed was not complete or accurate. Access rights for 131 users, out of a total population of 1,704 users, were not reviewed as part of the access recertification process for the period under audit.

Department Response:

The 131 users mentioned in the findings had not been reviewed prior to 6/30/2017 when KPMG performed a comparison of reviewed users with the current active users list. All reviews were completed by 8/2/2017. Late reviews were due to a system error which was fixed on 8/25/2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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The Department considers the current matter completed. With the recent fix the Department does not anticipate this finding in the future.

Contact Person:

Pam Raymond, Business Systems Analyst I

Anticipated Completion Date:

The Department considers this finding completed.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-004***
NH Department of Health and Human Services

Federal Program:
Medical Assistance Program CFDA#: 93.778

Grant Year and Awards:

10/01/2014 – 09/30/2015	***MP***	***1505NH5MAP***
10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***
10/01/2014 – 09/30/2015	***MT***	***1505NH5ADM***
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***

Finding: Cash Management

Criteria:

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*). Subpart A of those regulations requires State recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for Federal programs listed in the Catalog of Federal Domestic Assistance that meet the funding threshold for a major Federal assistance program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in subpart B of 31 CFR part 205 (subpart B), which at 31 CFR section 205.33(a) include the requirement for a State to minimize the time between the drawdown of Federal funds and their disbursement for Federal program purposes.

In accordance with 2 CFR section 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

In order to ensure its cash draw process complies with the approved Treasury State Agreement (TSA) the Department of Health and Human Services, Office of Business Operations (the "Department"), has implemented a financial management process for its Federal programs. While this process is in place to ensure that its cash draws are accurately and timely performed, in fiscal 2017, the Department drew down

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

but recorded journal entries to defer $26 million of federal Medicaid funds as of June 30, 2017 it believed were overdrawn.

During our testwork over the cash management process, we noted the Department performed a quarterly reconciliation of the Federal activities of the Medicaid program. This reconciliation included the Internal Federal Ledgers, which reports federal award activities (both revenue and expenditures), and the Cost Allocation Plan, which tracks total departmental expenditures. In addition, the Cost Allocation Plan expenditures are reconciled in total to the Statement of Appropriations. The Department, however, does not have procedures and controls in place to monitor and reconcile actual revenues received versus the expected (budgeted) revenues to help ensure the State's level of matching funds properly support federal expenditures incurred and therefore reimbursed, or to adjust appropriations during the year as necessary.

Finally, we noted the Department does not have procedures and controls in place for the authorization of non-routine transactions including the journal entry processed to record the deferral of revenue discussed above. The entries to record the deferred amounts believed to be overdrawn were completed by an individual at the Department with no evidence of formal approval by another member within the Department.

Cause:

The cause of the condition appears to be the lack of formal procedures and controls in place to ensure all relevant financial information including budgeted revenue and expenditures are properly reconciled and accounted for.

The cause of the second condition is due to a lack of a formal process over non-routine transactions within the Department.

Effect:

The effect of the conditions found resulted in the delay of federal cash draws for a portion of the 2018 federally funded expenditures.

Questioned Costs:

Unknown

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Recommendation:

We recommend the Department implement written policies, procedures and controls over the reconciliation of budget to actual revenue and expenditures from federal, state and other sources. We recommend the Department implement a process and controls to ensure all non-routine transactions are approved by someone other than the preparer. Further, the Department needs to continue to reconcile and validate the $26 million deferral.

Views of Responsible Officials:

Health and Human Services Department:

The Department concurs in part. The Department has received all quarterly settlement letters from CMS and reconciled all SFY 2017 Medicaid revenue, and therefore, does not concur that any further reconciliation to validate the recognition of the $26 million deferral is necessary. The Department concurs with the need for improved controls around year-end processes, and is taking multiple corrective steps, including:

- Engage in regular (not less than monthly) closing meetings with Executive Senior Leadership, including at least two members of finance (preferably CFO and Deputy CFO) and two members of the Executive Senior Leadership Team (preferably Commissioner and Deputy Commissioner) from June to September each year.
- Train and cross train applicable staff on appropriate coding for FCLG (closing within the Statement of Appropriation).
- Create a quarterly "mock-closing" process to improve revenue projections and identify appropriate treatment of non-routine transactions.
- Present additional Medicaid accounting units with clearly identified revenue sources for CHIP or other Medicaid populations for the 2020-2021 budget.
- Reduce reliance on the federal revenue clearing account and ensure federal revenue is booked to appropriate accounting units.
- Create an internal audit function for continuous monitoring and improvement of internal controls.

Department of Administrative Services:

The Department of Administrative Services (DAS) concurs. DAS recognizes the Department of Health and Human Services (DHHS or the Department) has provided supporting documentation to validate that Medicaid funds were properly drawn in accordance with Medicaid expenditures, strictly based on its internal federal ledgers and cost allocation plan. However, DAS notes in order to satisfy both the revenue recognition criteria set forth by Governmental Accounting Standards Board (GASB), as well as future audit inquiry, the DHHS' conclusion must be proven supportable from the State's accounting system of record (NH FIRST) with a clear delineation through the DHHS' internal systems at a more detailed level than the current reconciliations performed allows for. Accordingly, additional validation is required and DAS has been and will continue working with DHHS toward assembling the necessary documentation to support the Department's conclusion.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Anticipated Completion Date:

October 1, 2018

Contact Person(s):

Health and Human Services Department:

Kerrin Rounds, Chief Financial Officer

Department of Administrative Services:

Dana Call, State Comptroller

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-005***
NH Department of Health and Human Services

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

Grant Year and Award:

10/01/2014 – 09/30/2015	***MP***	***1505NH5MAP***
10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***
10/01/2014 – 09/30/2015	***MT***	***1505NH5ADM***
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***

Finding: Subrecipient Monitoring

Criteria:

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)).

Condition:

During the State fiscal year ended June 30, 2017, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements in accordance with the Uniform Guidance. While the Department was able to demonstrate financial monitoring and requirements of compliance with certain other requirements, we noted that the Department has not fully implemented procedures to ensure that monitoring of the subrecipient activities is performed in accordance with the Uniform Guidance.

The Department provided for certain General fund expenses through the Federal Designated State Health Program (DSHP). While half of the DSHP expenditures related to Integrated Delivery Network (IDN) and County Nursing Home payments, the other half of expenditures funded the general fund portions of the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Bureau of Drug & Alcohol Services and Division of Behavioral Health subawards. These subawards are payments to subrecipients that are required to be monitored to ensure that Federal funding is being used for authorized purposes under each subaward. As part of our subrecipient monitoring testwork, we noted that there were approximately 30 subrecipients during the audit period receiving approximately $3.5 million of Federal funds through the DSHP program.

In accordance with 2 CFR 200.331 (a)(1), the Department is required to clearly identify every subaward to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward:

- The Department does not clearly identify subawards to subrecipients and contracts to vendors and the SFY 2017 subrecipients were not identified by the Department. Additionally, we noted that the determination of subrecipients requiring an UG audit is based on a per contract/subaward basis as this tracking may be useful for certain monitoring requirements, the process may not accurately account for subrecipient receiving in excess of $750,000 if Federal budgets change.

- The Department did not identify or include the correct Federal Award Identification Number (FAIN) in 12 of the 12 subawards during the audit period.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in 12 of the 12 subawards during the audit period.

- The Department did not include the total amount of Federal funds obligated in total or the Federal funds obligated or committed to the subrecipients in 12 of the 12 subawards during the audit period for this program.

- The Department did not include the name of Federal awarding agency information for awarding official of the Pass-through entity in 12 of the 12 subawards during the audit period.

- The Department did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

- The Department did not monitor the activities of the subrecipients as necessary to ensure that the subaward was used for authorized purposes. While the Department performed reviews of the required financial reports, we noted that there was no evidence of programmatic reviews to ensure that the subrecipient used the subaward for authorized purposes for twenty-five (25) of the subrecipient payments.

Further, we noted that the Department has not implemented a process to evaluate each subrecipient's risk of non-compliance for purposes of determining the appropriate subrecipient monitoring and did not evaluate risk of noncompliance for each of the twelve (12) subrecipients selected for testwork.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

The Department's policies and procedures are not designed to meet the regulations set forth in the Uniform Guidance and the established controls are not precise enough to detect non-compliance of subrecipients.

Effect:

The effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend management develop and implement subrecipient monitoring procedures to provide reasonable assurance the subaward was used for authorized purposes, subrecipient activities are in accordance with Federal regulations including establishing a process to communicate to the subrecipients the required information, identify subrecipients, and evaluate their risk of noncompliance.

Views of Responsible Officials:

The Department Concurs.

The Department has started to develop a Department-wide procedure to ensure the dollar amount made available under each Federal award and applicable CFDA number are provided to every subrecipient at the time of disbursement. Once this procedure is in place, every subrecipient receiving federal funds from the Department will know the cumulative total amount of federal funds it receives. In the intermediary, the Department will produce reports to identify subrecipients that cumulatively receive more than $750,000 of federal funds in a single fiscal year and inform them of the audit requirements under 2 CFR Part 200, Subpart F.

The Department will review and make the necessary changes to its subrecipient monitoring procedures to ensure:

(1) Vendors are clearly identified as subrecipients in every contract;
(2) Every contract will include the required elements of 2 CFR 200.331(1);
(3) Adequate programmatic monitoring and approval occurs; and

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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The aforementioned review will be part of the Department's comprehensive Uniform Guidance compliance initiative that began in late 2017. Through the initiative, the Department has implemented a standardized policy and procedure for making subrecipient determinations, assessing programmatic and financial risks, and selecting appropriate monitoring activities based on risk. As of March 2018, Approximately 250 personnel have been trained on aforementioned policy and procedures.

Anticipated Completion Date:

December 2018

Contact Persons:

Nathan White, Grants Manager
Athena Gagnon, OMBP Financial Reporting Administrator II

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***Finding 2017-006***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:

10/01/2014 – 09/30/2015	***MP***	***1505NH5MAP***
10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***
10/01/2014 – 09/30/2015	***MT***	***1505NH5ADM***
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***

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).

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 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 noted that the Department has traditionally contracted with an external QIO. As part of its contract the QIO is required to perform reviews over inpatient hospital paid claims. The Department however has been without a QIO since September 2014. As a result, there were no utilization procedures performed to ensure the years ending June 30, 2016 and 2017 related to inpatient hospital paid claims, nor have any inpatient hospital claims been reviewed since September 2014. In addition, we noted that there were 3,785 inpatient hospital claim reviews that were outstanding from the prior QIO contract that have not been reviewed and have been outstanding since September 2014. The Department has procured a new QIO contractor, however, the approval of the contract was not obtained until June, 2017 and the new QIO did not start performing reviews until September 2017.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

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

Effect:

The potential effect of the condition found 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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-007

Recommendation:

We recommend that the Department strengthen its existing policies and procedures to ensure that all required utilization reviews are completed timely and that all the identified cases in a sample are investigated.

Views of Responsible Officials:

The current backlog of inpatient hospital paid claims has been initiated by the QIO in September of 2017 starting with the 2014 cases first and moving forward. As of 12/22/2017 1095 paid in patient claims have been requested from inpatient facilities in state and approximately 200 completed with no findings and the others are in review for coding or waiting for documents to be submitted. The reviews have been slow to complete due to staffing of the QIO that was not in place when contract signed. We are renewing the current contract for 1 year to ensure backlog is completed

Anticipated Completion Date:

June 2019

Contact Person:

Karen Carleton, RN
Program Integrity Administrator, Bureau of Improvement and Integrity

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Health and Human Services ***2017-007***
N.H. Department of Health and Human Services

CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, Children

Grant Year and Award:
10/01/2015-9/30/2016 4NH700703 013
10/01/2015-9/30/2018 4NH700743 000
10/01/2016-9/30/2017 4NH700703 009

Finding: Direct payroll costs not approved appropriately

Criteria:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)

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. Payroll costs are allocated to multiple programs or one program when employees work 100% of their time on one program. As part of our test work over the direct payroll costs, we selected a sample of 30 timesheets, comprised of six (6) employees among five (5) pay periods and noted the following:

- No time and effort reports were available for (1) employee to certify that the employee's time was charged to one of the major programs, Women, Infants, and Children (WIC) program. Employee's time record could be accessed through Lawson and was approved by employee's designated supervisor; however, there was no attestation that employee works on WIC 100% of her time.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

The cause of the condition found is primarily due to the lack of adherence to the Department's administrative procedures.

Effect:

The potential effect of the conditions found could result in the inaccurate and incomplete payroll costs charged to the Federal programs.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

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

View of Responsible Officials:

The department concurs. DHHS will review its administrative payroll procedures to evaluate their effectiveness and efficiency while improving compliance with existing policies and procedures. Internal procedures will be reviewed to identify any internal control deficiencies. If internal control deficiencies are identified, DHHS shall take the necessary actions to correct any control weaknesses which may include new controls, strengthening of existing controls, or staff training.

Contact Person:

Hannah Glines, Administrator IV

Anticipated Completion Date:

April 2, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-008***
N.H. Department of Health and Human Services

CFDA #10.557 Special Supplemental Nutrition Program for Woman, Infants, Children

Grant Year and Award:
10/01/2015-9/30/2016 4NH700703 013
10/01/2015-9/30/2018 4NH700743 000
10/01/2016-9/30/2017 4NH700703 009

Finding: Subrecipient Monitoring

1. ***Programmatic Risk Assessment not performed***
2. ***Financial Risk Assessment performed but not communicated to program personnel***
3. ***Financial Monitoring did not appear to exist during the award***

Criteria:

2 CFR 200 Subpart D – Post Federal Award Requirements, Subrecipient Monitoring and Management, requires a formal risk assessment for all subrecipients to support the level of monitoring required. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

§200.331 requires pass-through entities to formally evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, as specified below:

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;

2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;

3. Whether the subrecipient has new personnel or new or substantially changed systems; and

4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Condition:

The Department of Health and Human Services (the Department) uses sub-recipients to perform programmatic portions of the WIC program. During our review, we noted only a formal financial risk assessment of subrecipients was completed during fiscal 2017, and not a programmatic risk assessment. However, the financial risk assessment was not communicated to program personnel. Through this risk assessment, a subrecipient received a "high risk' level, which means "proceed with caution – may contract with vendor if no other provider can deliver essential services" and recommends monitoring of compliance with programmatic and financial measures on a monthly basis. Although program personnel increased their monitoring of the subrecipient due to prior years significant required corrective actions identified during programmatic monitoring, the increased monitoring included a modified annual management evaluation in the current year, not the suggested monthly monitoring.

We were not provided evidence financial monitoring occurred during 2017 for our sample of 2 out of 4 subrecipients. Request for reimbursement is provided to the Department from the subrecipient through a budget-expenditure template, which includes expenditures such as personnel, supplies, building and consultants. The Department's sole control over these amounts is a comparison of the expenditure being requested for reimbursement to the remaining available funds per the local agencies contract. We did not see evidence through financial monitoring, that procedures were performed and controls in place to ensure the expenditures charged to the Department are allowable and spent on the contract's objectives.

Cause:

The Department needs to continue to increase its awareness of and compliance with the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and Allowable cost principles.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-013

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. Risk assessments performed should be more than a financial assessment, and communicated timely with those charged with contracting and monitoring performance of the subrecipient so that procedures may be modified as required.

We recommend the Department ensure appropriate financial monitoring of the subrecipients occur periodically to ensure the expenditures requested for reimbursement are accurate, and properly support contract objectives.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Views of Responsible Officials:

#1 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, *Comprehensive Risk Assessment Tool*, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

#2 The Department concurs. Corrective action has been implemented starting in calendar 2018 the Financial Risk Analysis schedules that have been completed and communicated to both the Contracts & Procurement Unit as well as the Program Area contact person.

#3 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, Comprehensive Risk Assessment Tool, *Sub-Recipient Monitoring Options* as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

Anticipated Completion Date:

It is anticipated that contracts with SFY 2019 approval (Governor & Council items awarded from July 1, 2018 and after) will be monitored as per the newly developed policy and procedure.

Contact Person:

Dolores Cooper, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-009***
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 the Child Care and Development Fund

Grant Year and Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2015 – 9/30/2016 2016G999004
10/1/2015 – 9/30/2016 2015G999005
10/1/2014 – 9/30/2017 2015G996005
10/1/2013 – 9/30/2016 2014G996005

Finding: Internal controls over and Compliance with the Health and Safety federal requirements were not operating effectively for the entire fiscal year.

- *Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements, were not operating effectively for the entire fiscal year resulting in some provider annual visits not performed.*
- *Controls over re-licensing visits did not operate effectively for the entire fiscal year.*
- *Three out-of-state providers did not have active licenses on file.*

Criteria:

In accordance with the State CCDF Plan, approved by the Federal Government, the State Department of Health and Human Services (the Department) utilizes annual unannounced visits to effectively enforce the licensing requirements.

Further, in accordance with 2 CFR section 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Department's key controls to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, are to maintain provider agreements with all providers and have a licensing supervisor review all re-licensing site visits prior to the issuance of a new license.

Condition:

Through our testwork over the Health and Safety requirements, we noted that during part of 2017, controls needed to be strengthened to ensure the required annual calendar year unannounced site visits are performed. We selected 65 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the 2016 calendar year, the year audited for site visits as the State's requirement is on a calendar year basis.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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We also noted that five of the 65 providers re-licensing visits were not reviewed by a supervisor.

Three out-of-state providers selected had expired licenses on file. Due diligence was not performed in a timely manner to request renewed licenses from the providers.

Cause:

The cause of the condition found is due to the lack of a schedule and procedures in place to ensure proper annual monitoring is taking place. An available report is underutilized which prioritizes sites that have not received recent visits.

The cause of the lack of supervisorial review is due to the newly implemented controls not being put in place until February 2017.

The cause of the out-of-state provider due diligence relates to the licenses frequently expiring, and a shortage of staff to maintain a status log for these renewals.

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

Whether Sampling Was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-014

Recommendation:

We recommend the Department implement controls over the annual unannounced site visit to ensure providers are meeting the Health and Safety requirements, and annual visits are conducted in accordance with Department policy.

We recommend the Department implement controls to ensure that all re-licensing visits are reviewed by a supervisor prior to license being renewed.

We recommend the Department implement controls to ensure the proper due-diligence is performed over the licensing of out-of-state providers.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Views of Responsible Officials:

RE: Provider annual visits were not performed.

The Department concurs that the 4 provider site visits noted in the condition, were not completed for calendar year 2016; however, all providers reviewed had inspections completed in calendar year 2017.

RE: Controls over re-licensing visits did not operate effectively.

The Department concurs.
The Department has corrected the procedure. In addition there was no findings in this audit for any relicensing reviews that were completed in CY 2017. The Department will continue to implement the controls put in place to ensure that all relicensing inspections receive documented supervisor approval.

RE: Expired Licenses from Out-of-State Providers

The Department concurs and offers the following corrective action plan.
Effective February 21, 2018, the Department has put in place the following procedures to ensure the timely identification of out-of-state providers with expired licenses:
1) The Bureau will run monthly reports on the licensing status of all out-of-state child care providers enrolled in the NH Child Care Scholarship Program;
2) A letter will be generated and mailed to those with licenses that have expired, or are about to expire (i.e., in the next 30 days), notifying them that a current license must be on file with the Bureau. The letter will stipulate that they will have two weeks from the date the letter is received to

(a) submit a copy of a current license (in effect for the upcoming year), or
(b) submit documentation from the state's child care licensing agency that the provider is in good standing and the license is pending. In the latter case, the provider must submit a copy of the license to the Bureau once received.

Anticipated Completion Date:

Completed as stated above.

Contact Person:

Debra Nelson, Administrator, Bureau of Child Development and Head Start Collaboration

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Health and Human Services ***2017-010***
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 the Child Care and Development Fund

Grant Year and Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2015 – 9/30/2016 2016G999004
10/1/2015 – 9/30/2016 2015G999005
10/1/2014 – 9/30/2017 2015G996005
10/1/2013 – 9/30/2016 2014G996005

***Finding*: Cash management - Noncompliance with the Treasury State agreement**

Criteria:

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Subpart A of those regulations requires State recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for Federal programs listed in the Catalog of Federal Domestic Assistance that meet the funding threshold for a major Federal assistance program under the CMIA. Treasury-State Agreements also specify the terms and conditions under which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in subpart B of 31 CFR part 205 (subpart B), which at 31 CFR section 205.33(a) include the requirement for a State to minimize the time between the drawdown of Federal funds and their disbursement for Federal program purposes.

Condition:

The Treasury State Agreement (TSA) effective for fiscal 2017 lists separate funding techniques for each CFDA# included in the child care cluster: CFDA# 93.575 Child Care Development Block grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund. In the TSA, the funding technique for CFDA#93.575 is actual draw-quarterly only; however, the Department also draws funds under this CFDA through the cash management improvement act with a 3 day clearance pattern.

Further, we were provided an incomplete listing of cash draws for the period, noting certain discretionary and mandatory draws were not included in the population. We identified these through our reconciliation of the draw population received to the grant ledgers.

Cause:

The cause of the condition appears to be the lack of a formal process in timely communicating the funding techniques included in the Treasury State Agreement.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Effect:

The effect of the condition is non-compliance with the Treasury-State agreement and potential lost interest to the State.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that the Department review its existing procedures for drawing federal funds to ensure that all cash draw requests are performed timely in accordance with the clearance patterns established within its Treasury State Agreement. Further, we recommend populations provided for audit be reconciled first.

Views of Responsible Officials:

The Department concurs. Beginning in SFY 2019 the 93.575 CFDA number will be updated in the TSA to reflect a technique of average clearance.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Mary Calise, Deputy Chief Financial Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-011***
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 the Child Care Development Fund

Grant Year and Awards:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2015 – 9/30/2016 2016G999004
10/1/2015 – 9/30/2016 2015G999005
10/1/2014 – 9/30/2017 2015G996005
10/1/2013 – 9/30/2016 2014G996005

Finding: Internal controls over eligibility compliance requirements need to be strengthened. Eligibility noncompliance noted.

Criteria:

Lead Agencies must have in place procedures for documenting and verifying eligibility in accordance with the following Federal requirements, as well as the specific eligibility requirements selected by each State/Territory/tribe in its approved Plan. A Lead Agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program.

a. Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services. Lead Agencies may choose to provide services during periods of job search. Tribes may elect to use State or tribal median income (42 USC 9858n(4); 45 CFR sections 98.20(a) and 98.81(b)).
b. States and Territories must establish minimum 12-month eligibility periods before re-determining eligibility of CCDF families, and must consider a child to be eligible between eligibility re-determinations, regardless of (1) changes in income (as long as income does not exceed 85 percent of State median income); or (2) temporary changes in participation in work, training, or education activities. If a parent experiences a non-temporary loss of job, education, or training that affects eligibility, States have the option—but are not required—to terminate assistance prior to the next re-determination (i.e., prior to the end of the minimum 12-month eligibility period). However, if a State exercises this option, the State must provide (prior to terminating the subsidy) a period of continued assistance of at least 3 months to allow parents to engage in job search, resume work, or attend an education or training program as soon as possible. States and Territories must have implemented these eligibility provisions by September 30, 2016 unless the State or Territory requested and received approval for a temporary extension under a waiver (42 USC 9858c(c)(2)(N)).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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c. Because a child meeting eligibility requirements at the most recent eligibility determination or re-determination is considered eligible between re-determinations as described in paragraph b. above, any payment for such a child shall not be considered an error or improper payment due to a change in the family's circumstances (45 CFR sections 98.21(a)(4) and 98.68(c)(2)). There is no Federal requirement for Lead Agencies to recoup CCDF overpayments, except in instances of fraud (45 CFR section 98.68(b)(2)).
d. States and Territories must have procedures to permit enrollment of homeless children (after an initial eligibility determination) while required documentation is obtained. States and Territories must also have a grace period that allows children experiencing homelessness and children in foster care to receive services while providing families a reasonable time to take any necessary action to comply with immunization and health and safety requirements.
e. Lead Agencies must establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services (42 USC 9858c(c)(3)(B)(i); 45 CFR section 98.45(k)). Lead Agencies may exempt families meeting criteria established by the Lead Agency from making copayments and must establish a payment rate schedule for child care providers caring for subsidized children (45 CFR section 98.45).
f. Lead Agencies must, to the extent practicable, implement enrollment and eligibility policies that support the fixed costs of providing child care services by delinking provider reimbursement rates from an eligible child's occasional absences (42 USC 9858c(c)(2)(S)). Lead Agencies are not required to limit authorized child care services strictly based on the work, training, or educational schedule of the parent(s) or the number of hours the parent(s) spend in work, training, or educational activities (45 CFR section 98.21(g)).

Further, in accordance with 2 CFR section 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During our testwork over the Eligibility requirements, we noted controls need to be strengthened to ensure the annual redetermination assessments are performed. We selected 40 beneficiaries for testing and noted one of the recipients did not have an annual benefits redetermination within the year as required.

We also noted for one child, the State was not able to support a child's age, which is used to determine eligibility for the program as well as for determination of the benefits rates.

We noted that one individual received child care benefits while parents/ guardian was unemployed, which does not meet the eligibility requirements. The case worker did not timely close the case when proof of a job search was not provided within a set timeframe.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Cause:

The cause of the condition found is due to the lack of a schedule and procedures in place to ensure proper redetermination is taking place.

The cause of the birth certificate, or otherwise evidence of the child's age, not being on file is due to a lack of controls over the input of a birth date not being required to be supported in the system by appropriate documentation.

The cause of the receipt of benefits when while unemployed, appears to be a weakness in controls over timely closing the file when eligibility requirements were not met.

Effect:

The State of New Hampshire is not in compliance with federal eligibility requirements.

Questioned Costs:

$4,619 based on our sample

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over the annual redeterminations to ensure beneficiaries remain eligible, and annual reviews are conducted.

Views of Responsible Officials:

The Department concurs. Currently the New HEIGHTS system will automatically assign an eligibility date range when the case is either initiated or reopened. In some cases the reopened case may not be eligible for an additional twelve (12) months and will require a manual override to assign the correct expiration date. The DCS Training Unit is working to address these issues and is in the process of scheduling training.

The Department concurs that there was no Birth Certificate on file. However, New HEIGHTS has a cross-match in place with Social Security Administration that verifies citizenship and date of birth automatically. So although there was not a birth certificate in the file at the time of review – the child's age was verified.

The Department concurs regarding the error of one individual receiving child care benefits while parents/ guardian was unemployed, and training issues have been addressed state-wide. On February 14, 2018, a message was sent to the NHEP employment counselors clarifying the policy and training is being

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scheduled. An email was sent to the DCS administrators and supervisors on February 23, 2018 to clarify the policy. The DCS Training Unit is working to address these issues and is in the process of scheduling training.

Anticipated Completion Date:

DCS training May 1, 2018
NHEP training June 30, 2018

Contact Person:

Mark Jewel, Director of Division of Client Services

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S Department of Health and Human Services ***Finding 2017-012***
NH Department of Health and Human Services

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 the Child Care Development Fund

CFDA #93.658 Foster Care-Title IV-E

CFDA #93.659 Adoption IV-E

Grant Year and Award: Various

Finding: Allocated payroll costs not approved or fully supported.

Criteria:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)).

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. In order to ensure 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, we selected a sample of 200 timesheets, comprised of forty (40) employees over five (5) pay periods and noted the following:

A. One (1) timesheet for one (1) employee was not on file or could not be accessed through the payroll system. The employee was unclassified employee and was required to submit a manual timesheet which was not provided. As a result, we could not conclude that the employee's time was properly recorded. Per review of the cost allocation plan, thee employee's paid salary was allocated to the following four (4) major programs audited for the year ended June 30, 2017: Foster Care IV-E,

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Adoption IV-E, Child Support Enforcement, and the Child Care and Development Fund (CCDF) programs.

B. Based upon state policy, unclassified positions are based on a 40 hour work week without delineation between pay codes (ex. Holiday, Regular, Annual, etc.). Six (6) employees selected for test work were unclassified employees (five (5) were unclassified during all pay periods tested and one was unclassified during only one pay period) and each had 75 hours (i.e. 37.5 hour week) per the payroll register. As they are salaried employees, this would not affect the total amount that the employee was paid during the year (RSA 275:43-b). Per review of the cost allocation plan, these six (6) employees had their time allocated to the following four (4) of the major programs audited for the year ended June 30, 2017: Foster Care IV-E, Adoption IV-E, Child Support Enforcement, and the Child Care and Development Fund (CCDF) programs.

C. Based upon state policy, unclassified employees with letter grades FF-PP (direct reports of either the CFO or a division director) must submit paper leave-tracking sheets directly to payroll and do not require a supervisor's signature. This procedure is consistent with the state's policy, however this policy does not consider internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. Four (4) employees selected for test work were employees with letter grades FF-PP who had or should have had (please refer to first bullet point) timesheets submitted directly to payroll. Per review of the cost allocation plan, these four (4) employees had their time allocated to the following four (4) of the major programs audited for the year ended June 30, 2017: Foster Care IV-E, Adoption IV-E, Child Support Enforcement, and the Child Care and Development Fund (CCDF) programs.

Cause:

The cause of the condition found is primarily due to the lack of adherence to the Department's administrative procedures.

Effect:

The potential effect of the conditions found could result in the inaccurate and incomplete payroll costs allocated to the federal programs.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-033

Recommendation:

We recommend the Department review its existing administrative payroll system procedures to process payroll and implement procedures to ensure that a) allocated payroll costs are processed accurately and completely and that b) payroll costs are properly supported and approved.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Views of Responsible Officials:

The Department concurs with the finding. A new policy began on July 1, 2017, in response to finding 2016-033, that requires Letter Grades below FF to submit monthly timecards to their Supervisors for signature. The timecards are sent to Payroll by the 5th of each month. Reminder emails are sent to employees from Payroll if timecards are not received. These e-mails serve as a mechanism to both monitor and enforce department-wide compliance with the policy as enacted.

Anticipated Completion Date:

April 15, 2018

Contact Person:

Elizabeth Hughes, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-013***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Awards:
07/1/2016-9/30/2016 2016G994107
10/1/2016 – 06/30/2017 2017G994107

Finding: Maintenance payment rates are not reviewed annually.

Criteria:

Title IV-E agencies establish payment rates for maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth). The Title IV-E agency's plan approved by The Children's Bureau of the Administration for Children and Families (ACF) must provide for periodic review of payment rates for Foster Care maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program. Additionally, the State Department of Health and Human Services (the Department) is required to periodically review the amounts paid as foster care maintenance payments to assure their continuing appropriateness. (42 USC 671(a)(11).

In accordance with RSA 170-G:4, the Department shall review annually the rates established. This annual review shall consider the effects of the established rates on current costs, quality and availability of services.

Condition:

The Department plan, approved by the ACF, does not provide information related to the required periodic review noted above.

Title IV-E providers are comprised of both in-state and out-of-state providers. The Department does not set rates for out-of-state providers. Within in-state providers there are general foster homes and group homes. During our testwork we noted there are 44 in-state group homes. Of the group homes, 30 of the 44 have board and care rates (effective during the fiscal year 2017) that were established between 2007 and 2010, and unchanged since then. All of the general foster care home rates (effective during the fiscal year 2017) were established in 2011, however, a legislative bill increased the rates by 5% effective July 1, 2017.

During our testwork, we were unable to determine whether the Title IV-E maintenance payments were reviewed in accordance with the federal regulations noted above as documentation was unavailable to substantiate the review.

Cause:

The cause of the condition found is due to the State regulations not allowing the Department to change the rates and hence a review was not formally documented.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect:

The Department is not in compliance with the Federal requirement to review the rates periodically for reasonableness.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-019

Recommendation:

We recommend the Department annually review the rates established in accordance with the federal requirements and in accordance with RSA 170-G:4.

Views of Responsible Officials:

As noted by KPMG the Department's ACF approved plan does not provide procedures or requirements related to the required periodic review.
The Department has been prohibited by language contained in House Bill 2 (HB2), for the last several biennia, from increasing rates.
Consultation with the Division's attorney resulted in Byry Kennedy providing the following:
HB2 the "trailer bill" is statutory law and like any other statute can suspend, limit or repeal existing statutes or rules. In fact there's a Supreme Court case with a holding to that effect, Warburton v. Thomas, 136 N.H. 383 (1992).
Both the SFY 14-15 and SFY 16-17 iterations of HB2 provide that "Notwithstanding any provision of law or administrative rule to the contrary… " provider rates for the respective bienniums "shall be no greater than the rates in effect for the particular service, placement or program…" as of the end of the previous biennium. I think this language effectively trumps the rate setting provisions of RSA 170-G:4. The department has and continues to set rates in accordance with the requirements of HB 2.
Based on the legal opinion the Department does not feel it is in violation of RSA 170-G4.

Anticipated Completion Date:

July 1, 2017

Contact Person:

Mary Calise, Deputy Chief Financial Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-014***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Awards:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: Controls over the eligibility should be strengthened. The Provider application does not inquire of the other States, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years.

Criteria:

A Title IV-E agency must check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent. (42 USC 671(a)(20)(B)

Condition:

During our test work we noted the Foster Care application does not include a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years before licensing. The Department appears to identify the other States the potential provider has lived during the home study visit conducted by resource workers. However, our review of the home study visit's indicated that the other States someone has lived in, is deduced from other information obtained. For example, if a potential foster parent indicates they have owned their home in New Hampshire for the previous 7 years, the resource worker accepts this as proof the potential person has not lived elsewhere during that time. The exclusion of the information from the application may cause the other States the potential provider has lived to be omitted and the required checks in other States to be overlooked during the licensing process.

Cause:

The cause of the condition found is due to the application not including a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years.

Effect:

The Department is not in compliance with the requirement to check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-021

Recommendation:

We recommend the Department include on the application for prospective foster and adoptive parents to identify where he/she has lived in the previous 5 years, and perform background checks also based on this information.

We recommend the Department implement controls to ensure the required background checks are checked or requested in all the other states where any adults have lived in the previous 5 years, prior to issuing a license.

Views of Responsible Officials:

The Department developed an improved foster care application which includes length of residency in the State of New Hampshire and captures specific information on residency to ensure that attempts are made to check prior states of residency if the applicant has not resided in the State of New Hampshire for the past 7 years. If the request is refused by the other state, documentation of the refusal to release their state registry information will be maintained in the licensing file.

Anticipated Completion Date:

The new application was approved on 12/7/2017.

Contact Person:

Rebecca Lorden, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-015***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Awards:
07/1/2016 – 09/30/2016 2016G994107
10/1/2016 – 06/30/2017 2017G994107

Finding: Foster Care participant listing incomplete

Criteria:

Title IV-E maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth) are allowed only if the child is eligible and the provider, whether a foster family home or a child-care institution is licensed by the proper State foster care licensing authority responsible for licensing such homes or child care institutions. (42 USC 671(a)(10) and 672(c)).

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

During our testwork, we were unable to obtain a complete listing of the Foster Care participants. The department provided a listing of Foster Care participants to enable us to make selections to test eligibility. The listing of foster care payments was less than the amount reported on CB-496, Title IV-E Programs Quarterly Financial Report by $100,465. The department was unable to reconcile the difference.

Cause:

The cause of the condition found is due to lack of reconciliation between Bridges and Lawson.

Effect:

The Department was not able to provide a complete listing of foster care participants for audit; thus the $100,465 of costs paid out were not subject to audit.

Questioned Costs:

$50,232 based on a 50% match

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over ensuring the list of foster care participants reconciles to the amounts reported on the CB-496 report.

Views of Responsible Officials:

The Department concurs that the total payment amount on the listing of foster care participants which was given to the KPMG auditors, does not agree with the respective CB-496 total payment amount. It should be noted that the Department could not verify the difference amount of $100,465 which represents approximately a 3% unreconciled variance. However, the Department offers the following corrective action to include all of SFY 2018 related payments:

- When an adjustment is made in Bridges (payments system), a corresponding "transfer of expense" is required to be performed in Lawson (general ledger system) to synchronize the two systems.

- Effective July 1, 2017 (SFY 2018 data) quarterly reconciliations will be accomplished between Bridges and Lawson which will resolve/correct any differences in the two systems and allow for matching totals of payment lists as compared with the respective CB-496 report(s).

Anticipated Completion Date:

March 31, 2018

Contact Person:

Rebecca Lorden, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-016***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Awards:

07/1/2016 – 09/30/2016 2016G994107
10/1/2016 – 06/30/2017 2017G994107

Finding: Invoices from contractors lack sufficient support.

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.

Funds may be expended for training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the agency administering the plan (42 USC 674(a)(3)(A)). All training activities and costs funded under Title IV-E shall be included in the Title IV-E agency's training plan for Title IV-B (45 CFR section 1356.60(b)(2)).

Funds may be expended for short-term training of (1) relative guardians; (2) State/tribe-licensed or State/tribe-approved child welfare agencies providing services to children receiving Title IV-E assistance; (3) child abuse and neglect court personnel; (4) agency, child or parent attorneys; (5) guardians ad litem; and (6) court appointed special advocates (42 USC 674(a)(3)(B), as amended by Section 203 of Pub. L. No. 111-351).

Funds may be expended for short-term training, including associated travel and per diem, of current or prospective foster parents and staff of licensed or approved child-care institutions at the initiation of or during their period of care (45 CFR section 1356.60(b)(1)(ii)).

States must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. States must have written procedures for determining cost allowability and must have effective control over all funds. Uniform Guidance 2 C.F.R. 200.302

Condition:

During our testwork we noted invoices submitted by the training contractors are monthly reports of budget to actual expenditures including classifications of costs such as salaries and wages, conferences, group course, etc. It appears controls over the accuracy and validation of these invoices, includes only a review to ensure the total contract price is not exceeded, even though the contract is on a cost-reimbursement basis based on actual expenditures incurred. The Department does review weekly reports from the contractors, but it is not evident how these reports translate to the costs billed. The controls in place appear to not be at

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

the level of precision required to be able to determine whether the costs were allowable costs under the federal regulations.

Cause:

The cause of the condition found is due to lack of controls over ensuring costs charged to federal programs are accurate and allowable.

Effect:

The State of New Hampshire expended Federal awards for potential unallowable activities.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation:

We recommend the Department require contractors to provide additional support behind the budget to actual monthly expenditure analysis for the Department to more properly make a determination as to whether the costs incurred are allowable under Federal regulations.

Views of Responsible Officials:

The Department concurs in part with the finding as written, because the Department reviews program costs in relationship to the activities performed and periodically questions costs as necessary including requesting detailed supporting documentation. In addition to weekly reporting of activities in this case and weekly meetings which include a review of accomplishments of the contract goals and performance measures such as planned conferences and workshops, activity evaluations, registration activity, attendance, and training activities. The program unit will put in place a control to reflect the review of reports and any detailed supporting documentation requested during the course of the fiscal year consistent with the department wide *Sub-recipient Monitoring* training.

Anticipated Completion Date:

April 2, 2018

Contact Persons:

Heidi Young, Administrator I

Rebecca Lorden, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services	***2017-017***
NH Department of Health and Human Services	
CFDA # 93.667 Social Services Block Grant, Title XX	
Grant Year and Awards:	
10/01/2014 – 09/30/2016 1501NHSOSR	
10/01/2015 – 09/30/2017 1601NHSOSR	
10/01/2016 – 09/30/2018 1701NHSOSR	

Finding: Earmarking

Requirement:

The State shall use all of the amount transferred in from TANF (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)).

Condition:

During the State fiscal year ended June 30, 2017, we noted that the Department transferred approximately $936,937 from TANF to the Social Services Block Grant (SSBG) program for the 2015 grant. The Division of Children Youth and Families (DCYF) uses the transfer TANF funds for payments to subrecipients that provide comprehensive family support services through bi-annual subaward agreements. However, based on our review of the DCYF subaward payments, we noted that the payments made to subrecipients was less than the total transfer which resulted in an excess of TANF funds in the amount of $175,643 which were applied to the other costs of the SSBG programs that were not for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline.

Additionally, during our testwork over the earmarking requirement, we selected 5 of the 8 DCYF subrecipients and haphazardly selected 20 payments made to the DCYF subrecipients. Based on the results of the testwork, we noted that the documentation maintained by DCYF to support the selected 20 payments made to the 6 DCYF subrecipients, was not sufficient to support that the transferred TANF amounts were provided to subrecipients only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as the Department does not have a process in place to monitor the subrecipients.

Cause:

DCYF's policies and procedures do not appear to be properly designed to monitor its subrecipients to ensure funds are only provided for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements. Additionally, the controls do not appear to be precise enough to ensure that the total TANF transfer is used to provide services in accordance with the earmarking requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect

TANF Federal funding may be provided to ineligible children or families under the SSBG earmarking requirements.

Questioned Costs:

$210,755 based on the sample selected and excess TANF transfer

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

Yes 2016-022

Recommendation:

We recommend management strengthen the subrecipient monitoring procedures to help ensure the TANF transfer amounts provide programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements.

Views of Responsible Officials:

The Department Concurs.

The Department will review and make the necessary changes to strengthen its subrecipient monitoring procedures to ensure transferred TANF funds are expended only on allowable purposes. This review will be part of the Department's ongoing comprehensive Uniform Guidance compliance initiative that began in late 2017. Through that initiative, the Department has implemented a standardized policy and procedure for making subrecipient determinations, assessing programmatic and financial risks, and selecting appropriate monitoring activities based on risk. As of March 2018, approximately 250 personnel have been trained on aforementioned policy and procedures.

Person(s) Responsible

Nathan White, Grants Manager
Mary Calise, Deputy Chief Finance Officer

Anticipated Completion Date:

December 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services	***2017-018***
NH Department of Health and Human Services	
CFDA # 93.667 Social Services Block Grant, Title XX	
Grant Year and Awards:	
10/01/2014 – 09/30/2016 1501NHSOSR	
10/01/2015 – 09/30/2017 1601NHSOSR	
10/01/2016 – 09/30/2018 1701NHSOSR	

Finding: Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.

Requirement:

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1);
  (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)).

Condition:

During the State fiscal year ended June 30, 2017, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements in accordance with the Uniform Guidance. While the Department was able to demonstrate that the various Divisions/Bureaus (Division of Children, Youth and Families (DCYF), Bureau of Elderly Adult Services (BEAS), and Bureau of Developmental Services (BDS)) responsible for the financial activities of the grant did perform the required financial monitoring and certain other requirements, we noted that the Department has not implemented procedures to ensure that monitoring of the subrecipient activities is performed in accordance with the Uniform Guidance (UG).

As part of our subrecipient monitoring testwork over the Social Services Block Grant program, we reviewed the subrecipient listings maintained by the OII, DCYF, BEAS, and BDS and we selected a sample of (10) subrecipients and forty (40) payments made to subrecipient during the audit period and noted the following:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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- The Department does not identify subawards to subrecipients and contracts to vendors separately and the SFY 2017 subrecipients were not identified by the Department. We also noted that the determination of subrecipients requiring an UG audit is based on a per contract/subaward basis and as this tracking may be useful for certain monitoring requirements, the process may not accurately account for subrecipients receiving in excess of $750,000 if Federal budgets change during the contract/subaward period. Based on our review of the Federal expenditures, we noted that there appears to be approximately forty-four (44) subrecipients of which six (6) were not identified as a subrecipient by the responsible Divisions/Bureaus. Additionally, one (1) of the subrecipients received in excess of the single audit threshold of $750,000 but did not obtain the required UG audit as the subrecipient was unaware that they received Federal funds in excess of the single audit threshold.

  The Department did not identify the Federal Award Identification Number (FAIN) and did not include the FAIN number in ten (10) of the (10) subawards during the audit period. The Department should include the FAIN number (including applicable year) in which the subaward will be funded.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in ten (10) of the ten (10) subawards during the audit period.

- The Department did not include the name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity in ten (10) of the ten (10) subawards during the audit period.

- The Department did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement for each of the forty (40) subaward payments selected.

- Of the forty (40) subrecipient payments relating to the ten (10) subrecipients selected, we noted that there was no evidence of program level approvals for thirty-four (34) of the subrecipient payments nor was there evidence of a programmatic review to ensure that the underlying support of forty (40) of the subrecipient payments is in compliance with the Federal regulations. The lack of the programmatic monitoring of the DCYF subrecipients resulted in a finding relating to the earmarking requirements.

Further, we noted that the Department did not evaluate each of the ten (10) subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the ten (10) subawards nor has the Department implemented a process to evaluate the subrecipients' risk of noncompliance.

Cause:

The State Department's policies and procedures to monitor subrecipients did not include a review precise enough to detect non-compliance of subrecipients and the current policies and procedures in place the Department is having difficulty meeting the UG requirements.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect:

The possible effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

Not Determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-024

Recommendation:

We recommend management strengthen the subrecipient monitoring procedures to provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations including establishing a process to identify subrecipients and the amount of Federal funds provided in order to create a master subrecipient list based on actual amounts provided and not contracted amounts.

Views of Responsible Officials:

The Department Concurs.

The Department has started to develop a Department-wide procedure to ensure the dollar amount made available under each Federal award and applicable CFDA number are provided to every subrecipient at the time of disbursement. Once this procedure is in place, every subrecipient receiving federal funds from the Department will know the cumulative total amount of federal funds it receives. In the intermediary, the Department will produce reports to identify subrecipients that cumulatively receive more than $750,000 of federal funds in a single fiscal year and inform them of the audit requirements under 2 CFR Part 200, Subpart F.

The Department will review and make the necessary changes to its subrecipient monitoring procedures to ensure:
(1) Vendors are clearly identified as subrecipients in every contract;
(2) Every contract will include the required elements of 2 CFR 200.331(1);
(3) Adequate programmatic monitoring and approval occurs; and

The aforementioned review will be part of the Department's comprehensive Uniform Guidance compliance initiative that began in late 2017. Through the initiative, the Department has implemented a standardized policy and procedure for making subrecipient determinations, assessing programmatic and financial risks, and selecting appropriate monitoring activities based on risk. As of March 2018, Approximately 250 personnel have been trained on aforementioned policy and procedures.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Contact Persons:

Nathan White, Grants Manager
Mary Calise, Deputy Chief Financial Officer

Anticipated Completion Date:

December 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-019***
NH Department of Health and Human Services

CFDA # 93.667 ***Social Services Block Grant, Title XX***

Grant Year and Awards:
10/01/2014 – 09/30/2016 ***1501NHS OSR***
10/01/2015 – 09/30/2017 ***1601NHSOSR***
10/01/2016 – 09/30/2018 ***1701NHSOSR***

Finding*: *Allowable Activities and Costs

Criteria:

Services provided with SSBG funds may include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, family planning services, training and related services, employment services, information, referral, counseling services, the preparation and delivery of meals, health support services, and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts (42 USC 1397a(a)). Uniform definitions for these services are included in Appendix A to 45 CFR part 96 – Uniform Definitions of Services.

Condition:

In State fiscal year ended June 30, 2017, we noted that the Department provided funds to selected Bureau of Elderly and Adult Services (BEAS) subrecipients to provide services to eligible individuals and have established service rates in order to calculate the amounts to be paid to each subrecipient. During our testwork, we noted that the Department does not appear to have a process in place to review and approve the service rate changes to ensure that the correct rates are used for the appropriate service periods.

Additionally, we reviewed a selection of twenty (25) transactions charged to the program relating to direct costs of which (2) related to entries (TE's). The TE's were primarily processed to free up appropriation for unencumbered contracted services allowable through Title XX. However, the TE's were processed by one individual at DHHS with no evidence of formal approval by someone else within the Department. This lack of control causes a segregation of duties issue over allowable costs.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

The Department's policies and procedures does not include a process to review and approve the service rate changes for subawards. Additionally, the Department does not have a formal approval process of TE's by someone else within the Department.

Effect:

The lack of strong policies and procedures relating to the approval of the service rates and TE's may result in inaccurate payment to subrecipients and inaccurate financial reporting.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend management strengthen the review and approval procedures relating to service rates and TE's to help ensure that Federal expenditures are calculated and recorded completely and accurately.

Views of Responsible Officials:

The Department concurs.

The Department will review its TE and Service Rate policies and procedures to determine the appropriate modifications to current practice to assure that Federal expenditures are calculated and recorded appropriately.

Anticipated Completion Date:

July 1, 2018

Contact person:

Mary Calise, Deputy Chief Financial Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-020***
N.H. Department of Health and Human Services

CFDA #93.596, 93.575 Child Care and Development Fund Cluster
CFDA #93.667 Social Services Block Grant

Grant Year and Award:
10/1/2016 – 9/30/2018 2017G996005
10/1/2016 – 9/30/2017 2017G999004
10/1/2015 – 9/30/2018 2016G996005
10/1/2015 – 9/30/2016 2016G999004
10/1/2015 – 9/30/2016 2015G999005
10/1/2014 – 9/30/2017 2015G996005
10/1/2013 – 9/30/2016 2014G996005
10/01/2014 – 09/30/2016 1501NHSOSR
10/01/2015 – 09/30/2017 1601NHSOSR
10/01/2016 – 09/30/2018 1701NHSOSR

Finding: Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the Temporary Assistance for Needy Families program to Social Services Block Grant (SSBG) and Child Care Development Block Grant (CCDF) need to be strengthened

Criteria:

As described in 2 CFR section 200.510, auditees must prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditees financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states the determination of when a federal award is expended must be based on and include CFDA numbers provided in Federal awards/subawards and associated expenditures.

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 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) and Social Services Block Grant (SSBG). 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 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 SEFA SSBG and CCDF federal programs expenditures, we noted the Department of Health and Human Services (the Department) transferred approximately $3.7 million of TANF funds into the CCDF and SSBG program. The Department did not properly report the transferred funds on the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SEFA when it was compiled and incorrectly reported the transferred funds as TANF expenditures instead of CCDF and SSBG expenditures as required by federal regulations, understating CCDF federal expenditures by $2.8 million and SSBG federal expenditures by $.9 million. The understatement of the SSBG federal expenditures originally caused the program to not be considered a Type A program, and possibly not be subject to audit.

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.

Effect:

The effect of the condition found is that total expenditures for the TANF, CCDF and SSBG programs were reported incorrectly on the original SEFA.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

Yes 2015-008

Recommendation:

We recommend that the Department review its existing procedures to prepare the SEFA and implement procedures to ensure that Federal amounts are reported accurately on the SEFA. This will help to ensure programs audited are in compliance with the federal Uniform Guidance regulations.

View of Responsible Officials:

The Department concurs. The Department will review its existing procedures for the preparation of the SEFA to evaluate the effectiveness and efficiency of the process while improving compliance with federal Uniform Guidance regulations. The Department will take the necessary actions to correct any control weaknesses, which may include new controls, strengthening of existing controls, enhance existing policies and procedures and engaging in the necessary staff training.

Anticipated Completion Date:

June 1, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Contact Person:

Hannah Glines, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-021***
N.H. Department of Health and Human Services

CFDA # 93.659 Adoption Assistance—Title IV-E

Grant Year and Awards:
07/1/2016 – 09/30/2016 1601NHADPT
10/1/2016 – 06/30/2017 1701NHADPT

Finding: Adoption savings were inaccurately calculated and the reported adoption savings expended improperly included federally funded expenditures.

Criteria:

The state is required to calculate the adoption savings resulting from the application of differing program eligibility rules (42 USC 673(a)(2)(A)(ii)) to all applicable children for a fiscal year, using a methodology specified by ACF or an alternate methodology proposed by the Title IV-E agency and approved by ACF (42 USC 673(a)(8)(A) as amended by Pub. L. No. 113-183 and Program Instruction ACYF-CB-PI-15-06, dated May 22, 2015). An applicable child is a child for whom an adoption assistance agreement was entered into in fiscal year (FY) 2010 or later and who meets the applicable age requirement (differs over a 9 fiscal year phase-in period beginning in FY 2010), or a child who has been in foster care under the responsibility of the Title IV-E agency for at least 60 consecutive months, or a sibling to either such child if both are to have the same adoption placement (42 USC 673(e)(2) and (e)(3)).

A Title IV-E agency is required to spend an amount equal to any savings (hereafter referred to as "adoption savings") in State expenditures under Title IV-E as a result of applying the differing program eligibility rules to applicable children for a fiscal year for any services that may be provided under Title IV-B or IV-E (42 USC 673(a)(8)).

Adoption savings must be expended for services that may be provided under the Title IV-B or IV-E programs; at least 30 percent of which must be spent on post-adoption services, post- guardianship services and services to support positive permanent outcomes for children at risk of entering foster care. At least two- thirds (2/3) of the 30 percent must be spent on post-adoption and post-guardianship services ((42 USC 673(a)(8)(D)(i) as amended by Pub. L. No. 113-183).

Condition:

During our testwork we noted the following:

The method used by the Department to calculate the adoption savings relies on the amount of gross adoption assistance payments, number of children receiving Title IV-E adoption assistance payments and the number of applicable children. This information is obtained from the quarterly CB-496 reports, however, the reports were found to improperly include children not receiving Title IV-E. Health and Human Services (the Department) reported the total number of children eligible for Title IV-E (1,092) rather than the total number of children receiving IV-E adoption assistance payments (652). Therefore the calculation of adoption savings was calculated incorrect. Adoption savings was calculated to be $31,667, but should have been $49,294.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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The Department reports the amount of the adoption savings spent on allowable services on Part 4 within the CB-496 report. We noted the expenditure reports improperly included federally funded expenditures of $3,203.

Cause:

The cause of the condition found is weakness in internal control over the level of effort compliance requirement.

Effect:

The Department is not in compliance with the level of effort adoption calculation or the adoption savings expenditures federal requirement.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department strengthen its internal controls over ensuring the level of effort compliance requirement is met. Specifically, we recommend the Department recalculate the adoption savings excluding children not receiving Title IV-E funding and exclude federally funded expenditures to include only allowable expenditures. We then recommend the Department resubmit the corrected Part 4 form in the annual CB-496 reports, as needed.

Views of Responsible Officials:

The Department concurs. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure has been enhanced to eliminate the inaccuracies cited. Effective March 31, 2018 and moving forward, the Department does not expect the cited inaccuracies in the future.

Anticipated Completion Date:

March 31, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Contact Person:

Rebecca Lorden, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-022***
N.H. Department of Health and Human Services

CFDA # 93.659 Adoption Assistance—Title IV-E

Grant Year and Awards:
07/1/2016 – 09/30/2016 1601NHADPT
10/1/2016 – 06/30/2017 1701NHADPT

Finding: Report CB-496, Title IV-E Programs Quarterly Financial Report included improper information or missing information.

Criteria:

Title IV-E agencies are required to report current expenditures and information on children assisted for each quarter and estimates of expenditures and children to be assisted for the next quarter on the CB-496, Title IV-E Programs Quarterly Financial Report.

One of the key line items identified is Part 1, Expenditures, Estimates and Caseload Data, columns (A) through (D) (Sections B and D (Adoption Assistance Program). Section B is the financial information. Section D is the caseload data. Section D contains three line items 45-47, each line reports the average monthly number of children assisted for different types of assistance received.

Line 45 reports the number of children receiving Title IV-E adoption assistance payments for whom the costs were reported on Lines 21 and 22 in Section B. Line 46 reports the number of children receiving any adoption assistance payments. Line 47 reports the number of children receiving Title IV-E non-recurring administrative cost payments whose cost was reported on Line 24 in Section B.

Condition:

During our testwork over two of the four reports, we noted the following:

- For both reports tested, on line 45 Health and Human Services (the Department) reported the total number of children eligible for Title IV-E (1,092) rather than the total number of children receiving IV-E adoption assistance payments (652).
- For the report quarter ending June 30, 2017, on line 47 the Department reported one child receiving non-recurring payment but no such recurring payments were reported on line 24 in the financial data section. Based on supporting documentation it appears, three children received non-recurring payments during the quarter.

Cause:

The cause of the condition found is weakness in internal control over the reporting compliance requirement.

Effect:

The Department is not in compliance with the requirements of reporting for the 496 Report.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department implement controls over ensuring the report is submitted accurately and in accordance with Federal regulations.

Views of Responsible Officials:

The Department concurs. The process for completing the CB-496 quarterly report has been analyzed to address the finding cited above. The related procedure has been enhanced to eliminate the inaccuracies cited. Effective March 31, 2018 and moving forward, the Department does not expect the cited inaccuracies in the future.

Anticipated Completion Date:

March 31, 2018

Contact Person:

Rebecca Lorden, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services	***2017-023***
NH Department of Health and Human Services	
CFDA # 93.959 Substance Abuse Block Grant	
Grant Year and Awards:	
10/01/2014 – 09/30/2016 3B08T1010035-15S1	
10/01/2015 – 09/30/2017 3B08T1010035-16S1	
10/01/2016 – 09/30/2018 3B08T1010035-17S1	

Finding: Subrecipient Monitoring

Criteria:

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)).

Condition:

During the State fiscal year ended June 30, 2017, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements in accordance with the Uniform Guidance. While the Department was able to demonstrate financial monitoring and requirements of certain other requirements, we noted that the Department has not fully implemented procedures to ensure that monitoring of the subrecipient activities is performed in accordance with the Uniform Guidance.

As part of our subrecipient monitoring testwork over the Substance Abuse Block Grant program, we reviewed the subrecipient listings maintained by BDS and we selected a sample of 10 subrecipients and 40 payments made to subrecipient during the audit period and noted the following:

- The Department does not identify subawards to subrecipients and contracts to vendors separately and the SFY 2017 subrecipients were not identified by the Department. Additionally, we noted that the

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determination of subrecipients requiring an UG audit is based on a per contract/subaward basis as this tracking may be useful for certain monitoring requirements, the process may not accurately account for subrecipient receiving in excess of $750,000 if Federal budgets change. Based on our review of the Federal expenditures, we noted that there appears to be approximately 52 subrecipients of which 2 were not identified as a subrecipient by the Department and not reviewed to verify that a UG audit should have been performed.

- The Department did not identify the Federal Award Identification Number (FAIN) and did not include the FAIN number in 10 of the 10 subawards during the audit period. The Department should include the FAIN number (including applicable year) in which the subaward will be funded.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in 10 of the 10 subawards during the audit period.

- The Department did not include the name of Federal awarding agency information for awarding official of the Pass-through entity in 10 of the 10 subawards during the audit period.

- The Department did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

- The Department did not monitor the activities of the subrecipients as necessary to ensure that the subaward was used for authorized purposes. While the Department performed reviews of the required financial reports, we noted that there was no evidence of programmatic reviews to ensure that the subrecipient used the subaward for authorized purposes for forty (40) of the subrecipient payments.

Further, we noted that the Department has not implemented a process to evaluate each subrecipient's risk of non-compliance for purposes of determining the appropriate subrecipient monitoring and did not evaluate risk of noncompliance for each of the ten (10) subrecipients selected for testwork.

Cause:

The State Department's policies and procedures are not designed to meet the regulations set forth in the Uniform Guidance and the established controls are not precise enough to detect non-compliance of subrecipients.

Effect:

The effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Repeat Finding:

Yes 2016-054

Recommendation:

We recommend management develop and implement subrecipient monitoring procedures to provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations including establishing a process to identify subrecipients and the amount of Federal funds provided in order to create a master subrecipient list based on actual amounts provided and not contracted amounts.

Views of Responsible Officials:

The Department concurs.

The Department has started to develop a Department-wide procedure to ensure the dollar amount made available under each Federal award and applicable CFDA number are provided to every subrecipient at the time of disbursement. Once this procedure is in place, every subrecipient receiving federal funds from the Department will know the cumulative total amount of federal funds it receives. In the intermediary, the Department will produce reports to identify subrecipients that cumulatively receive more than $750,000 of federal funds in a single fiscal year and inform them of the audit requirements under 2 CFR Part 200, Subpart F.

The Department will review and make the necessary changes to its subrecipient monitoring procedures to ensure:

(1) Vendors are clearly identified as subrecipients in every contract;
(2) Every contract will include the required elements of 2 CFR 200.331(1);
(3) Adequate programmatic monitoring and approval occurs; and

The aforementioned review will be part of the Department's comprehensive Uniform Guidance compliance initiative that began in late 2017. Through the initiative, the Department has implemented a standardized policy and procedure for making subrecipient determinations, assessing programmatic and financial risks, and selecting appropriate monitoring activities based on risk. As of March 2018, approximately 250 personnel have been trained on aforementioned policy and procedures.

Contact Persons:

Laurie Health, BDS Financial Manager
Nathan White, Grants Manager

Anticipated Completion Date:

December 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services	***2017-024***
NH Department of Health and Human Services	
CFDA # 93.959 Substance Abuse Block Grant	
Grant Year and Awards:	
10/01/2014 – 09/30/2016 3B08T1010035-15S1	
10/01/2015 – 09/30/2017 3B08T1010035-16S1	
10/01/2016 – 09/30/2018 3B08T1010035-17S1	

Finding: Level of Effort – Maintenance of Effort

Criteria:

The State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the 2 State fiscal years preceding the fiscal year for which the State is applying for the grant. The "principal agency" is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat SA and related activities. The Secretary may exclude from the aggregate State expenditures funds appropriated to the principal agency for authorized activities which are of a non-recurring nature and for a specific purpose (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and Federal Register, July 6, 2001 (66 FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, "Program Procedures – Availability of Other Program Information").

Condition:

During the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not meet the level of effort - maintenance of effort required for the FFY 2015 grant that was closed during this audit period. Based on our testwork, we noted that the Department does not appear to have implemented a process to monitor the level of effort – maintenance of effort required for the Substance Abuse Block Grant. In order to be in compliance, we noted that the Department was required to expend general funds in the amount of $4,752,751 (average of the 2 State fiscal years preceding the fiscal year for with the State applied, SFY 2014 = $4,843,593 and SFY 2015 = $4,661,908). Additionally, we noted that the Department indicated that $4,403,043 was provided. However, based on our calculation the Department only provided for $4,096,088, a difference of $306,955 from what the State reported as provided. The State received a waiver from the Substance Abuse and Mental Health Services Administration (SAMHSA), who stated the Department materially complied with the statutory and regulatory requirements regarding MOE for SFY 2016; however, included in this letter, was the incorrect amount of State MOE. It is not known whether SAMHSA would have come to the same conclusion with lower MOE expenditures. Actual MOE compared with the requirement was $656,663 under the required maintenance of effort expenditures.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Cause:

The State Department's policies, procedures and controls are not designed to monitor the program expenditures to ensure that the maintenance of effort, general funds, are provided for the applicable grant periods.

Effect:

The effect is non-compliance with the level of effort – maintenance of effort requirements.

Questioned Costs:

$306,955 questioned costs for the difference between the State MOE expenditures the federal waiver was predicated on and actual State MOE expenditures

Repeat Finding:

No

Recommendation:

We recommend management develop and implement procedures, including controls to monitor the program expenditures to ensure that the maintenance of effort requirements.

Views of Responsible Officials:

The Department concurs.

The Department did experience a calculated shortfall of MOE for 2016 as cited above, and as a result was compelled to request a waiver for said shortfall to the Substance Abuse and Mental Health Services Administration (SAMHSA). The result of the waiver request was that SAMHSA made a final determination that the state materially complied with the statutory and regulatory requirements regarding MOE for SFY 2016. This finding was based on a number of relevant factors including the state's reported service levels and the state's future funding assurances.

In consideration of the above recommendation, and the cited error in the MOE calculation, the Department plans to develop and implement new procedures, including controls to monitor the program expenditures to ensure that the maintenance of effort requirements are continuously monitored.

Contact Persons:

Laurie Heath, BDS Financial Manager

Anticipated Completion Date:

October 1, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-025***
N.H. Department of Health and Human Services

CFDA # 93.268 Immunization

Grant Year and Award:
01/01/2013- 12/31/2017 NH23IP000757-04-00
01/01/2013-12/31/2017 NH23IP000757-04-02
01/01/2013-12/31/2017 NH23IP000757-04-04

Finding: Subrecipient Monitoring

- ***Programmatic risk of noncompliance with Federal regulations is not evaluated***
- ***Financial and programmatic monitoring of subrecipient activities was not formalized and needs improvement***
- ***Payments made to subrecipients did not contain the required information and certain required information is not communicated***

Criteria:

2 CFR 200 Subpart D – Post Federal Award Requirements, Subrecipient Monitoring and Management, requires a formal risk assessment for all subrecipients to support the level of monitoring required. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

§200.331 requires pass-through entities to formally evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, as specified below:

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;

2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;

3. Whether the subrecipient has new personnel or new or substantially changed systems; and

4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). Included in this CFR are requirements to communicate federal award

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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information at the time of the award of federal funds to the subrecipient and at the time of disbursement of funds to the subrecipient.

Condition:

The Department of Health and Human Services (the Department) uses sub-recipients to perform programmatic portions of the Immunization program, such as contracting for public health nurse coordinators (PHNCs) and contractors with six public health networks (PHNs) for the purposes of school-based influenza vaccine clinics.

During our review, we noted controls, policies and procedures over subrecipient monitoring need to be formally documented. Further, there appeared to be a lack of established processes over evaluating the subrecipient's risk of noncompliance, and programmatic risk of noncompliance is not formally evaluated.

Request for reimbursement is provided to the Department from the subrecipient through a budget-expenditure template, which includes expenditures such as personnel, supplies, building and consultants. The Department's main control over these amounts is a comparison of the expenditure being requested for reimbursement to the remaining available funds per the local agencies contract. We did not see evidence through financial monitoring, that procedures were performed and controls in place to ensure the expenditures charged to the Department are spent on the contract's objectives.

Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored through programmatic and financial reviews as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. The process to monitor the Public Health Networks could be formalized and improved. Specifically, school based clinics attended by the Department were not formalized nor were the results of the visit including follow up of any issues identified.

At the time of the subaward, the Department did not make the 2 subrecipients tested aware of all of the award information required by 2 CFR section 200.331 (a) specifically not including federal award date, and name of federal awarding agency. Further, payments to subrecipients did not include the required terms such as CFDA#, award name and federal awarding agency, at the time payment is made.

Cause:

The Department needs to continue to increase its awareness of and compliance with the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring Federal regulations may result in subrecipients not complying with terms and conditions of the subaward and achieve performance goals.

Questioned Costs:

Not Determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Repeat Finding:

No

Recommendation:

The Department should ensure its policies and procedures for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient and formalized to meet the federal requirements. Specifically, each subrecipient's risk of noncompliance for purposes of determining the appropriate monitoring related to the subaward needs to be formally documented. We further recommend monitoring of the PHNs needs to be formalized to validate monitoring occurred and document results to allow for formal follow through of any issues identified.

The Department should ensure appropriate financial monitoring of the subrecipients occurs periodically to ensure expenditures requested for reimbursement are accurate, and properly support contract objectives.

Views of Responsible Officials

#1 The Department concurs and in response the Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, *Comprehensive Risk Assessment Tool*, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to subawards.

#2 The Department concurs. The Department asserts that the monitoring activities employed for the Manchester Health Department, the contractor for the public health nurse coordinators, were adequate to meet the risk-based requirements of 2 CFR 200.331(d) as they included:

- Holding quarterly meetings with vendors;
- Reviewing the PEAR database on a monthly basis to assure site visit reviewer compliance with VFC site visit processes;
- Conducting provider site visits per the Center for Disease Control and Prevention (CDC) guidelines and written DHHS procedures;
- Maintaining written corrective action plan procedures for vendor non-compliance;
- Reviewing and analyzing billing invoices; and
- Maintaining regular and ongoing communication relative to program performance and purchasing large items.

However, the Department recognizes the need to formalize monitoring activities for the Public Health Networks as well, and is currently engaged in policy revision and training in this regard.

#3 The Department concurs and in response the Department has commenced a problem resolution effort designed at properly documenting payments as required by 2 CFR § 200.331(xi) as it relates to disbursements of Federal Awards.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Anticipated Completion Dates:

Risk Assessment Policy and Procedure – Completed February 2018.

Contract Monitoring Policy and Procedure – Target date of November 2018.

Disbursement documentation – Target Date of October 1, 2018

Contact Persons:

Colleen Haggerty, Supervisor VII

Nathan White, Grants Manager

PJ Nadeau, Administrator III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Health and Human Services ***2017-026***
NH Department of Health and Human Services

CFDA #93.268 Immunization

Grant Year and Award:

01/01/2013- 12/31/2017 NH23IP000757-04-00
01/01/2013-12/31/2017 NH23IP000757-04-02
01/01/2013-12/31/2017 NH23IP000757-04-04

Finding: A Form 170 used to transfer an employee within Health and Human Services does not appear to have been processed timely or monitored

Criteria:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)

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. Payroll costs are allocated to multiple programs or one program when employees work 100% of their time on one program. When employees terminate from Health and Human Services, or transfer within the Department, a Form 170, DHHS-Human Resource Change Form is completed to appropriately and timely transfer the employee's payroll and benefit costs to the correct appropriation code, including job number. The form is signed by an appointing authority and the department's financial manager. This form is then sent to DHHS- Human Resources for processing.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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During our audit over the reporting compliance requirement, we determined the Form 170 for a certain employee who worked in Immunization for approximately 5 months, never got processed. The employee's time was continually charged to the program she transferred from. The Form 170 not being processed was only identified when the employee transferred out of the department 5 months later.

The financial manager made appropriate adjustments to the required reporting, when identified. However, we noted there is a lack of controls over the Form 170 process, as there aren't any checks and balances to ensure that Form 170's submitted are processed correctly and timely within the Immunization program. Further, there appears to be a weakness in controls at DHHS- Human Resources over ensuring all Form 170's are processed timely.

Cause:

The cause of the condition found is primarily due to the lack of controls over Form 170's at the program and human resource department level.

Effect:

The potential effect of the condition found could result in payroll costs being charged to the incorrect Federal program and not being detected.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that the Department review its existing Form 170 procedures to ensure Form 170's are processed timely and accurately. This will help to ensure payroll costs are supported and charged to the correct federal program.

Views of Responsible Officials:

The Department concurs with the finding. The Form 170 was not properly processed as key financial information was omitted.

As recommended the Department has developed the following procedure to strengthen controls of the position transfer process:

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Position Transfer

Background:
Periodically the Department may transfer positions between selected organizations. The process flow below identifies the initiator typically the receiving organization, Human Resources (HR) the processing organization, and finally the sending organization from which the position is transferred out of.

Position Transfer Process:

1) *Initiator/Receiving organization completes the Form 170 and forwards to HR for processing and notifies the Sending organization of this action.*

2) *HR will determine if the submitted Form 170 is adequately filled out and authorized. If for any reason the document cannot be processed by HR it will be returned for correction and resubmission.*

3) *If HR determines that the submitted Form 170 is properly completed and authorized, it is then processed. Processing should be completed before the effective date of the transfer. At least two (2) weeks entry time for HR is recommended.*

4) *In the event that processing will be delayed HR must notify both the Initiator/Receiving and Sending organizations. HR will double check that the 170 information submitted by the finance manager has been updated correctly in the system.*

Anticipated Completion Date:

July 1, 2018

Contact Persons:

PJ Nadeau, Administrator III

Mary Calise, Deputy Chief Finance Officer

Marilyn Doe, Administrator IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of the Interior ***2017-027***
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: 10/1/2012 – 9/30/2017 F13AF00169; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

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

Criteria:

Per 200 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, 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 Uniform Guidance Compliance Supplement states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, risk assessment, 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."

Per 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

Condition:

The Fish and Game Department (the Department) does not have formal subrecipient monitoring procedures in place.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

During our audit, we noted the following deficiencies related to subrecipient monitoring:

- The Department does not have a formal policy or practice in place regarding conducting subrecipient risk assessment prior to entering into a subrecipient agreement.

- The Department does not have formal policy or practice in place either to determine whether invoices submitted to the Department for reimbursement have been paid by the subrecipient or to ensure that subrecipients minimize the time elapsing between transfer of Federal Funds and the disbursement of such funds for program purposes by the subrecipient.

- For 1 of 2 subrecipient contracts subject to testwork, there was no site visit. While both contracts related to the same overall entity, the project was hosted in a different college/department. Therefore, the project was subject to a different control environment and handled by different personnel from the monitored project.

- The Department did not maintain a Uniform Guidance single audit report of the one subrecipient, and as a result, does not have documentation of any necessary 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, such as a checklist or spreadsheet validating that all requirements were reviewed and met.

- Current configuration of Microsoft Access database used for tracking contracts makes tracking and tallying subrecipient awards challenging, as subrecipients are not separately identified.

Cause:

The Department lacks effective formal monitoring controls and documentation over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

Effect:

The Department's lack of effective monitoring controls over the subrecipient activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department did not effectively formalize the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster which resulted in noncompliance with the subrecipient monitoring requirements

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Repeat Finding:

Yes 2016-038

Recommendation:

The Department should institute formal effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts, status of associated monitoring elements, and a formal risk assessment. Also a formal review and follow up of annual subrecipient single audit reports and applicable findings, should be performed and maintained on file 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.

Views of Responsible Officials:

We concur with the finding. The Department does preform elements of sub-recipient monitoring and along with routine review of invoices and required performance reports maintains close project involvement throughout the performance of sub-awards to ensure program objectives are met. We continue to work to better document monitoring, but concur that overall monitoring controls and documentation must still be improved to fully comply with 2 CFR 200. We will finish written procedures for improved processes to include a formal risk assessment of subrecipients, as well as better tracking and documentation of contracts and required monitoring elements. The sub-recipient monitoring procedures will be formalized in a completed grants policy and procedures manual.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of the Interior ***2017-028***
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:

10/1/2012 – 9/30/2017 F13AF00169; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

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

Criteria:

As described in 2 CFR section 200.510, auditees must prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.

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.

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

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FOR THE YEAR ENDED JUNE 30, 2017

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-039

Recommendation:

We recommend that the Department implement the New Hampshire First grants module, part of the State's accounting system of record to better track Federal expenditures.

Views of Responsible Officials:

As per our response to this finding in the prior audit, we did meet with DAS prior to June 30, 2017. We continue to have ongoing discussions regarding both of our desires to move forward with the implementation of the NH First Grants module. This will be an ongoing process, taking 1-2 years to fully implement.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2019

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of the Interior ***2017-029***

NH Department of Fish and Game
NH Department of Administrative Services

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; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

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:

Equipment Inventory

During our testwork, we noted there were inventory count sheets not completed during the annual inventory count. Additionally, it was noted the Fish and Game Department (the Department) does not have a tracking mechanism that easily and accurately allows for reporting of locations that has not fully completed and/or returned their inventory count sheets. For nine selections out of twenty-six, the item was not counted along with the other items at the related location. For 12 out of 26 discrepancies or items not counted in the inventory selected for testwork, there was no documentation of appropriate follow up action at the time of the inventory or prior to our audit. For another test, it was observed for two selections out of twenty-two, the item was not in the location specified in the inventory database, but instead loaned to a different location.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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No location specific tracking sheets were maintained on file to account for these equipment loans outside of the database.

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 or double counted.

We also noted that for seven selections out of twenty-two, there was no maintenance of the barcode on the inventory items. These items have had their barcode wear off, and there was no secondary unique identifier.

Equipment Disposals

During our testwork, we noted that five out of fifteen disposed equipment selections were processed in the new surplus module of NH First. Due to system limitations, the approval of the declaration of surplus property was not maintained and available to be viewed and verified. We also noted one selection was listed in the surplus module as "rejection"; however, there was no indication in the comment box as to why the item would have been rejected by the system and no documentation of follow up on the rejection of this surplus item. While this issue did not lead to questioned costs, it does point to control deficiencies over inventory management.

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.

The Department's controls need to be strengthened to ensure that equipment has gone through the entire surplus process and was accepted in the NH First surplus module as intended.

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 that equipment has maintained a barcode or primary identifier that is affixed to the equipment.

Management review controls over the approval and acceptance of surplus inventory items are not in place.

Questioned Costs:

None

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Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Equipment Inventory Yes 2016-040

Equipment Disposals No

Recommendation:

We recommend the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements and loaned equipment, maintaining an inventory count by division, and resolving inventory discrepancies identified, if any, in order to ensure compliance. Additionally, we recommend the Department take steps to ensure all equipment is adequately safeguarded and maintained, allowing for the proper maintenance of primary identifiers affixed to equipment.

We recommend the Department institute effective controls over the surplus process, such that a reconciliation be performed between the Department's disposed equipment and the NHFirst surplus system.

Views of Responsible Officials:

NH Department of Fish and Game

Based on the last two prior audits, the department has made tremendous improvements to our inventory controls. We have instituted a column in our inventory count sheets to indicate the current condition of the item of equipment. We have also implemented a 'floor to sheet" procedure using an access database printout of our inventory. Each division is provided their respective list and for any items not listed but discovered during the taking of inventory, they are to be put on their list. However, it is impossible to conduct the department's entire inventory count in one day, this fact will never change.

As far as the surplus process, this is a new procedure instituted by DAS and is all electronic. We will work with our current staff and DAS to determine if in fact there are available reports to conduct a monthly reconciliation of surplus items.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Views of Responsible Officials:

NH Department of Administrative Services

The Department of Administrative Services (DAS) concurs. The DAS will collaborate with the Department of Fish and Game to develop and provide the necessary reporting to enable the Department of Fish and Game to reconcile surplus equipment to NH First.

Contact Person:

Steve Giovinelli; Federal Grants and Cost Allocation Administrator

Anticipated Completion Date:

September 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of the Interior ***2017-030***
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; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

Finding: Inadequate controls over suspension and debarment requirements

Criteria:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include 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 pass-through entity (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.

Condition:

During our testwork, we noted for two out of three selections tested, contracts did not contain a signed Suspension and Debarment Certification, meaning all reviewing departments that signed off on the contract (Fish & Game, 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 the contract.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect:

Ineffective controls over Procurement, Suspension and Debarment requirements that led to noncompliance.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should strengthen controls over ensuring a signed vendor Suspension & Debarment Certification is in place prior to authorizing a contract.

Views of Responsible Officials:

We concur with the finding. The Department is revising its contract routing checklist and will include measures to ensure that all federally supported contracts that equal or exceed $25,000 contain a provision for compliance with 2 CFR section 180 as well as a specific certification clause to which vendors attest by entering and signing a contract.

Contact Person:

Randy Curtis, Federal Aid Administrator

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of the Interior ***Finding 2017-031***
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:

10/1/2012 – 9/30/2017 F13AF00169; 7/1/2016 – 6/30/2017 F16AF00861; 7/1/2015 – 6/30/2017 F15AF00777; 7/1/2016 – 6/30/2017 F16AF00770; 7/1/2016 – 6/30/2017 F16AF00860; 1/4/2016 – 12/31/2017 F16AF00163; 2/21/2013 – 6/30/2018 F13AF00340; 12/1/2015 – 6/30/2018 F16AF00092; 4/1/2015 – 12/31/2016 F15AF00275; 7/1/2016 – 6/30/2017 F16AF00947; 7/1/2016 – 6/30/2017 F16AF0085; 7/1/2016 – 6/30/2017 F16AF00949; 7/1/2016 – 6/30/2017 F16AF00923; 7/1/2016 – 6/30/2017 F16AF00854; 8/15/2013 – 12/31/2018 F13AF01123; 9/1/2014 – 8/31/2019 F14AF01270; 1/1/2016 – 12/31/2017 F16AF00115; 7/1/2016 – 6/30/2017 F16AF00921; 7/1/2016 – 6/30/2017 F16AF00859; 7/1/2016 – 6/30/2017 F16AF00924; 7/1/2016 – 6/30/2017 F16AF00944; 7/1/2015 – 6/30/2017 F15AF00921; 7/1/2016 – 6/30/2017 F16AF00769

Finding: Incorrect benefit hours amount were used in the indirect cost calculations

Criteria:

2 CFR part 200, subpart E, and Appendices III-VII establish 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 our five selections, the benefit hours used in the calculation of the Federal benefit hourly rate were greater than actual, which resulted in a lower cost charged to the federal government. While this issue did not lead to questioned costs, it does point to a control deficiency over 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.

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FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

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.

Views of Responsible Officials:

We do concur with the finding that in one instance an incorrect benefit hours rate was used. The process to review/update benefit hours rates occurs at the end of the fiscal year, with the exception of a newly hired employee or if we receive notification from our Human Resources section of an employee change related to benefit hours rate, (37.5 hr. week vs. 40 hr. week).

We will implement a review of the year-end benefit hours rate entries by either the Federal Aid Accountant or the Supervisor to all for double checking the preparer's entries for accuracy. We will implement this for the current fiscal year, 2018.

Contact Person:

Kathy LaBonte, Administrator III

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Labor ***2017-032***
N.H. Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2014	***UI-26409-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27919-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***
2017	***UI-29856-17-55-A-33***
2017	***UI-29911-17-55-A-33***
2017	***UI-30232-1760-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), 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 completely agree to all sections of the reports tested or underlying data contained errors due to the reporting function of the NH Unemployment Insurance System (NHUIS) not working properly for these reports As a result, we were

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

unable to obtain reasonable assurance these two reports were accurate and complete. The report type containing errors is described below.

- 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 2017.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-041

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.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Views of Responsible Officials:

New Hampshire has been provided a grant (UI-27919-15-55-A33) through the Department of Labor to fund the rewrite of our federal Reports to improve accuracy and data validation. Reports 9050, 9051, 5159, 586, and 218 have been completed and launched in production in January of this year. Currently in development are the 5130, 9054, 9055 and the **227**. All reports are expected to be complete and in production as of June 30, 2018. Prior to June 30, 2018, data contained in the 227 report will remain unreliable.

Contact Person:

Michael Burke, Director of Unemployment Compensation Bureau

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Labor	***2017-033***
NH Department of Employment Security	
CFDA #17.225 Unemployment Insurance	
Grant Year and Award:	
2014	***UI-26409-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27919-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***
2017	***UI-29856-17-55-A-33***
2017	***UI-29911-17-55-A-33***
2017	***UI-30232-1760-A-33***

Finding: Noncompliance with claimants being registered for work in the "Job Match System," without a current resume

Criteria:

Federal law (20 CFR 604.5 (h) Work search), provides that States may require an individual to be actively seeking work to be considered available for work, or States may impose a separate requirement that the individual must actively seek work to be eligible for unemployment insurance benefits.

New Hampshire RSA 282-A:31 Benefit Eligibility Conditions. I, states: "An unemployed individual shall be eligible to receive benefits with respect to any week only if the commissioner finds that: …(f) He or she has participated in reemployment services when so directed by the commissioner unless he or she has completed such services or has good cause for failure to participate in such services." According to New Hampshire Employment Security Department personnel the participation in reemployment services include the proper registration by the claimant in the New Hampshire Job Match System, including having an update resume on file.

Further, the New Hampshire Employment Security Department's Administrative Rule EMP 501.01(c) states:

" Beginning with the third week of continued unemployment from the initial claim effective date, an individual shall be considered to have an active work registration if the individual:
(1) Resides in New Hampshire or resides outside of New Hampshire but within 25 miles of a New Hampshire employment security office and is registered on the New Hampshire department of employment security job match system; or
(2) Resides both outside of New Hampshire and outside of 25 miles of a New Hampshire employment security office and is registered for work at an office designated for the purpose of work registration, with the approval of the state where the individual resides."

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Administrative Rule EMP 501.01(e) states:

"(e) Each individual required to register on the New Hampshire department of employment security job match system shall supply the individual's:
(1) User name;
(2) Password;
(3) Security question;
(4) First name;
(5) Last name;
(6) Address;
(7) Zip code;
(8) County;
(9) Country;
(10) Phone number;
(11) Birth date;
(12) Gender;
(13) Highest level of education achieved;
(14) Social Security number;
(15) Updated information relative to current enrollment in school;
(16) Citizenship status;
(17) Current employment status;
(18) Type of business worked in;
(19) Updated information relative to current work search activity;
(20) Updated information relative to whether the individual is receiving unemployment insurance benefits;
(21) Work history;
(22) Job skills;
(23) Type of work being sought;
(24) Preferred minimum and maximum number of hours to work a week; and
(25) Updated virtual recruiter and updated resume."

Each claimant that receives unemployment compensation benefits from NHES is required to search for work in the week in which they are filing for benefits as well as be registered in the New Hampshire Job Match System with an updated resume.

Condition:

During our audit of the Unemployment Insurance Program, we tested 40 claimants to ensure they met the Eligibility conditions to receive unemployment compensation benefits. We noted there were five (5) claimants whose resume were not up to date in the Job Match System, either having expired or not having been provided in the Job Match System during Fiscal Year 2017.

Cause:

The Department lacks effective procedures to detect when claimants have not completed their proper registration, or when a claimant's registration has expired, in the Job Match System while receiving unemployment compensation benefits.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Effect:

The Department is not ensuring claimants' compliance with participating in reemployment services, including proper registration in the State of New Hampshire's Job Match System, and as a result jobs for claimants may not be found in a timely manner.

Questioned Costs:

$1,589 (5 claimants weekly benefit pay)

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-042

Recommendation:

The Department should institute effective procedures to ensure proper claimant registrations are completed in the New Hampshire Job Match System during the period of claimant unemployment, including having an updated resume on file.

Views of Responsible Officials:

The latest version of the Labor Exchange system was implemented in January 2018. Additional tweaks were required and the Agency is working with the vendor to test and rollout the latest version of REST for the transfer of information from NHUIS to JMS.

During the review of these cases, an issue was identified in JMS. JMS was no longer sending the Resume Expiration Message 15 days prior to the resume expiring. We are working with the vendor to reinstall this function.

Claimants are advised more than once on JMS about updating their resume and NHES monitors the registration information transfer. Staff receive a list of claimants weekly that are receiving unemployment benefits. They have been instructed to review the report weekly, verify that the work registration is active and current, and to reach out to any claimant that needs to update their registration. We will continue to remind staff of this requirement.

NHES also receives the interface error report daily and monitors errors. Errors will be sent to the local offices with instructions to contact the claimant and advise them to register or update their registration and follow-up to ensure the claimant did as instructed.

A spot check monitoring will be established in the Operations unit to assist in verifying that registrations are complete.

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Contact Person:

Pamela Szacik, Director of Employment Services Bureau

Anticipated Completion Date:

June 30, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Labor ***2017-034***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2014	***UI-26409-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27919-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***
2017	***UI-29856-17-55-A-33***
2017	***UI-29911-17-55-A-33***
2017	***UI-30232-1760-A-33***

Finding: Claimants Should Be Notified Of Their Right to Appeal Benefit Overpayment Determinations

Criteria:

According to Employment Security's ET Handbook No. 301, 5th Edition:
"The Federal Claim Determination Standard (CFR 602) and the ES Manual (Part V, Sections 6010-6015) require that the claimant must be given information with respect to his/her appeal rights. It follows then that the same appeals information must be provided to an employer who is deemed an interested party to the determination."

RSA 282-A:165 further states:
"III. No such overpayment shall exist unless a determination has been made by the commissioner or an authorized representative setting forth the facts causing the creation of the overpayment and notice of such determination has been sent to the claimant who may appeal in the manner set forth in RSA 282-A:42-68. Such determination shall be made within 2 years of the weeks affected thereby and shall include notice of the compromise process under RSA 282-A:29."

Condition:

During our audit of the Unemployment Insurance Program, we tested 40 benefit overpayments to ensure the State identified the basis for the overpayment consistent with its written procedures. We found that the claimant was not notified of their right to appeal an overpayment determination, as required by Federal and State law, in three of the 40 overpayment determinations tested.

Cause:

For two of the identified overpayments, it was found that the claimant was not notified of the right to appeal due to human error on the part of the adjudicator responsible for entering the overpayment into the New Hampshire Unemployment Insurance System (NHUIS). In these cases, the adjudicators failed to properly

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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"Deny" earnings issues within NHUIS, causing the system to not issue Determination of Eligibility documents, which would include notice of the right to appeal.

The third overpayment where the claimant was not notified of their right to appeal was the result of a glitch within NHUIS specific to School Employees. The system adjudicated the issue and automatically attached the overpayment determination to a monetary decision, rather than issuing a separate Determination of Eligibility.

Effect:

The Department is not in compliance with Federal law requiring consistency with State procedures and State law which requires claimant notification of their right to appeal overpayment determinations.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be and, was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should ensure employees are properly trained and aware of the requirements to properly adjudicate an overpayment determination. The Department should further ensure that any system issues that could cause the Department to be in noncompliance with Federal or State law are researched and resolved timely.

Views of Responsible Officials:

Earnings Issues - Staff have been reissued instruction on the correct processing of these issues. In addition, those staff responsible for the errors have been provided one on one instruction.

School Employee Issues – staff have been reissued the business process for these type issues – which includes the necessity to request a manual overpayment decision. We are also investigating an improvement to our benefits payment system to correctly issue over payment decisions or in the alternative present a validation message to the staff to remind them to request the manual decision should their actions result in a possible overpayment.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Anticipated Completion Date:

Additional Training along with a reissue of business process has been provided to staff.

System changes are expected to be completed no later than September 30, 2018.

Contact Person:

Michael Burke, Director of Unemployment Compensation Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Transportation ***2017-035***
NH Department of Transportation

CFDA #20.205 Highway Planning and Construction
CFDA #20.219 Recreational Trails Program
CFDA #20.224 Federal Lands Access Program

Grant Year and Award:
7/1/2016 – 6/30/2017 Various

Finding: Verification check not performed for Suspension and Debarment and no suspension and debarment certification signed by subrecipient.

Criteria:

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.

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).

Condition:

During our audit, we noted that the Department of Transportation (the Department) did not verify whether or not its subrecipients were debarred, or suspended, before entering into a covered transaction, as there was no Suspension and Debarment Certification signed by the subrecipient included in the contract, nor was the Excluded Parties List system checked.

During our testwork of 13 subrecipients, we noted none of the municipal agreements between the Department and the subrecipient included a suspension and debarment certification. Audit testing revealed that the subrecipient was not suspended or debarred.

This noncompliance issue only relates to subrecipients, not contractors, as the Department was not aware of the requirement to test subrecipients to ensure they weren't suspended or debarred or otherwise excluded from entering into the transaction.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

The Department was not aware of the federal Suspension and Debarment requirement for subrecipients.

Effect:

Noncompliance with Suspension and Debarment requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be and, was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should develop and institute policies and procedures to ensure a signed vendor Suspension and Debarment Certification is in place or the excluded parties listing is reviewed prior to entering a covered transaction with subrecipients.

Views of Responsible Officials:

The Department has policies and procedures in place for subrecipient monitoring. These procedures will be updated to ensure a signed vendor Suspension and Debarment Certification is in place or the excluded parties listing is reviewed prior to entering a covered transaction with subrecipients.

Contact Person:

William Watson Jr, Administrator
Bureau of Planning & Community Assistance

Anticipated Completion Date:

May 1, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Transportation ***2017-036***
NH Department of Transportation

CFDA #20.205 Highway Planning and Construction
CFDA #20.219 Recreational Trails Program
CFDA #20.224 Federal Lands Access Program

Grant Year and Award:
7/1/2016 – 6/30/2017 Various

Finding: Noncompliance with certain components of the subrecipient monitoring requirements.

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,***
2. ***Municipal agreements did not contain all of the required CFR 200.331 documentation. Examples include: DUNS number, end dates of the award, federal awarding agency, provision to allow access to records, and CFDA# and award name at the time of each disbursement.***

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1) The sub-recipient's prior experience with the same or similar sub-awards;
2) The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3) Whether the sub-recipient has new personnel or new or substantially changed systems; and
4) The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). Included in this CFR are requirements to include award information at the time of subaward and at the time of disbursement of funds to the subrecipient.

Condition:

The Department of Transportation (the Department) uses subrecipients to perform programmatic portions of the Federal Highway Planning program. During our review, we noted there were a lack of controls and no formal policies and procedures over evaluating a subrecipient's risk of non-compliance with federal requirements. Further, no evaluations were performed on the 13 subrecipients tested.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Federal regulations require every subaward clearly identifies to the subrecipient a subaward that includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications. Required information includes: (1) Federal Award Identification. (i) Subrecipient name (which must match registered name in DUNS); (ii) Subrecipient's DUNS number; (iii) Federal Award Identification Number (FAIN); Federal Award Date; (v) Subaward Period of Performance Start and End Date; (vi) Amount of Federal Funds Obligated by this action; (vii) Total Amount of Federal Funds Obligated to the subrecipient; (viii) Total Amount of the Federal Award; (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA); (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official; (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement; (xii) Identification of whether the award is R&D; and (xiii) Indirect cost rate for the Federal award.

During our review, we noted that the Department did not communicate to the subrecipient the DUNS number, end dates of the award, provision to allow access to records, and the CFDA # and award names at the time of each disbursement.

Cause:

The Department was unfamiliar with the subaward communication requirements and the Uniform Guidance required risk assessments.

Effect:

Noncompliance with the Subrecipient Monitoring federal regulations.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor and communicating all necessary federal award information to the subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Views of Responsible Officials:

The Department has policies and procedures in place for subrecipient monitoring. These procedures will be updated to ensure a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor and communicating all necessary federal award information to the subrecipient.

Contact Person:

William Watson Jr, Administrator
Bureau of Planning & Community Assistance

Anticipated Completion Date:

July 1, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Education ***2017-037***
NH Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2016-9/30/2017 H126A170042

Finding: Semi-annual certification supporting salaries and wages was missing.

Criteria:

Per department policy, employees who work solely on a single cost objective are to complete a semi-annual certification to certify they have worked solely on activities that support the cost objective.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

We noted that for one of the 40 employees selected for payroll testwork, the employee's salary and wages were not supported by a semi-annual certification.

Cause:

Although the department has a process in place to ensure employees sign their semi-annual certifications, one individual refused to sign any documents upon termination. As such, the employee did not complete a certification, which results in non-compliance.

Effect:

The State is not in compliance with the time certification standards established by the program which could result in a misreporting of allowable costs.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-045

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Recommendation:

We recommend that management enhance current policies to ensure certifications are completed prior to leaving the department or documentation is maintained providing support the certification was requested to be signed prior to the employees leaving.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

The NHDOE will instruct appropriate employees to include the employee certification as a comment on their bi-weekly electronic timesheet. The current supervisor certification will also be included on the electronic timesheet when the employee's timesheet is electronically approved by their supervisor. By obtaining the certification bi-weekly and linking it to the employee's timesheet approval, the risks associated with potential questioned costs will be reduced significantly. The NHDOE will prepare a written procedure to be distributed to employee's that are required to complete either certification.

Anticipated Completion Date:

July 1, 2018

Contact Persons:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S Department of Education	***2017-038***
N.H. Department of Education	
CFDA #84.126 Vocational Rehabilitation	
Grant Year and Award:	
10/1/2015-9/30/2016 H126A160042	
10/1/2016-9/30/2017 H126A170042	

Finding: Control Weaknesses Over and Noncompliance with Documentation of Personnel Expenses

Criteria:

States must ensure that charges to Federal awards for salaries are based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The records must also support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award. While budget estimates may be used for interim accounting purposes in certain circumstances, they do not qualify as the sole support for charges to Federal awards (2 CFR 200.430(i)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

During our testing of allowable costs associated with payroll charges, we noted that for one of our 40 sample selections the employee worked on more than one Federal award. The charges to the Vocational Rehabilitation (VR) program were based on reported time worked on the program, and supported only by a semi-annual signed interdepartmental communication memo and tracking spreadsheet. However, we found this control to be insufficient as the memo and summarized tracking spreadsheet are reviewed only semi-annually versus each pay period to ensure an accurate allocation of hours at the time of timekeeping resulting in noncompliance with the federal standards for documentation of personnel expenses.

Cause:

Weaknesses in internal control in providing reasonable assurance that the time charged to the program is accurate, allowable, and properly allocated.

Effect:

Inadequate review of allocated time among more than one Federal award increases the risk of noncompliance with 2 CFR 200.430(i) standards for documentation of personnel expenses.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs:

$44,004

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that management enhance its current policies and procedures to include a timelier and detailed review of the hours worked and charged to the VR program.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

The current semi-annual review of the signed interdepartmental communication memo and tracking spreadsheet will be changed to a monthly frequency. This improvement in internal control over documentation of personnel expenses will provide reasonable assurance that the time charged to each program is accurate, allowable and properly allocated. NHDOE will develop a written policy outlining the monthly review process to be distributed to appropriate employees.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S Department of Education ***2017-039***
NH Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2016-9/30/2017 H126A170042

Finding: Maintenance of Effort was not reached for FFY17

Criteria:

Level of Effort – *Maintenance of Effort*
The amount otherwise payable to a State for a fiscal year shall be reduced by the amount by which expenditures from non-Federal sources under the vocational rehabilitation (VR) services portion of the Unified or Combined State Plan for any previous fiscal year are less than the total of such expenditures for the fiscal year 2 years prior to that previous fiscal year. For example, for fiscal year 2014, a State's maintenance of effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 2012 (29 USC 731(a)(2)(B)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

During our testing to ensure expenditure levels were maintained, we noted that the State did not meet the maintenance of effort for the VR program by $547,374.

Cause:

The cause of the condition appears to be related to the State not receiving approval of requested State funds.

Effect:

The State is not in compliance with the maintenance of effort levels established for the VR awards within the compliance supplement.

Questioned Costs:

$547,374

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Repeat Finding:

No

Recommendation:

We recommend that management enhance current policies to monitor the MOE requirement during the year and adhere to the grant award terms.

Views of Responsible Officials:

Although the New Hampshire Department of Education (NHDOE) concurs with the above finding, the fact that the maintenance of effort (MOE) was not reached for FFY17 was anticipated due to a failure to receive requested additional State funds as described below.

During the budgeting process for State FY18 and FY19 the NHDOE requested approximately $800,000 in additional State funds to meet predicted MOE requirements (which includes the three month overlap of FFY17). This request was not approved at the legislative level. Following denial of the request, NHDOE calculated that it would also fall short of meeting MOE requirements by approximately $530,000 for FFY18 and $245,000 for FFY19. Thereafter, NHDOE would be back in a financial position to meet forward looking MOE levels for the grant under existing State-supported funding levels. As such, although the denial of NHDOE's request for funds to meet MOE requirements was beyond NHDOE's control, NHDOE is managing, and actively adjusting this program and has an established plan for moving forward with the intent of meeting MOE requirements in 2020.

Anticipated Completion Date:

FFY 2020 when MOE is anticipated to be met

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S Department of Education	***2017-040***
N.H. Department of Education	
CFDA #84.126 Vocational Rehabilitation	
Grant Year and Award:	
10/1/2015-9/30/2016 H126A160042	
10/1/2016-9/30/2017 H126A170042	

Finding: SF-425 Report completed and submitted was incorrect

Criteria:

The U.S. Department of Education requires its recipients of the State Vocational Rehabilitation (VR) Services program awards to file a semi–annual SF-425 Federal Financial Report (SF-425 Report). These reports include amounts expended and unliquidated obligations to date, and are required to be based on information contained in the recipient's financial records.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

During our testing of both SF-425 Reports required to be filed in fiscal year 2017, we noted a "Base" amount of indirect expenses was entered incorrectly for the report through March 31, 2017. This input error resulted in an indirect expense calculated difference of $185,300 when comparing the Federal share indirect expenditures reported in the SF-425 ($588,379) and the expenditures for the award reported in the State's general ledger ($403,079).

Cause:

The condition above appears to be the result of the ineffective design and execution of policies and procedures related to the preparation and submission of Federal reports required to be submitted for the VR awards.

Effect:

The State is not in compliance with the reports required to be submitted for the VR award.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend that management enhance current policies to ensure reports agree to the supporting schedules before submission.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

The NHDOE has obtained Policy Directive RSA-PD-15-06 entitled Instructions for completing the Federal Financial Report (SF-425) for the State Supported Employment Services program from the United States Department of Education. This policy outlines, in detail, how to complete the SF-425 Report. The NHDOE will add this policy to the existing Vocational Rehabilitation Financial Manual. Additionally, a companion policy will be written to explain how to use the instructions to ensure information is properly input into the SF-425 Report.

Anticipated Completion Date:

July 1, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S Department of Education	***2017-041***
NH Department of Education	
CFDA #84.126 Vocational Rehabilitation	
Grant Year and Award:	
10/1/2015-9/30/2016 H126A160042	
10/1/2016-9/30/2017 H126A170042	

Finding: Individual Plans for Employment - Special test completion guidelines were not followed.

Criteria:

The State Vocational Rehabilitation (VR) Agency has a special provision as it pertains to the completion of Individual Plans for Employment (IPE). When an IPE is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (29 USC 722(b)(3)(F))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

IPEs for five of the 40 selections tested were not completed within the 90 day period after eligibility was determined. For four selections, extensions were granted to extend the period of time an IPE needs to be completed by. However, the forms to extend this date were only signed by the counselor and not the individual being provided VR services. For one selection, no extension was made and the IPE was not completed within 90 days.

Cause:

An extension agreement was not signed by both parties, as is required, due to an apparent oversight during the IPE completion process for the five selections tested.

Effect:

The State is not in compliance with the guideline which require an extension agreement in the event that a client is unable to complete an IPE for greater than 90 days, and completion of the IPE may not exceed the 90 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, 2017

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-044

Recommendation:

We recommend that the VR program administrators establish controls and procedures to better monitor a customer's IPE completion status. This oversight should aim to more frequently identify and correct these instances of non-compliance and identify a customer's IPE completion period is coming close to reaching 90 days. If an extension is sought, both the counselor and the individual provided VR services should be required to sign the request.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

As part of corrective action plan efforts for the prior year audit finding (2016-044) the NHDOE provided seven training sessions for existing employees which included clear requirements for improving the tracking of a client's Individual Plans for Employment (IPE). All counseling staff and all regional office supervisors attended one of the trainings. Additionally, this training component has been added to new employee orientation. These support efforts were designed to educate the employees on the program completion and extension requirements and reduce the potential for future errors.

It should be noted that all of the five selections that were found to be non-compliant were dated prior to the completion of the above-described training program. As such, it will not be clear if the non-compliance issue has been resolved until IPEs completed after the training have been tested. In the interim additional improvements will be implemented by Vocational Rehabilitation (VR) staff. These improvements will include directing VR staff to proactively obtain a customer's IPE extension approval signature by traveling to their place of residence or other convenient location as needed and inclusion of customer signature compliance as part of the on-going internal VR case review process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

It will be necessary to update training materials and existing policies and procedures to include these monitoring improvements. The updates will be completed by VR staff.

Anticipated Completion Date:

July 1, 2018

Contact Persons:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Lisa Hinson-Hatz
Department of Education
Vocational Rehabilitation State Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Education ***2017-042***
N.H. Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies (LEA)

Grant Year and Award:
07/01/2015-9/30/2016 S010A150029
07/01/2016-9/30/2017 S010A160029

Finding: Lack of policy to ensure LEA's implement Assessment System Security measures

Criteria:

States, in consultation with LEAs, are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, SEAs must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Section 1111(b)(3)(C)(iii) of the ESEA (20 USC 6311(b)(3)(C)(iii))).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

The State of New Hampshire Department of Education (NHDOE) has policies in place to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards however, the NHDOE does not have policies in place to ensure that the LEAs implement those test security measures. During our audit, we reviewed and noted the following:

- The NHDOE offers a training to LEA principal and school district leaders through an online webinar, however attendance is not tracked to determine the risk of noncompliance as a result of LEAs not attending recent training sessions.
- There were no monitoring on-site visits, or follow-ups, to ensure policies were being properly executed by the LEAs.
- Assurance forms were provided to LEAs to sign, confirming they conformed to the NHDOE's test security measures, however, these forms were not reviewed or retained by the NHDOE.

Cause:

This appears to be the result of a lack of formal procedures to monitor, review and track LEA compliance with the NHDOE's assessment system security policies and procedures.

Effect:

Unable to ensure that LEAs implemented the NHDOE's policies and procedures over test security.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the NHDOE enhance its policies and procedures to include proper controls over tracking, review and follow-up, and retention of each LEA's compliance with the NHDOE's policies over test security.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

To ensure that assessment system test security policies and procedures are being implemented at the local level, beginning with the 2017-2018 school year, the New Hampshire Department of Education (NHDOE) is requiring all local school principals and local district test coordinators to complete and return to the NHDOE the New Hampshire Statewide Assessment System Test Security Assurances. Receipt of the Assurances will be logged, tracked and stored by the NHDOE Assessment Bureau.

Beginning in the 2018-2019 school year the NHDOE plans to require an on-demand test security webinar to be completed by local school principals and local district test coordinators, and that assurances to be submitted electronically through a third-party vendor, before districts are able to assign student assessments. Evidence of the completion of the webinar and the submittal of the assurances will be logged and stored electronically by the third party vendor and be made available to NHDOE. Policies and procedures relative to these planned processes are currently being developed by the Assessment Bureau staff.

Lastly, the NHDOE will conduct unannounced visits to schools on their scheduled days for State-wide Assessment System (SAS) testing. Districts are required to submit their testing schedules with their NH SAS Security Assurances plan so this will allow NHDOE to efficiently plan to visit as many sites across the state as possible during the testing window.

Although several written policies and procedures for the activities described above are currently in place, some of the documents need to be updated to reflect the role of the third party vendor. These updates will be completed by NHDOE Assessment Bureau staff.

Anticipated Completion Date:

July 1, 2019

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Julie Couch
Department of Education
Administrator of State Assessments

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Education ***2017-043***
N.H. Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.027; 84.173 Special Education Cluster
CFDA #84.367 Improving Teacher Quality

Grant Year and Award: Various

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

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The sub-recipient's prior experience with the same or similar sub-awards;
2. The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3. Whether the sub-recipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). The State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;

- follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on-site reviews and other means.

States must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds. State accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. States must have written procedures for determining cost allowability and must have effective control over all funds.
Uniform Guidance 2 C.F.R. 200.302.

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

Based on our testwork, it was noted there were no controls over evaluating the subrecipient's risk of non-compliance, and the New Hampshire Department of Education (NHDOE) did not perform a formal evaluation of each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring to be performed.

Additionally, Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. However, during the course of our testwork NHDOE confirmed that it relies primarily on the budget review phase of the subaward application process to ensure that subrecipients do not make unallowable expenditures. NHDOE staff verified that, aside from reviewing any proposed budget amendments during the grant period, NHDOE does not have an established post-award process to identify potential unallowable subrecipient expenditures.

Further, while the NHDOE has policies in place over subrecipient audit requirements, we noted the below during our testwork:

Title I, Special Education Cluster and Improving Teacher Quality:

- The NHDOE does not have a standard process for ensuring subrecipients have fully implemented planned or required corrective actions;
- The NHDOE did not maintain a Uniform Guidance single audit report for two subrecipient samples out of a sample of 12 tested, and as a result, does not have documentation that a review was performed or of any necessary follow-up on any potential findings.

Title I:

- A checklist or other documentation, validating during the award monitoring procedures performed and whether requirements were met did not exist for two subrecipient samples out of a sample of 9 tested.

Cause:

The Department's lack of awareness of and compliance with all of the subrecipient monitoring requirements included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring federal regulations.

Questioned Costs:

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. The Department then needs to design and implement controls to ensure any noncompliance with the regulations would be detected or prevented.

Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor; and improving during the award financial and programmatic monitoring, including performing site visits, in accordance with the Department's procedures.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

This finding is consistent with the finding of the USDOE in August 2017. In response to that finding, a Federal Compliance Administrator (FCA) position was created and a person hired on January 5, 2018 within NHDOE to address this deficiency. The FCA is currently developing both a subrecipient risk assessment program and a related subrecipient fiscal monitoring program. Once the risk assessment and fiscal monitoring programs are implemented, the need for additional resources to meet the requirements of the Uniform Guidance will be evaluated.

The FCA is reviewing and documenting each existing function undertaken by the staff currently responsible for subrecipient monitoring. These functions include single audit tracking and review, subrecipient general assurances, and corrective action follow-up among others. The intent of this review is to identify areas of inherent weakness and strengthen and enhance these areas where necessary to better meet the requirements of the Uniform Guidance.

The FCA will also work directly with the all federal programs that have to assist them in developing internal controls and implementing a monitoring program to assure that the subrecipient complies with the terms and conditions of the subaward and achieves performance goals (program level monitoring).

The NHDOE's auditing program will monitor the activities of the subrecipient; will ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. The NHDOE's monitoring of the subrecipients will include:

(1) Reviewing financial and performance reports required by the pass-through entity.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Subrecipients with audit findings, management comments and/or internal control recommendations pertaining to the Federal award provided to the subrecipient from the pass-through entity shall be determined deficient by the NHDOE. The NHDOE determination of deficient status will include at least one of the following: **(a)** Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance; **(b)** Wholly or partly suspend or terminate the Federal award; **(c)** Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency); **(d)** Withhold further Federal awards for the project or program; and/or **(e)** Take other remedies that may be legally available.

Anticipated Completion Date:

January 1, 2019

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Agriculture ***2017-044***
N.H. Department of Administrative Services

CFDA# 10.553 School Breakfast Program (SBP)
CFDA# 10.555 National School Lunch Program (NSLP)
CFDA# 10.556 Special Milk Program for Children (SMP)
CFDA# 10.559 Summer Food Service Program for Children (SFSP)

Grant Year and Award:
10/01/2015-9/30/2016 Various
10/01/2016-9/30/2017 Various

Finding: Accountability for USDA-Donated Foods

Criteria:

Maintenance of Records

Distributing and sub-distributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

Physical Inventory

Distributing and sub-distributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

The system utilized for inventory record retention overwrites daily, thus creating a documentation issue when trying to reconcile inventory. In addition the department failed to properly document any and all adjustments that were made to inventory at the year-end inventory count and throughout the year.

During our audit, we noted the department failed to keep proper records indicating quantity held before the count was initialed and after the count was performed. The auditor could not reconcile to ending inventory post count. Lastly, the audit team was not provided with any documentation over adjustments made to the system.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Cause:

This appears to be the result of a lack of a formal procedures for review and approval of inventory adjustments and overall inadequate tracking of inventory.

Effect:

Unable to reconcile physical inventory with inventory records.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the State should enhance its policies and procedures to include the review of inventory adjustments and to ensure inventory is properly recorded and documented when the count is executed.

Views of Responsible Officials:

We concur. Completing physical inventory requires zero movement in regards to the product in the warehouse as well as the production of orders, pick sheets, uploads etc. within the NH First system. It is advantageous to not complete a cycle count during the middle of a distribution period, as there are products in transit as well as picks that have already been stacked on pallets for upcoming deliveries. This does present a challenge as it means that all production must come to a complete stop for the duration of inventory. Accordingly, the Department has drafted multiple policy documents to improve inventory accuracy and increase control and accountability. These policy documents include;

- Preparing for Inventory
- Physical Inventory Procedure
- Damaged Inventory Adjustment Report
- Inventory Adjustment Form

It is Surplus Distributions' goal to conduct cycle counts during the recipient agencies (schools) vacation time frames as well as during the summer at which time the effectiveness of the improved policies and procedures will be evaluated.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Anticipated Completion Date:

September 30, 2018

Contact Person:

Steve Giovinelli
Department of Administrative Services
Federal Grants and Cost Allocation Administrator

Katie Daley
Federal Surplus Manager

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Department of Agriculture ***2017-045***
N.H. Department of Administrative Services

CFDA# 10.553 School Breakfast Program (SBP)
CFDA# 10.555 National School Lunch Program (NSLP)
CFDA# 10.556 Special Milk Program for Children (SMP)
CFDA# 10.559 Summer Food Service Program for Children (SFSP)

Grant Year and Award:
10/01/2015-9/30/2016 Various
10/01/2016-9/30/2017 Various

Finding: Special Reporting: FNS-10 Report of School Program Operations & FNS-418 Report of the Summer Food Program for Children did not agree to supporting documentation

Criteria:

State Agency Special Reporting – To receive funds for the Child Nutrition Cluster programs, a State agency administering one or more of these programs compiles the data gathered on its subrecipients' claims for reimbursement into monthly reports to its FNS regional office. Such reports present the number of meals, by category and type, served by SFAs or sponsors under the State agency's oversight during the report period.

FNS-10, *Report of School Program Operations (OMB No. 0584-0594)* – This report captures meals served under the NSLP and SBP, and half-pints of milk served under the SMP (7 CFR sections 210.5(d), 210.8, 215.10, 215.11, 220.11, and 220.13).

FNS-418, *Report of the Summer Food Service Program for Children (OMB No. 0584-0594)* – This report documents the number of meals served under the SFSP by sponsors under the State agency's oversight. Unlike the FNS-10, which is submitted year round, the FNS-418 is filed only for the months when the program is in operation (7 CFR sections 225.8(b) and 225.9(d)(5)).

Additionally, 2 CFR 200.303 indicates that non-Federal entities receiving Federal awards must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:

Based on our testing, we noted the below differences between the reports submitted and the supporting documentation provided by the State:

FNS-10 *Report of School Program Operations*

For one of the three monthly FNS-10 reports selected for testwork, we noted the total lunch served for the National Lunch Program was overstated by 330 meals (1,476,102 meals served per report vs. 1,475,772 per support).

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FNS-418, *Report of the Summer Food Service Program for Children*

For both FN-418 reports selected for testwork, we noted differences between the meals served that were ultimately reported and the meals served per supporting documentation. For July 2016, the State underreported meals served by 3,249 (181,746 meals served per report vs. 184,995 per support). For August 2016, the State unreported meals served by 781 (75,070 per report vs. 75,851 per support).

Cause:

This appears to be the result of the ineffective design of policies and procedures related to the preparation of both the FNS-10 and FNS-418 Reports.

Effect:

The State is not in compliance with the reports required to be submitted for the Child Nutrition Cluster.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation*:*

The State should enhance its policies and procedures over the preparation of the required reports to ensure the accuracy of the meals severed and compliance of the requests.

Views of Responsible Officials:

The New Hampshire Department of Education (NHDOE) concurs with the above-referenced finding.

NHDOE will develop appropriate file management policies and procedures such that the supporting data file, and other information used to populate each corresponding FNS-10 and FSN-418 Report will be retained. This will allow for proper retention of the supporting documentation of the underlying data for the purposes of being able to reconcile to the submitted Reports.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Anticipated Completion Date:

July 1, 2018

Contact Person:

Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Cheri White, MS, SNS
Bureau of Nutrition Programs and Services Administrator
Department of Education

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Environmental Protection Agency ***2017-046***
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:

2013	***CS-33000113 (CWSRF), FS-99115013 (DWSRF)***
2014	***CS-33000114 (CWSRF), FS-99115014 (DWSRF)***
2015	***CS-33000115 (CWSRF), FS-99115015 (DWSRF)***
2016	***FS-99115016 (DWSRF)***

Finding: Subrecipient monitoring requirements should be implemented

Criteria:

In accordance with 2 CFR **§ 200.331 (a),** all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- Federal award identification
- Subrecipient's name (which must match registered name in DUNS)
- Subrecipient's DUNS number
- Federal Award Identification Number (FAIN)
- Federal Award Date
- Subaward Period of Performance Start and End Date
- Amount of Federal Funds Obligated by this action
- Total Amount of Federal Funds Obligated to the subrecipient
- Total Amount of the Federal Award
- Federal award project description
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official
- CFDA Number and Name
- Identification of whether the award is R&D
- Indirect cost rate for the Federal award
- Requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award

In accordance with 2 CFR § 200.331 (b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Condition:

The CWSRF and DWSRF programs did not provide all required information to the subrecipients pursuant to 2 CFR **§ 200.331 (a)** during fiscal year 2017. Of the 15 listed items required to be identified to subrecipients, only four items of information were provided to subrecipients (Federal award identification; subrecipient name; CFDA number and name; and requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award).

The DWSRF and CWSRF programs established a formal documented risk assessment policy and procedure to determine the appropriate subrecipient monitoring. However, the policy and procedures were developed in fiscal year 2018 and, thus, were not in place and thereby not followed during the fiscal year 2017 period under audit.

Cause:

The CWSRF and DWSRF programs were not fully aware of the federal requirements to provide Federal award information to the subrecipients.

The CWSRF and DWSRF programs did not develop a formal documented subrecipient monitoring risk assessment policy and procedures until fiscal year 2018.

Effect:

The CWSRF and DWSRF programs were not in compliance with the requirement to provide Federal award information to the subrecipients during fiscal year 2017.

DES was not in compliance with the requirement to formally and effectively evaluate each subrecipient's risk of noncompliance with subrecipient monitoring requirements for fiscal year 2017.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-050

Recommendation:

DES should take steps to ensure that all required Federal award information is provided to subrecipients in accordance with Federal regulations.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

DES should implement its formal risk assessment policies and procedures to evaluate each subrecipient's risk of noncompliance with the subrecipient monitoring compliance requirements and adjust monitoring procedures if necessary.

Views of Responsible Officials:

Based on EPA official policies and definition of sub-awards, loans from both SRF programs to its borrowers are not considered subawards as it relates to the definition of federal financial assistance at 2 CFR§ 200.40 and therefore are exempt from the requirements 2 CFR § 200.331 (a) and (b) noted in the finding. We recognize that there appears to be a conflict between what the 2017 Single Audit Compliance Supplement states and what EPA official policy statements say. NHDES will work with EPA to resolve this issue. NHDES will continue its implementation of risk assessment procedures.

Anticipated Completion Date:

December 31, 2018

Contact Persons:

CWSRF: Tracy Wood, Administrator, DES Wastewater Engineering Bureau
DWSRF: Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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U.S. Environmental Protection Agency		***2017-047***
NH Department of Environmental Services		
CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)		
CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)		
Grant Year and Award:		
2013	***CS330001-13 (CWSRF),***	***FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF),***	***FS991150-14 (DWSRF)***
2015	***CS330001-15 (CWSRF),***	***FS991150-15 (DWSRF)***
2016	***FS991150-15 (DWSRF)***	

Finding: Controls over the Matching and Earmarking Requirements for the DWSRF and CWSRF Programs Should Continue to be Documented

Criteria:

In accordance with 40 CFR section 35.3550 (g), a State must agree to deposit into the Fund an amount from State monies that equals at least 20 percent of each capitalization grant payment. A State must deposit the match into the Fund on or before the date that a State receives each payment from a capitalization grant.

The State match percentage is applied per dollar of Federal funds. The maximum Federal portion would be 83.3%.

Effective controls must be maintained for all set-asides under the DWSRF and CWSRF program. Set-aside expenditures must be actively monitored to ensure compliance with allotment percentages earmarked for set-aside activities authorized in federal grant agreements and 40 CFR §35.3535 (b) through (e).

Condition:

The control established by DES to ensure the accuracy of State match calculations was not properly evidenced as operating for most of fiscal year 2017. The SRF accounting office implemented a documented review and approval control in the loan disbursement process during the 4th quarter of the fiscal year.

The controls established by DES to ensure the maximum percentage allotments for each set-aside have not been exceeded, were not properly evidenced as operating for most of fiscal year 2017. The CWSRF and DWSRF maintain reports that document the cumulative expenditures and allotted set-aside amounts but did not have documentation to evidence that the reports were used to track the earmarking requirements prior to each drawdown that occurred during the first 3 quarters of fiscal year 2017. In April of 2017, the SRF accounting office implemented a review and approval control in the federal drawdown documentation for administrative costs to document their review of available balances prior to performing federal drawdowns.

In addition, the CWSRF uses a spreadsheet as a control for tracking the additional subsidy (principal forgiveness) and green infrastructure earmarking requirements. Management review and approval of the spreadsheet is not evidenced by the CWSRF.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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Cause:

DES did not have a preventative control in place over the matching compliance requirement for most of the fiscal year. DES did not appear to have a documented control over the earmarking compliance requirements for most of the fiscal year.

Effect:

Neither the CWSRF nor the DWSRF had effective controls in place over the Matching and Earmarking requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-051

Recommendation:

DES should continue to document controls over the matching compliance requirements at the time of disbursement by documenting management's review and approval of match calculations for each loan disbursement. DES should continue to document controls over the monitoring of set-aside earmarking requirements. Management review and approval of the additional subsidy and green infrastructure spreadsheet should be documented by the CWSRF.

Views of Responsible Officials:

DES has effective controls in place over matching and earmarking. DES will continue to document the review and approval prior to each loan disbursement for matching and prior to each drawdown of set-aside funds for earmarking. CWSRF will continue to review and approve the additional subsidy and green infrastructure spreadsheet and will include documentation of the review and approval.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Anticipated Completion Date:

December 31, 2018

Contact Persons:

CWSRF: Tracy Wood, Administrator, DES Wastewater Engineering Bureau
DWSRF: Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Environmental Protection Agency	***2017-048***
NH Department of Environmental Services	
CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF)	
Grant Year and Award:	
2014 CS330001-14 (CWSRF)	

Finding: Noncompliance with Setting of Principal and Interest Repayment Due Dates for the CWSRF Program

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 § 35.3120 (a)(1)(ii)).

Condition:

During testing of CWSRF loan repayments, we noted that, for 1 of 5 sample selections tested, the CWSRF program set the first repayment due date of principal and interest to be repaid more than one year after project completion. The repayment due date was set for 177 days after one year from project completion.

Cause:

DES has taken numerous corrective actions making revisions to written policies, procedures, and administrative rules; processing Supplemental Loan Agreements (SLA) after final disbursement in advance of first repayment, amending scheduled completion dates prior to expiration, and no longer amending scheduled completion dates in the SLAs; establishing project tracking spreadsheets to ensure scheduled project completion dates do not lapse; establishing/amending final disbursement and closeout checklists; and improving communications between Program staff, Project Managers, and the SRF Accounting office regarding project status. However, it is noted there is a delay in full compliance as some loans were finalized during the interim period before the new procedures were fully implemented.

Effect:

DES was not in compliance with the special test and provisions requirement for one loan that was finalized during the interim period before the new procedures were fully implemented.

Questioned Costs:

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes 2016-053

Recommendation:

DES should continue in its efforts to implement improved practices and increase efficiencies in processing Supplemental Loan Agreements to ensure that the federal requirements over the setting of principal and interest repayment due dates for the CWSRF program are met.

Views of Responsible Officials:

In response to a fiscal year 2015 audit finding, DES revised procedures over loan repayments and increased the timeliness of processing Supplemental Loan Agreements. The project identified during the fiscal year 2017 audit involved unanticipated complications that led to a delay in project completion. In this instance, the borrower identified a problem that needed corrective action after "substantial completion" date. Because this correction included additional disbursements from the loan, DES delayed putting the loan into repayment status until the problem was corrected and final disbursements were made. The final disbursement and Supplemental Loan Agreement were processed and the initial repayment was scheduled and received by December 31, 2016, which was a delay of approximately six months.

DES will continue to implement improved practices in processing Supplemental Loan Agreements.

Contact Person:

CWSRF: Tracy Wood, Administrator, DES Wastewater Engineering Bureau

Anticipated Completion Date:

December 31, 2018

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

U.S. Department of Education ***2017-049***
N.H. Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.027; 84.173 Special Education Cluster
CFDA #84.367 Improving Teacher Quality

Grant Year and Award: Various

Finding: Certain General Information Technology Controls related to the Grants Management System environment were deemed not to be operating effectively during the period.

Criteria:

Per 200 CFR 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

The State of New Hampshire uses the Department of Education's (DOE) Grants Management System (GMS) for tracking of Federal grants. As a result of testing performed over GMS, we have determined that certain General Information Technology Controls (GITCs) related to the System were ineffective.

A periodic user access recertification for the GMS application and network should be completed on an annual basis. During our review, it was determined that an access recertification was not completed for the GMS application, nor the network.

Backup jobs for the GMS application should be monitored on a daily basis for successful backups and failures should be investigated and resolved in a timely manner. During the review, it was determined that evidence of backups was not retained for the audit period and we were unable to determine if monitoring was completed.

Cause:

With regards to periodic review of user access rights, lack of a periodic review of users for the GMS application and related infrastructure can result in individuals having inappropriate access rights, increasing the risk that segregation of duties controls will be ineffective and that secure access to sensitive data and/or transactions may be compromised.

With regards to daily backup jobs, lack of monitoring backup jobs for the GMS application and related infrastructure can result in failed jobs not being investigated and resolved in a timely manner, increasing the risk of losing key financial data.

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Effect:

Inappropriate access to application functions and capabilities increase the risk that segregation of duties control will be ineffective and that secure access to sensitive data and/or transactions will be compromised leading to increased opportunity for error or fraud.

Inappropriate monitoring controls over backups increase the risk that if backups fail and are left not remediated, the inability to restore data completely and accurately in the case of a disaster could lead to an increased risk of error in the financial statements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

Management should reinforce policies and procedures necessary to ensure a periodic user recertification process for the application and related infrastructure is completed during the fiscal year.

Management should maintain backup logs for the audit period.

Views of Responsible Officials:

The following includes the New Hampshire Department of Education (NH DOE) and New Hampshire Department of Information Technology's (NH DoIT) response to the findings above which include:

1. *A periodic user access recertification for the GMS application and network should be completed on an annual basis.*
2. *Backup jobs for the GMS application should be monitored on a daily basis for successful backups and failures should be investigated and resolved in a timely manner.*

The New Hampshire Department of Education (NH DOE) will formalize a procedure for periodic user access recertification for the Grants Management System (GMS) application and network. This procedure will be completed and approved no later than February 16, 2018 and will ensure proper establishment and maintenance of internal controls.
Items in the procedure will include:

- Purpose of periodic review and recertification of user access to the GMS;
- Timeline of tasks required to ensure compliance with periodic review and recertification;
- Documentation required to evidence the review conducted and action(s) taken;
- Legal references related to the requirements; and

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

- Partnership details between NH DOE and the Department of Information Technology to ensure cross agency agreements on responsibilities for internal network controls.

Database backups are completed through a scheduled job than runs on a nightly basis. Monitoring of database backup jobs was modified, effective January 9, 2018, to send email notifications of the jobs success/failure. The email notification is automatically sent using DB Mail to the NH DOE DBA group and the IT Leader. Additionally, a job alert was created on January 9, 2018, to send a separate email notification, in the event that the backup job failed in any way. The DBA group and the IT Leader are the recipients of the alert notification.

Anticipated Completion Date:

February 2018

Contact Person:

Chris Hensel, IT Manager

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SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-005	*Multiple*	84.126 10.557 93.069 93.268 93.563 93.575 93.596 93.658 93.667 93.758 93.889 93.959 12.400 12.401 17.225 15.605 15.611	Ineffective general information technology controls related to the NHFIRST Human Resources/Payroll Lawson System	None	*Partially Resolved See G-14 and related finding 2017-002*
2016-006	*Department of Health and Human Services*	93.778 93.575 93.596 93.658	Ineffective general information technology controls related to the New Heights application for the Department of Health and Human Services	None	*Partially Resolved See G-18 and related finding 2017-003*
2016-007	*Department of Health and Human Services*	93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Unresolved, See G-23 and related finding 2017- 006*
2016-008	*Department of Health and Human Services*	93.778	Cash management - noncompliance with the Treasury State agreement	None	*Resolved*
2016-009	*Department of Health and Human Services*	93.778	Lack of formal review over the report of controls at a service organization for Medicaid care management	None	*Resolved*
2016-010	*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*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-011	*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	*Resolved*
2016-012	*Department of Health and Human Services*	10.557	Lack of control over the review of the report used to determine compliance with the special test - authorization of above 50% vendors	None	*Resolved*
2016-013	*Department of Health and Human Services*	10.557	Non-compliance with parts of subrecipient monitoring and cash management requirements	Not determinable	*Partially Resolved See G-26 and related finding 2017-008*
2016-014	*Department of Health and Human Services*	93.575 93.596	Noncompliance with components of the health and safety special test	Not determinable	*Unresolved, See G-29 and related finding 2017-009*
2016-015	*Department of Health and Human Services*	93.575 93.596	No controls over the period of performance requirements, discretionary funds are not obligated by the end of the succeeding fiscal year after award, as is required	$ 693,161	*Resolved Questioned Costs Remain Open*
2016-016	*Department of Health and Human Services*	93.575 93.596	Incentive payments to providers were not approved by the Federal government	$ 792,720	*Resolved Questioned Costs Remain Open*
2016-017	*Department of Health and Human Services*	93.596	Cash drawdowns are not in compliance with the matching requirements for the matching funds	Not determinable	*Resolved*
2016-018	*Department of Health and Human Services*	93.658	In-kind contributions were used to meet the required Federal match. Controls over adjustments to record the match are not operating effectiently	$ 25,093	*Resolved Questioned Costs Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-019	*Department of Health and Human Services*	93.658	Maintenance payment rates are not reviewed annually, and have not been changed for several years. The Title IV-E plan does not document the Federally required perioic review	Not determinable	*Unresolved, See G-35 and related finding 2017-013*
2016-020	*Department of Health and Human Services*	93.658	The age ranges indicated on the foster home licenses are not adhered to, and there are no controls in place to monitor the age ranges identified on the license	Not determinable	*Resolved*
2016-021	*Department of Health and Human Services*	93.658	Controls over eligibity requirement to perform background checks in other state should be strengthened. The Provider applicaion does not inquire of the other State, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years	Not determinable	*Unresolved, See G-38 and related finding 2017-014*
2016-022	*Department of Health and Human Services*	93.667	Noncompliance with earmarking requirements	$ 126,155	*Unresolved, See G-41 and related finding 2017-017*
2016-023	*Department of Health and Human Services*	93.667	Noncompliance with Federal reporting requirements	None	*Resolved*
2016-024	*Department of Health and Human Services*	93.667	Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipient	Not determinable	*Unresolved, See G-43 and related finding 2017-018*
2016-025	*Department of Health and Human Services*	93.069 93.889	The Department should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirement and comply with the MOE requirements	Not determinable	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-026	*Department of Health and Human Services*	93.069 93.889	Noncompliance with components of the subrecipient monitoring and cash management requirements	Not determinable	*Unresolved, See G-46*
2016-027	*Department of Health and Human Services*	93.758	Noncompliance with components of subrecipient monitoring and cash management	Not determinable	*Unresolved, See G-49*
2016-028	*Department of Health and Human Services*	93.758	DHHS should improve its internal controls over and comply with the Maintenance of Effort requirements	$ 82,080	*Resolved Questioned Costs Remain Open*
2016-029	*Department of Health and Human Services*	93.069	Controls need to be strengthened over authorization of costs. Overtime charged to the grant but not approved as required by the grant award	$ 88,200	*Resolved Questioned Costs Under Appeal*
2016-030	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.	$ 60,122	*Unresolved, See G-52*
2016-031	*Department of Health and Human Services*	93.069	The Department should improve its internal controls over and compliance with equipment inventory requirements.	None	*Unresolved, See G-55*
2016-032	*Department of Health and Human Services*	93.069 93.889	DHHS should improve its internal controls over and compliance with reporting of the SF-425 annual report	None	*Resolved*
2016-033	*Department of Health and Human Services*	93.563 93.575 93.596 93.658	Allocated payroll costs not approved or fully supported	None	*Partially Resolved See G-57 and related finding 2017-012*
2016-034	*Department of Health and Human Services*	93.069 93.268 93.758 10.557	Direct payroll costs not approved appropriately or fully supported	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-035	*Department of Safety*	97.036	The Department should improve their internal controls over and compliance with the cash management requirements of the public assistance program	None	*Resolved*
2016-036	*Department of Safety*	97.036	The Department should improve their internal controls over and compliance with Federal subrecipient monitoring requirements	None	*Resolved*
2016-037	*Department of Safety*	97.036	The Department should make a timely and accurate accounting to FEMA of eligible costs of large projects	None	*Resolved*
2016-038	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	None	*Partially Resolved See G-60 and related finding 2017-027*
2016-039	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Partially Resolved See G-63 and related finding 2017-028*
2016-040	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved See G-66 and related finding 2017-029*
2016-041	*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-69 and related finding 2017-032*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-042	*Department of Employment Security*	17.225	Controls over claimants being registered for work in the "Job Match System" need to be strengthened to ensure compliance with State eligiblity requirements	None	*Unresolved, See G-72 and related finding 2017-033*
2106-043	*Department of Employment Security*	17.225	Formal procedures over recalculation of employer experience rates should be established	None	*Resolved*
2016-044	*Department of Education*	84.126	Special test completion guidelines were not followed	None	*Unresolved, See G-75 and related finding 2017-041*
2016-045	*Department of Education*	84.126	Semi-annual certification supporting salaries and wages was missing	None	*Unresolved, See G-78 and related finding 2017-037*
2016-046	*Department of Education*	84.126	Direct program drawdowns not performed in accordance with the Treasury State Agreement	None	*Resolved*
2016-047	*NH Veterans Home*	64.015	Controls over emergency purchases should be improved	None	*Resolved*
2016-048	*Department of Environmental Services*	66.458 66.468	Noncompliance with requirements over period of performance for the DWSRF and CWSRF program	None	*Resolved*
2016-049	*Department of Environmental Services*	66.458 66.468	Noncompliance with the annual and final Federal Financial Report (FFR) SF-425 for the DWSRF and CWSRF programs	None	*Resolved*
2016-050	*Department of Environmental Services*	66.468	Risk assessment for compliance with subrecipient monitoring should be developed	None	*Unresolved, See G-80 and related finding 2017-046*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-051	*Department of Environmental Services*	66.458 66.468	Controls over the matching and earmarking requirements for the DWSRF and CWSRF programs should be strengthened	None	*Unresolved, See G-82 and related finding 2017-047*
2016-052	*Department of Environmental Services*	66.458 66.468	Noncompliance and control failure over monitoring of subrecipient audits for the CWSRF and DWSRF program	None	*Resolved*
2016-053	*Department of Environmental Services*	66.458 66.468	Noncompliance with setting of principal and interest repayment due dates for the CWSRF and DWSRF programs	None	*Partially Resolved See G-85 and related finding 2017-048*
2016-054	*Department of Health and Human Services*	93.959	Noncompliance with components of the subrecipient monitoring requirements	None	*Unresolved, See G-88 and related finding 2017-023*
2016-055	*Department of Health and Human Services*	93.959	Noncompliance with the period of performance and reporting requirements	$ 428,365	*Resolved Questioned Costs Remain Open*
2015-003	*Multiple*	84.126 96.001 10.557 93.069 93.268 93.563 93.658 93.667 12.400 12.401 17.225 15.605 15.611 20.509	Ineffective general information technology controls related to the NHFirst Human Resources/Payroll Lawson System	None	*Partially Resolved See G-91 and related finding 2017-002*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-004	*Department of Health and Human Services*	10.561 93.045 93.053 93.558 93.563 93.575 93.596 93.658 93.667 93.044 10.551 10.557 93.069	Allocated payroll costs not approved or fully supported	$ 5,814	*Partially Resolved See G-94 and related finding 2017-012*
2015-005	*Department of Health and Human Services*	93.667	Payroll costs not approved or fully supported for grant employees	$ 194	*Resolved, Questioned Costs remain open*
2015-006	*Department of Health and Human Services*	93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Unresolved, See G-96 and related finding 2017-006*
2015-008	*Department of Health and Human Services*	93.558 93.596 93.667 93.044 93.045 93.575 93.778	Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) and amounts transferred from the TANF program need to be strengthened	None	*Partially resolved, See G-99 and related finding 2017-020*
2015-009	*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 and missing participants applicable verification records	None	*Resolved*
2015-010	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) should improve its internal controls over and comply with the Earmarking Requirements.	$ 51,520	*Unresolved. See G-102 and related finding 2016-030*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-011	*Department of Health and Human Services*	93.069	The Department should improve its internal controls over and compliance with equipment inventory requirements.	None	*Unresolved. See G-105 and related finding 2016-031*
2015-012	*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	*Resolved*
2015-014	*Department of Health and Human Services*	93.575 93.596	Per review of the provider files, provider visits were not performed within the year, as is the Department's monitoring policy for eligible providers.	Not determinable	*Unresolved. See G-107 and related finding 2017-009*
2015-015	*Department of Safety*	97.036	Treasury- State Agreement (TSA) requirements should be complied with	None	*Resolved*
2015-016	*Department of Safety*	97.036	Controls over subrecipient monitoring procedures should be improved and compliance with Federal requirements achieved.	None	*Resolved*
2015-017	*Department of Safety*	97.036	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.	None	*Resolved*
2015-018	*Department of Fish and Game*	15.605 15.611	Internal controls and compliance over the subrecipient monitoring requirements should be improved	Not determinable	*Partially Resolved See G-109 and related finding 2017-027*
2015-020	*Department of Fish and Game*	15.605 15.611	Inadequate controls over Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved See G-112 and related finding 2017-028*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2015-021	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Unresolved. See G-115 and related finding 2017-029*
2015-025	*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-118 and related finding 2017-032*
2015-027	*Veteran's Home*	64.015	Controls over per diem requests should be improved	$ 6,609	*Resolved, Questioned Costs remain open*
2015-030	*Department of Education*	84.126	Direct program drawdowns not performed in accordance with the Treasury State Agreement	None	*Resolved*
2015-031	*Department of Education*	84.126	Semi-annual certification supporting salaries and wages was missing	Not determinable	*Unresolved, See G-121 and related finding 2017-037*
2015-038	*Department of Resources and Economic Development*	17.258 17.259 17.278	Allocation of payroll charges did not conform to Department policy	$ 194	*Resolved*
2015-043	*Department of Environmental Services*	66.468 66.458	Noncompliance with the annual and final Federal Financial Report (FFR) SF-425	None	*Resolved*
2015-044	*Department of Environmental Services*	66.468	Noncompliance with requirements over Period of Performance for the DWSRF Program	None	*Resolved*
2015-045	*Department of Environmental Services*	66.468 66.458	Noncompliance and control failure over monitoring of subrecipient audits	None	*Resolved*
2015-046	*Department of Environmental Services*	66.468 66.458	Noncompliance with setting of principal and interest repayment due dates	None	*Unresolved. See G-123 and related finding 2017-048*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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-126 and related finding 2017-002*
2014-004	*Department of Health and Human Services*	93.778	Medicaid cases identified are not being investigated	None	*Unresolved. See G-131 and related finding 2017-006*
2014-007	*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-134 and related finding 2017-012*
2014-008	*Department of Health and Human Services*	93.667	Earmarking requirements not met	$ 2,087	*Unresolved See G-134 and related finding 2017-017*
2014-011	*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-139*
2014-015	*Department of Health and Human Services*	93.959	Maintenance of Effort requirement not met	$ 630	*Resolved. Questioned Cost Remain Open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-018	*Department of Health and Human Services*	93.575 93.596	Missing health and safety information from provider licensing files and inadequate provider monitoring	None	*Unresolved See G-141 and related finding 2017-009*
2014-021	*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	*Resolved*
2014-022	*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	*Resolved*
2014-023	*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	*Resolved*
2014-026	*Department of Safety*	97.036	Subrecipient Monitoring Procedures Should Be Improved	None	*Resolved*
2014-027	*Department of Safety*	97.036	Treasury- State Agreement (TSA) Requirements Should Be Complied With	None	*Resolved*
2014-028	*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-144 and related finding 2017-027*
2014-031	*Department of Fish and Game*	15.605 15.611	Inaccurate Schedule of Expenditures of Federal Awards (SEFA) expenditure reporting	None	*Unresolved See G-147 and related finding 2017-028*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2014-032	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-150 and related finding 2017-029*
2014-037	*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-152 and related finding 2017-032*
2014-039	*Veterans Home*	64.015	Controls over Per Diem Requests Should Be Improved	$ 11,954	*Resolved, Questioned Costs remain open*
2014-044	*Department of Environmental Services*	66.468 66.458	Noncompliance with the annual Federal Financial Report (FFR) SF-425	None	*Resolved*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2018: $ 2,483,233

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Education ***Finding 2016-005***
N.H. Department of Education
CFDA #84.126 Rehabilitation Services- Vocational Rehabilitation Grants to States

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 #93.575/93.596 Child Care and Development Block Grant Cluster
CFDA #93.658 Foster Care – Title IV-E
CFDA #93.667 Social Services Block Grant
CFDA #93.758 Preventive Health and Health Services Block Grant
CFDA #93.889 National Bioterrorism Hospital Preparedness Program
CFDA #93.959 Substance Abuse

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

Grant Year and Award: Various

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

Criteria:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provide reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Condition:

The State of New Hampshire uses the NHFIRST Lawson System (Lawson or System) for the Financial Reporting and Human Resource/Payroll functions. 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. Upon date of termination, the Human Resource function at the agency level initiates a transaction that notifies DAS Division of Personnel, including the security management team for Lawson, that the employee has been terminated. Once notification is received, the security management team for Lawson modifies the individual's access rights such that they are limited to view-only access to the individual's payroll and benefit information. This read only access remains in place for 60 days.

During our review, we noted that, for 21 out of 25 sample selections, evidence supporting the timely removal of elevated user access rights (more than read-only access rights) was not available. Further, through review of the 2015/2016 and 2014/2015 listing of terminated employees, 235 terminated individuals were identified as still having access to the System after their 60 day read-only period had expired. Due to system limitations, management of the Lawson system does not have the ability to provide audit evidence documenting when access rights for the 235 individuals identified was reduced to read only.

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 timely 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 terminated users may obtain access to the Lawson application.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-003

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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, resulting in timely removal of any non-Read-Only access rights as well as the removal of all access rights within 60 days of termination. 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. In addition, documentation evidencing this de-provisioning activity should be retained.

Views of Responsible Officials:

We concur. From a preventative perspective, it is critical state agencies initiate the transactions necessary for the removal of the elevated access rights of terminated users timely, and in a manner consistent with a central policy and procedure. In order to foster a greater degree of compliance with the policies and procedures prescribed by the Department for initiating the removal of these elevated access rights, the Department has reviewed, improved, clarified and re-communicated these policies and procedures to the State's agencies and departments.

However, as the effectiveness of these policies and procedures are dependent upon compliance, the Department has also implemented additional controls to evaluate and monitor such compliance. As instances of non-compliance (untimely initiation of elevated access termination) are detected, investigations will be made and documented to confirm the terminated employee did or did not execute unauthorized transactions during the period of exposure.

Whereas the clarified procedures described above have been re-established mid-year during fiscal year 2017, the Department also intends to determine the control deficiency identified in this finding did not allow associated risks to culminate during the first half of fiscal year 2017. Initial compliance monitoring will look back at elevated access terminations initiated during the first half of the year, identify those transactions not initialized timely, and investigate to confirm unauthorized transactions were or were not executed by the terminated employee.

Contact Persons:

Steve Giovinelli; Federal Grants and Cost Allocation Administrator
Steven.Giovinelli@nh.gov

Bill Armstrong; Financial Data Administrator
William.Armstrong@nh.gov

Sara Willingham; Director; DAS Division of Personnel
Sara.Willingham@nh.gov

Anticipated Completion Date:

Paragraphs 1 and 2: January 1, 2017
Paragraph 3: Prior to June 30, 2017

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S Department of Health and Human Services ***Finding 2016-006***
NH Department of Health and Human Services

CFDA #93.778 Medicaid Assistance Program
CFDA #93.575; 93.596 Child Care Development Block Grant; Child Care Mandatory and Matching Funds of the Child Care Development Fund
CFDA #93.658 Foster Care Title IV-E

Grant Year and Award: Various

Finding: Ineffective general information technology controls related to the New Heights application for the Department of Health and Human Services.

Criteria:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. One of the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

Condition:

The State of New Hampshire uses the New Heights application for eligibility determination for certain programs. We tested the General Information Technology Controls (GITC) related to the New Heights application for the following domains: Access to Programs and Data; Change Management; Computer Operations; Program Development. During this testing it was determined that certain controls were deemed to be ineffective for the period of July 1, 2015 - June 30, 2016, as noted below.

When de-provisioning access for terminated users, access to the application should be removed in a timely manner after the date of termination of the employee. During our review, we noted that access to New Heights was not removed in a timely manner for 9 out of 25 users sampled, as the duration of time between the date of termination and the removal of access was between 17 and 117 days. For 1 of the terminations, we were unable to determine the date of access removal.

For access provisioning (new hire access and modified user access), the request and related approval of such requests should be formally documented. During our review, it was noted that for 1 out of 15 access modifications sampled, appropriate documentation evidencing approval was not available for review.

A periodic user access recertification should cover all users with access to the application during the fiscal year. During our review, it was determined that the population of users reviewed was not complete or accurate. 588 users, out of the total population of 1762 users, were not included as part of the access recertification during the period under audit.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

A full restoration of the New Heights production environment should be performed on at least an annual basis to confirm the ability to restore technical and financial data. During our review, it was determined that a disaster recovery test was not completed during the audit period.

Cause:

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 various agencies, for which management of the New Heights application must rely on and has no control over.

With regards to modification of access for current employees, the policies and procedures related to the modification of access for employees were not followed when requesting a modification in access.

With regards to periodic review of user access rights, management identified that if a user(s) were missed during the monthly review, the system used to generate the monthly review report would not select the user again for future reviews' thus making the access recertification incomplete.

With regards to a disaster recovery test, management indicated New Heights did not perform a disaster recovery test during the period.

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 applications.

When accounts are modified for active employees without using the approved forms, there is a risk that inappropriate access is granted, providing users inappropriate access to roles within the application.

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

When data restores are not completed on a yearly basis, there is a risk that if a failure occurs the system may be unable to restore transactional data.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Recommendation:

1. Management should reinforce policies and procedures relative to logical access de-provisioning for terminated users to ensure that access related to terminated individuals is removed in a timely manner.

2. Management should reinforce policies and procedures such that documentation supporting the appropriateness of logical access provisioning and de-provisioning is sufficiently maintained.

3. Management should perform procedures necessary to ensure that the population used to review logical access rights to the New Heights application on an annual basis is complete and accurate.

4. Management should perform a disaster recovery test annually to ensure the agency has the capability to restore data successfully.

Views of Responsible Officials:

KPMG Recommendation #1 - Management should reinforce policies and procedures relative to logical access de-provisioning for terminated users to ensure that access related to terminated individuals is removed in a timely manner.

Overview - New HEIGHTS has an Identity Management (IdM) project. IdM will be integrated with the State of New Hampshire's Human Resources system (LAWSON) which will trigger notification to the Security Administrator for employees being terminated. Security enhancements to HEIGHTS application will be made to interact with Identity Management (IdM) solution which enables operational efficiency, security compliance, and risk management to the Department of Health and Human Services (DHHS).

For non-employees it's the role of the Departmental authority who requested access to ensure timely notification to the New HEIGHTS Security Administrator. Additionally, as part of the JIRA tracking enhancement (see recommendation #2) the process will be streamlined to have periodic reviews for non-employee users. As a secondary measure the system does auto-revoke user ID's after 90 days of inactivity.

Details – The Change Control Document for the 'Security Enhancements for IdM" project is attached for complete details.

- 11/6/2015 – Requirements for Bundle 41473 'Security Enhancements for New HEIGHTS (IdM) were completed
- 11/13/2015 – Design completed
- 12/11/2015- 9/30/2016 – Construction and unit testing completed
- 9/30/2016 – 12/30/2016 – Integration testing began and is currently still in progress
- 1/3/2017 – 2/24/2017 – Scheduled for System and Regression Testing
- 2/24/2017 Anticipated implementation/production release

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

KPMG Recommendation #2 - Management should reinforce policies and procedures such that documentation supporting appropriateness of logical access provisioning and de-provisioning is sufficiently maintained.

Overview - New HEIGHTS is in the process of developing a new tool through JIRA to track requests to gain access to the system; level of access; changes to access privileges and terminating access levels/users.

Details – The Change Control Document for 'JIRA – Security Request Management' described in the timeline below is attached to provide the full details of the new tracking.

- November 15, 2016 a meeting was held to capture the business requirements.
- December 19, 2016 a draft Change Control Document (CCD) was released for preview and comments pending the upcoming Review Meeting.
- December 20, 2016 the CCD Review meeting is scheduled.
- Design, development and integration tested will be completed by January 20, 2017
- User Acceptance Testing is planned from January 20 – February 3, 2017 with production implementation date of February 6, 2017.

KPMG Recommendation #3 - Management should perform procedures necessary to ensure that the population used to review logical access rights to the New Heights application on an annual basis is complete and accurate.

Overview - Due to a minor system issue when attempting to retrieve users due for a review in a given month the result set was incomplete and not capturing any that were overdue. A JIRA ticket was filed (#63386) with the correction moved to production on 8/31/2016.

Details - The New HEIGHTS Security Administrator was notified by KPMG that some sample users had not had a review. On 6/28/2016 she completed a JIRA ticket stating the following to have the issue researched with a potential resolution.

> *When selecting individuals that are due a review it only retrieves reviews that are due in the Month/YR. So as a result, if I did not complete a review on someone for a prior month, that individual will never show up again. Need to modify this field to not only select for example reviews that are due in July 2016, but all records that have not had a review done within the pass year. Change the name of the field from Review Due to "Review Current/Pass Due"*

7/5/2016 – 8/3/2016 During this time period the issue was prioritized, researched, a code fix was developed and tested in both unit and integration.

8/3/2016 – 8/15/2016 During this time period the fix was tested by the Security Administrator in both the System and Regression region.

8/27/2016 – 8/31/2016 The fix was deployed to production with a post implementation review ensuring that when pulling reviews under the newly titled field 'Review Pass/Current' due for the month of September 2016 that it also retrieved active users who had not had a review since August 2015.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

KPMG - Recommendation #4 - Management should perform a disaster recovery test annually to ensure the agency has the capability to restore data successfully.

Overview - New HEIGHTS recognizes that a test should be performed on an annual basis; however, due to a timing issue no disaster recovery was performed during the audit period (July 1, 2015 to June 30, 2016).

Details - The below shows when the last test was performed and when the next scheduled test is due to be performed.

- Disaster Recovery testing was performed July 19-21, 2016 at Sterling Forest, NY
- Upcoming Disaster Recovery test is scheduled for January 2017.

Anticipated Completion Date:

See Corrective Action Plan above.

Contact Person:

Laurie Snow, New HEIGHTS Project Manager

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-003.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***Finding 2016-007***
NH Department of Health and Human Services

CFDA #93.778 Medical Assistance Program

Grant Year and Award:
10/1/2014 – 09/30/2015 1505NH5MAP
10/1/2015 – 09/30/2016 1605NH5MAP

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

Criteria:

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 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 QIO, which performs all in-state, border and specialty retrospective inpatient hospital reviews for the fee for service population.

During our testwork, we noted the Department's most recent contract with a QIO expired in September 2014. As a result, there were no utilization procedures performed during the year ending June 30, 2016 related to the review of inpatient hospital paid claims, nor have any inpatient hospital claims been reviewed since September 2014. In addition, we noted that there were 3,785 inpatient hospital claim reviews that were outstanding from the prior QIO contract that have not been reviewed and have been outstanding since September 2014.

While an RFP process was initiated, a new contract with a QIO was not approved or executed as of June 30, 2016. Based on our review of the RFP, it did not appear that the scope of work contained within the RFP would require the QIO to complete the existing outstanding inpatient hospital claim reviews.

Cause:

The cause of the condition found is primarily due to a lack of resources assigned to the PIU that has resulted in the PIU's inability to perform the required investigations or contract with an external provider.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Effect:

The potential effect of the condition found 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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-006

Recommendation:

We recommend that the Department strengthen its controls and existing policies and procedures to ensure that all required utilization reviews are completed timely and that all the identified cases in a sample are investigated timely.

Views of Responsible Officials:

We concur. The PI Unit has had constant turnover in staff and medical leave over the past several years which have been slow to replace due to hiring freezes and shortage of potential employees with the necessary clinical background. There were recently 2 more staff changes with a Nurse reviewer position open since August 2016 and a program specialist position open due to retirement 9/30/2016. PI has been allowed to hire for one of the open positions as of March 2017. One staff person from another area of OII is being moved to PI, as an add to staff, to assist with provider enrollment and other standard monitoring required by OII.

PI does have written policies and procedures, not only for Fee-for-service processes, but for the MCO oversight as well.

The QIO RFP went out last summer, all bidders were reviewed, and the contract was awarded, and the contract is with DHHS Contracts and DoIT for review. It is unknown at this time when this contract will go before G&C for approval.

It is the intent of the Bureau to work with the contractor to perform the outstanding inpatient reviews from the end of the last contract, to the extent cost recoveries would be allowed.

When the position is filled and the contract in place the backlog will begin to be addressed immediately.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

The targeted completion date at this time is June 30, 2018.

Contact Person:

Tashia Blanchard, Administrator, Bureau of Improvement and Integrity

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-006.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-013***
N.H. Department of Health and Human Services

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

Grant Year and Award:
10/01/2013-9/30/2016 4NH700743
10/01/2015-9/30/2016 4 NH 4NH700703

Finding: Non-compliance with parts of subrecipient monitoring and cash management requirements:

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not formally evaluated,***
2. ***Payments made to subrecipients did not contain all of the required information, and***
3. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

2 CFR 200 Subpart D – Post Federal Award Requirements, Subrecipient Monitoring and Management, requires a formal risk assessment for all subrecipients to support the level of monitoring required. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

§200.331 requires pass-through entities to formally evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward, as specified below:

Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The subrecipient's prior experience with the same or similar subawards;
2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
3. Whether the subrecipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). Included in this CFR are requirements to include award information at the time of disbursement of funds to the subrecipient.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the WIC program. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and no formal evaluations were performed on the 4 subrecipients tested.

Payments to the subrecipients did not include all of the required terms such as CFDA#, and award name at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to continue to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor, making payments to subrecipients that include all of the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Views of Responsible Officials:

1) We concur with the finding. The Division will request the process for the Risk analysis be evaluated for compliance with the Uniform Guidance.

2) The Division has initiated new payment processes to include the necessary information on payments.

3) Payment policies will be reviewed and updated for compliance with the Uniform Guidance.

Anticipated Completion Date:

July 1, 2017

Contact Person:

Dolores A Cooper, DPHS Financial Manager

Status as of March 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-008.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-014***
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 the Child Care and Development Fund

Grant Year and Award:

10/1/2015 – 9/30/2018	***2016G996005***
10/1/2015 – 9/30/2016	***2016G999004***
10/1/2015 – 9/30/2016	***2015G999005***
10/1/2014 – 9/30/2017	***2015G996005***
10/1/2014 – 9/30/2015	***2015G999004***
10/1/2014 – 9/30/2015	***2015G999005***
10/1/2013 – 9/30/2016	***2014G996005***
10/1/2012 – 9/30/2015	***2013G996005***

Finding: Noncompliance with components of the health and safety special test.

1. ***Controls over and compliance with the Health and Safety federal requirements need to be strengthened.***
2. ***Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements need to be strengthened.***
3. ***Controls over re-licensing visits did not operate effectively, and provider annual visits not performed.***
4. ***Re-licensing visits not reviewed by supervisor prior to the provider license renewed.***
5. ***Provider immunizations are not required for licensing, as required by the CCDF State Plan.***
6. ***Two Provider Agreements were missing.***

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).

In accordance with the State CCDF Plan, approved by the Federal Government, the State Department of Health and Human Services (the Department) utilizes annual unannounced visits to effectively enforce the licensing requirements. The State CCDF Plan also requires provider immunizations as part of the requirements for prevention and control of infectious diseases.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Further, in accordance with 2 CFR section 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department's key controls to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements, include: maintaining provider agreements with all providers and having a licensing supervisor review all re-licensing site visits prior to the issuance of a new license.

Condition:

During our testwork over the Health and Safety requirements, we noted that there are no controls in place to ensure the annual unannounced site visits are performed. We selected 40 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the year.

During our testwork we noted the Department does not require provider immunizations as part of the licensing process and does not check for proof of immunizations during the site visits or re-licensing process, as documented in the CCDF State Plan.

We also noted that seven of the 40 providers had a re-licensing visit not reviewed by a supervisor. Additionally, two of the 40 providers were missing provider agreements.

Cause:

The cause of the condition found is due to the lack of procedures in place to ensure proper monitoring is taking place. The cause is also due to a lack of staff to support the volume of monitoring visits. The licensing procedures do not require immunizations which is inconsistent with the CCDF plan.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-014

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Recommendation:

We recommend the Department implement controls over the annual unannounced site visit to ensure providers are meeting the Health and Safety requirements, and annual visits are conducted.

We recommend the Department implement controls to ensure that all re-licensing visits are reviewed by a supervisor prior to license being renewed, and provider agreements are obtained and maintained.

We recommend the Department require provider immunizations, as documented in the State Plan, as part of the licensing process to ensure the requirements for prevention and control of infectious diseases are met.

Views of Responsible Officials:

#1, 2 and 3- #1 Internal controls over and Compliance with the Health and Safety federal requirements need to be strengthened. #2. Controls over the annual monitoring visits to ensure providers are meeting the Health and Safety requirements, need to be strength. #3. Controls over re-licensing visits did not operate effectively, and provider annual visits not performed.

During our testwork over the Health and Safety requirements, we noted that there are no controls in place to ensure the annual unannounced site visits are performed. We selected 40 providers for testing and noted that four of the providers did not have an unannounced (or announced) site visit within the year.

Views of Responsible Officials:

In 2016, the Department was able to complete 94% of its required annual visits. The Department hired one additional licensing inspector in January 2017, and anticipates the hiring of another licensing inspector soon. Although the finding was partially characterized as a "lack of a schedule and procedures in place to ensure proper monitoring is taking place," the Department does not concur with that assessment. The Department utilizes a monitoring report that indicates which programs have yet to receive an annual visit, and prioritizes visits accordingly. Inspectors are assigned their own areas to cover and they use the report in their planning. Inspectors and their supervisors routinely review this report to determine when visits may need to be assigned to others to ensure all programs receive an annual visit, while also ensuring complaints are investigated quickly. This process will continue. The chief and the supervisors will meet monthly to review the monitoring report to identify and address scheduling concerns.

Anticipated Completion Date:

The Department's ability to complete timely annual monitoring visits of licensed providers will improve with the hiring of additional staff. Once the new licensing coordinators are hired and fully trained, in approximately 4-6 months, 11 licensing coordinators will have an average of 81 programs to monitor, and the 12th licensing coordinator, centrally located in the state, will be assigned inspections as needed to ensure the annual monitoring visits are completed.

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New administrative rules will go into effect in June 2017, which will necessitate longer inspections in order to assess for the new requirements, and providers will likely require technical assistance on these requirements during the inspection. Also, the Department is required to begin monitoring license-exempt providers receiving CCDF funds in October 2017. With these conditions, the Department anticipates that all licensed and licensed-exempt providers will receive an annual visit in 2018.

#4. Re-licensing visits not reviewed by supervisor prior to the provider license renewed.

We also noted that seven of the 40 providers had a re-licensing visit not reviewed by a supervisor.

Views of Responsible Officials:

The Department had recently changed its procedures regarding supervisory review of findings by no longer requiring a review if no critical violations were found. As a result, 7 renewal inspections which resulted in no critical findings did not have supervisory review before being issued. That procedure has since changed and all renewal inspections will be reviewed by a supervisor before a renewed license is issued. This review will be noted on the site visit report and/or the online database with the name of the supervisor and the date reviewed.

Anticipated Completion Date:

The change in the review process was communicated to staff on January 19, 2017, and the written procedures were changed as of February 10, 2017.

#5. Provider immunizations are not required for licensing, as required by the CCDF State Plan.

The cause of the immunizations is due to a discrepancy between the approved State CCDF plan and the licensing procedures.

Views of Responsible Officials:

The Department acknowledges that the CCDF State Plan did have a requirement for providers to have immunizations. However this was mistakenly reported as a requirement, and is not in the current State Plan, as providers are not required to have immunizations.

Anticipated Completion Date:

No completion date required.

#6. Two Provider Agreements were missing.

Views of Responsible Officials:

The Department has controls in place to ensure that provider agreements are included in the file at enrollment and updated every 3 years at re-enrollment. However, it is unknown why these controls failed in these two cases.

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The Child Development Bureau acting Enrollment Specialist has a checklist in each provider's file that is completed prior to enrollment or re-enrollment. The checklist is updated manually when documents are received by placing a check mark next or the date the document was received next to the name of the document received. Documents are immediately placed in the file. The file is placed in the file drawer at the desk of the Enrollment Specialist until all documents are received and enrollment or re-enrollment is complete. The file is placed in the file cabinet at that time as an open, enrolled provider.

The Child Development Bureau will add a signature line to the checklist to be signed verifying that the Enrollment Specialist has reviewed the list and the file again prior to enrollment and re-enrollment and that all documents are present. This will create more accountability in ensuring that all forms have been received and placed in the file before completing the provider's enrollment or re-enrollment and placing the file in the file cabinet.

Currently, Child Development Bureau staff are checking each file for completeness whenever any action is taken with a file.

The Child Development Bureau will institute a random audit of 10 out of approximately 1,100 total provider files per month, of both licensed and license-exempt providers, to ensure that all required forms are in the file. This will be in addition to the checks and double checks that will be done to complete the enrollment or reenrollment process of providers each month. Approximately 75% of enrolled providers are licensed; 7 files of licensed providers will be checked and 3 files of license exempt providers will be checked. If the monthly error rate in any given month exceeds two files with one or more missing documents, the following month will check 20 files, until three consecutive months with no more than two files with missing documents are achieved. For any file found to be missing documents, the provider will be contacted and required to submit the documents. For any month where there are two or more files with missing documents, this shall be reported in writing to the Child Development Bureau (CDB) Administrator to assess the need for additional systemic changes to be made to reduce the number of errors.

Anticipated Completion Date:

The signature line has been added to the enrollment checklist and will be used beginning immediately.

The implementation of the random audit is expected to take approximately 6 months to complete, with an anticipated completion date of September 1, 2017. We are currently short-staffed and it is unclear who will complete the audit, but the position is identified. Milestones to be completed:

- identify specific person to perform the audit;
- identify methodology for choosing the files;
- create method to track which files were audited, whether the provider is licensed or license-exempt, number of missing documents, which documents were missing, when provider was contacted, and date the form(s) was provided;
- determine policy for number of days provider has to submit the missing documentation;
- determine authority or need to create authority to close providers or suspend payment for documents not submitted; and
- create method to track the number of files audited each month and whether the CDB Administrator was notified.

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The effectiveness of the implementation of these controls will be evaluated by the number of consecutive months with two or fewer files having any missing documentation, with the goal being to achieve a period of 6 consecutive months over the next FFY biennium (by September 30, 2019). Of course, the hope is to eliminate missing documents from provider files.

Contact Person:

Melissa Clement, Chief Child Care Licensing Unit
melissa.clement@dhhs.nh.gov

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-019***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: Maintenance payment rates are not reviewed annually, and have not been changed for several years. The Title IV-E plan does not document the Federally required periodic review.

Criteria:

Title IV-E agencies establish payment rates for maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth). The Title IV-E agency's plan approved by The Children's Bureau of the Administration for Children and Families (ACF) must provide for periodic review of payment rates for Foster Care maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program. Additionally, the State Department of Health and Human Services (the Department) is required to periodically review the amounts paid as foster care maintenance payments to assure their continuing appropriateness. (42 USC 671(a)(11).

In accordance with RSA 170-G:4, the Department shall review annually the rates established. This annual review shall consider the effects of the established rates on current costs, quality and availability of services.

Condition:

The Department plan approved by the ACF does not provide procedures or requirements related to the required periodic review noted above.

Title IV-E providers are comprised of both in-state and out-of-state providers. The Department does not set rates for out-of-state providers. Within in-state providers there are group homes and general foster homes. During our testwork we noted there are 44 in-state group homes, of which 30 of the 44 have board and care rates (effective during the fiscal year 2016) that were established between 2007 and 2010, and unchanged since then. All of the general foster care home rates (effective during the fiscal year 2016) were established in 2011, and were unchanged since then.

During our testwork, we were unable to determine whether the Title IV-E rates for maintenance payments were reviewed periodically in accordance with the federal regulations noted above.

Cause:

The cause of the condition found is due to the State regulations not allowing the Department to change the rates.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Effect:

The Department is not in compliance with the requirement to review the rates periodically for reasonableness.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department annually review the rates established in accordance with the federal requirements and in accordance with RSA 170-G:4.

Views of Responsible Officials:

As noted by KPMG the Department's ACF approved plan does not provide procedures or requirements related to the required periodic review. The Department has been prohibited by language contained in House Bill 2 (HB2), for the last several biennia, from increasing rates.

Consultation with the Division's attorney resulted in the following being provided:

HB2 the "trailer bill" is statutory law and like any other statute can suspend, limit or repeal existing statutes or rules. In fact there's a Supreme Court case with a holding to that effect, Warburton v. Thomas, 136 N.H. 383 (1992).

*Both the SFY 14-15 and SFY 16-17 iterations of HB2 provide that "**Notwithstanding any provision of law or administrative rule to the contrary**… " provider rates for the respective bienniums "shall be no greater than the rates in effect for the particular service, placement or program…" as of the end of the previous biennium. I think this language effectively trumps the rate setting provisions of RSA 170-G:4. The department has and continues to set rates in accordance with the requirements of HB 2.*

Based on the legal opinion the Department does not feel it is in violation of RSA 170-G4.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

Not Applicable

Contact Person:

Mary Calise, DFA Business Administrator

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-013.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-021***
N.H. Department of Health and Human Services

CFDA # 93.658 Foster Care—Title IV-E

Grant Year and Award:
07/1/2015 – 03/31/2016 2015G994107
10/1/2015 – 06/30/2016 2016G994107

Finding: Controls over eligibility requirement to perform background checks in other states should be strengthened. The Provider application does not inquire of the other States, a prospective foster or adoptive parent and any other adult living in the home, have resided in the preceding 5 years.

Criteria:

A Title IV-E agency must check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent. (42 USC 671(a)(20)(B)

Condition:

During our testwork we noted the Foster Care application does not include a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years before licensing. The Department appears to identify the other States the potential provider has lived during the home study visit conducted by resource workers. However, our review of the home study visit's indicated that the other States someone has lived in, is deduced from other information obtained. For example, if a potential foster parent indicates they have owned their home in New Hampshire for the previous 7 years, the resource worker accepts this as proof the potential person has not lived elsewhere during that time.

We noted the following missing or incomplete information in the home study visits review:

- A couple who previously lived in Massachusetts and was a New Hampshire Foster Home through an Interstate Compact on the Placement of Children, later moved to New Hampshire. But it doesn't appear the Department received information from Massachusetts or requested background checks about the couple.
- A person from Maine and a person from Massachusetts, married in New Hampshire in 2012. There was no indication in the file of when they moved to New Hampshire. It doesn't appear there were background checks completed in any other states.
- A woman, who was previously licensed by New Hampshire added a person to the license in 2015. The person was born in Massachusetts. There was no indication in the file of when he moved to New Hampshire. It doesn't appear there were background checks completed in any other states.
- A couple from other states, married in New Hampshire in 2009. There was no indication in the file of when they moved to New Hampshire. It doesn't appear there were background checks completed in any other states.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

- A couple that was initially licensed in New York for two years moved to New Hampshire in 2007. It doesn't appear the Department received any information from New York or did background checks in any other states.
- A licensed New Hampshire foster parent married a man from Massachusetts in New Hampshire in 2012. There was no indication in the file of when he moved to New Hampshire. It doesn't appear there were background checks done in any other states.

Cause:

The cause of the condition found is due to the application not including a question related to the other States the potential provider or any other adult living in the home has resided in the preceding 5 years.

Effect:

The Department is not in compliance with the requirement to check, or request a check of, a State-maintained child abuse and neglect registry in each State the prospective foster and adoptive parents and any other adult(s) living in the home have resided in the preceding 5 years before the State can license or approve a prospective foster or adoptive parent.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend the Department include on the application for prospective foster and adoptive parents to identify where he/she has lived in the previous 5 years, and perform background checks also based on this information.

We recommend the Department implement controls to ensure the required background checks are checked or requested in all the other states where any adults have lived in the previous 5 years, prior to issuing a license.

Views of Responsible Officials:

This finding is concerned with the review of the child and abuse registry in states where the applicant has previously resided if they have not resided in NH for the past 5 years. Our Administrative Rule requires 7 years and many of the files did pass this review. Some of the foster files reviewed were older licensed families prior to the time that this became routine in practice. Two of the files involved families who were licensed foster homes in the state they previously resided in prior to moving to NH and the "practice" at the time was to accept that their records had already been cleared by the previous state as evidenced by their license. The other files that

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

were out of compliance was a result of not following best practice guidelines. Our new home study practice has better captured this information and suggested changes will be made to our documentation.
NH DCYF began using the SAFE home study process in January of 2016. This is a much more detailed evidence based home study process which does ask applicants to identify how long they have lived in their current residence and where else they have lived as part of the home study format (sections on Home and Community and Applicant History). New studies consistently capture this information in the document. Some of the foster files reviewed were long term foster homes licensed before the practice of obtaining child abuse and central registry checks from other states was implemented into practice. Going forward, revisions are being made to the application document to capture specific information on residency to ensure that attempts are made to check prior states of residency if the applicant has not resided in the State of New Hampshire for the past 7 years. When the request is refused by the other state, documentation of the refusal to release their state registry information will be maintained in the licensing file.

Anticipated Completion Date:

Changes to the application document will be completed by the end of this State fiscal year. As all forms are included in our Administrative Rules, this will necessitate opening He-C 6446, the rule governing foster care licensing to request the amendment.

Contact Person:

Kathleen M. Companion, DCYF Foster Care Manager
Kathleen.Companion@dhhs.nh.gov

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-022***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
10/01/2012 – 09/30/2014 1301NHSOSR
10/01/2013 – 09/30/2015 1401NHSOSR

Finding: Noncompliance with earmarking requirements.

Criteria:

The State shall use all of the amount transferred in from TANF (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)).

Condition:

During the State fiscal year ended June 30, 2016, we noted that the Department transferred $1,343,305 from TANF to the Social Services Block Grant program. The Division of Children Youth and Families (DCYF) uses the transfer TANF funds for payments to subrecipients that provide comprehensive family support services through bi-annual subaward agreements.

During our testwork over the earmarking requirement, we selected 5 of the 8 DCYF subrecipients and haphazardly selected 13 payments made to the DCYF subrecipients. Based on the results of the testwork, we noted that the documentation maintained by DCYF to support the selected 13 payments made to the 5 DCYF subrecipients, was not sufficient to support that the transferred TANF amounts were provided to subrecipients only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline.

Cause:

DCYF's policies and procedures do not appear to be properly designed to monitor its subrecipients to ensure funds are only provided for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements.

Effect:

TANF Federal funding may be provided to ineligible children or families under the SSBG earmarking requirements.

Questioned Costs:

$126,155 based on the sample selected

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend management strengthen the subrecipient monitoring procedures to help ensure that the TANF transfer amounts provide programs and services to children or their families whose income is less than 200 percent of the official poverty guideline in accordance with the earmarking requirements.

Views of Responsible Officials:

The Department concurs. The program area is implementing additional processes/requirements where the subrecipient will be required to submit documentation of the eligible families being invoiced.

Anticipated Completion Date:

July 1, 2017

Contact Person:

Rebecca Lorden, DCYF Financial Manager

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-017.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-024***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
10/01/2012 – 09/30/2014 1301NHSOSR
10/01/2013 – 09/30/2015 1401NHSOSR
10/01/2014 – 09/30/2016 1501NHSOSR

Finding: Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.

Criteria:
Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity (45 CFR 92.40).

Condition:

During the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements. While the Department was able to demonstrate that the various Divisions/Bureaus (Division of Children, Youth and Families (DCYF), Bureau of Elderly Adult Services (BEAS), and Bureau of Developmental Services (BDS)) responsible for the financial activities of the grant did perform the required financial monitoring, we noted that the Department has not implemented procedures to ensure that programmatic monitoring of the subrecipient activities is performed. The Department has implemented a process requiring subrecipients submit monthly invoices reporting the subrecipient activities and the annual single audit reports submissions to the Office of Improvement and Integrity (OII). Additionally, we noted that the Department contracts with subrecipients biennially and annually through an RFP process. However, this is where the monitoring ends.

As part of our subrecipient monitoring testwork over the Social Services Block Grant program, we reviewed the subrecipient listings maintained by the OII, DCYF, BEAS, and BDS and we selected a sample of 10 subrecipients and 25 payments made to subrecipients during the audit period and noted the following:

- Inconsistencies with the identification of the SFY 2015 subrecipients. We reviewed the SFY 2015 subrecipients because these subrecipients are required to submit their single audit reports to OII in SFY 2016. Based on our review of the SFY 2015 subrecipient listings provided, the OII identified 44 subrecipients while the responsible Divisions/Bureaus identified 40 subrecipients. Based on our review of the SFY 2015 payments to subrecipients, we identified 50 subrecipients. We also noted that 2 DCYF subrecipients and 1 BDS subrecipient were not identified by OII thus there is no tracking of the single audit submissions nor is there a review of the required reports.

- Inconsistencies with the identification of the SFY 2016 subrecipients. These subrecipients received current year SSBG payments. Based on our review of the SFY 2016 subrecipient listings provided, the OII

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

identified 32 subrecipients, while the responsible Divisions/Bureaus identified a total of 40 subrecipients. Based on our review of the SFY 2016 payments to subrecipients, we identified 44 subrecipients. We also noted that 2 DCYF
subrecipients, 1 BEAS subrecipient and 4 BDS subrecipients were not identified by OII thus there is no tracking of the single audit submissions nor is there a review of the required reports.

- Of the 25 subrecipient payments relating to the 10 subrecipients selected, we noted that there was no evidence of program level approvals for 22 of the subrecipient payments nor was there evidence of a programmatic review to ensure that the underlying support of payments is in compliance with the Federal regulations. Additionally, the lack of the programmatic monitoring of the DCYF subrecipients resulted in a finding relating to the earmarking requirements.

Cause:

The State Department's policies and procedures to identify and monitor subrecipients did not include a review precise enough to identify subrecipients and detect non-compliance. Further, with the current policies and procedures in place the Department will have difficulty meeting the UG requirements in subsequent years.

Effect:

The possible effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

Not Determinable

Repeat Finding:

No

Recommendation:

We recommend management implement policies and procedures for better identifying subrecipients and strengthen its monitoring procedures so that they are precise enough to detect noncompliance and provide reasonable assurance that the subrecipient activities are in accordance with Federal regulations.

Views of Responsible Officials:

The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirements in subsequent years.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

September 30, 2017

Contact Person:

Mary Calise, Senior Finance Director

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-018.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-026***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness
CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

Finding: Noncompliance with components of the subrecipient monitoring and cash management requirements.

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,***
2. ***Programmatic Monitoring of subrecipient activities needs improvement,***
3. ***Payments made to subrecipients did not contain the required information,***
4. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1) The sub-recipient's prior experience with the same or similar sub-awards;
2) The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3) Whether the sub-recipient has new personnel or new or substantially changed systems; and
4) The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). The State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;
- follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on-site reviews and other means.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the Public Health Emergency Preparedness (PHEP), and National Bioterrorism Hospital Emergency Preparedness (HPP), programs. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and no evaluations were performed on the 3 subrecipients tested for the PHEP program and on the 2 subrecipients tested for the HPP program.

Further, Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. However, the processes to monitor subrecipients could be improved and could better align with the policies recently put in place by the Department. Currently, the evidence of programmatic monitoring of the subrecipients for both programs included obtaining performance reports/questionnaires regarding program performance. However, there did not appear to be evidence of a formal control over the review of these reports or follow-up. Further the current procedures in place need to better reflect the subrecipient monitoring procedures established by the Department, including performing on site reviews.

Payments to the subrecipients did not include the required terms such as CFDA#, award name and federal awarding agency, DHHS, at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. The Department then needs to ensure controls are instituted to ensure any noncompliance with the regulations would be detected or prevented. Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor; improving during the award monitoring, including performing site visits, in accordance with the Department's procedures, making payments to subrecipients that include the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

Views of Responsible Officials:

#1 – #2 The Department will review current practices of Risk analysis and make changes necessary to meet the requirements of the Uniform Guidance.

#3 – Payments to sub recipients did not include federal grant detail. The Division has implemented updated payment coding instructions to meet this requirement.

#4 – The Divisions does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.

Implementation Date:

By end of SFY 2018

Contact Person:

Dolores A Cooper, DPHS Financial Manager

Status as of March 2018:

Unresolved. The Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, Comprehensive Risk Assessment Tool, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-027***
NH Department of Health and Human Services

CFDA #93.758 Preventive Health and Health Services Block Grant

Grant Year and Award:
10/01/2014-09/30/2016 2B01T009037-15
10/01/2103-09/30/2015 2B01T009037-14

Finding: Noncompliance with components of subrecipient monitoring and cash management.

1. ***No controls in place to evaluate the sub-recipients risk of noncompliance, and risk of noncompliance is not evaluated,***
2. ***Financial and Programmatic Monitoring of subrecipient activities did not exist,***
3. ***Federal Clearinghouse was not checked to ensure subrecipient audits were filed within the required timeframe,***
4. ***Payments made to subrecipients did not contain the required information,***
5. ***The Department did not establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.***

Criteria:

A pass-through entity is required to evaluate each sub-recipient's risk of noncompliance for purposes of determining the appropriate sub-recipient monitoring related to the sub-award (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:

1. The sub-recipient's prior experience with the same or similar sub-awards;
2. The results of previous audits including whether or not the sub-recipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar sub-award has been audited as a major program;
3. Whether the sub-recipient has new personnel or new or substantially changed systems; and
4. The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).

Monitoring the activities of a subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals, (2CFR sections 200.331(a) through (h). The State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;

- follow-up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on-site reviews and other means.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

The requirements for cash management are contained in 2 CFR 200.302(b)(6) and 200.305, 31 CFR part 205, 48 CFR sections 52.216-7(b) and 52.232-12, and include the requirement that the pass-through entity establish procedures to ensure that payments to subrecipients minimized the time elapsing between transfer of Federal funds from them to the subrecipient and the disbursement of such funds for program purposes by the subrecipient.

Condition:

The State of New Hampshire uses sub-recipients to perform programmatic portions of the Preventive Health Block Grant. During our review, we noted there were no controls over evaluating the sub-recipient risk of non-compliance, and of the 5 subrecipients tested, only one had a risk assessment completed.

Further, Federal regulations require internal controls be established and maintained, and the activities of a subrecipient monitored as necessary to ensure the subaward is used for authorized purposes, complies with terms and conditions of the subaward and achieves performance goals. However, we noted for the 5 subrecipients tested, we noted no evidence of financial or programmatic monitoring during the award.

For 3 of the 5 subrecipients tested, there was no evidence that the Department ensured the subrecipient filed its single audit report with the federal clearinghouse within the required timeframe.

Payments to the subrecipients did not include the required terms such as cfda#, award name and federal awarding agency, DHHS, at the time payment is made.

Further, we did not find any evidence that procedures and controls exist to ensure that subrecipients spend the federal funds passed through to them timely.

Cause:

The Department needs to increase its awareness of and compliance with the subrecipient monitoring requirements and the cash management requirements related to subrecipients included in the Uniform Guidance.

Effect:

Noncompliance with the Subrecipient Monitoring and related Cash management federal regulations.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Repeat Finding:

No

Recommendation:

The Department should ensure that its policies for complying with the subrecipient monitoring procedures included in the Uniform Guidance are sufficient to meet the federal requirements. The Department then needs to ensure controls are instituted to ensure any noncompliance with the regulations would be detected or prevented.

Procedures implemented should include, ensuring a risk assessment is performed for all subrecipients prior to entering into a subrecipient relationship with the contractor; instituting during the award financial and programmatic monitoring, including performing site visits, in accordance with the Department's procedures, ensuring subrecipient single audit reports are reviewed and filed with the federal clearinghouse timely, making payments to subrecipients that include the required information, and establishing procedures to ensure the subrecipients timely spend federal funds passed-through to them.

Views of Responsible Officials:

#1 – #3 We do currently have some controls in place to do sub recipient monitoring. However, we do agree they could be improved. The Department will review current practices and make improvements where necessary to meet the requirements of the Uniform Guidance.

#4 – We have initiated updated payment instructions to include further information on the payments processed.

#5 – The Division does not currently calculate the transfer of funds from the sub recipient. Current written procedures state payments are made based on actual paid invoices. The Department will review the process and procedures and implement changes where necessary.

Anticipated Completion Date:

By end of SFY 2018

Contact Person:

Dolores A Cooper, DPHS Financial Manager

Status as of March 2018:

Unresolved. The Department has commenced a comprehensive training program regarding compliance with Uniform Guidance. Topics in the first phase of training include but are not limited to the following: Sub-Recipient Determination, Pre-Selection Financial Risk Assessment, Comprehensive Risk Assessment Tool, Sub-Recipient Monitoring Options as identified by the Risk Assessment Tool, Federal Funding Accountability Transparency Act informational requirements pertaining to sub-wards.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-030***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

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 Public Health Emergency Preparedness (PHEP) grant includes the following earmarking requirement:

For the Cities Readiness Initiative (CRI): This award includes $283,425 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 $60,122.

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."

However, the federal government in response to our prior year finding has agreed that earmarking was not met.

Cause:

The Department does not believe the CRI requirement included in the grant award is an earmark.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Effect:

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

Questioned Costs:

$60,122

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-010

Recommendation:

We recommend the Department work with the federal government and determine whether the requirement to spend a specified amount for CRI, is an earmark. If the requirement is an earmark, we recommend the PHEP program institute controls to ensure the required allotment to CRI jurisdictions is fulfilled.

Views of Responsible Officials:

The department does not concur with the finding. The prior two years findings have been appealed. CDC did respond initially in agreement with the first KPMG finding. However, the State of NH has appealed this decision and has requested reconsideration based on correspondence with CDC employees during the grant years with these findings. CDC has not made a decision on the appeal.

In response to the current year finding (2016) we offer the following response. The State of New Hampshire is not required to spend all of the awarded funds. The CDC notice of grant award reads; the state must "award 75% of the CRI award, to the CRI jurisdictions to support Medical Countermeasure Dispensing and the Medicaid Material Management and Distribution (MCMDD) capabilities". The grant year final report shows we have spent 79% of the CRI awarded, to the CRI jurisdictions for MCMDD. To further clarify, the CRI jurisdictions were awarded 86% of the total CRI award. Therefore, based on the CDC requirement the state "award 75%" of the award, we met the CRI requirement by awarding 86% to the CRI jurisdictions.

Anticipated Completion Date:

Not Applicable

Contact Person:

Dolores A Cooper, DPHS Financial Manager

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Status as of March 2018:

Unresolved. Since November 1, 2017 this finding is under appeal with the Centers for Disease Control and Prevention Financial Assessment and Audit Resolution Unit.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-031***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2015 – 6/30/2016 U90TP000535

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."

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, which is not in compliance with Federal and State policy. The Department's Logistics Unit, responsible for equipment management, maintains the inventory records that are updated monthly. These reports are not reviewed nor reconciled to a physical inventory, and the equipment inventory report was not submitted to the Federal government, as required per the Grant award.

During our test of the completeness of the equipment inventory, we noted that four of the five federally funded equipment selections tested were not recorded in the Access database, which is used to maintain a record of inventory purchased with federal funds.

Cause:

It appears the Department's management made a decision to continue to report monthly inventory changes and update the equipment inventory list but not perform a physical inventory. Weaknesses in controls over maintaining the equipment inventory resulted in equipment not being recorded properly in the inventory.

Effect:

Noncompliance with the Equipment Management federal requirements and State policy.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-011

Recommendation:

We recommend that the PHEP program review its controls to ensure that an annual inventory count is completed in accordance with State policy or change the State policy to allow for more than annual inventories. Federal regulations allow for an inventory once every two years. We further recommend that controls be strengthened to ensure equipment purchased with federal funds be tracked, monitored and reported appropriately and in accordance with federal guidelines.

Views of Responsible Officials:

A meeting was held in May 2016 with DoIT, DHHS OIT, DHHS Finance, DAS Finance (FDM) and Facilities Maintenance Unit (FMU). The first thought was to utilize the existing Lawson Enterprise software, but during discussion it was found that the inventory module in Lawson was not configured in a way that would allow asset inventory to be done on that software. We then discussed other alternatives and came up with 2 options, 1. Purchase an asset inventory based software and 2. Utilize an asset based software that DOT was using. It was determined that we would be best served, because of budget and timing, by evaluating the software that DOT was presently using for use by the department and that DoIT and OIT would be looking into this further, reviewing what DOT has, looking at capabilities and ease of migrating information.

Anticipated Completion Date:

June 30, 2018

Contact Person:

David Clapp, NH Hospital, Director of Finance and Support Operations

Status as of March 2018:

Unresolved. The Department is continuing its search for a new asset management system. Further training will be prescribed for program managers and their designees regarding adhering to the State's, and Federal Award tracking and reporting requirements. The PHEP program has been requested to establish an offline equipment tracking list to adequately track and report related program equipment items until such time as the new asset management system is acquired and activated.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***Finding 2016-033***
NH Department of Health and Human Services

CFDA #93.563 Child Support Enforcement
CFDA #93.575 Child Care and Development Block Grant
CFDA #93.596 Child Care Mandatory and Matching Funds
CFDA #93.658 Foster Care-Title IV-E

Grant Year and Award: Various

Finding: Allocated payroll costs not approved or fully supported.

Requirement:

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable (2 CFR 200.430(a)).

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy; and, (v) Comply with the established accounting policies and practices of the non-Federal entity (2 CFR 200.430(i)).

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

As part of our testwork over the cost allocation plan, we selected a sample of 68 timesheets comprised of seven (7) classified and thirty-five (35) unclassified employees covering four (4) pay periods and noted the following:

- Three (3) timesheets for three (3) employees were approved by someone other than the authorized proxy or inherited proxy. The approver was someone not included in the hierarchy of management. These timesheets related to three (3) employees who have their time allocated to one of the major programs, Foster Care IV-E.

- Ten (10) timesheets, for the seven (7) unclassified employee sample were not supported with the approved, manual timesheets. Unclassified employees are required to submit monthly manual timesheets but the timesheets for the pay periods tested could not be located. These timesheets related to seven (7) employees who have their time allocated to three of the major programs, Foster Care IV-E, Child Support Enforcement, and the Child Care and Development Fund (CCDF) programs.

Cause:

The cause of the condition found is primarily due to the lack of adherence to the Department's administrative procedures.

Effect:

The potential effect of the condition found could result in the inaccurate and incomplete payroll costs charged to the Federal programs.

Questioned Costs:

$33,801

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-004

Recommendation:

We recommend that the Department review its existing administrative payroll system procedures to process payroll and implement controls and procedures to ensure that payroll costs are processed accurately and completely and the payroll costs are supported and approved.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Views of Responsible Officials:

DHHS will be setting up a spreadsheet for the Unclassified leave time sheets to be checked each month. If one is missing an email will be sent to the Employee to send it in.

Anticipated Completion Date:

April 1, 2017

Contact Person:

Betty Hughes, Payroll Supervisor

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Department of the Interior ***2016-038***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

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

Criteria:

Per 2 CFR Part 200.303, non-Federal entities receiving Federal awards must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

The OMB Uniform Guidance Compliance Supplement states that a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, risk assessment, 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."

Per 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

Condition:

The Fish and Game Department (the Department) does not have formal 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 or practice in place regarding conducting subrecipient risk assessment prior to entering into a subrecipient agreement.
- The Department does not have formal policy or practice in place to determine whether invoices submitted to the Department for reimbursement have been paid by the subrecipient or to ensure that subrecipients minimize the time elapsing between transfer of Federal Funds and the disbursement of such funds for program purposes by the subrecipient.
- The Department did not maintain a Uniform Guidance single audit report of the one subrecipient, and as a result, does not have documentation of any necessary 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, such as a checklist or spreadsheet validating that all requirements were reviewed and met.
- Current configuration of Microsoft Access database used for tracking contracts makes tracking and tallying subrecipient awards challenging, as subrecipients are not separately identified.

Cause:

The Department lacks effective formal monitoring controls and documentation over the subrecipient monitoring requirement for the Fish and Wildlife Cluster.

Effect:

The Department's lack of effective monitoring controls over the subrecipient activities of the Fish & Wildlife Cluster fostered an environment wherein effectively designed internal controls were not in place and operating as intended. The Department did not effectively formalize the internal controls over the subrecipient monitoring activities of the Fish & Wildlife Cluster which resulted in noncompliance with the subrecipient monitoring requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-018

Recommendation:

The Department should institute formal effective monitoring controls over the subrecipient monitoring requirements of the Fish & Wildlife Cluster, such as improved tracking of subrecipient contracts, status of associated monitoring elements, and a formal risk assessment. Also a formal review and follow up of annual subrecipient single audit reports and applicable findings, should be performed and maintained on file 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.

Views of Responsible Officials:

We concur with the finding. The Department does perform elements of sub-recipient monitoring and maintains close project involvement throughout the performance of sub-awards to ensure program objectives are met, and requires periodic cost reports/invoices as well as performance reports. We have worked to better document monitoring, but agree that overall monitoring controls and documentation must be improved to fully comply with 2 CFR 200. We will finalize improved processes to include a formal risk assessment of subrecipients, better tracking of contracts and monitoring elements, and review and follow up as needed of subrecipient annual audit reports. In addition, we will formalize these procedures by finishing a grants policy and procedures manual.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Randy Curtis, Federal Aid Administrator

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-027.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Department of the Interior ***Finding 2016-039***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

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

Criteria:

As described in 2 CFR section 200.510, auditees must prepare the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with section 200.502, which states that the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-020

Recommendation:

We recommend that the Department implement the New Hampshire First grants module, part of the State's accounting system of record.

Views of Responsible Officials:

We concur with the finding. First it should be clarified, when the Department chose to use the QuickBooks accounting software, over 15 years ago, the NHFIRST system was not in place and the grants module of the NHFIRST system has only recently been implemented. That being said, the Department does recognize that we

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

must take the appropriate steps necessary to implement the grants module of NHFIRST. This will alleviate several issues; it will provide us the ability to reconcile SEFA expenditures with NHFIRST, hopefully eliminating future findings, and also eliminate some of the manual manipulation required of the QuickBooks system. It is our understanding there are other agencies now utilizing the NHFIRST grants module. We will contact the Federal Grants and Cost Allocation Administrator at the Department of Administrative Services to obtain information regarding the use of NHFIRST at other state agencies and request meetings to view how the other agencies are utilizing the NHFIRST system for grant accounting. We would then meet in house to determine how we could incorporate our needs for grant reporting and the changes necessary to modify our current processes. It is important to note that we as an agency do wish to move ahead with this endeavor but we must be able to satisfy not only our grant reporting needs but also the needs of the very limited available resources we have to accomplish this task.

Anticipated Completion Date:

We will contact DAS and meet with other agency staff by June 30, 2017.

Contact Person:

Kathy LaBonte, Administrator III

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-028.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Department of the Interior ***Finding 2016-040***
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:

10/1/2012 - 9/30/2017	*F13AF00169*
7/1/2015 - 6/30/2016	*F15AF00760*
7/1/2015 - 6/30/2016	*F15AF00777*
7/1/2015 - 6/30/2016	*F15AF00776*
1/1/2015 - 12/31/2015	*F15AF00113*
1/1/2016 - 12/31/2016	*F16AF00163*
2/21/2013 - 6/30/2016	*F13AF00340*
12/1/2015 - 6/30/2018	*F16AF00092*
4/1/2015 - 6/30/2016	*F15AF00275*
5/1/2015 - 6/30/2016	*F15AF00435*
7/1/2015 - 6/30/2016	*F15AF00919*
7/1/2015 - 6/30/2016	*F15AF00707*
7/1/2015 - 6/30/2016	*F15AF00924*
7/1/2015 - 6/30/2016	*F15AF00922*
7/1/2015 - 6/30/2016	*F15AF00759*
7/1/2014 - 6/30/2016	*F14AF00890*
7/1/2011 - 6/30/2016	*F11AF00517*
8/15/2013 - 12/31/2018	*F13AF01123*
8/1/2014 - 12/31/2015	*F14AF01189*
3/15/2014 - 12/31/2015	*F14AF00331*
9/1/2014 - 8/31/2019	*F14AF01270*
7/1/2015 - 6/30/2016	*F15AF00902*
7/1/2014 - 9/30/2015	*F14AF01048*
7/1/2015 - 6/30/2017	*F15AF00921*
7/1/2015 – 6/30/2016	*F15AF00819*
7/1/2015 - 6/30/2016	*F15AF00923*
9/1/2010 - 8/31/2015	*F11AF00850*
1/1/2016 - 12/31/2017	*F16AF00115*

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 has not fully completed and/or returned their inventory count sheets. For two selections out of ten, the item was not counted along with the other items at the related location. For another test, it was observed for four selections out of fourteen, the item was not in the location specified in the inventory database, but instead loaned to a different location. No location specific tracking sheets were maintained on file to account for these equipment loans outside of the database.

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 one selection out of fourteen, the condition in the equipment database had not been updated from “new”, and for two out of fourteen, there was no condition listed in the database. We also noted that for two selections out of fourteen, there was no maintenance of the barcode on the inventory items. These items have had their barcode wear off, and there was no secondary unique identifier.

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 that equipment has maintained a barcode or primary identifier that is affixed to the equipment.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Repeat Finding:

Yes, 2015-021

Recommendation:

We recommend that the Department institute effective controls over equipment management, such as improved tracking of equipment management requirements and loaned equipment, 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, allowing for the proper maintenance of primary identifiers maintaining affixed to the equipment.

Views of Responsible Officials:

We concur with the finding. While there were inventory count sheets not completed, this was specific to one division and will be addressed by the Chief of the Business Division to the Chief of the division this is applicable to. It should not happen again. As we had explained during the audit test work, oftentimes equipment is loaned to other divisions apart from the division it is assigned to. During the test work, four pieces of equipment had been loaned to other divisions and were therefore not in the place assigned in our equipment inventory database. This often occurs within the department if we can use equipment that is available.

There is no realistic way to conduct our department inventory count of $11,000,000 in one day. We have however implemented a 'floor to sheet" procedure using an access database printout of our inventory. Each division is provided their respective list and for any items not listed but discovered during the taking of inventory, they are to be put on their list.

We are currently in the process of updating the condition of inventory within our inventory system. Beginning with the current year's inventory (2017), a column has been added to our inventory sheets allowing the current condition of the item to be noted. The condition of the item will be updated, if needed, when inputting current year inventory data.

Anticipated Completion Date:

June 30, 2017

Contact Person:

Kathy LaBonte, Administrator III

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-029.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Labor ***2016-041***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2014	***UI-26409-14-60-A-33***
2014	***UI-26369-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***

Finding: Controls over Federal reporting procedures need 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), UI Regular (ETA U13), and Overpayment Detection and Recovery Activities reports (ETA 227).

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

- 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 2016.

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

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-025

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Views of Responsible Officials:

New Hampshire does continue to work diligently to correct reporting inconsistencies and secured special SBR funding for a dedicated reports and data validation project. This project is finally underway. It was delayed until the Claims Rewrite project was completed. The new claim applications and process went into production in August 2016 and resources continued to be devoted to monitoring it and addressing minor bugs through October 2016. Meetings are ongoing with stakeholders and subject matter experts and the design of the new functions for weekly detailed reports and on-demand snapshot detailed reports has been agreed upon. These reports are a giant step to being able to address issues in a timely manner. Many improvements have already been realized in the Populations for the ETA 227 based on continued review, implementation of case management systems for Benefit Payment Control (InvestiCase) and Collections (CollectiCase), several technological adjustments to the reporting, and the correction of human errors being made that all impacted the outcome of the ETA 227 and DV.

Population 12 OP by Cause: 2013 failed 100% of random samples and failed 7 of 8 categories in report validation area. 2016 failed 26.67% of random samples and passed all 8 categories in report validation area. An improvement of 73.33% and 100% respectively.

Population 13 OP Reconciliation: 2014 failed 60% of random samples (an improvement over 100% failure in 2012 and 2013) and failed all 5 categories in report validation area. 2016 failed 4% of random samples and passed 2 of 5 categories in report validation area. An improvement of 96% and 40% respectively.

Population 14 Age of OP: 2013 failed 100% of random samples and failed all 4 categories in report validation area. 2016 passed random samples with 0% errors and passed 1 of 4 categories in report validation area. An improvement of 100% and 25% respectively.

Population 15 OP by Method: 2013 failed 100% of random samples and failed 2 of 3 categories in report validation area. 2016 failed 36.67% of random samples and passed all 3 categories in report validation area. An improvement of 63.33% and 100% respectively.

This project is expected to address the remaining deficiencies in Populations 12 through 15, those that validate that overpayment reporting is correct.

Anticipated Completion Date:

December 31, 2017

Contact Persons:

Dianne Carpenter, Unemployment Compensation Bureau Director
Colleen O'Neill, Assistant to the Commissioner

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-032.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Labor ***2016-042***
NH Department of Employment Security

CFDA #17.225 Unemployment Insurance

Grant Year and Award:

2013	***UI-23906-13-55-A-33***
2014	***UI-25219-14-55-A-33***
2014	***UI-26409-14-60-A-33***
2014	***UI-26369-14-60-A-33***
2015	***UI-26549-15-55-A-33***
2015	***UI-27124-15-55-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-28146-16-60-A-33***
2016	***UI-27991-16-55-A-33***
2016	***UI-27874-16-55-A-33***

Finding: Controls over claimants being registered for work in the "Job Match System," need to be strengthened to ensure compliance with State eligibility requirements.

Criteria:

Federal law (20 CFR 604.5 (h) Work search), provides that States may require an individual to be actively seeking work to be considered available for work, or States may impose a separate requirement that the individual must actively seek work to be eligible for unemployment insurance benefits.

New Hampshire RSA 282-A:31 Benefit Eligibility Conditions. I, states: "An unemployed individual shall be eligible to receive benefits with respect to any week only if the commissioner finds that: …(f) He or she has participated in reemployment services when so directed by the commissioner unless he or she has completed such services or has good cause for failure to participate in such services." According to New Hampshire Employment Security Department personnel the participation in reemployment services include the proper registration by the claimant in the New Hampshire Job Match System, including having an update resume on file.

Further, the New Hampshire Employment Security Department's Administrative Rule EMP 501.01(c) states:

" Beginning with the third week of continued unemployment from the initial claim effective date, an individual shall be considered to have an active work registration if the individual:

(1) Resides in New Hampshire or resides outside of New Hampshire but within 25 miles of a New Hampshire employment security office and is registered on the New Hampshire department of employment security job match system; or
(2) Resides both outside of New Hampshire and outside of 25 miles of a New Hampshire employment security office and is registered for work at an office designated for the purpose of work registration, with the approval of the state where the individual resides**."**

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Each claimant that receives unemployment compensation benefits from NHES is required to search for work in the week in which they are filing for benefits as well as be registered in the New Hampshire Job Match System with an updated resume.

Condition:

During our audit of the Unemployment Insurance Program, we tested 40 claimants to ensure they met the Eligibility conditions to receive unemployment compensation benefits. We noted there were nine (9) claimants whose resume were not up to date in the Job Match System, either having expired or not having been provided in the Job Match System, and four claimants whose Job Match Registration had not been completed at the time of receiving benefits during Fiscal Year 2016.

Cause:

The Department lacks effective procedures to detect when claimants have not completed their proper registration, or when a claimant's registration has expired, in the Job Match System while receiving unemployment compensation benefits.

Effect:

The Department is not ensuring claimants' compliance with participating in reemployment services, including proper registration in the State of New Hampshire's Job Match System, and as a result jobs for claimants may not be found in a timely manner.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

The Department should institute effective monitoring to ensure proper claimant registrations in the New Hampshire Job Match System during period of claimant unemployment, including having an updated resume on file.

Views of Responsible Officials:

The Department is aware that all information needed to create a resume is not transferring from the NHUIS system to the job match system and have been working to correct it. We have been working with the vendors to identify the reason and fix the interface. The job match system vendor has released an updated version and New

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Hampshire will be converting soon. No corrections to the interface can be completed until the new version is installed. Conversion is pending the purchase and installation of servers to support the upgrade. In the meantime, we receive a daily report of those registrations that do not transfer over and staff works with the claimants to register and create a resume.

Verifying that each claimant has an active registration and resume in the job match system is a manual process. Based on current staffing, manually checking 4000 claimant registrations weekly is not feasible.

Claimants are selected for the Reemployment Services and Eligibility Assessment (RESEA) Program weekly. The grant allows the department to select from a pool of all claimants that are required to search for work. Selections are made based on staffing and their current caseloads. These claimants receive intensive services including a review of their job match system registration and resume. Claimants not selected for RESEA are not seen 1-on-1 unless they are referred for services or request services. Otherwise, they are self-service customers. Once claimants complete the required visits for RESEA they are also considered self-service claimants unless they request assistance which will be provided based on staff availability.

Claimants are told in the Benefits Rights Interview group workshop that they must have an active registration and resume. It is also discussed at the first Eligibility Review group workshop. However, we are unable to stop payment of benefits until they have received a written warning that if they are not registered, their benefits could be in jeopardy.

The Department will work to improve the number of registrations and resumes reviewed on a regular basis. Additional federal funds were received to improve the interface and information being transferred from NHUIS to the job match system. We will continue to work with the vendors to ensure that the interface is working properly. We will look at ad hoc reporting in the job match system to identify those claimants whose resumes and registrations are expiring and identify a way with current staffing to contact those claimants. Upon conversion to the latest version of the job match system, we will determine how to identify and notify claimants to update their resumes and registrations.

Anticipated Completion Date:

September 30, 2017

Contact Person:

Pamela Szacik, Director, Employment Service Bureau

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-033.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Education ***2016-044***
NH Department of Education

CFDA # 84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2014-9/30/2015 H126A150042

Finding: Special test completion guidelines were not followed.

Criteria:

The State Vocational Rehabilitation (VR) Agency has a special provision as it pertains to the completion of Individual Plans for Employment (IPE). When an IPE is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (Section 102(b)(3)(F) of the Act (29 USC 722(b)(3)(F))).

Condition:

IPEs for three of the 40 selections tested were not completed within the 90 day period after eligibility was determined. All three selections had extensions granted to extend the period of time an IPE needs to be completed by; however, the forms to extend this date were only signed by the counselor and not the individual being provided VR services.

Cause:

An extension agreement was not signed by both parties, as is required, due to an apparent oversight during the IPE completion process for the three selections tested.

Effect:

The State is not in compliance with the guideline which require an extension agreement in the event that a client is unable to complete an IPE for greater than 90 days, and completion of the IPE may not exceed the 90 day required timeframe without the individual being aware of or agreeing to such extension.

Questioned Costs*:*

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Repeat Finding:

No

Recommendation:

We recommend that the VR program administrators establish controls and procedures to better monitor a customer's IPE completion status. This oversight should aim to more frequently identify and correct these instances of non-compliance and identify a customer's IPE completion period is coming close to reaching 90 days. If an extension is sought, both the counselor and the individual provided VR services should be required to sign the request.

Views of Responsible Officials:

The Agency has implemented a new case management system (as of 7/2015) that provides staff with an activity reminder as cases approach the federal timeline for development of an individualized plan for employment (IPE). Over the past year and a half since implementation there have been a number of trainings for staff on how to effectively utilize the system in the management of cases, including the need to routinely review and act on system reminders. In addition a weekly report is generated by the administrative office that is disseminated to each regional office supervisor that identifies cases that are approaching the time standard. The regional office supervisor then works with the counselor of the case on the list to assure that a plan in developed or an extension is created. If there is outstanding information needed to develop a plan – for example the customer is still involved in career exploration activities to identify the services that need to be included on the plan- the counselor contacts the customer to discuss next steps, including the provision of an extension. If the customer agrees to the extension the form is completed and signed by the counselor and the customer if they are meeting at that time. If the conversation and agreement happens by phone or email, the form is generated and sent to the customer for signature, a copy is retained in the file. Unfortunately, customers do not always sign and return these forms and it is not always feasible for a customer to travel to an office simply to sign a form and requesting that they do so may impact them negatively in terms of time and travel costs.

The Agency will continue to institute case management controls and procedures to monitor customer IPE completion status. This includes system reminders of impending time frames and the generation of weekly reporting of cases approaching the timeline to the regional supervisory staff. Additional training will be provided to staff on the use of the system reminders. Regional office supervisors will be asked to periodically review cases in extension to determine if documentation exists that the customer was involved in the extension decision. Counselors will be encouraged to include the extension conversation during in person meetings with the customer. In those cases where the conversation regarding the extension is not done in person, counselors will be required to attach a cover letter to the extension that verifies the manner the agreement was made, e.g., by phone conversation and any confirming documentation of the agreement, i.e., the email conversation demonstrating the agreement.

Anticipated Completion Date:

Training will be completed by June 30, 2017

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Contact Persons:

Lisa Hinson-Hatz, Accounting Technician
Sharon DeAngelis, Business Administrator II

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-041.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Education ***2016-045***
NH Department of Education

CFDA #84.126 Vocational Rehabilitation

Grant Year and Award:
10/1/2015-9/30/2016 H126A160042
10/1/2014-9/30/2015 H126A150042

Finding: Semi-annual certification supporting salaries and wages was missing.

Criteria:

Per department policy, employees who work solely on a single cost objective are to complete a semi-annual certification to certify they have worked solely on activities that support the cost objective.

Condition:

We noted that for one of the 40 employees selected for payroll testwork, the employee's salary and wages were not supported by a semi-annual certification.

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 the employees worked solely on that program for a period of six months. Employees are able leave the department prior to when the semi-annual certifications are completed, which results in non-compliance

Effect:

The State is not in compliance with the time certification standards established by the program which could result in a misreporting of allowable costs.

Questioned Costs:

Not determinable

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-031

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Recommendation:

We recommend that management enhance current policies to ensure certifications are completed prior to leaving the department and are signed by the employee and supervisory official having first-hand knowledge of the work performed by the employee.

Views of Responsible Officials:

We have created and implemented a checklist that is used when an employee either resigns or retires to ensure all aspects are finalized before the employee leaves State service. This checklist includes the semi-annual certification. Once the administrative office receives notification that an employee is resigning or retiring, the checklist is sent to the employee's supervisor along with the semi-annual certificate that needs to be completed. As the resignation/retirement date approaches, central office will reach out to the supervisor to ensure the checklist is being utilized and the certification will be completed.

VR Resignation Checklist
Once you have learned that an employee is retiring or resigning, please be sure to complete the following tasks:
Employee Name: _____ Date of Termination: _____

- ☐ Submit a copy of the resignation letter to Human Resources.
- ☐ Notify Central Office of resignation so AWARE access may be terminated.
- ☐ Return completed Semi-Annual VR Time Certificate to Central Office.
- ☐ Collect any State property (laptops, cell phones, wires, wireless cards, iPads, etc.).
- ☐ Collect any office keys/terminate key card access.
- ☐ Collect employee ID badge and return to Human Resources.
- ☐ Make sure employee's last timecard has been completed and approved.

Anticipated Completion Date:

Implemented October 1, 2016

Contact Persons:

Lisa Hinson-Hatz, Accounting Technician
Sharon DeAngelis, Business Administrator II

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Environmental Protection Agency ***2016-050***
NH Department of Environmental Services

CFDA #66.468 Capitalization Grants for Drinking Water State Revolving Funds (DWSRF)

Grant Year and Award:
2015 FS991150-15 (DWSRF)

Finding: Risk assessment for compliance with subrecipient monitoring should be developed.

Criteria:

In accordance with 2 CFR § 200.331 (b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Condition:

The DWSRF program does not have a documented risk assessment to determine the appropriate subrecipient monitoring. The DWSRF program provides partial risk assessment for the compliance requirements monitored in award identification but no risk assessment exists for procedures to be performed for during-the-award monitoring.

Cause:

DES has not developed a formal risk assessment procedure over subrecipient monitoring.

Effect:

DES was not in compliance with the requirement to formally evaluate each subrecipient's risk of noncompliance with subrecipient monitoring requirements for fiscal year 2016.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Recommendation:

DES should develop a formal risk assessment to evaluate each subrecipient's risk of noncompliance with the subrecipient monitoring compliance requirements.

Views of Responsible Officials:

DES concurs. While DWSRF currently has risk assessment components in place and performs extensive monitoring throughout the life of a project we understand that a formal risk assessment procedure is required. A formal risk assessment procedure will be developed.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water and Groundwater Bureau

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-046.

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U.S. Environmental Protection Agency ***Finding: 2016-051***
NH Department of Environmental Services

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

Grant Year and Award:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***
2015	***CS330001-15 (CWSRF), FS991150-15 (DWSRF)***

Finding: Controls over the matching and earmarking requirements for the DWSRF and CWSRF programs should be strengthened.

Criteria:

In accordance with 40 CFR section 35.3550 (g), a State must agree to deposit into the Fund an amount from State monies that equals at least 20 percent of each capitalization grant payment. A State must deposit the match into the Fund on or before the date that a State receives each payment from a capitalization grant.

The State match percentage is applied per dollar of Federal funds. The maximum Federal portion would be 83.3%.

Effective controls must be maintained for all set-asides under the DWSRF and CWSRF program. Set-aside expenditures must be actively monitored to ensure compliance with allotment percentages earmarked for set-aside activities authorized in federal grant agreements and 40 CFR §35.3535 (b) through (e).

Condition:

The controls established by DES to ensure the maximum percentage allotments for each set-aside have not been exceeded, were not properly evidenced as operating in FY2016. The CWSRF and DWSRF maintain reports that document the cumulative expenditures and allotted set-aside amounts but do not have documentation to evidence that the reports were used to track the earmarking requirements prior to each drawdown that occurred in FY2016.

In addition, the CWSRF uses a spreadsheet as a control for tracking the additional subsidy (principal forgiveness) and green infrastructure earmarking requirements. Management review and approval of the spreadsheet is not evidenced by the CWSRF.

Cause:

DES does not appear to have internal controls in place over the matching and earmarking compliance requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Effect:

Neither the DWSRF or the CWSRF had effective controls in place over the Matching and Earmarking requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

DES should improve controls over the matching compliance requirements at the time of disbursement by documenting management's review and approval of match calculations for each loan disbursement. DES should improve controls over the monitoring of set-aside earmarking requirements. Established controls should be evidenced. The tracking spreadsheet used for monitoring the set-aside earmarking requirements should be reviewed prior to each quarterly drawdown and management's approval should be documented.

CWSRF

Views of Responsible Officials:

DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Tracy Wood, Administrator, DES Wastewater Engineering Bureau

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DWSRF

Views of Responsible Officials:

DES will improve established earmarking controls by including evidence of reviews prior to drawdowns being performed. Procedures will be modified to include evidence of a review of available balances before drawdown.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, DES Drinking Water Groundwater Bureau

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-047.

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U.S. Environmental Protection Agency ***Finding: 2016-053***
NH Department of Environmental Services

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

Grant Year and Award:

2012	***CS330001-12 (CWSRF), FS991150-12 (DWSRF)***
2013	***CS330001-13 (CWSRF), FS991150-13 (DWSRF)***
2014	***CS330001-14 (CWSRF), FS991150-14 (DWSRF)***
2015	***FS991150-15 (DWSRF)***

Finding: Noncompliance with setting of principal and interest repayment due dates for the CWSRF and DWSRF programs.

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
During testing of DWSRF loan repayments, we noted that, for 1 of 8 loans tested (12.5%), the DWSRF had set the first repayment due date of principal and interest to be repaid 42 days more than one year after project completion.

CWSRF
During testing of CWSRF loan repayments, we noted that, for 3 of 4 loans tested (75%), the CWSRF set the first repayment due dates of principal and interest to be repaid more than one year after project completion, ranging from 62 to 382 days after one year from project completion.

Cause:

Ineffective internal controls 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

Yes, 2015-046

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:

Views of Responsible Officials:

DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address the issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. The CWSRF identified and implemented improvements to maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Tracy Woods, Administrator, Wastewater Engineering Bureau

Drinking Water:

Views of Responsible Officials:

DES concurs. This was a finding in the FY15 audit report and program staff have been working diligently to address this issue, however, there were some loans that were completed during the interim period before new and updated procedures were fully implemented. DWSRF identified and implemented improvements to help

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

maintain compliance with this requirement. In addition, both Clean Water and Drinking Water have submitted changes to administrative rules and updated loan documents to clarify procedures and implement a consistent process for setting repayment dates.

Anticipated Completion Date:

December 31, 2017

Contact Person:

Sarah Pillsbury, Administrator, Drinking Water and Groundwater Bureau

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-048.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***2016-054***
NH Department of Health and Human Services

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

Grant Years and Awards:
10/01/2013 – 09/30/2015 3B08T1010035-14S1
10/01/2014 – 09/30/2016 3B08T1010035-15S1

Finding: Noncompliance with components of the subrecipient monitoring requirements.

Criteria:

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

- *Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)).

Condition:

During the State fiscal year ended June 30, 2016, the Department of Health and Human Services (the Department) did not fully implement procedures to comply with the Federal subrecipient monitoring requirements in accordance with the Uniform Guidance. While the Department was able to demonstrate that the Bureau of Drug and Alcohol Services (BDAS), the responsible Bureau for the financial activities of the grant did perform the financial monitoring and certain other requirements in accordance with OMB Circular A-133, we noted that the Department has not implemented procedures to ensure that monitoring of the subrecipient activities is performed in accordance with the Uniform Guidance.

As part of our subrecipient monitoring testwork over the Substance Abuse Block Grant program, we reviewed the subrecipient listings maintained by BDAS and we selected a sample of 5 subrecipients and 10 payments made to subrecipients during the audit period and noted the following:

- The Department does not identify subawards to subrecipients and contracts to vendors separately and the SFY 2015 subrecipients were not identified by BDAS.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

- The Department did not identify the Federal Award Identification Number (FAIN) and did not include the FAIN number in 5 of the 5 subawards during the audit period.

- The Department did not include the date when the Federal award was signed by the authorized official of the Federal awarding agency in 5 of the 5 subawards during the audit period.

- The Department did not include the name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity in 5 of the 5 subawards during the audit period.

- The Department did not identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Additionally, we noted that the Department did not evaluate each of the 5 subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the 5 subaward nor has the Department implemented a process to evaluate the subrecipients' risk of noncompliance.

Cause:

The State Department's policies and procedures are not designed to meet the regulations set forth in the Uniform Guidance.

Effect:

The effect is non-compliance with the subrecipient monitoring requirements.

Questioned Costs:

None

Whether Sampling Was Statistically Valid:

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:

No

Recommendation:

We recommend management develop and implement the subrecipient monitoring procedures to provide reasonable assurance that the subrecipient activities are in accordance with the current Federal regulations.

Views of Responsible Officials:

The Department concurs that subrecipient monitoring procedures need to be strengthened. The Department will, over the next several months, put procedures in place that will bring the Department current with the UG requirement in subsequent years.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

June 30, 2018

Contact Person:

Laurie Heath, BDAS Financial Manager

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-023.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

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

Status as of March 2018:

Partially Resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-006.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 the program into which they are transferred and should not be included in the audit universe and total expenditures of TANF when

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

Questioned Costs:

None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-020.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

Status as of March 2018:

Unresolved. See related finding and status at 2016-030.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. See related finding and status at 2016-031.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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

Status as of March 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-027.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

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

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

N/A

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-028.

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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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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
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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-029.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

- 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

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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.

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(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

Status as of March 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-032.

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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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-037.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Anticipated Completion Date:

December 31, 2016

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-048.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 the many state responsibilities includes establishing a system of internal controls in determining activities that are allowed or un-allowed.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

- 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
Division of Personnel: June 30, 2016

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-002.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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:

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Organizations (MCO). It is believed that PI will need to focus more on 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 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-006.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 2016, 2015, AND 2014

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 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-012.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

U.S. Department of Health and Human Services ***Finding 2014-008***
N.H. Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant

Grant Year and Award:
G-1301NHSOSR 10/1/2012 - 9/30/2014
G-1201NHSOSR 10/1/2011 - 9/30/2013
G-1101NHSOSR 10/1/2010 - 9/30/2012

Finding: Earmarking requirements not met

Criteria:

The State shall use all of the amount transferred in from TANF (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)).

A State may transfer up to 10 percent of the combined total of the State family assistance grant, supplemental grant for population increases, and bonus funds for high performance and illegitimacy reduction, if any, (all part of TANF) for a given fiscal year to carry out programs under the SSBG. Such amounts may be used only for programs or services to children or their families whose income is less than 200 percent of the poverty level. The amount of the transfers is reflected on the quarterly ACF-196, *TANF Financial Report*. The amounts transferred into this program are subject to the requirements of this program when expended and should be included in the audit universe and total expenditures of this program when determining Type A programs. On the Schedule of Expenditures of Federal Awards, the amounts transferred in should be shown as expenditures of this program when such amounts are expended.

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

Condition:

During the State fiscal year ending June 30, 2014, the State transferred approximately $900,000 from TANF to SSBG. During our testwork over earmarking we noted that 8 of the 15 expenditures selected for testwork did not appear to be for services to children or their families whose income is less than 200% of the official poverty guideline. As such, the State did not meet its earmarking requirement for the year ended June 30, 2014.

A similar finding was noted in the prior year report.

Cause:

The cause of the condition found appears to be due to the lack of properly designed and implemented controls to ensure proper spending of TANF funds through SSBG for the State fiscal year ended June 30, 2014.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Effect:

The Department did not meet the earmarking compliance requirements and appears to have expended Federal funds for unallowable costs during the State fiscal year ended June 30, 2014.

Questioned Costs:

$2,087 of questioned costs based on the sample selected.

Recommendation:

We recommend that the Department review their existing procedures related to the tracking of expenditures used as earmark to ensure that earmarking expenditures are for services to children or their families whose income is less than 200% of the official poverty guideline is properly met.

Auditee Corrective Action Plan:

This is the same finding as last year's audit concerning SSBG funds that were part of a TANF transfer. DCYF implemented a process to ensure that there is adequate documentation to verify that the recipient of the services income was less than 200% of the official poverty guidelines, on February 14, 2014, that date of the last finding. All of the test cases listed above were for payments prior to February 14, 2014. All of the test cases for services after February 14, 2014 that were sampled had adequate documentation.

Anticipated Completion Date:

Completed: February 14, 2014

Contact Person:

Dague B. Clark, Fiscal Administrator for DCYF, 271-4817

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-017.

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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 2016, 2015, AND 2014

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 2018:

Unresolved. See related finding and status at 2016-030.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 2016, 2015, AND 2014

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 2016, 2015, AND 2014

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.”

Condition:

The Fish and Game Department (the Department) does not have adequate subrecipient monitoring procedures in place.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-27.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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, 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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.

Contact Person:

Kathy LaBonte, Administrator III

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

N/A

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-028.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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

Status as of March 2018:

Unresolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-029.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

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 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2016, 2015, AND 2014

Anticipated Completion Date:

Fall 2017

Status as of March 2018:

Partially resolved. A similar finding was identified in the 2017 single audit report. See finding and views of responsible officials at 2017-032.

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