STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2019

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE
SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2019

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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
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LETTER OF TRANSMITTAL

To The Fiscal Committee Of The General Court:

We hereby submit the annual Single Audit Report of the State of New Hampshire for the year ended June 30, 2019. 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)
- Auditors' 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, 2019, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 27, 2020

This report can be accessed online at https://das.nh.gov/accounting/reports.asp

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, 2019

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 2019 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 $7,043,124. 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 2019, 16 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2019, the State administered approximately 300 federal programs, with total federal expenditures of approximately $2.35 billion. Of those programs, Type A programs/clusters accounted for 91% of total federal expenditures, with the Medicaid program cluster accounting for 58% 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 EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2019

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2018 EXPENDITURES
Adjutant General	12.401	National Guard Military Operations And Maintenance (O&M) Projects	20,562,678	20,562,678
		Other Programs		7,886,053
		Total Adjutant General		28,448,731
Administrative Services	Various	Child Nutrition Cluster	4,298,250	4,298,250
		Other Programs		2,775,296
		Total Administrative Services		7,073,546
Agriculture		Other Programs		864,169
Business and Economic Affairs		Other Programs		8,413,638
Commission on Disability		Other Programs		110,997
Corrections		Other Programs		123,580
Developmental Disabilities Council		Other Programs		448,631
Education	Various	Child Nutrition Cluster	28,525,580	
	Various	Special Education Cluster	53,821,767	
	84.010	Title I Grants To Local Educational Agencies	38,887,438	
	84.126	Vocational Rehabilitation Grants	9,259,224	
	84.367	Supporting Effective Instruction State Grants	9,427,405	
	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	2,941,586	142,863,000
		Other Programs		40,958,807
		Total Education		183,821,807
Employment Security	17.225	Unemployment Insurance	61,942,823	
	93.563	Child Support Enforcement	3,958	61,946,781
		Other Programs		6,108,894
		Total Employment Security		68,055,675
Environmental Services	66.458	Clean Water Revolving Fund	12,806,146	12,806,146
		Other Programs		19,575,829
		Total Environmental Services		32,381,975
Fish & Game	Various	Fish and Wildlife Cluster	9,244,304	9,244,304
		Other Programs		1,574,884
		Total Fish & Game		10,819,188
Health & Human Services	Various	SNAP Cluster	105,832,782	

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE	TYPE A PROGRAMS	2018 EXPENDITURES
	Various	Child Care and Development Cluster	24,242,831	
	Various	Medicaid Cluster	1,363,457,263	
	10.557	Supplemental Food Program (WIC)	8,931,408	
	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	5,322,817	
	93.268	Immunization Cooperative Agreements	12,635,373	
	93.558	TANF	50,052,643	
	93.563	Child Support Enforcement	13,318,342	
	93.658	Foster Care - Title IV-E	14,658,065	
	93.667	Social Services Block Grant	7,709,035	
	93.788	Opiod STR	7,046,744	1,613,207,303
		Other Programs		65,120,954
		Total Health & Human Services		1,678,328,257
Human Rights Commission		Other Programs		124,810
Insurance		Other Programs		971,836
Judicial Branch		Other Programs		332,671
Justice	Various	Medicaid Cluster	657,618	
	16.575	Crime Victim Assistance	7,365,496	8,023,114
		Other Programs		4,309,971
		Total Justice		12,333,085
Natural and Cultural Resources		Other Programs		7,001,395
Professional Licensure and Certification		Other Programs		24,325
Public Utilities Commission		Other Programs		667,832
Safety	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	11,890,686	
	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	307,847	12,198,533
		Other Programs		16,004,059
				28,202,592
Secretary of State		Other Programs		1,029,202
Strategic Initiatives	93.568	Low-Income Home Energy Assistance	30,069,358	30,069,358
		Other Programs		2,203,797
		Total Strategic Initiatives		32,273,155
Transportation	Various	Highway Planning And Construction Cluster	179,950,924	
	20.223	TIFIA	38,383,849	218,334,773
		Other Programs		17,489,439
		Total Transportation		235,824,212
Veterans Home	64.015	Veterans State Nursing Home Care	9,077,543	9,077,543
		Other Programs		955,284
				10,032,827
		TOTAL EXPENDITURES	**2,142,631,783**	**2,347,708,136**

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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, 2019, 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 7.0% and 82.0%, 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 13.4% and 15.3%, respectively, of the assets and revenues of the aggregate discretely presented component units. Further, we did not audit the financial statements of the New Hampshire Retirement System, the New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, which represent 98.6% and 77.4%, 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.*

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, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the table of contents (collectively referred to as RSI), 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 RSI 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 20, 2019 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

Boston, Massachusetts
December 20, 2019

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, 2019. 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, 2019 by $1.9 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, ($2.9) 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 $586.3 million, or 45.4%, in fiscal year 2019 from $1,291.9 million to $1,878.2 million, as shown in the Comparative Changes in Net Position table within this report. Also reflected in this table, the State's net position of governmental activities increased by $500.4 million (229.2%), from $(218.3) million to $282.1 million in fiscal year 2019. Net position of the business-type activities showed an increase of $85.9 million (5.7%) related to fiscal year 2019 activity, from $1,510.2 million to $1,596.1 million. Total change in expenses for the period were $91.9 million, or 1.3% lower than fiscal year 2018 and total change in revenues were approximately $218.7 million or 3.0% higher than fiscal year 2018.

Non-Current Liabilities: The State's total non-current liabilities decreased by $392.8 million or 8.4% during the current fiscal year, and is largely due to the decrease of $81.9 million in the State's aggregate net pension liability as of June 30, 2019 for a total of $931.0 million as compared to $1,012.9 million as of June 30, 2018 and a decrease of $296.9 million in the State's aggregate OPEB liability as of June 30, 2019 for a total of $1,901.0 million as compared to $2,197.9 million as of June 30, 2018. Reported non-current debt, including bonds and notes, decreased a net of $40.9 million or 3.1%, as a result of payments on outstanding debt. In addition, the State issued $63.4 million in new bonds during fiscal year 2019. The State issued an additional $38.3 million of notes payable during fiscal year 2019, related to the Federal Transportation Infrastructure Finance and Innovation Act (TIFIA), as described in Footnote 5 of the Notes to the Basic Financial Statements.

Fund Highlights:

Governmental funds - Fund Balances: As of the close of fiscal year 2019, the State's governmental funds reported a combined balance of all funds of $1,161.4 million, an increase of $112.4 million over the prior year. Within the governmental funds, fund balances for the general fund, highway fund, education fund, and the combined non-major governmental funds increased(decreased) by $87.5 million, $2.7 million, $59.0 million and $(36.8) million, respectively. The increase in the general fund was driven by surplus revenues, primarily business taxes, as was additional appropriations authorized but not yet expended by June 30, 2019. Additional legislation in fiscal year 2019 appropriated $11.7 million for mental health services and $19.2 million for other various supplemental appropriations. The surplus revenues received during fiscal year 2019 contributed to an undesignated general fund balance of $192.5 million as compared to $74.4 million in the previous year. As of June 30, 2019, the $115.3 million of the unassigned fund balance represents the Revenue Stabilization balance, as compared to $110.0 million in fiscal year 2018. Lastly, the education trust fund, which typically operates in a budgetary deficit, ended with a fund balance of $84.5 million as of June 30, 2019, as compared to $25.4 million in fiscal year 2018, due to the overall increase in unrestricted revenues deposited into the general and education trust funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the State's finances. These statements (Statement of Net Position and 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 out- flows 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),
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 and 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 113 and 114.

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 information about the Trusted and Non-Trusted Other Post Employment Benefit Plans (OPEB), as required under GASB 75.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

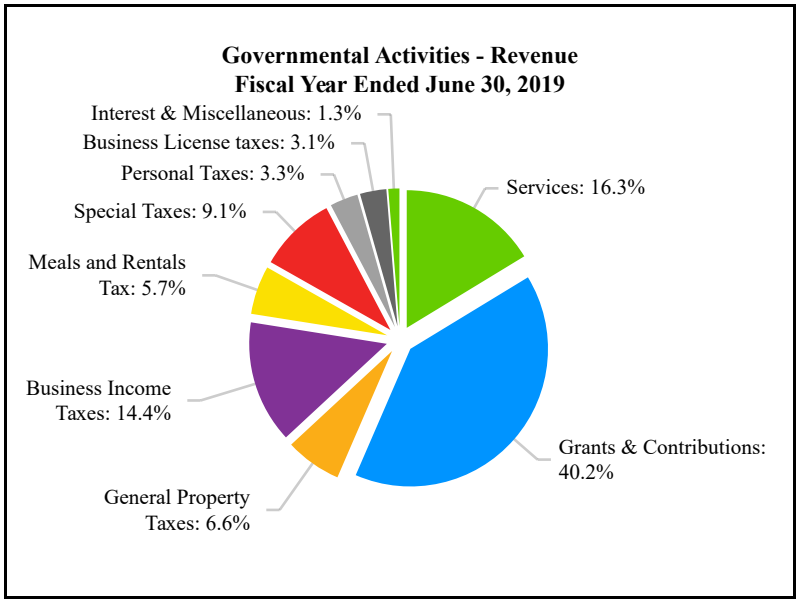
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled $1.9 billion as of June 30, 2019 which was $586.3 million, or 45.4%, higher than the net position as of June 30, 2018.

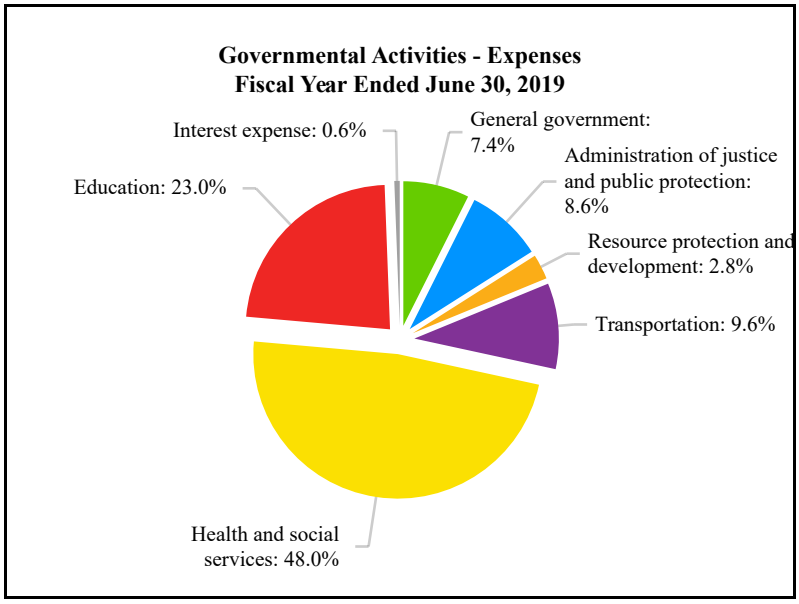
Comparative Net Position as of June 30, 2019 and 2018
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current assets	$ 1,608,537	$ 1,478,944	$ 853,558	$ 820,751	$ 2,462,095	$ 2,299,695
Capital assets	3,246,838	3,152,031	977,364	969,005	4,224,202	4,121,036
Other assets	505,927	389,297	489,401	498,841	995,328	888,138
Total assets	5,361,302	5,020,272	2,320,323	2,288,597	7,681,625	7,308,869
Total deferred outflows of resources	238,726	267,098	13,606	16,517	252,332	283,615
Noncurrent liabilities	3,784,149	4,128,565	521,961	570,361	4,306,110	4,698,926
Current liabilities	788,239	733,301	169,136	185,966	957,375	919,267
Total liabilities	4,572,388	4,861,866	691,097	756,327	5,263,485	5,618,193
Total deferred inflows of resources	745,491	643,823	46,768	38,607	792,259	682,430
Net position:						
Net investment in capital assets	2,390,742	2,315,210	592,072	554,745	2,982,814	2,869,955
Restricted	681,987	687,731	1,064,700	1,054,707	1,746,687	1,742,438
Unrestricted	(2,790,580)	(3,221,260)	(60,708)	(99,272)	(2,851,288)	(3,320,532)
Total net position	$ 282,149	$ (218,319)	$ 1,596,064	$ 1,510,180	$ 1,878,213	$ 1,291,861

Comparative Changes in Net Position
For Fiscal Years Ended June 30, 2019 and 2018
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 1,001,920	$ 969,216	$ 1,345,432	$ 1,284,408	$ 2,347,352	$ 2,253,624
Operating grants & contributions	2,273,606	2,267,221	17,436	28,456	2,291,042	2,295,677
Capital grants & contributions	201,298	190,813	89	104	201,387	190,917
General revenues:						
General property taxes	403,299	409,085			403,299	409,085
Business income taxes	886,821	774,512			886,821	774,512
Meals and rentals tax	350,190	329,983			350,190	329,983
Special taxes	562,248	567,200			562,248	567,200
Personal taxes	202,182	211,319			202,182	211,319
Business license taxes	187,806	184,886			187,806	184,886
Interest	27,440	21,023			27,440	21,023
Miscellaneous	50,494	53,376			50,494	53,376
Total revenues	6,147,304	5,978,634	1,362,957	1,312,968	7,510,261	7,291,602
Expenses						
General government	435,655	487,323			435,655	487,323
Administration of justice and public	507,949	529,684			507,949	529,684
Resource protection and development	168,125	178,862			168,125	178,862
Transportation	568,404	569,332			568,404	569,332
Health and social services	2,839,853	2,883,850			2,839,853	2,883,850
Education	1,366,996	1,356,013			1,366,996	1,356,013
Interest expense	33,865	33,754			33,865	33,754
Turnpike System			93,040	97,530	93,040	97,530
Liquor Commission			564,013	554,195	564,013	554,195
Lottery Commission			284,504	250,510	284,504	250,510
SRF			16,377	17,244	16,377	17,244
Unemployment Compensation Trust			45,128	57,529	45,128	57,529
Total expenses	5,920,847	6,038,818	1,003,062	977,008	6,923,909	7,015,826
Increase/ (decrease) in net position before	226,457	(60,184)	359,895	335,960	586,352	275,776
Special item - environmental litigation						
Transfers & other items	274,011	257,086	(274,011)	(257,086)		
Increase/ (decrease) in net position	500,468	196,902	85,884	78,874	586,352	275,776
Net position - July 1, restated	(218,319)	1,011,141	1,510,180	1,579,831	1,291,861	2,590,972
Cumulative effect of implementation of GASBS 75		(1,426,362)		(148,525)		(1,574,887)
Net position - June 30	$ 282,149	$ (218,319)	$ 1,596,064	$ 1,510,180	$ 1,878,213	$ 1,291,861


Governmental Activities - Revenue
Fiscal Year Ended June 30, 2019
Interest & Miscellaneous: 1.3%
Business License taxes: 3.1%
Personal Taxes: 3.3%
Special Taxes: 9.1%
Meals and Rentals Tax: 5.7%
Business Income Taxes: 14.4%
General Property Taxes: 6.6%
Services: 16.3%
Grants & Contributions: 40.2%


Governmental Activities - Expenses
Fiscal Year Ended June 30, 2019
Interest expense: 0.6%
General government: 7.4%
Administration of justice and public protection: 8.6%
Education: 23.0%
Resource protection and development: 2.8%
Transportation: 9.6%
Health and social services: 48.0%

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 $112.9 million from prior year. This increase was primarily the result of a net increase in capital assets of $103.2 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, $1,746.7 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 $4.2 million from prior year.

Unrestricted Net Position: The deficit in the State's unrestricted net position is $2,851.3 million which is a decrease of $469.2 million from the deficit of $3,320.5 million from the previous year. The two largest components of the deficit are the net pension liability of $931.0 million and the other postemployment benefit liability of $1,901.0 million. Net with the increase in assets recognized during the year, non-current liabilities decreased, which positively impacted the deficit unrestricted net position. In addition, the deficit was positively impacted by increased government-wide revenues, as revenues exceeded expenses by $586.3 million in 2019, as compared to $275.8 million in 2018.

Changes in Net Position

The State's total net position increased by $586.3 million, or 45.4%, from current fiscal year activities. Total revenues were $7,510.2 million, an increase of $218.6 million (3.0%) as compared to the prior year, and total reported expenses were $ 6,923.9 million, a decrease of $91.9 million (1.3%) as compared to the prior year. Both the increase in revenues and the decrease in expenditures contribute to a higher increase in net position as compared to the increase in fiscal year 2018.

More than half of the State's revenue (64.4%) 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 $99.6 million and general revenues increased $119.0 million over prior year. Program revenues were higher in fiscal year 2019 mainly as a result of additional federal grant funding in the areas of General Government, Administration of Justice and Public Protection, Health and Social Services, and Education. Lottery revenue increases from multi-state games and keno also attributed to the increase in program revenues. General revenues were higher in fiscal year 2019 directly attributable to business taxes coming in significantly higher than anticipated.

The State's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 48.0% and 23.0% 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, 2019 Compared to 2018
($ In Millions)

	Governmental		Business-Type		Total	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	32.7	3.4 %	61.0	4.7 %	93.7	4.2 %
Operating grants & contributions	6.4	0.3 %	(11.0)	(38.7)%	(4.6)	(0.2)%
Capital grants & contributions	10.5	5.5 %			10.5	5.5 %
General revenues:						
General Property Taxes	(5.8)	(1.4)%			(5.8)	(1.4)%
Business Income taxes	112.3	14.5 %			112.3	14.5 %
Meals and Rental Taxes	20.2	6.1 %			20.2	6.1 %
Special taxes	(5.0)	(0.9)%			(5.0)	(0.9)%
Personal taxes	(9.1)	(4.3)%			(9.1)	(4.3)%
Business License taxes	2.9	1.6 %			2.9	1.6 %
Interest	6.4	30.5 %			6.4	30.4 %
Miscellaneous	(2.9)	(5.4)%			(2.9)	(5.4)%
Total revenues	168.6	2.8 %	50.0	3.8 %	218.6	3.0 %
Expenses						
General government	(51.7)	(10.6)%			(51.7)	(10.6)%
Administration of justice and public protection	(21.7)	(4.1)%			(21.7)	(4.1)%
Resource protection and development	(10.7)	(6.0)%			(10.7)	(6.0)%
Transportation	(0.9)	(0.2)%			(0.9)	(0.2)%
Health and social services	(44.0)	(1.5)%			(44.0)	(1.5)%
Education	11.0	0.8 %			11.0	0.8 %
Interest Expense	0.1	0.3 %			0.1	0.3 %
Turnpike System			(4.5)	(4.6)%	(4.5)	(4.6)%
Liquor Commission			9.8	1.8 %	9.8	1.8 %
Lottery Commission			34.0	13.6 %	34.0	13.6 %
SRF Fund			(0.9)	(5.0)%	(0.9)	(5.2)%
Unemployment Compensation			(12.4)	(21.6)%	(12.4)	(21.6)%
Total expenses	(117.9)	(2.0)%	26.0	2.7 %	(91.9)	(1.3)%

Governmental Activities
Governmental activities increased the State's net position by $226.5 million, before transfers and other items. Revenues increased by $168.7 million or 2.8% from the prior year to total $6.1 billion. Total program revenue, consisting of charges for goods and services, and federal and local grants, increased $49.6 million or 1.4%, while taxes and other revenues increased $119.0 million, or 4.7%. Reported expenses decreased $117.9 million or 2.0.%. The rise in program revenues was driven largely by an increase in federal grants, with the largest increase relating to federal funding for Medicaid programs, transportation infrastructure and National Guard projects. The increase in general revenues was driven by the significant increase in business tax collections in fiscal year 2019 as compared to 2018, which was a combined result of improved economic conditions within the State, the impact of a statutory reduction of business tax rates and the impact of anomalies in tax payments as a result of the 2017 federal tax reform. The decrease in expenses is primarily due to the reduction in OPEB liability and its corresponding reduction in OPEB expense.

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 $360.0 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 $162.0 million, an increase of $6.0 million (3.9%) from the prior year. Transfers from the Liquor Commission to the General Fund unrestricted revenue totaled $146.3 million for fiscal year 2019, as compared to $149.2 million in fiscal year 2018, and were used to fund the general operations of the State. Also in fiscal year 2019, $8.4 million in liquor profits were transferred to the State's Alcohol Abuse Prevention and Treatment fund. The Lottery Commission net income before transfers of $106.5 million was an increase of $19.1 million (21.9%) as compared to the prior year. The increase in net income at the Lottery Commission was attributable to higher sales, largely due to big game jackpots, as well as Keno revenue. Additionally, the Turnpike System generated net income before transfers of $59.8 million, up from $42.0 million in the prior year, as a result of a general decrease in operating expenses. The operations of the Unemployment Compensation fund yielded an increase in net position of $1.8 million, which is down from an increase of $10.5 million in the prior year, due to a decrease in operating income. The operations of the State Revolving Fund yielded an increase in net position of $16.2 million, down from $26.3 million in the prior year, due to a reduction in federal grant revenue.

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 $112.4 million in fiscal year 2019. A deficiency of revenues under expenditures of $268.8 million was funded by $379.4 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, 2019 is $951.9 million, which was an increase of $87.5 million over the prior year balance of $864.4 million. Revenues in the general fund were $4,427.4 million, $30.7 million (0.7%) higher than the prior year, with the increase largely in special taxes, as a result of high business tax collections, and interest, premiums and discounts received during fiscal year 2019. Expenditures increased by $58.5 million (1.3%) to $4,521.3 million, which was primarily the result of the increase in Health and Social Services expenditures. Both revenue and expenditures were higher during fiscal year 2019 due to continued increases in health and social services' federally-funded programs. As a result of increased revenues in the general and education trust funds, the education trust fund did not have a deficit and did not require a transfer from the general fund, thus contributing to the increase in fund balance in fiscal year 2019 for both funds.

The June 30, 2019 general fund unassigned fund balance was comprised of an undesignated balance of $192.5 million and the Rainy Day fund amount of $115.3 million, an overall increase of $123.4 million from the prior year (the Rainy Day fund balance as of June 30, 2018 was $110.0 million). Unrestricted revenues in fiscal year 2019 were higher than the planned amount by $172.9 million and were offset by additional 2019 appropriations approved as part of a legislative effort to use some surplus funds to fund on time needs, resulting in a net increase of $118.1 million in undesignated surplus. In addition, legislation authorized an additional $5.0 million of surplus revenues to be transferred to the Rainy Day fund, as well as a transfer of $0.3 million from the consumer protection escrow fund, bringing the balance to $115.3 million of June 30, 2019.

Education Fund
As noted, the education trust fund did not have a deficit balance as of June 30, 2019, but ended with surplus revenues which, per statute, remain in the fund and are classified as assigned fund balance.

Highway Fund
The highway fund ended the year with a restricted fund balance of $124.4 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, 2019 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 increased $2.7 million during fiscal year 2019 due to increased revenues and higher lapsed expenditures as compared to the budgeted amounts, offset by additional appropriations for winter maintenance needs.

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 $4,908.0 million to the final budget of $5,765.4 million is $857.3 million and represents additional appropriations issued after adoption of the operating budget, primarily in the following categories of government: Health & Social Services ($668.5 million), Justice & Public Protection ($69.8 million) and Resource Protection and Development ($70.1 million). The budget increase is due largely to appropriations for federal programs not part of the adopted operating budget.

Actual total revenue was less than the final budget by approximately $635.8 million which was primarily the result of lower federal grant revenues. The federal grant revenue unfavorable variance of $597.0 million was due primarily to the timing of program expenditures. Total actual expenditures were approximately $1,191.7 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 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, 2019, amounted to $7.9 billion, with accumulated depreciation amounts of $3.6 billion, leaving a net book value of $4.2 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 $2.5 billion, consistent with the prior year.

The 2018-2019 capital budget authorized nearly $262 million in capital appropriations, leveraging approximately $201 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 2019 include:

- Various computer software system installations and upgrades at the Departments of Health and Human Services, Revenue and Safety totaling approximately $54.6 million
- Buildings and building improvements of approximately $11.7 million relating to National Guard armory locations and $25.9 million relating to the construction of courthouses in Milford, Hampton, Franklin and the Merrimack County Superior Court
- Construction work towards State House and other state facilities' steam heat conversion of approximately $4.0 million
- Construction of an addition at the State Archives for approximately $3.8 million
- Departments of Safety and Transportation equipment expenditures totaling $12.8 million towards communications, transportation and other operational improvements.
- 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 $1,336.4 million, which includes $13.6 million of general obligation bonds related to a component unit. Of the total amount, $881.9 million are general obligation bonds, direct placement bonds, and notes payable, which are backed by the full faith and credit of the State, and $105.1 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.

The State issued $63.4 million General Obligation Capital Improvement Bonds 2018 Series A on December 18. 2018, of which $52.8 million was for governmental activities and $10.6 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 3.01% with coupons ranging from 3.25% to 5.00% and with final maturity on 12/1/2038. The proceeds of this issue will be used to fund all or part of various capital projects of the State.

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 2019. Total proceeds attributed to fiscal year 2019 expenditures were $38.3 million, representing an addition to the 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 2019 unemployment rate of 2.6% (seasonally adjusted) continues to be below the national average of 3.6%.

Fiscal Year 2020 Revenue Performance for the five months ended November 30, 2019:

Unrestricted revenue for the General and Education Funds received year to date through the month of November totaled $739.3 million, which was above plan by $9.2 million (1.3%) and below prior year by $20.8 million (2.7%).

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

- Business Taxes totaled $202.9 million through November, which was $3.2 million (1.6%) above plan but $30.5 million (13.1%) below prior year.
- Tobacco Tax receipts through November of $88.3 million were $1.5 million (1.7%) above plan but $1.8 million (2.0%) below prior year.
- Real Estate Transfer Taxes through November were $3.0 million (3.7%) above plan and $5.9 million (7.6%) above prior year.
- Collections for the Interest and Dividends Tax through November of $25.7 million were $1.2 million (4.9%) above plan and $4.5 million (21.2%) above prior year.

The positive variances above were partially offset by:

- Meals and Rentals Tax receipts through November were $2.4 million (1.3%) below plan but $7.1 million (4.2%) above prior year.
- Transfers from the Liquor Commission were equal to plan due to lower profits and funds transferred to the state's Alcohol Abuse Prevention and Treatment fund.

On an annual basis, the fiscal year 2020 General and Education Funds revenue Plan of $2,626.2 million is approximately $18.4 million lower (0.7%) than the actual traditional revenue realized in fiscal year 2019 ($2,644.6 million), due to the anomalies experienced in business tax collections in fiscal year 2019.

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, 2019
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 630,842	$ 126,498	$ 757,340	$ 109,951
Cash and Cash Equivalents-Restricted	50,203	429,960	480,163	21,018
Investments				157,715
Investments - Restricted		149,258	149,258	
Receivables (Net of Allowances for Uncollectibles)	867,965	29,962	897,927	39,822
Other Receivables-Restricted		40,858	40,858	
Internal Balances Receivable (Payable)	18,205	(18,205)		
Inventories	26,538	89,688	116,226	
Other Current Assets	14,784	81	14,865	12,213
Other Current Assets-Restricted		5,458	5,458	
Total Current Assets	1,608,537	853,558	2,462,095	340,719
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	14,196		14,196	40,010
Other Receivables-Restricted		463,599	463,599	
Investments	18,145		18,145	833,866
Investments-Restricted	473,586	20,932	494,518	
Other Assets				38,422
Other Assets-Restricted		4,870	4,870	
Capital Assets:				
Land & Land Improvements	694,133	106,793	800,926	23,147
Buildings & Building Improvements	986,106	64,666	1,050,772	2,094,845
Equipment & Computer Software	520,851	96,517	617,368	156,504
Construction in Progress	243,609	82,041	325,650	56,140
Infrastructure	3,970,238	1,094,743	5,064,981	
Less: Allowance for Depreciation	(3,168,099)	(467,396)	(3,635,495)	(1,035,544)
Net Capital Assets	3,246,838	977,364	4,224,202	1,295,092
Total Noncurrent Assets	3,752,765	1,466,765	5,219,530	2,207,390
Total Assets	5,361,302	2,320,323	7,681,625	2,548,109
DEFERRED OUTFLOWS OF RESOURCES	238,726	13,606	252,332	50,741

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET POSITION
June 30, 2019
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 401,892	$ 92,756	$ 494,648	$ 69,490
Accrued Payroll	52,193	3,826	56,019	6,699
Unearned Revenue	129,098	18,165	147,263	42,772
Unclaimed Property & Prizes	16,308	2,810	19,118	
General Obligation Bonds Payable	87,298	4,838	92,136	
Federal Highway Grant Anticipation Bond Payable	14,300		14,300	
Claims & Compensated Absences Payable	38,671	1,080	39,751	6,791
Other Liabilities	48,479	15,621	64,100	9,545
Revenue Bonds Payable		30,040	30,040	28,412
Total Current Liabilities	788,239	169,136	957,375	163,709
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	685,931	44,524	730,455	
Federal Highway Grant Anticipation Bond Payable	90,800		90,800	
Revenue Bonds Payable, Net		320,545	320,545	439,016
Notes Payable	141,141		141,141	
Claims & Compensated Absences Payable	106,963	7,983	114,946	24,702
Other Postemployment Benefits Payable	1,801,266	99,693	1,900,959	184,011
Derivative Instruments - Interest Rate Swaps				22,976
Net Pension Liability	887,801	43,183	930,984	58,221
Other Noncurrent Liabilities	70,247	6,033	76,280	89,892
Total Noncurrent Liabilities	3,784,149	521,961	4,306,110	818,818
Total Liabilities	4,572,388	691,097	5,263,485	982,527
DEFERRED INFLOWS OF RESOURCES	745,491	46,768	792,259	69,782
NET POSITION				
Net Investment in Capital Assets	2,390,742	592,072	2,982,814	846,064
Restricted for Debt Repayments		53,392	53,392	
Restricted for Uninsured Risks		3,666	3,666	
Restricted for Unemployment Benefits	16,285	312,659	328,944	
Restricted for Permanent Funds-Expendable	13,274		13,274	
Restricted for Permanent Funds-Non-Expendable	12,917		12,917	
Restricted for Prize Awards - MUSL & Tri-State		4,870	4,870	
Restricted for Environmental Remediation	334,911		334,911	
Restricted for Environmental Loan Programs	2,003	689,599	691,602	
Restricted for Health and Social Services	52,281		52,281	
Restricted for Facility Sustainment		514	514	
Restricted for Highway	124,427		124,427	
Restricted for Other Purposes	125,889		125,889	
Restricted Component Unit Net Position				555,437
Unrestricted Net Position (Deficit)	(2,790,580)	(60,708)	(2,851,288)	145,040
Total Net Position	$ 282,149	$ 1,596,064	$ 1,878,213	$ 1,546,541

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, 2019
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	$ 435,655	$ 288,167	$ 40,983	
Administration of Justice & Public Protection	507,949	422,342	97,262	17
Resource Protection and Development	168,125	94,085	48,357	
Transportation	568,404	12,966	8,845	201,281
Health and Social Services	2,839,853	182,062	1,896,366	
Education	1,366,996	2,298	181,793	
Interest Expense	33,865			
Total Governmental Activities	5,920,847	1,001,920	2,273,606	201,298
Business-type Activities:				
Turnpike System	93,040	152,796		89
Liquor Commission	564,013	726,039		
Lottery Commission	284,504	391,038		
SRF	16,377	15,164	17,436	
Unemployment Compensation	45,128	60,395		
Total Business-type Activities	1,003,062	1,345,432	17,436	89
Total Primary Government	$ 6,923,909	$ 2,347,352	$ 2,291,042	$ 201,387
COMPONENT UNITS				
University System of New Hampshire	840,193	571,665	195,142	2,722
Non-Major Component Units	139,822	74,016	30,194	7,385
Total Component Units	$ 980,015	$ 645,681	$ 225,336	$ 10,107

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 (Deficit) - July 1, restated
Net Position (Deficit) - 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
$ (106,505)		$ (106,505)	
11,672		11,672	
(25,683)		(25,683)	
(345,312)		(345,312)	
(761,425)		(761,425)	
(1,182,905)		(1,182,905)	
(33,865)		(33,865)	
(2,444,023)		(2,444,023)	
	$ 59,845	59,845	
	162,026	162,026	
	106,534	106,534	
	16,223	16,223	
	15,267	15,267	
	359,895	359,895	
$ (2,444,023)	$ 359,895	$ (2,084,128)	
			(70,664)
			(28,227)
			$ (98,891)
403,299		403,299	
886,821		886,821	
350,190		350,190	
562,248		562,248	
202,182		202,182	
187,806		187,806	
27,440		27,440	44,609
50,494		50,494	
			128,075
274,011	(274,011)		
2,944,491	(274,011)	2,670,480	172,684
500,468	85,884	586,352	73,793
(218,319)	1,510,180	1,291,861	1,472,748
$ 282,149	$ 1,596,064	$ 1,878,213	$ 1,546,541

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 federal emergency 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, 2019
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 426,639	$ 136,533	$ 62,414	$ 3,224	$ 628,810
Investments	457,533			34,198	491,731
Receivables (Net of Allowances for Uncollectibles)	680,986	53,736	113,359	8,346	856,427
Due from Other Funds	75,516	151	5,137	3,879	84,683
Other Assets	13,326				13,326
Inventories	5,196	20,330		1,012	26,538
Loan Receivables	14,224				14,224
Total Assets	$ 1,673,420	$ 210,750	$ 180,910	$ 50,659	$ 2,115,739
LIABILITIES					
Accounts Payable	348,247	33,666	2,518	17,187	401,618
Accrued Payroll	41,547	9,644		1,002	52,193
Due to Other Funds	62	321		66,095	66,478
Unearned Revenue	122,428	6,670			129,098
Unclaimed Property	16,308				16,308
Tax Refunds Payable	26,621				26,621
Total Liabilities	555,213	50,301	2,518	84,284	692,316
DEFERRED INFLOWS OF RESOURCES	166,309	1,792	93,920		262,021
FUND BALANCES					
Nonspendable:					
Inventories	5,196	20,330		1,012	26,538
Permanent Fund Principal				12,917	12,917
Restricted	539,924	124,427		17,636	681,987
Committed	31,037			3,219	34,256
Assigned	67,965	13,900	84,472	2,047	168,384
Unassigned:					
Revenue Stabilization	115,258				115,258
Other	192,518			(70,456)	122,062
Total Fund Balances (Deficit)	951,898	158,657	84,472	(33,625)	1,161,402
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,673,420	$ 210,750	$ 180,910	$ 50,659	$ 2,115,739

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, 2019
(Expressed in Thousands)

Total Fund Balances for Governmental Funds		$ 1,161,402
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.		3,246,838
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.		262,021
Revenues that will be collected after year-end and are not available		223
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.		41,554
Net deferred outflows of resources related to deferred losses on refunding of bonds payable are not reported in the funds.		11,773
Certain liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers' Compensation	(122,482)	
Net Pension Liability, net of Deferred Amounts	(809,554)	
Other Postemployment Benefits Payable, net of Deferred Amounts	(2,398,051)	
Pollution Remediation Obligation	(66,921)	
Capital Lease Obligations	(15,662)	
Bonds and Notes Payable	(1,019,470)	
Interest Payable and Other Liabilities	(9,522)	(4,441,662)
Net Position of Governmental Activities		$ 282,149

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, 2019
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$ 582		$ 402,618		$ 403,200
Special Taxes	1,332,475		391,664		1,724,139
Personal Taxes	119,451		82,731		202,182
Business License Taxes	24,380	187,807			212,187
Non-Business License Taxes	141,655	92,269		10,723	244,647
Fees	144,562	24,472		7,168	176,202
Fines, Penalties and Interest	10,588	5,953	1	120	16,662
Grants from Federal Government	2,065,526	185,680		61,358	2,312,564
Grants from Private and Local Sources	171,149	6,792		365	178,306
Rents and Leases	1,593	87			1,680
Interest, Premiums and Discounts	34,036			817	34,853
Sale of Commodities	15,892	3,345		230	19,467
Sale of Service	25,103	4,047			29,150
Assessments	59,032				59,032
Grants from Other Agencies	59,433	9,492		99	69,024
Miscellaneous	221,948	5,668	40,001	4,528	272,145
Total Revenues	4,427,405	525,612	917,015	85,408	5,955,440
EXPENDITURES					
Current:					
General Government	376,330		1,104		377,434
Administration of Justice and Public Protection	495,344	61,532		179	557,055
Resource Protection and Development	143,849	1,947		23,905	169,701
Transportation	9,996	331,159			341,155
Health and Social Services	2,948,331			949	2,949,280
Education	403,767		962,489		1,366,256
Debt Service	112,871	32,753		324	145,948
Capital Outlay	30,826	132,022		154,611	317,459
Total Expenditures	4,521,314	559,413	963,593	179,968	6,224,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,909)	(33,801)	(46,578)	(94,560)	(268,848)
OTHER FINANCING SOURCES (USES)					
Transfers In	5,231			1,866	7,097
Transfers in from Enterprise Funds	168,405		105,606		274,011
Transfers Out		(2,833)		(4,264)	(7,097)
Capital Lease Acquisition	7,316				7,316
Bond Premiums				6,921	6,921
Note Issuance		38,384		52,807	91,191
Total Other Financing Sources	180,952	35,551	105,606	57,330	379,439
Net Change in Fund Balances	87,043	1,750	59,028	(37,230)	110,591
Fund Balances (Deficits)- July 1	864,388	155,922	25,444	3,228	1,048,982
Change in Inventory	467	985		377	1,829
Fund Balances - June 30	$ 951,898	$ 158,657	$ 84,472	$ (33,625)	$ 1,161,402

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, 2019
(Expressed in Thousands)

Net Change in Fund Balances for Total Governmental Funds, including Change in Inventory		$ 112,420
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		80,178
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	13,502	
Buildings & Building Improvements	50,729	
Equipment & Computer Software	63,084	
Construction in Progress	6,432	
Infrastructure	115,368	
Accumulated Depreciation, Net of Disposals	(154,308)	94,807
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.		153
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	(38,384)	
Bond Proceeds and Premiums Received	(59,728)	
Repayment of Bond/Note Principal & Interest	101,766	
Amortization of Premiums	10,568	
Unamortized Loss on Refunding, net	(1,491)	
Accrued Interest	1,240	13,971
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These amounts represent changes in:		
Compensated Absences, Workers' Compensation	(4,296)	
Other Postemployment Benefits Payable, net of Deferred Amounts	218,806	
Net Pension Liability, net of Deferred Amounts	7,332	
Pollution Remediation Obligation	(16,960)	
Capital Lease Obligation	(6,218)	
Advance Construction Commitments to Municipalities	275	198,939
Change in Net Position of Governmental Activities		$ 500,468

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, 172 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 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, 2019
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
ASSETS	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
Current Assets:							
Cash and Cash Equivalents	$120,931		$5,567			$126,498	$52,235
Cash and Cash Equivalents-Restricted	21,972			$ 94,911	$ 313,077	429,960	
Investments - Restricted	43,521			105,737		149,258	
Receivables (Net of Allowances for Uncollectibles)	19,548	6,390	4,024			29,962	11,510
Other Receivables-Restricted				27,211	13,647	40,858	
Due from Other Funds	348	47	343			738	
Inventories	2,656	85,768	1,264			89,688	
Other Current Assets	72		9			81	1,235
Other Current Assets-Restricted				5,458		5,458	
Total Current Assets	209,048	92,205	11,207	233,317	326,724	872,501	64,980
Noncurrent Assets:							
Investments - Restricted				20,932		20,932	
Other Receivables-Restricted				463,599		463,599	
Capital Assets:							
Land & Land Improvements	104,072	2,721				106,793	
Buildings & Building Improvements	14,263	47,404	2,999			64,666	
Equipment & Computer Software	73,213	22,660	644			96,517	
Construction in Progress	78,793	3,248				82,041	
Infrastructure	1,094,743					1,094,743	
Less: Allowance for Depreciation & Amortization	(442,525)	(24,223)	(648)			(467,396)	
Net Capital Assets	922,559	51,810	2,995			977,364	
Other Assets - Restricted			4,870			4,870	
Total Noncurrent Assets	922,559	51,810	7,865	484,531		1,466,765	
Total Assets	1,131,607	144,015	19,072	717,848	326,724	2,339,266	64,980
DEFERRED OUTFLOWS OF RESOURCES	4,438	6,147	1,122	1,899		13,606	
LIABILITIES							
Current Liabilities:							
Accounts Payable	11,135	76,731	3,215	1,675		92,756	274
Accrued Payroll	894	2,212	318	402		3,826	
Due to Other Funds	151	9,629	5,165		3,998	18,943	
Unearned Revenue	16,495	685	985			18,165	
Unclaimed Prizes			2,810			2,810	
General Obligation Bonds Payable		2,761		2,077		4,838	
Revenue Bonds Payable-Current	30,040					30,040	
Accrued Interest Payable	4,547	170				4,717	
Claims & Compensated Absences Payable	392	534	56	98		1,080	23,152
Other Liabilities	617	90	107	23	10,067	10,904	
Total Current Liabilities	64,271	92,812	12,656	4,275	14,065	188,079	23,426
Noncurrent Liabilities:							
General Obligation Bonds Payable		33,297		11,227		44,524	
Revenue Bonds Payable	320,545					320,545	
Claims & Compensated Absences Payable	2,357	4,173	462	991		7,983	
Other Postemployment Benefits Payable	27,661	53,078	13,560	5,394		99,693	
Net Pension Liabilities	10,719	22,984	3,789	5,691		43,183	
Other Noncurrent Liabilities	3,125	93	2,815			6,033	
Total Noncurrent Liabilities	364,407	113,625	20,626	23,303		521,961	
Total Liabilities	428,678	206,437	33,282	27,578	14,065	710,040	23,426
DEFERRED INFLOWS OF RESOURCES	13,174	24,722	6,302	2,570		46,768	
NET POSITION							
Net Investment in Capital Assets	580,309	11,690	73			592,072	
Restricted for Debt Repayments	53,392					53,392	
Restricted for Uninsured Risks	3,666					3,666	
Restricted for Prize Awards - MUSL & Tri-State			4,870			$4,870	
Restricted for Environmental Loans				680,788		680,788	
Restricted for SRF Programs				8,811		8,811	
Restricted for Facility Sustainment	514					514	
Restricted for Unemployment Benefits					312,659	312,659	
Restricted for Employee Benefits							41,554
Unrestricted Net Position (Deficit)	56,312	(92,687)	(24,333)			(60,708)	
Total Net Position (Deficit)	$ 694,193	$ (80,997)	$ (19,390)	$ 689,599	$ 312,659	$ 1,596,064	$ 41,554

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, 2019
(Expressed in Thousand)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
OPERATING REVENUES							
Charges for Sales and Services		$ 706,077	$ 390,391	$ 9,126	$ 53,086	$1,158,680	$ 307,442
Toll Revenue Pledged for Repaying Revenue Bonds	$ 145,932					145,932	
Total Operating Revenue	145,932	706,077	390,391	9,126	53,086	1,304,612	307,442
OPERATING EXPENSES							
Cost of Sales and Services		505,591				505,591	
Lottery Prize Awards			275,558			275,558	
Unemployment Insurance Benefits					45,128	45,128	
Principal Forgiveness				6,439		6,439	
Insurance Claims							296,318
Administration	53,819	54,187	8,820	9,385		126,211	10,971
Impairment of Capital Assets							
Depreciation	26,013	3,045	76			29,134	
Total Operating Expenses	79,832	562,823	284,454	15,824	45,128	988,061	307,289
Operating Income (Loss)	66,100	143,254	105,937	(6,698)	7,958	316,551	153
NONOPERATING REVENUES (EXPENSES)							
Licenses		6,064				6,064	
Beer Taxes		12,836				12,836	
Investment Income	2,314		647	3,931	7,309	14,201	
Miscellaneous	4,550	1,062		2,107		7,719	
Federal Grant Revenue				17,436		17,436	
Interest on Bonds and Mortgages	(13,208)	(1,190)	(50)	(553)		(15,001)	
Total Nonoperating Revenues (Expenses)	(6,344)	18,772	597	22,921	7,309	43,255	
Income Before Capital Grant Contributions	59,756	162,026	106,534	16,223	15,267	359,806	153
Capital Contributions and Grants	89					89	
Income Before Transfers	59,845	162,026	106,534	16,223	15,267	359,895	153
Transfers To Governmental Funds		(154,719)	(105,853)		(13,439)	(274,011)	
Change in Net Position	59,845	7,307	681	16,223	1,828	85,884	153
Net Position (Deficit)- July 1	634,348	(88,304)	(20,071)	673,376	310,831	1,510,180	41,401
Net Position (Deficit) - June 30	$ 694,193	$ (80,997)	$ (19,390)	$ 689,599	$ 312,659	$1,596,064	$ 41,554

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, 2019
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Federal and Local Agencies				$ 7,197	$ 592	$ 7,789	
Receipts from Customers	$ 138,255	$ 706,918	$ 190,969		55,795	1,091,937	$ 64,803
Receipts from Borrowers				31,740		31,740	
Interest from Borrowers				2,186		2,186	
Receipts from Supplier Rebate		78,745				78,745	
Receipts from Interfund Charges							243,647
Payments to Borrowers				(83,096)		(83,096)	
Payments to Employees	(16,184)	(31,969)	(5,406)			(53,559)	
Payments to Suppliers	(43,515)	(624,258)	(13,734)	(8,198)		(689,705)	(10,916)
Payments to Prize Winners			(70,536)			(70,536)	
Payments for Insurance Claims					(46,451)	(46,451)	(293,896)
Payments for Interfund Services		(7,077)		(754)		(7,831)	
Net Cash Provided by (Used for) Operating Activities	78,556	122,359	101,293	(50,925)	9,936	261,219	3,638
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds		(143,864)	(101,971)		(13,439)	(259,274)	
Receipts from Federal Agencies				16,713		16,713	
Other Contributions	945			2,107		3,052	
Temporary Loan from Other State Funds		3,092				3,092	
Interest Paid on Bonds				(552)		(552)	
Principal Paid on Bonds				(2,077)		(2,077)	
Net Proceeds from Issuance of Bonds							
Transfer: Alcohol Abuse Prevention/ Treatment Fund		(8,422)				(8,422)	
Proceeds from Collection of Licenses and Beer Tax		16,769				16,769	
Other Income	1,207	1,487				2,694	
Net Cash Provided by (Used for) Noncapital and Related Financing	2,152	(130,938)	(101,971)	16,191	(13,439)	(228,005)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition, Disposal, Sale and Construction of Capital Assets	(21,795)	(12,572)	(2,959)			(37,326)	
Interest Paid on Bonds and Mortgages	(18,432)	(1,153)	(50)			(19,635)	
Principal Paid on Bonds and Mortgages	(27,110)	(2,107)	(53)			(29,270)	
Net Proceeds from Issuance of Bonds and		10,603	2,975			13,578	
Payments for Underwriter Discount/ Premium	(32)					(32)	
Receipts from Others	2,930					2,930	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(64,439)	(5,229)	(87)			(69,755)	
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment Proceeds	109,346					109,346	
Purchase of Investment	(149,042)			23,530		(125,512)	
Other Income	2,368		497	3,799	7,309	13,973	
Net Cash Provided by (Used for) Investing Activities	(37,328)		497	27,329	7,309	(2,193)	
Net Increase in Cash & Cash Equivalents	(21,059)	(13,808)	(268)	(7,405)	3,806	(38,734)	3,638
Cash and Cash Equivalents - July 1	163,962	13,808	5,835	102,316	309,271	595,192	48,597
Cash and Cash Equivalents - June 30	$ 142,903		$ 5,567	$ 94,911	$ 313,077	$ 556,458	$ 52,235

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, 2019
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Unemployment Compensation	Total	
Reconciliation of Operating Income (Loss) to Net							
Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$ 66,100	$ 143,254	$ 105,937	$ (6,698)	$ 7,958	$ 316,551	$ 153
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation	26,013	3,045	76			29,134	
Principal Repayments				31,740		31,740	
Loan Advances to Borrowers				(83,096)		(83,096)	
Capitalized Loan Interest				(27)		(27)	
Principal Forgiveness				6,439		6,439	
Interest Income on Loans							
Miscellaneous Income/(Expense)	138			529		667	
Capital Deletions / Reclassification							
Change in Operating Assets and Liabilities:							
Change in Receivables/Loans	(7,268)	734	88	380	3,301	(2,765)	1,007
Change in Inventories	(59)	(3,786)	(287)			(4,132)	
Change in Other Current Assets			(10)			(10)	(1,235)
Change in Restricted Deposits-MUSL			(681)			(681)	
Change in Accounts Payable and Other	(2,198)	(13,687)	1,195	288	(1,323)	(15,725)	55
Change in Claims Payable			(3,163)	96		(3,067)	3,658
Change in Unearned Revenue	(444)	106	83			(255)	
Change in Other Postemployment Benefits Payable, Net of Deferred Amounts	(3,726)	(7,268)	(1,847)	(576)		(13,417)	
Change in Net Pension Liability, Net of Deferred Amounts		(39)	(98)			(137)	
Net Cash Provided by (Used In) Operating Activities	$ 78,556	$ 122,359	$ 101,293	$ (50,925)	$ 9,936	$ 261,219	$ 3,638
Turnpike Non-Cash Capital and Related Financing Activities:							
Capital Contributions	$ 89						
Non-Cash Capital Acquisition	$(2,474)						
SRF Non-Cash Investing Activities:							
Principal Forgiveness				$ 6,439			

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, 2019
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 236,000	$ 4,241	$ 31,006	$ 7,345
Receivables:				
Due from Employers	50,639			
Due from Plan Members	22,300			
Due from Brokers for Securities Sold	25,744			
Interest and Dividends	16,553		1,021	
Other	5,836			
Total Receivables	121,072		1,021	
Investments:				
Certificates of Deposit			101,695	
Repurchase Agreements			32,720	
Equity Investments	4,237,533			
Fixed Income Investments	2,115,981			
Commercial Real Estate	923,712			
Commercial Paper			28,942	
Alternative Investments	1,670,383			
Other Investments		7,430	26,000	3,960
Total Investments	8,947,609	7,430	189,357	3,960
Other Assets	1,070			
Total Assets	9,305,751	11,671	221,384	11,305
LIABILITIES				
Management Fees and Other Payables	9,863	112	89	
Due to Brokers for Securities Purchased	33,222			
Custodial Funds Payable				11,305
Other Liabilities			3,503	
Total Liabilities	43,085	112	3,592	11,305
NET POSITION				
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	9,262,666			
Net Position Held in Trust for Benefits & Other Purposes		11,559	217,792	
RECONCILIATION OF NET POSITION HELD IN TRUST:				
Employees' Pension Benefits	9,225,823			
Employees' Postemployment Healthcare Benefits	36,843			
Net Position for Pool Participants in External Investment Pool			217,792	
Other Purposes		11,559		
Net Position Restricted for Pension and Other Postemployment Benefits (OPEB)	$ 9,262,666			
Net Position Held in Trust for Benefits & Other Purposes		$ 11,559	$ 217,792	

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Investment Trust Fund
ADDITIONS			
Contributions:			
Employers	$ 486,647		
Plan Members	224,784		
Participants		37,470	273,127
Total Contributions	711,431	37,470	273,127
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	323,802		
Interest Income	64,954	270	5,478
Dividends	74,155		
Alternative Investment Income	37,210		
Other	14,099	203	6
Gross Income from Investing Activities	514,220	473	5,484
Less Investment Activity Expenses:			
Investment Management Fees	24,986		678
Custodial Fees	708		
Investment Administrative Expense	632		
Investment Advisor Fees	753		
Investment Professional Fees	350		
Total Investment Activity Expenses	27,429		678
Total Net Income from Investing Activities	486,791	473	4,806
Total Additions	1,198,222	37,943	277,933
DEDUCTIONS			
Benefits/Distributions to Participants	835,387	34,659	
Refunds of Contributions	23,464		
Administrative Expense	7,885		
Professional Fees	688		
Other	238	3,198	243,927
Total Deductions	867,662	37,857	243,927
Change in Net Position	330,560	86	34,006
NET POSITION HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Net Position - July 1	8,932,106	11,473	183,786
Net Position - June 30	$ 9,262,666	$ 11,559	$ 217,792

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Units	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 75,422	$ 34,529	$ 109,951
Cash and Cash Equivalents - Restricted		21,018	21,018
Operating Investments	148,166	9,549	157,715
Accounts Receivable	22,031	2,913	24,944
Other Receivables	3,292	3,676	6,968
Notes Receivable - Current Portion	2,196	5,714	7,910
Prepaid Expenses & Other	9,230	2,983	12,213
Total Current Assets	260,337	80,382	340,719
Noncurrent Assets:			
Investments	809,233	24,633	833,866
Notes & Other Receivables	19,103	20,907	40,010
Other Assets	311	38,111	38,422
Capital Assets:			
Land & Land Improvements	15,626	7,521	23,147
Building & Building Improvements	1,834,273	260,572	2,094,845
Equipment	140,811	15,693	156,504
Construction in Progress	52,820	3,320	56,140
Less: Accumulated Depreciation	(926,169)	(109,375)	(1,035,544)
Net Capital Assets	1,117,361	177,731	1,295,092
Total Noncurrent Assets	1,946,008	261,382	2,207,390
Total Assets	2,206,345	341,764	2,548,109
DEFERRED OUTFLOWS OF RESOURCES	35,977	14,764	50,741
LIABILITIES			
Current Liabilities:			
Accounts Payable	65,231	4,259	69,490
Accrued Salaries and Wages		6,699	6,699
Accrued Employee Benefits - Current	6,760	31	6,791
Other Payables & Accrued Expenses		4,214	4,214
Other Liabilities	5,331		5,331
Deposits and Unearned Revenues	40,242	2,530	42,772
Long Term Debt - Current Portion	26,203	2,209	28,412
Total Current Liabilities	143,767	19,942	163,709
Noncurrent Liabilities:			
Revenue Bonds Payable	439,016		439,016
Accrued Employee Benefits	24,702		24,702
Other Postemployment Medical Benefits Payable	77,515	106,496	184,011
Derivative Instruments - Interest Rate Swaps	22,976		22,976
Net Pension Liability		58,221	58,221
Other Long Term Debt	23,300	66,592	89,892
Total Noncurrent Liabilities	587,509	231,309	818,818
Total Liabilities	731,276	251,251	982,527
DEFERRED INFLOWS OF RESOURCES	12,500	57,282	69,782
NET POSITION			
Net Investment in Capital Assets	685,015	161,049	846,064
Restricted:			
Nonexpendable	281,701		281,701
Expendable	213,337	60,399	273,736
Unrestricted Net Position (Deficit)	318,493	(173,453)	145,040
Total Net Position	$ 1,498,546	$ 47,995	$ 1,546,541

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	University System of New Hampshire *	Non-Major Component Units	Total
EXPENSES	$ 840,193	$ 139,822	$ 980,015
PROGRAM REVENUES:			
Charges for Services:			
Tuition & Fees	521,656	66,763	588,419
Student Financial Aid	(196,768)	(20,727)	(217,495)
Sales, Services, & Other Revenue	246,777	27,980	274,757
Operating Grants & Contributions	195,142	30,194	225,336
Capital Grants & Contributions	2,722	7,385	10,107
Total Program Revenues	769,529	111,595	881,124
Net Expenses	(70,664)	(28,227)	(98,891)
Interest & Investment Income	42,276	2,333	44,609
Payments from State of New Hampshire	81,000	47,075	128,075
Change in Net Position	52,612	21,181	73,793
Net Position (Deficit) - July 1, restated*	1,445,934	26,814	1,472,748
Net Position (Deficit) - June 30	$ 1,498,546	$ 47,995	$ 1,546,541

Notes to the Basic Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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 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 includes two blended component units, the University of New Hampshire Foundation (UNHF) and the Keene Endowment Association (KEA). 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, which creates the potential for the BFA to impose a financial burden on the State. BFA's financials can be obtained by contacting the BFA at 2 Pillsbury Street, Suite 201, Concord, NH 03301.

Community Development Finance Authority - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. Additionally, CDFA imposes a financial burden on the State as investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the State. In accordance with RSA 162-L:10, the total credits allowed shall not exceed $5.0 million in any State fiscal year. CDFA's financials can be obtained by contacting the CDFA at 14 Dixon Avenue, Suite 102, Concord, NH 03301.

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and State legislative leadership, and three members are appointed by the City of Portsmouth and the Town of Newington. The State currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA, 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.

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.

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 financial benefit to or impose financial 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
- Land and Community Heritage Investment Program

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, 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, maintenance and operations of the State's public highways and the supervision of traffic thereon.

Education Trust Fund: 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 *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 *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 *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 Funds

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

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 New Hampshire Public Deposit Investment Pool (NHPDIP or the Pool), an external investment pool. The NHPDIP was established, in accordance with RSA 383:22-24, for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the State of New Hampshire. As of June 30, 2019, 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.

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, 2019, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2018, and for the year then ended.

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 certain money market and demand deposit accounts, a government-sponsored enterprise (GSE) instrument, the external portion of the NHPDIP holdings classified as cash equivalents and funds on deposit with the U.S. Treasury for the Unemployment Compensation Fund.

E. INVESTMENTS

Primary Government

Investments are reported at fair value. 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.

Non Pension Fiduciary Funds

In accordance with GASB 79, NHPDIP portfolio securities are valued at amortized cost, which approximates fair value. All other non pension trust fund investments are reported at fair value.

Pension Trust Funds and Major Component Unit

See Note 2 for further discussion of fair value techniques.

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. As of June 30, 2019, unearned revenue reported in governmental funds was $129.1 million, and in business-type activities was $18.2 million.

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. In previous fiscal years, 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. 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.

M. POSTEMPLOYMENT LIABILITIES

The State participates in two defined benefit pension plans, the State of New Hampshire Retirement System (NHRS) and the New Hampshire Judicial Retirement Plan (NHJRP). The State also participates in two other postemployment benefit (OPEB) plans, a funded plan administered by NHRS, hereafter referred to as the Trusted OPEB Plan, and a nonfunded plan, hereafter referred to as the Non Trusted OPEB Plan. See footnote 11 for activity related to these plans.

For purposes of measuring the total/net Pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to these liabilities and related expense, information about the fiduciary net position of the NHRS and NHJRP, and additions to/deductions from the fiduciary net position has been determined on the same basis as it is reported by NHRS, NHJRP and the State OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

N. 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. 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.

O. 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 effective interest 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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. 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.

U. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2019, the State adopted the following new accounting standards issued by the GASB:

GASB No. 83, *Certain Asset Retirement Obligations,* (GASB 83) addresses the accounting and financial reporting for certain asset retirement obligations (AROs), a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The statement requires that recognition occur when the liability is both incurred and reasonably estimable. The implementation of GASB 83 did not have an impact on the primary government financial statements, however, University System of New Hampshire, the major discretely presented component unit, restated beginning net position by $1.7 million.

GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88) improves the information that is disclosed in notes to financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. The new disclosures resulting from implementation of this statement can be found in Note 5.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT AND NON PENSION FIDUCIARY FUNDS

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."

The table below presents the cash, cash equivalents, and investments as reflected in the financial statements (expressed in thousands):

		Unrestricted		Restricted		
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	Total
Per Statement of Net Position	Primary Government	$ 757,340	$ 18,145	$ 480,163	$ 643,776	$ 1,899,424
Per Statement of Fiduciary Net Position	Private Purpose	4,241	7,430			11,671
	Investment Trust	31,006	189,357			220,363
	Agency Funds	7,345	3,960			11,305
	Total per Financial Statements	**$ 799,932**	**$ 218,892**	**$ 480,163**	**$ 643,776**	**$ 2,142,763**

INVESTMENTS:

The State's Treasury Department (State Treasury) is responsible for managing certain State cash and investments in accordance with 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 are denominated in U.S. dollars.

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, 2019.

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. If an investment is held directly by the State and an active market with quoted prices exists, such as for domestic equity securities, registered mutual funds and exchanged traded funds, those securities are classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation 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, 2019 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 State's investments and cash equivalents, by type, as of June 30, 2019 (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)	Total
Investments measured at fair value:			
U.S. Government Obligations		$ 497,366	$ 497,366
Municipal Bonds		228	228
Equity Securities	$ 16,768		16,768
Corporate Bonds		1,359	1,359
Total Investments measured at fair value	16,768	498,953	515,721
Investments measured at the Net Asset Value (NAV):			
Money Market Mutual Funds			108,318
Equity Open Ended Mutual Funds			17,828
Fixed Income Open Ended Mutual Funds			12,009
Total Investments measured at the Net Asset Value (NAV)			138,155
Investments and Cash Equivalents not measured at fair value:			
External portion of NH Public Deposit Investment Pool			189,357
Internal Investment in NH Public Deposit Investment Pool			15,508
Investment CDs greater than 90 days			3,927
Cash and Cash Equivalents			1,280,095
Total Investments and Cash Equivalents not measured at fair value			1,488,887
Grand Total	$ 16,768	$ 498,953	$ 2,142,763

Note to the table above: Rates range from 0.0% to 7.134% and maturities from fiscal year 2019 to 2031.

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.

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.

Concentration Risk: The risk of loss attributed to the magnitude of the State's investment in a single issuer. This risk is applicable to the State's investments in corporate bonds. The State does not have a formal policy relative to operating funds and mitigation of concentration of credit risk. Although not issuer specific, individual investment guidelines for trust and custodial funds include overall asset allocation limits that are consistent with sound investment principles and practices.

The State's exposed risks at June 30, 2019 are noted below:

Credit Risk and Interest Rate Risk (expressed in thousands)

Type	Governmental & Business Type			Fiduciary		
	Credit Risk		Interest Rate Risk	Credit Risk		Interest Rate Risk
	Investment Grade	Unrated	WAM in years	Investment Grade	Unrated	WAM in years
Corporate Bonds	$ 1,359		4.2			
U.S. Government Obligations Held in Permanent Funds	1,600		5.2			
U.S. Government Obligations Held in Governmental and Business Type Activities	495,610		0.8			
Fixed Income Open Ended Mutual Funds		6,732	3.6		$ 3,298	6.0
Municipal Bonds	228		10.9			

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, 2019 exposed to custodial credit risk and excludes $31.0 million in cash and cash equivalents held by the Investment Trust Fund (expressed in thousands):

Type	Governmental & Business-Type			Fiduciary		
	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	$ 1,819	$ 914,153	$ 14,702		$ 12,252	$ 33
Money Mkt/Svgs Acct		514			1,907	125
Gov Sponsored Ent Sec			7,689			
CDs			11,031			
Total	$ 1,819	$ 914,667	$ 33,422		$ 14,159	$ 158

FIDUCIARY COMPONENT UNIT (New Hampshire Retirement System – NHRS)

Investments in both domestic and non-U.S. marketable securities traded on a national or international exchange are valued at quoted market prices. Domestic and non-U.S. securities not traded on a national or international exchange are based upon quoted prices for comparable instruments with similar yields and risk in active and inactive markets. NHRS uses a trade-date accounting basis for both domestic and non-U.S. securities and values are expressed in U.S. dollars. 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.

RSA 100-A:15, I, provides separate and specific authorities to the 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 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 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 Plans 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, 2019, as recommended by the Independent Investment Committee and adopted by the NHRS Board of Trustees, is as follows:

ASSET ALLOCATION	**2019**	
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	9.00%	
Global Multi-Sector Fixed Income	10.00%	
Absolute Return Fixed Income	6.00%	
Total Fixed Income	**25.00%**	**20–30%**
Private Equity	10.00%	
Private Debt	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, 2019, NHRS held deposits of $12.5 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 Plans' 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, 2019 (dollars expressed in thousands):

Investment Type	Fair Value June 30, 2019	Percentage of Fixed Income Investments	Effective Duration in Years	Weighted Average Effective Duration Years
Collateralized/Asset Backed Obligations	$ 133,882	6.4%	3.0	0.2
Corporate Bonds	526,267	25.0%	5.6	1.4
Government and Agency Bonds	641,553	30.5%	5.3	1.6
Commingled Fund	263,096	12.5%	2.9	0.4
Commingled Fund	267,385	12.7%	4.7	0.6
Commingled Fund	225,053	10.7%	4.6	0.5
Commingled Fund	47,061	2.2%	(2.3)	(0.1)
Totals	**$ 2,104,297**	**100.0%**		**4.6**

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 credit risk.

The following schedule illustrates the Plan's fixed income investments as of June 30, 2019, including the distribution of those investments by Standard & Poor's quality credit ratings (dollars expressed in thousands):

		Quality Ratings[1]				
Investment Type	Fair Value June 30, 2019	AAA	AA	A	BBB or Lower	Unrated
Collateralized/Asset Backed Obligations	$ 133,882	86,749	1,080	1,151	19,596	25,306
Corporate Bonds	526,267	3,940	16,961	104,427	397,384	3,555
Government and Agency Bonds [2]	206,948	19,681	18,397	91,785	61,295	15,790
Commingled Fund [3]	47,061			47,061		
Commingled Fund [3]	225,053			225,053		
Commingled Fund [3]	267,385				267,385	
Commingled Fund [3]	263,096	60,512	15,260	31,045	98,398	57,881
Totals	**$ 1,669,692**	**170,882**	**51,698**	**500,522**	**844,058**	**102,532**
Percent of Total Fair Value		**10.23%**	**3.10%**	**29.98%**	**50.55%**	**6.14%**

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

2 Government and Agency Bonds exclude U.S. government securities and securities explicitly guaranteed by the U.S. government ($434,605) because these securities are not considered to have credit risk.

3 Average credit quality ratings for the commingled funds was provided by GAM, Manulife, Fidelity and Blackrock SIO 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, 2019, the Plan's combined investment in asset-backed and mortgage-backed securities held in separate account portfolios totaled $104.3 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, 2019, 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, 2019, non-U.S. fixed income securities represent 2.1% 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, 2019 is presented on the following schedule (expressed in thousands):

Currency	Equity	Fixed Income	Real Estate and Alternative Investments	Cash and Cash Equivalents	Totals
Total investments subject to foreign currency risk	**$713,706**	**$ 188,034**	**$ 105,335**	**$ 107**	**$1,007,182**

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. 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 Plans 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 Plans 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 Statements 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, 2019 are summarized below (expressed in thousands):

FOREIGN CURRENCY EXCHANGE CONTRACTS PURCHASED & SOLD

	Unrealized Appreciation	Unrealized (Depreciation)
Totals	$ 2,338	$ (1,263)

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, 2019.

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, 2019 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, 2019 (expressed in thousands):

	2019				
	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**
Fixed Income:					
U.S Government Obligations (1)	$ 433,371	$ 405,676	$ 27,695		
Domestic Fixed Income (2)	680,297	9,119	671,178		
Commingled Funds (3)	802,595			802,595	
International Fixed Income (4)	188,034		188,034		
Equity:					
Domestic Equity Securities	2,800,997	2,797,826	3,171		
Commingled Funds (5)	686,517			686,517	
International Equity Securities	713,707	713,707			
Real Estate:					
Real Estate Funds (6)	923,712			923,712	217,867
Alternative Investments:					
Private Equity (7)	1,098,494			1,098,494	625,737
Private Debt (8)	566,795			566,795	240,759
Total Investments	**$ 8,894,519**	**$ 3,926,328**	**$ 890,078**	**$ 4,078,113**	**$ 1,084,363**

Notes to the table above:

(1) Fiscal 2019 rates range from 0.125% to 6.000%, and maturities from 2019 to 2049. Fiscal 2018 rates range from 0.125% to 6.000%, and maturities from 2018 to 2048.

(2) Fiscal 2019 rates range from 0.00% to 10.000%, and maturities from 2019 to 2066. Fiscal 2018 rates range from 0.000% to 12.000%, and maturities from 2018 to 2059.

(3) This represents investments in four 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 2019 rates range from 0.750% to 10.000%, and maturities from 2019 to 2049. Fiscal 2018 rates range from 0.000% to 10.600%, and maturities from 2018 to 2050.
(5) This represents investments in four 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 58 real estate vehicles consisting of 12 strategic open-end funds and 46 tactical non-core investments. Redemption from the open-end funds can be requested on a quarterly basis with 45-90 days' notice periods. The tactical non-core investments are not redeemable. NHRS has no direct property investments as of June 30, 2019.
(7) This represents 37 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 24 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 asset.

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.

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, 2018:

ASSET ALLOCATION		
Asset Class:	**Target**	**Policy Range**
Large Cap Equities	39.075%	
Small Cap Equities	5.900%	
Domestic Equity	**44.975%**	**35–45%**
International Equity	**19.200%**	**8–20%**
U.S. Government Bonds	1.475%	
U.S. Short term bonds	7.800%	
Core Fixed Income	12.500%	
Fixed Income	**21.775%**	**10–33%**
U.S. REITs	1.475%	
Alternatives	10.000%	
Alternatives	**11.475%**	**0–33%**
Cash and cash equivalents	**2.575%**	**0-15%**

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, 2018, 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. NHJRP's fixed income investments are in mutual funds for which ratings are not available.

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 the following recurring fair value measurements as of December 31, 2018 (expressed in thousands):

	Fair Value Measurements as of December 31, 2018 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	$ 27,622				$ 27,622
International equity	8,690				8,690
Fixed income	11,684				11,684
Alternatives				5,094	5,094
	$ 47,996			$ 5,094	$ 53,090

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 AA/Aa 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 $75.4 million and short-term investments totaled $148.2 million at June 30, 2019.

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

	Level 1	Level 2	Total	Weighted Average Maturity
Cash balance	$29,431		$29,431	Less than 1 year
Repurchase agreements		$7,625	7,625	Less than 1 year
Money market funds	72,412		72,412	Less than 1 year
Domestic equity	338		338	Less than 1 year
Mutual funds	86,372		86,372	1-5 years
Corporate bonds		14,312	14,312	1-5 years
U.S. government and agencies, other		13,098	13,098	1-5 years
Total cash, cash equivalents and short-term investments	$188,553	$35,035	$223,588	

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. Except in unusual circumstances, no more than 15% of total portfolio assets may be invested in any one actively managed strategy. If an investment manager is retained to manage more than one strategy, that manager will be limited to 20% of total portfolio assets. Passively managed investment strategies will not be limited within the portfolio; however, any one manager of passive strategies will be limited to 20% of total portfolio assets. Any manager positions exceeding these limits will be reviewed by the Finance Committee for Investments and this committee will decide the appropriate

course of action to bring active manager exposures back in line with the concentration limit. Private global equity investments are limited to 20% of the endowment pool. No USNH endowment investments were denominated in foreign currencies as of June 30, 2019.

Endowment and similar investments are reported at estimated fair value in accordance with the following hierarchy. For investments classified in Level 1, the fair value is based on quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date. Investments classified in Level 2 consist of investments that have valuations based on inputs other than quoted prices that are observable for an asset either directly or indirectly. For investments classified in Level 3 the fair value is based on unobservable inputs for an asset.

In determining fair value of investment assets, USNH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. 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, 2019, USNH had no plans or intentions to sell such investments at amounts different from NAV. Investments reported at NAV as a practical expedient are not categorized in the fair value hierarchy.

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	Level 3		
Endowment and similar investments - campuses					
Money market	$ 4,790				$ 4,790
Domestic equity	145,635			64,745	210,380
International equity	31,192			58,046	89,238
Global fixed income	18,553	38,740			57,293
Inflation hedging assets		8,602		11,117	19,719
Hedge funds:					—
Fund of Funds				36,904	36,904
Event-Driven				39,421	39,421
Equity Hedge				26,138	26,138
Distressed/Restructuring				20,273	20,273
Private equity & non-marketable real assets				37,561	37,561
Funds held in trust		16,266			16,266
Total endowment and similar investments - campuses	200,170	63,608		294,205	557,983
Endowment and similar investments - affiliated entities					
Money market	8,083				8,083
Domestic equity	38,803			31,491	70,294
International equity	17,336			41,231	58,567
Global fixed income	19,162	2,134	4,176	1,883	27,355
Inflation hedging assets	2,664	9,575		197	12,436
Hedge funds:					
Equity Hedge				20,931	20,931
Distressed/Restructuring				32,064	32,064
Diversified				241	241
Private equity & non-marketable real assets				21,278	21,278
Total endowment and similar investments - affiliated entities	86,048	11,709	4,176	149,316	251,249
Total endowment and similar investments	$ 286,218	$ 75,317	$4,176	$ 443,521	$ 809,232

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; when these are not available, 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, venture capital and distressed security strategies. Real asset funds generally hold interests in private real estate. As of June 30, 2019, fixed income securities had maturities up to 28 years and carried ratings ranging from AAA to Baa2. The mutual fund investments held in the endowment pools are not rated.

As of June 30, 2019, UNHF had two equity hedge funds with lock-up period set to expire in 9 months. Fixed income, private equity and real estate funds classified as illiquid have no ability to be redeemed at this time. For USNH, of the 34 funds classified as illiquid, 12 are currently in liquidation; 4 are expected to start liquidation within the next year; 10 are expected to start liquidation in 2 to 15 years, and 8 currently have no expected liquidation dates. For UNHF, 14 funds are classified as illiquid and are expected to be liquidated over the next 1 to 12 years.

As of June 30, 2019, USNH had two outstanding investment liquidation requests which have been limited by the respective fund managers. Management of the fund in which USNH had the largest of these balances approved a plan that fully liquidated all balances in late fall of 2018 with a small holdback to be distributed by the end of 2019. USNH's balance in that fund was $7,000 as of June 30, 2019. USNH's balance in the remaining fund totaled $71,000 as of June 30, 2019. Plans have not been communicated for liquidation of the remaining fund. The estimated fair values based on June 30 of the two investments at June 30, 2019 are $78,000. 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 totaled $31.0 million for USNH and $16.9 million for UNHF at June 30, 2019.

3. RECEIVABLES AND OTHER RECEIVABLES-RESTRICTED

The following is a breakdown of receivables at June 30, 2019 (expressed in thousands):

	Governmental Activities	Business-Type Activities	Total	Major Component Unit
Short-Term Receivables				
Taxes:				
Meals and Rooms	$ 45,116		$ 45,116	
Business Taxes	232,090		232,090	
Tobacco	12,557		12,557	
Real Estate Transfer	14,792		14,792	
Interest & Dividends	28,931		28,931	
Communications	3,510		3,510	
Utility Property Tax	20,800		20,800	
Gasoline Road Toll	11,210		11,210	
Subtotal	369,006		369,006	
Other Receivables:				
Turnpike System		$ 49,548	49,548	
Liquor Commission		6,390	6,390	
Lottery Commission		4,024	4,024	
Unemployment Trust Fund		46,577	46,577	
Internal Service Fund	11,510		11,510	
Federal Grants	433,547		433,547	$ 17,185
Local Grants	49,413		49,413	
Miscellaneous	64,924		64,924	7,751
Short Term Portion Of SRF Loans Receivable		27,211	27,211	
Short Term Portion Of Note/Pledge Receivable				5,488
Subtotal	559,394	133,750	693,144	30,424
Total Current Receivables (Gross)	928,400	133,750	1,062,150	30,424
Long-Term Receivables				
SRF Loans Receivable		463,599	463,599	
Miscellaneous	14,224		14,224	
Note/Pledge Receivable				23,643
Total Long Term Receivables (Gross)	14,224	463,599	477,823	23,643
Allowance for Doubtful Accounts	(60,463)	(62,930)	(123,393)	(7,445)
Total Receivables (Net)	$ 882,161	$ 534,419	$ 1,416,580	$ 46,622

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 $6.4 million for the year ended June 30, 2019.

4.CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 557,607	$ 14,338	$ (3,016)	$ 568,929
Construction in Progress	237,177	144,163	(137,731)	243,609
Work in Progress Computer Software	89,912	11,300	(83,908)	17,304
Total Capital Assets not being depreciated	884,696	169,801	(224,655)	829,842
Other Capital Assets:				
Equipment & Computer Software	367,855	154,179	(18,487)	503,547
Buildings & Building Improvements	935,377	51,246	(517)	986,106
Land Improvements	123,024	2,180		125,204
Infrastructure	3,854,870	125,663	(10,295)	3,970,238
Total Other Capital Assets	5,281,126	333,268	(29,299)	5,585,095
Less accumulated depreciation for:				
Equipment & Computer Software	(307,139)	(94,467)	18,817	(382,789)
Buildings & Building Improvements	(454,808)	(27,215)	761	(481,262)
Land Improvements	(100,245)	(1,836)		(102,081)
Infrastructure	(2,151,599)	(57,393)	7,025	(2,201,967)
Total Accumulated Depreciation	(3,013,791)	(180,911)	26,603	(3,168,099)
Other Capital Assets, Net	2,267,335	152,357	(2,696)	2,416,996
Governmental Activities Capital Assets, Net	$ 3,152,031	$ 322,158	$ (227,351)	$ 3,246,838
Business-Type Activities:				
Turnpike System:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 101,769	$ 300		$ 102,069
Construction in Progress	63,398	22,349	(6,954)	78,793
Capital Assets not being depreciated	165,167	22,649	(6,954)	180,862
Other Capital Assets:				
Equipment & Computer Software	63,938	9,570	(295)	73,213
Buildings & Building Improvements	14,773		(510)	14,263
Land Improvements	2,003			2,003
Infrastructure	1,094,637	120	(14)	1,094,743
Total Other Capital Assets	1,175,351	9,690	(819)	1,184,222
Less accumulated depreciation for:				
Equipment	(53,243)	(3,996)	294	(56,945)
Buildings & Building Improvements	(3,540)	(363)	450	(3,453)
Land Improvements	(399)	(100)		(499)
Infrastructure	(360,084)	(21,544)		(381,628)
Total Accumulated Depreciation	(417,266)	(26,003)	744	(442,525)
Turnpike Capital Assets, Net	$ 923,252	$ 6,336	$ (7,029)	$ 922,559
Liquor:				
Capital Assets not being depreciated:				
Land	$ 2,002			$ 2,002
Construction In Progress	5,927	3,991	(6,670)	3,248
Work In Progress Computer Software	6,803	3,476		10,279
Total Capital Assets not being depreciated	14,732	7,467	(6,670)	15,529
Other Capital Assets:				
Equipment	11,904	691	(214)	12,381
Buildings & Building Improvements	41,092	8,234	(1,922)	47,404
Land Improvements	689	44	(14)	719
Total Other Capital Assets	53,685	8,969	(2,150)	60,504
Less accumulated depreciation for:				
Equipment	(7,828)	(1,592)	167	(9,253)
Buildings & Building Improvements	(14,302)	(1,446)	1,384	(14,364)
Land Improvements	(606)	(7)	7	(606)
Total Accumulated Depreciation	(22,736)	(3,045)	1,558	(24,223)
Liquor Capital Assets, Net	$ 45,681	$ 13,391	$ (7,262)	$ 51,810
Lottery Commission:				
Land & Buildings		2,999		2,999
Equipment	644			644
Less Accumulated Depreciation for Land & Buildings:		(37)		(37)
Less Accumulated Depreciation for Equipment:	(572)	(39)		(611)
Lottery Capital Assets, Net	$ 72	$ 2,923		$ 2,995

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

Governmental Activities:	
General Government	$ 13,568
Administration of Justice and Public Protection	20,726
Resource Protection and Development	4,513
Transportation	70,094
Health and Social Services	71,830
Education	180
Total Governmental Activities Depreciation Expense	$ 180,911

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	$ 15,588	$ 62	$ (24)	$ 15,626
Building and Building Improvements	1,801,107	38,405	(5,239)	1,834,273
Equipment	138,587	13,527	(11,303)	140,811
Construction in Progress	42,862	48,425	(38,467)	52,820
Subtotal	1,998,144	100,419	(55,033)	2,043,530
Less: Accumulated Depreciation	(876,133)	(65,257)	15,221	(926,169)
Total	$ 1,122,011	$ 35,162	$ (39,812)	$ 1,117,361

Contractual Obligations for major construction projects totaled approximately $20.5 million at June 30, 2019.

5. LONG-TERM DEBT

PRIMARY GOVERNMENT

Bonds/Notes Authorized and Unissued: Bonds/Notes authorized and unissued amounted to $633.6 million at June 30, 2019. The proceeds of the bonds/notes will be applied to the following funds when issued (expressed in millions):

Capital Projects Fund	$	229.5
Federal Highway/Garvees		353.9
Turnpike System		50.2
Total	$	633.6

Turnpike System: The Legislature has established a 10-year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Treasurer with the approval of the Governor and Executive Council to issue up to $766.0 million of bonds to support this project. The State has issued $715.8 million of revenue bonds for these projects.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 2019
Governmental Fund Types (General Obligation Bonds):	
November 30, 2016	$12,775
Subtotal	$12,775

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 $0.042 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, 2019, $141.1 million of TIFIA proceeds had been received under this arrangement, representing a long-term note payable. This compares to $102.8 million as of June 30, 2018. 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, 2019 was $1.3 million.

The State issued $63.4 million General Obligation Capital Improvement Bonds 2018 Series A on December 18. 2018, of which $52.8 million was for governmental activities and $10.6 million was for Liquor projects, through a competitive sale and resulted in an overall true-interest-cost (TIC) to the state of 3.01% with coupons ranging from 3.25% to 5.00% and with final maturity on 12/1/2038. The proceeds of this issue will be used to fund all or part of various capital projects of the State.

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	Increases	Decreases	Ending Balance	Current	Non-Current
General Obligation Bonds Payable	$ 697,919	$ 52,807	$ 88,146	$ 662,580	$ 87,298	$ 575,282
Direct Placement Bonds Payable	28,874		0	28,874		28,874
Federal Highway Grant Anticipation Bonds	118,720		13,620	105,100	14,300	90,800
Premium on Bonds	85,422	6,921	10,568	81,775		81,775
Notes Payable	102,757	38,384		141,141		141,141
Compensated Absences	91,434	1,612		93,046	8,308	84,738
Claims Payable	46,247	303,340	296,999	52,588	30,363	22,225
Net Pension Liability	963,114	76,734	152,047	887,801		887,801
Other Postemployment Benefits Payable	2,080,640	6,173	285,547	1,801,266		1,801,266
Pollution Remediation Obligation	49,961	18,514	1,554	66,921	9,476	57,445
Capital Lease	9,444	7,316	1,098	15,662	2,860	12,802
Advance Construction Commitments	275		275			
Total Governmental	$ 4,274,807	$ 511,801	$ 849,854	$ 3,936,754	$ 152,605	$ 3,784,149
Business-Type Activities						
Turnpike System						
Revenue Bonds	$ 380,542		$ 29,957	$ 350,585	$ 30,040	$ 320,545
Pollution Remediation Obligation	4,262	79	599	3,742	617	3,125
Claims & Compensated Absences Payable	2,698	101	50	2,749	392	2,357
Other Postemployment Benefits Payable	32,186		4,525	27,661		27,661
Net Pension Liability	13,875	742	3,898	10,719		10,719
Total	$ 433,563	$ 922	$ 39,029	$ 395,456	$ 31,049	$ 364,407
Liquor Commission						
General Obligation Bonds Payable	$ 27,562	$ 10,603	$ 2,107	$ 36,058	$ 2,761	$ 33,297
Capital Lease	254		71	183	90	93
Claims & Compensated Absences Payable	4,180	527		4,707	534	4,173
Other Postemployment Benefits Payable	62,905		9,827	53,078		53,078
Net Pension Liability	25,425	1,996	4,437	22,984		22,984
Total	$ 120,326	$ 13,126	$ 16,442	$ 117,010	$ 3,385	$ 113,625
Lottery Commission						
Claims & Compensated Absences Payable	$ 473	$ 486	$ 441	$ 518	$ 56	$ 462
Mortgage Loan Payable		2,975	53	2,922	107	2,815
Other Postemployment Benefits Payable	16,144		2,584	13,560		13,560
Net Pension Liability	4,402	249	862	3,789		3,789
Total	$ 21,019	$ 3,710	$ 3,940	$ 20,789	$ 163	$ 20,626
State Revolving Fund Programs						
General Obligation Bonds Payable	$ 15,382		$ 2,078	$ 13,304	$ 2,077	$ 11,227
Claims & Compensated Absences Payable	1,028	61		1,089	98	991
Other Postemployment Benefits Payable	5,988	195	789	5,394		5,394
Net Pension Liability	6,111	541	961	5,691		5,691
Total	$ 28,509	$ 797	$ 3,828	$ 25,478	$ 2,175	$ 23,303
Total Business-Type	$ 603,417	$ 18,555	$ 63,239	$ 558,733	$ 36,772	$ 521,961

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, 2019, the State had no bond anticipation notes outstanding.

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 $66.9 million and $3.7 million were reported for governmental activities and business-type activities, respectively, at June30, 2019. 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			
							Liquor Commission	SRF Funds	Turnpike System				
Payable June 30,	General Fund	Direct Placement	Highway Fund	Federal Highway (GARVEE)	Self Supporting	Total	General Obligations	General Obligations	Revenue	Principal	Interest	Less: Federal Interest Subsidy	Net Total
2020	$ 67,468		$ 8,835	$ 14,300	$ 10,995	**$101,598**	$ 2,761	$ 2,077	$ 30,040	$ 136,476	$ 53,531	$ 6,534	**$ 183,473**
2021	59,677		8,053	15,000	8,011	**90,741**	2,760	2,072	24,145	119,718	47,120	6,383	**160,455**
2022	52,426	1,295	9,066	14,400	7,960	**85,147**	2,656	2,072	26,285	116,160	41,704	6,037	**151,827**
2023	46,199		8,200	14,790	7,100	**76,289**	2,451	2,072	21,650	102,462	36,196	5,471	**133,187**
2024	43,361		8,086	15,145	7,071	**73,663**	2,137	557	18,795	95,152	31,571	2,818	**123,905**
2025-2029	147,391	6,495	27,833	31,465	32,539	**245,723**	11,065	2,117	66,010	324,915	101,556	15,163	**411,308**
2030-2034	59,452	13,090	10,237		7,328	**90,107**	7,923	1,669	54,785	154,484	45,808	6,589	**193,703**
2035-2039	18,002	7,994	5,337		1,953	**33,286**	4,305	668	62,070	100,329	17,963	2,909	**115,383**
2040-2044									32,075	32,075	2,193	350	**33,918**
Subtotal	**493,976**	28,874	**85,647**	**105,100**	**82,957**	**796,554**	**36,058**	**13,304**	**335,855**	**1,181,771**	**377,642**	**52,254**	**1,507,159**
Unamortized (Discount) / Premium	77,559	2,122		2,094		81,775			14,730	96,505			**96,505**
Total	**$ 571,535**	**$ 30,996**	**$ 85,647**	**$ 107,194**	**$ 82,957**	**$878,329**	**$ 36,058**	**$ 13,304**	**$ 350,585**	**$ 1,278,276**	**$377,642**	**$ 52,254**	**$ 1,603,664**

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 2019, 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 2019 were $9.9 million, of which $9.7 million were recorded as current year expenses and $0.2 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 $457.4 million; capital lease obligations of $7.8 million; deferred obligations interest swaps of $23.0 million; accrued employee benefits and compensated absences of $31.5 million; other postemployment benefits of $82.8 million; and other liabilities of $23.7 million (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current *	Long-Term
University System of NH	$647,625	$18,423	$39,932	$626,116	$38,607	$587,509

* Current portion includes $313 thousand reported as accounts payable.

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
2020	24,288	17,763	42,051
2021	25,400	16,840	42,240
2022	28,760	15,873	44,633
2023	23,902	14,708	38,610
2024	24,598	13,786	38,384
2025-2029	100,537	55,646	156,183
2030-2034	104,420	36,057	140,477
2035-2039	65,560	15,988	81,548
2040-2044	25,670	6,501	32,171
2045-2047	13,680	973	14,653
Subtotal	436,815	194,135	630,950
Unamortized Discounts/Premium, net	28,404		28,404
Total	$465,219	$194,135	$659,354

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, 2019 are as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$ 159,108	$ 9,376	$ 168,484
New Hampshire Judicial Retirement Plan	9,611		9,611
Total pension related amounts	168,719	9,376	178,095
OPEB related amounts:			
Trusted OPEB Plan	11,048		11,048
Non Trusted OPEB Plan	47,186	3,816	51,002
Total OPEB related amounts	58,234	3,816	62,050
Loss on refunding of debt, net	11,773	414	12,187
Total deferred outflows of resources	$ 238,726	$ 13,606	$ 252,332
Deferred inflows of resources:			
Pension related amounts:			
New Hampshire Retirement System	$ (86,721)	$ (6,614)	$ (93,335)
New Hampshire Judicial Retirement Plan	(3,751)		(3,751)
Total pension related amounts	(90,472)	(6,614)	(97,086)
OPEB related amounts:			
Trusted OPEB Plan	(293)		(293)
Non Trusted OPEB Plan	(654,726)	(40,154)	(694,880)
Total OPEB related amounts	(655,019)	(40,154)	(695,173)
Total deferred inflows of resources	$ (745,491)	$ (46,768)	$ (792,259)

The components of deferred inflows of resources related to the governmental funds at June 30, 2019 are as follows (expressed in thousands):

	General	Highway	Education	Total Governmental Funds
Deferred inflows of resources:				
Taxes considered unavailable	$ 146,275		$ 93,920	$ 240,195
Local assistance	12,929			12,929
Other loans	1,165			1,165
Indigent representation advances	3,586			3,586
Banking assessments	1,739			1,739
Miscellaneous fees & fines	434	1,448		1,882
Federal and municipal billings	181	344		525
Total deferred inflows of resources	$ 166,309	$ 1,792	$ 93,920	$ 262,021

MAJOR COMPONENT UNIT

The University System of New Hampshire's deferred outflows and deferred inflows of resources at June 30, 2019 are as follows (expressed in thousands):

Deferred outflows of resources:		**Deferred inflows of resources:**	
Accumulated decrease in fair value of hedging derivatives	$ 22,976	Accounting gain on debt financing, net	$ 357
Accounting loss on debt refinancing, net	8,708	Annuities unconditional remainder interest	2,139
Changes of assumptions:		Changes of assumptions:	
Operating Staff Retirement Plan	471	Postretirement Medical Plan	8,329
Additional Retirement Contribution Program	18	Additional Retirement Contribution Program	4
Net Difference between projected and actual earnings:		Difference between expected and actual experience:	
Operating Staff Retirement Plan	60	Operating Staff Retirement Plan	6
Benefit payments subsequent to the measurement date:		Postretirement Medical Plan	1,191
Postretirement Medical Plan	2,053	Additional Retirement Contribution Program	474
Additional Retirement Contribution Program	199		
Asset retirement obligations	1,492		
Total deferred outflows of resources	$ 35,977	**Total deferred inflows of resources**	$ 12,500

7. RISK MANAGEMENT AND INSURANCE

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters.

Principle of Self-insurance

As a general operating rule, the State self-insures against all damages, losses and expenses except to the extent that provisions of law require the purchase of commercial insurance or a risk assessment has indicated that commercial insurance is economical and beneficial for the State or the general public. In such instances, the State may elect to purchase commercial insurance. There are approximately 26 such commercial insurance programs in effect. These include, but are not exclusive to, state owned real property insurance, fleet automobile liability, inland marine insurance, foster parent liability, ski area liability for Cannon Mountain, data security and privacy cyber liability insurance, 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, 2019, 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 (the 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 the self-funded benefits, and utilizes an actuarially-established IBNR (incurred but not reported) claims reserve, which totaled $16 million as of June 30, 2019. In addition, state law requires the Fund to maintain a reserve in the amount of at least 3% of estimated annual self-funded claims and administrative costs, for unexpected costs. For fiscal year 2019, this reserve equaled $17.3 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 75% of the estimated annual claims and administrative expenses for the Trooper health plan account due to its small member size (approximately 830 members), which equaled $2.7 million for fiscal year 2019. The Active (with Trooper), Retiree, and Dental reserves totaled $12.7 million, $4.3 million, and $0.4 million, respectively. Outside of the Trooper component, the Active, Retiree, and Dental accounts maintained a reserve of 5%, 5%, 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 2019 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 $33.5 million as of June 30, 2019.

The following table presents the changes in claim liabilities during the fiscal years ending June 30, 2018 and 2019 (expressed in thousands):

Governmental Activities	6/30/2017 Balance	Increases	Decreases	6/30/2018 Balance	Increases	Decreases	6/30/2019 Balance	Current	Long-Term
Workers Compensation Claims Payable	$ 26,770	$ 7,512	$ 7,530	$ 26,752	$ 10,783	$ 8,099	$ 29,436	$ 7,211	$ 22,225
Health Claims Payable*	23,937	275,458	279,900	19,495	292,557	288,900	23,152	23,152	
Total	50,707	282,970	287,430	46,247	303,340	296,999	52,588	30,363	22,225
Business-Type Activities									
Turnpike System									
Workers Compensation Claims Payable	791	989	254	1,526	390	324	1,592	289	1,303
Total	791	989	254	1,526	390	324	1,592	289	1,303
Liquor Commission									
Workers Compensation Claims Payable	2,206	69	282	1,993	869	377	2,485	336	2,149
Total	2,206	69	282	1,993	869	377	2,485	336	2,149
Lottery Commission									
Workers Compensation Claims Payable	1	16	9	8	4	1	11	1	10
Total	1	16	9	8	4	1	11	1	10
Total Business-Type	$ 2,998	$ 1,074	$ 545	$ 3,527	$ 1,263	$ 702	$ 4,088	$ 626	$ 3,462

* 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, 2019 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
Highway Fund	$ 151	Turnpike System	$ 151
General Fund	28	Lottery Commission	28
General Fund	3,998	Unemployment Compensation	3,998
General Fund	181	Highway Fund	181
General Fund	5,214	Liquor Commission	5,214
General Fund	66,095	Non-Major Fund	66,095
Non-Major Fund	3,879	Liquor Commission	3,879
Liquor Commission	47	General Fund	47
Turnpike System	15	General Fund	15
Turnpike System	140	Highway Fund	140
Turnpike System	193	Liquor Commission	193
Education Fund	5,137	Lottery Commission	5,137
Lottery Commission	343	Liquor Commission	343
Total	$ 85,421	Total	$ 85,421

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 $18.2 million from business-type activities represents the "internal balances" amount on the statement of net position. The $66.3 million between governmental funds, and the $0.5 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 From	Transferred To: General Fund	Transferred To: Highway Fund	Transferred To: Education Fund	Transferred To: Non-Major Funds	Total Government Fund
Governmental Funds					
Highway Fund	$ 967			$ 1,866	$ 2,833
Non-Major Funds	4,264				4,264
Total Governmental Funds	* 5,231			* 1,866	* 7,097
Proprietary - Enterprise Funds					
Liquor Commission	154,719				154,719
Lottery Commission	247		105,606		105,853
Unemployment Compensation	13,439				13,439
Total Proprietary - Enterprise Funds	$ 168,405		$ 105,606		$ 274,011

* 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 $105.6 million to fund education
- Transfer of Liquor Commission profits of $146.3 million to the General Fund for government operations and $8.4 million to the general fund pursuant to RSA 176:16, III for the Alcohol Abuse Prevention and Treatment Fund.

Pursuant to RSA 260:61, $0.9 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, $1.9 million of unrefunded gas tax in the Highway Fund was transferred on a 50/50 basis to the General Fund and Fish & Game Fund.

Transfer of OHRV license fees of $4.3 million to the General Fund for Natural and Culture Resources.

Transfer of Unemployment Compensation Contingency Fund of $13.4 million to the General Fund.

10. CONTRACTUAL COMMITMENTS

Contractual Commitments: The State Department of Transportation has estimated its share of contractual obligations for construction contracts to be $100.9 million at June 30, 2019. This represents total obligations of $271.1 million less $170.2 million in estimated federal aid.

Other Contractual Commitments: Encumbrances by fund for the State at June 30, 2019, excluding contractual commitments noted above, were as follows:

	Expressed in Millions
General Fund	$ 64.3
Highway Fund	6.9
Non-Major Governmental Funds	0.2
	$ 71.4

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 11.08% of gross payroll for Group I members, 27.79% of gross payroll for Group II firefighter members, and 25.33% of gross payroll for Group II police officer members.

The State's required and actual contributions for the year ended June 30, 2019 were $92.1 million, which included an amount for other postemployment benefits of $9.5 million.

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

As of June 30, 2019, the State reported a liability of $887.0 million for its proportionate share of the net pension liability of NHRS. This net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll the total pension liability forward to June 30, 2018. 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 18.42%, which was a decrease of 141 basis points from its proportion measured as of the previous measurement date. For the year ended June 30, 2019, the State recognized total pension expense of $73.7 million.

As of June 30, 2019, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to pensions in the primary government of $86.1 million (excluding $82.4 million in contributions subsequent to the measurement date) and $93.3 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		$ (20,526)
Differences between expected and actual experience	7,079	(7,183)
Changes in assumptions	61,383	
Changes in employer proportion	14,599	(62,573)
Changes in internal proportion	3,053	(3,053)
Contributions subsequent to the measurement date	82,370	
Total	$ 168,484	$ (93,335)

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, 2020. 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)
2020	$22,502
2021	12,547
2022	(28,544)
2023	(13,726)
	$(7,221)

Actuarial Assumptions: NHRS total pension liability, measured as of June 30, 2018, was determined by a roll forward of the actuarial valuation as of June 30, 2017, 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 with creditability adjustments , adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 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 2018:

Asset Class	Target Allocation	Weighted average long-term expected geometric real rate of return: 2018
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%	4.50%
Emerging International Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute return fixed income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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, 2018 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%
$1,180.1	$887.0	$641.3

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	95.13%	1.21%	2.59%	0.43%	0.64%	4.87%	100.00%
Net pension liability	$ 843,789	$ 10,719	$ 22,984	$ 3,789	$ 5,691	$ 43,183	$ 886,972
Pension expense	70,199	667	2,088	255	521	3,531	73,730
Deferred outflows of resources representing contributions subsequent to the measurement date	78,400	960	2,140	350	520	3,970	82,370
Deferred outflows of resources representing the changes in employer proportion	13,888	176	378	63	94	711	14,599
Deferred outflows of resources representing changes in assumptions	58,394	742	1,591	262	394	2,989	61,383
Deferred outflows of resources representing the differences between expected and actual experience	6,735	86	183	30	45	344	7,079
Deferred inflows of resources representing the differences between expected and actual experience	(6,833)	(87)	(186)	(31)	(46)	(350)	(7,183)
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(19,526)	(248)	(532)	(88)	(132)	(1,000)	(20,526)
Deferred inflows of resources representing the changes in employer proportion	(59,528)	(756)	(1,621)	(267)	(401)	(3,045)	(62,573)
Deferred outflows of resources representing change in proportion within the entity	1,691	684	428	53	197	1,362	3,053
Deferred inflows of resources representing change in proportion within the entity	(834)	(1,524)	(386)	(309)		(2,219)	(3,053)
Amortization of deferred amounts:							
2019	21,469	123	668	30	212	1,033	22,502
2020	11,998	5	410	(13)	147	549	12,547
2021	(26,767)	(580)	(845)	(211)	(142)	(1,778)	(28,545)
2022	(12,713)	(475)	(378)	(93)	(66)	(1,012)	(13,725)
Total	(6,013)	(927)	(145)	(287)	151	(1,208)	(7,221)
Sensitivity analysis:							
Net pension liability at 6.25% discount rate	1,122,668	14,262	30,581	5,041	7,572	57,456	1,180,124
Net pension liability at 8.25% discount rate	610,080	7,750	16,618	2,740	4,114	31,222	641,302

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, 2018, the following members were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	71
Inactive members entitled to but not yet receiving benefits	1
Active or vested members	60
Total members	132

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, 2019, State contributions to the NHJRP totaled $6.7 million.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: As of June 30, 2019, the State reported a net pension liability of $44.0 million for the NHJRP. The NHJRP's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Changes in the components of net pension liability for the measurement period ended December 31, 2018 are as follows (in thousands):

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2017	$95,412	$57,931	$37,481
Changes for the year:			
Service cost	3,921		3,921
Interest on total pension liability	6,411		6,411
Effect of differences between expected and actual experience			
Effect of changes in actuarial assumptions			
Benefit payments	(6,682)	(6,682)	
Employer contributions		6,731	(6,731)
Member contributions		789	(789)
Net investment income		(3,422)	3,422
Administrative expenses		(297)	297
Balances as of December 31, 2018	$99,062	$55,050	$44,012

For the year ended June 30, 2019, the State recognized pension expense of $7.5 million for the NHJRP. As of June 30, 2019, the State reported deferred outflows and inflows of resources on its government-wide financial statements related to the NHJRP of $6.0 million (excluding $3.6 million in contributions subsequent to the measurement date) and $3.8 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	$ 4,330	
Net difference between expected and actual experience		(3,751)
Change in assumptions	1,663	
Contributions subsequent to the measurement date	3,618	
Total	$ 9,611	$ (3,751)

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, 2020. Other 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)
2020	$ (288)
2021	403
2022	666
2023	1,461
	$ 2,242

Actuarial Assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	1.50% for 2017, 6.78% for 2018, and 2.25% thereafter
Investment rate of return	6.675%

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, 2018 valuation were not based on the results of a recent actuarial experience study. The Plan has not had a formal actuarial experience study performed since one performed 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 2018:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	2.575%	0.39%
Core Fixed Income	12.500%	2.26%
U.S. Government Bonds	1.475%	1.67%
U.S. REITs	1.475%	3.76%
Large Cap US Equities	39.075%	3.62%
Small Cap US Equities	5.900%	4.11%
International equity	19.200%	4.84%
U.S. Short Bonds	7.800%	1.58%
Alternatives	10.000%	1.66%

Discount Rate: The single discount rate used to measure the collective total pension liability was 6.675%, which is 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 6.675%, 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 (5.675%) or 1 percentage point higher (7.675%) than the current discount rate (expressed in thousands):

1% Decrease 5.675%	Current Discount Rate 6.675%	1% Increase 7.675%
$53,115	$44,012	$36,137

OTHER POSTEMPLOYMENT BENEFITS

General Information about the Trusted OPEB Plan

Plan Description: 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. This plan has been previously defined as the Trusted OPEB plan but is also commonly referred to as "medical subsidy plan". The membership groups are Group II Police Officers and Firefighters and Group I State Employees.

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

Benefits Provided: The Trusted OPEB Plan provides a medical insurance subsidy to qualified retired members. 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 for a qualified retiree, spouse, and certifiably dependent children with a disability who is living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving Trusted OPEB Plan benefits differ for Group I and Group II members. Eligibility for the medical subsidy payment is determined by the relevant RSA's, however, the medical subsidy plan is closed to new entrants. The State is a recipient of these medical subsidy payments on behalf of its former employees.

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. 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 1.07% of gross payroll for Group I members, 4.10% of gross payroll for Group II firefighter members, and 4.10% of gross payroll for Group II police officer members. Employees are not required to contribute to the Trusted OPEB Plan.

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 $9.5 million in fiscal year 2019 and $9.0 million in fiscal year 2018.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the State reported a liability of $92.4 million for its proportionate share of the net Trusted OPEB Plan liability. The net Trusted OPEB Plan liability was measured as of June 30, 2018, and the total Trusted OPEB Plan liability used to calculate the net Trusted OPEB Plan liability was determined by an actuarial valuation as of June 30,2017 and rolled forward to June 30, 2018. The roll-forward procedures increased the June 30, 2017 actuarial accrued liability with normal cost and interest and decreased it with actual benefit payments and administrative expenses paid. The State's proportion of the net Trusted OPEB Plan liability was based on the projection of the State's long-term share of contributions to the Trusted OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. As of the measurement date, the State's proportionate share was 20.17 percent. For the year ended June 30, 2019, the State recognized OPEB expense of $13.0 million.

As of June 30, 2019, The State reported deferred outflows and inflows of resources on its government-wide financial statements related to OPEB in the primary government of $1.6 million (excluding $9.5 million in contributions subsequent to the measurement date) and $293 thousand, 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		$ (293)
Differences between expected and actual experience	$ 542	
Changes in employer proportion	1,046	
Contributions subsequent to the measurement date	9,460	
Total	$ 11,048	$ (293)

Amounts reported as deferred outflows of resources related to the Trusted OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net Trusted OPEB Plan liability in the year ended June 30, 2020. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2020	$1,497
2021	(92)
2022	(91)
2023	(19)
	$1,295

Actuarial Assumptions: The total Trusted OPEB Plan liability, measured as of June 30, 2018, was determined by a roll forward of the actuarial valuation as of June 30, 2017, 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 OPEB plan investment expense, including inflation
Healthcare cost trend rates	N/A - benefits are fixed cash stipends

Mortality rates were based on the RP-2014 Healthy Annuitant Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 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 Trusted OPEB 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 2018:

		Weighted average long-term expected geometric real rate of return:
Asset Class	**Target Allocation**	**2018**
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%	4.50%
Emerging International Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute return fixed income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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 Trusted OPEB Plan 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 actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Trusted OPEB Plan'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 Trusted OPEB Plan liability.

The following table illustrates the sensitivity of the State's proportionate share of the net Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the State's proportionate share of the Trusted OPEB Plan liability measured at June 30, 2018 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 thousands):

1% Decrease to 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
$ 96,126	$ 92,357	$ 81,801

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined benefit postemployment benefit plan, previously defined as the Non Trusted OPEB Plan. These benefits include group hospitalization, hospital medical care, surgical care and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, previously defined as the Fund, a single-employer group health fund, which is the state's self-insurance internal service fund for active state employees and retirees. The Fund covers 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 medical subsidy payment described earlier, which totaled approximately $11.4 million, $12.0 million and $12.3 million, respectively, for the fiscal years ended June 30, 2019, 2018 and 2017. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees covered by benefit terms: As of June 30, 2018 the following employees were covered by the benefit terms:

Retired members and beneficiaries currently receiving benefits	12,125
Retired employees entitled to but not yet receiving benefit payments	536
Active employees	10,367
	23,028

Total OPEB Liability

The primary government's proportionate share of the total Non Trusted OPEB Plan liability of $1,808.6 million was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2016, adjusted forward. The primary government's proportionate share of the total Non Trusted OPEB Plan liability is the ratio attributable to each fund/component unit based on each participant's calculated liability. As of the measurement date, the primary government's proportion was 94.69%, which was a increase from 94.67% as of the previous measurement date.

Changes in the total OPEB Liability: The total OPEB liability at June 30, 2019 is $1,910.0 million of which the primary government's proportionate share is $1,808.6 million.

(dollars in thousands)	Total OPEB Liability
Balance at 6/30/17	$ 2,229,421
Changes for the year:	
Service cost	76,699
Interest	81,507
Differences between expected and actual experience	(7,653)
Changes in assumptions	(235,527)
Changes in benefit terms	(182,835)
Benefit payments	(51,623)
Net changes	(319,432)
Balance at 6/30/18	$ 1,909,989

Actuarial Assumptions and other inputs: The total Non Trusted OPEB Plan liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary increases	Group I employees: 13.25% decreasing over 9 years to an ultimate level of 3.75% Group II employees: 25.25% decreasing over 8 years to an ultimate level of 4.25%
Discount rate	3.87% as of June 30, 2018 and 3.58% as of June 30, 2017
Healthcare cost trend rates	Medical: under 65, 7.4% for one year then (2.4)% for the following year, and then 4.5% per year; over 65, 1.4% for one year, then (8.2)% for the following year, then (12.2)% for the next year, then 4.5% per year
	Prescription Drug: under 65, 12.8% for one year, (7.8)% for the following year, then 8.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year; over 65, (6.1)% for one year then4.8% for the following year, then 8.5% decreasing by 0.5% each year to an ultimate level of 4.5% per year
	Contributions: Retiree contributions are expected to increase with a blended medical and prescription drug trend

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/ Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index. This determination is in accordance with GASB Statement No 75. Other changes in assumptions reflect trend assumptions to reflect current claims experience.

Change in benefits reflect the implementation of the Medicare Advantage Plan, a fully insured plan, as of January 1, 2019.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally for males and females with Scale MP-2015. The assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study by New Hampshire Retirement System for the period July 1, 2010 through June 30, 2015.

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the discount rate:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the discount rate. In particular, the table presents the primary government's proportionate share of the Total Non Trusted OPEB Plan liability measured at June 30, 2018 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousand):

1% Decrease	Current Discount Rate	1% Increase
$2,106,049	$1,808,602	$1,559,521

Sensitivity of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates:

The following presents sensitivity of the primary government's proportionate share of the total Non Trusted OPEB Plan liability to changes in the healthcare cost trend rates. In particular, the table presents the primary government's proportionate share of the total Non Trusted OPEB Plan liability measured at June 30, 2018, if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare trend cost rates (in thousands):

1% Decrease	Current Trend Rate	1% Increase
$1,517,466	$1,808,602	$2,167,448

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the primary government recognized OPEB expense of $(197.2) million. As of June 30, 2019, the primary government reported deferred outflows and inflows of resources on its government-wide financial statements related to the Non Trusted OPEB Plan of $2.4 million (excluding $48.6 million in contributions subsequent to the measurement date) and $694.9 million, respectively, from the following sources:

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ (11,017)
Changes in assumptions		(680,830)
Changes in employer proportion	$ 2,395	(3,033)
Contributions subsequent to the measurement date	48,607	
Total	$ 51,002	$ (694,880)

Amounts reported as deferred outflows of resources related to the Non Trusted OPEB Plan resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total Non Trusted OPEB Plan liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the Non Trusted OPEB Plan will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2020	$ (163,548)
2021	(163,548)
2022	(163,548)
2023	(163,548)
2024	(38,293)
	$ (692,485)

OPEB Allocations: The Statewide amounts for the total Non Trusted OPEB Plan liability, deferred outflows or resources, deferred inflows of resources, and OPEB expense detailed above were allocated among governmental activities, business-type activities, and component units based on each reporting unit's share of the participants within the Non Trusted OPEB Plan. OPEB 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	89.47%	1.45%	2.78%	0.71%	0.28%	5.22%	94.69%
Total OPEB liability	$ 1,708,909	$ 27,661	$ 53,078	$ 13,560	$ 5,394	$ 99,693	$ 1,808,602
OPEB expense	(176,477)	(2,702)	(5,806)	(1,472)	(444)	(10,424)	(186,901)
Deferred outflows of resources representing contributions subsequent to the measurement date	45,928	743	1,427	364	145	2,679	48,607
Deferred inflows of resources representing changes in assumptions	(643,093)	(10,391)	(20,207)	(5,180)	(1,959)	(37,737)	(680,830)
Deferred inflows of resources representing the differences between expected and actual experience	(10,407)	(168)	(326)	(84)	(32)	(610)	(11,017)
Deferred outflows of resources representing change in proportion within the entity	1,258	633			504	1,137	2,395
Deferred inflows of resources representing change in proportion within the entity	(1,226)		(1,464)	(343)		(1,807)	(3,033)
Amortization of deferred amounts:							
2020	(154,359)	(2,339)	(5,178)	(1,316)	(356)	(9,189)	(163,548)
2021	(154,359)	(2,339)	(5,178)	(1,316)	(356)	(9,189)	(163,548)
2022	(154,359)	(2,339)	(5,178)	(1,316)	(356)	(9,189)	(163,548)
2023	(154,359)	(2,339)	(5,178)	(1,316)	(356)	(9,189)	(163,548)
2024	(36,032)	(570)	(1,285)	(343)	(63)	(2,261)	(38,293)
Total	(653,468)	(9,926)	(21,997)	(5,607)	(1,487)	(39,017)	(692,485)
Sensitivity analysis:							
Total OPEB liability at -1% discount rate	1,990,108	31,600	62,335	15,819	6,187	115,941	2,106,049
Total OPEB liability at +1% discount rate	1,472,652	24,243	46,164	12,020	4,442	86,869	1,559,521
Total OPEB liability at - 1% healthcare cost trend rates	1,432,570	23,433	45,352	11,913	4,198	84,896	1,517,466
Total OPEB liability at + 1% healthcare cost trend	$ 2,048,741	$ 32,810	$ 63,340	$ 15,948	$ 6,609	$ 118,707	$ 2,167,448

	Pease Development Authority	Community Development Finance Authority	Community College System of New Hampshire	Component Units	Total Government
Proportionate share of Statewide amount	0.36%	0.02%	4.93%	5.31%	100.00%
Total OPEB liability	$ 6,907	$ 309	$ 94,171	$ 101,387	$ 1,909,989
OPEB expense	(595)	(30)	(9,660)	(10,285)	(197,186)
Deferred outflows of resources representing contributions subsequent to the measurement date	186	8	2,531	2,725	51,332
Deferred inflows of resources representing changes in assumptions	(2,541)	(115)	(35,642)	(38,298)	(719,128)
Deferred inflows of resources representing the differences between expected and actual experience	(41)	(2)	(576)	(619)	(11,636)
Deferred outflows of resources representing change in proportion within the entity	514	8	776	1,298	3,693
Deferred inflows of resources representing change in proportion within the entity			(661)	(661)	(3,694)
Amortization of deferred amounts:					
2020	(491)	(26)	(8,493)	(9,010)	(172,558)
2021	(491)	(26)	(8,493)	(9,010)	(172,558)
2022	(491)	(26)	(8,493)	(9,010)	(172,558)
2023	(491)	(26)	(8,493)	(9,010)	(172,558)
2024	(104)	(5)	(2,131)	(2,240)	(40,533)
Total	(2,068)	(109)	(36,103)	(38,280)	(730,765)
Sensitivity analysis:					
Total OPEB liability at -1% discount rate	7,783	356	108,162	116,301	2,222,350
Total OPEB liability at +1% discount rate	5,932	266	83,393	89,591	1,649,112
Total OPEB liability at - 1% healthcare cost trend rates	5,685	263	81,787	87,735	1,605,201
Total OPEB liability at + 1% healthcare cost trend rates	8,182	359	110,353	118,894	2,286,342

Summary of Employee Benefit Plans:

(Expressed in Thousands)	Governmental Activities	Turnpike System	Liquor Commission	Lottery Commission	State Revolving Fund	Business-type Activities	University of New Hampshire	Non-Major Component Units	Component Units
Pension									
New Hampshire Retirement System	$ 843,789	$ 10,719	$ 22,984	$ 3,789	$ 5,691	$ 43,183		$ 58,221	$ 58,221
New Hampshire Judicial Retirement Plan	44,012								
Net Pension Liability	$ 887,801	$ 10,719	$ 22,984	$ 3,789	$ 5,691	$ 43,183		$ 58,221	$ 58,221
OPEB									
Trusted OPEB Plan	$ 92,357							$ 5,109	$ 5,109
Non Trusted OPEB Plan	1,708,909	27,661	53,078	13,560	5,394	99,693		101,387	101,387
Other *							$ 77,515		77,515
Post Employment Benefits Payable	$ 1,801,266	$ 27,661	$ 53,078	$ 13,560	$ 5,394	$ 99,693	$ 77,515	$ 106,496	$ 184,011

* Does not include short term portion of OPEB classified as other current liabilities on the Statement of Net Position

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 $78.4 million of financial guarantees outstanding and statutory limits as of June 30, 2019 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2019 Principal	Interest	Total
Municipalities and Political Subdivisions						
Water Pollution Bonds	485-A:7	$ 50,000	$ 50,000			
School Construction Bonds	195-C:2	95,000	73,287	$ 17,630	$ 4,083	$ 21,713
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		20,000
Business Finance Authority (BFA) - Additional State Guarantee	162-A:7-a:162-A:13-	4,000	**			
Business Finance Authority (BFA) - Additional State Guarantee	162-A:8; 162-A:10; 162-A:13; 162-A:13-a; 162-A:13-b			22,269		22,269
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-a; 162-I:9-b	45,000	**	13,847		13,847
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	115,000	* 58,318	56,116	566	56,682
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			
Housing Finance Authority - Child Care Loans	204-C:79	300	300			
Totals		$ 395,300	$ 260,815	$ 73,746	$ 4,649	$ 78,395

* 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 2019 for governmental activities and business-type activities were approximately $27.6 million and $9.3 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, 2019 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2020	$8,174	$6,582
2021	7,469	6,281
2022	6,946	6,029
2023	5,002	5,847
2024	4,399	5,409
2025-2029	15,731	14,314
2030-2034		7,876
2035-2039		4,870
Total	$47,721	$57,208

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, 2019 are as follows (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2020	$ 2,860	$ 125
2021	2,878	104
2022	2,703	
2023	2,370	
2024	2,364	
2025-2029	6,149	
2030-2034	738	
Total	20,062	229
Amount Representing Interest	(4,400)	(46)
Present Value of Minimum Lease Payments	$ 15,662	$ 183

The assets acquired through capital leases and included in capital assets at June 30, 2019 include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 4,469	
Buildings & Building Improvements	12,875	1,563
Total	17,344	1,563
Less: Accumulated Depreciation	(3,319)	(1,320)
Net	$ 14,025	$ 243

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.

As a result of the statutory deadline of December 15th for the current fiscal year tax credit reporting, the state has elected to disclose tax credit amounts and number of applicable taxpayers for the previous fiscal year. Fiscal year 2019 credits reported for the existing programs and any newly established tax credit programs are not expected to have a material impact on the state's financial position.

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 51 taxpayers and used to offset a tax liability on the New Hampshire BPT return, BET return, or both.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET, or both totaled $938,000. 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 58 taxpayers and used to offset a tax liability on the New Hampshire BET and BPT returns.

Tax returns filed in fiscal year 2018: The tax credit used against BPT, BET or both totaled $381,000. The maximum aggregate credit amount allowable for all taxpayers was $5,100,000.

15. LITIGATION AND OTHER MATTERS

The State, its agencies, officials and employees are defendants in numerous 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. Immaterial provisions, if appropriate, for such ultimate liability has been made in the financial statements. Notable cases that could potentially result in a material transaction are described herein.

Department of Health and Human Services (DHHS)

Christopher Willott, Individually and as Administrator of the Estate of Sadence Willott v. DCYF.

In August 2018, the plaintiff filed a lawsuit for the wrongful death of Sadence Willott, as well as loss of consortium. The plaintiff also alleges negligence stemming from incidents of assault prior to her death. Sadie was murdered by her mother in September 2015. The plaintiff (Sadie's biological father), claims that DCYF was negligent in handling her case, which caused her death in September 2015, as well as various injuries that predate her death. While this case would typically be subject to the statutory cap on damages-and the $50,000 statutory cap for loss of consortium-the plaintiff alleges the Estate is entitled to damages for multiple incidents of harm. DCYF has filed motions to dismiss based on statute of limitations and sovereign immunity defenses. Those motions were initially denied. DCYF moved for reconsideration on one of them, which was granted, and further briefing on that motion to dismiss has been submitted to the court. DCYF subsequently won the motion to dismiss, leaving only the wrongful death claim in the case, which is capped at $475 thousand. Plaintiffs' counsel is seeking an interlocutory appeal of the dismissal. At present, it is not possible to predict an outcome of this case.

Additional threatened litigation relating to the Department of Health and Human Services, 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, none of these claims appear to meet the level determined by the state for disclosure in the financial statements. Cumulatively, however, the aggregate of the claims may exceed this level. Four of these lawsuits have recently been filed in Merrimack County Superior Court. All of them are untimely and likely to be dismissed on these grounds.

John Doe, on behalf of himself and all others similarly situated v. Commissioner Jeffrey Myers, Southern New Hampshire Medical Center, and the New Hampshire Circuit Court District Division.

An individual, who was admitted to Southern New Hampshire Medical Center's Emergency Department after a suicide attempt, sued in the Federal District Court for the State of New Hampshire alleging habeas corpus relief, declaratory judgment, and appointment of a class for unconstitutional deprivation of liberty interests and lack of procedural due process based on an alleged systemic practice where individuals who may be experiencing mental health crises are involuntarily detained in hospital emergency rooms without the State providing them with due process, appointed counsel, or an opportunity to contest their "detention." This practice is sometimes referred to as "psychiatric boarding." Plaintiff is represented by the New Hampshire American Civil Liberties Union ("ACLU") who is also asking for class certification for similarly situated individuals in New Hampshire. The ACLU alleges that, as of October 31, 2018, approximately 46 adults and 4 minors were "boarded" in emergency rooms. The State will be defending both the Commissioner and the Circuit Court system.

The complaint includes 4 counts requesting relief: Count I, a class action claim alleging violations of the Fourteenth Amendment to the United State Constitution for deprivation of liberty; Count II, a class action procedural due process claim under the New Hampshire Constitution Part I, Article 15; Count III, a class action claim alleging violations of RSA 135-C:31, I; and Count IV, an individual claim on behalf of John Doe for habeas corpus relief. On November 13, 2018, Count IV was voluntarily dismissed by Plaintiff as he moved to a voluntary stay status at the hospital. The overall relief requested is declaratory judgments regarding the various counts and injunctions to discontinue the alleged violations. There is also an accompanying motion for class certification.

The State accepted service of the complaint and is in the process of negotiating the responsive pleading dates. Objections, a motion to dismiss, and other responsive pleadings were filed. In response, the plaintiff and the intervenors amended their complaints. More plaintiffs entered the case through the amended complaint and asserted claims against certain of the intervenor hospitals for false imprisonment. The intervenor hospitals added a Fourth Amendment unreasonable seizure claim into their complaint against the State. The State subsequently moved to dismiss the amended complaint and amended complaint-in-intervenor on substantially the same grounds on September 16, 2019. Thereafter, three of the four hospitals that had been sued for false imprisonment answered the plaintiffs' amended complaint. Two of those hospitals included cross-claims for indemnification, contribution, and a violation of certain provisions of RSA 135-C, a state statute. The State moved to dismiss these cross-claims on immunity grounds, and the cross-claims were subsequently withdrawn. The original motions to dismiss remain pending. Discovery has been stayed until after those motions are resolved. It is not possible to predict an outcome of this case at this time.

Charles F. v. N.H. Youth Development Center

On August 2, 2019, the New Hampshire Attorney General's Office received notice that an individual known as Charles F. was seeking to recover damages against the N.H. Youth Development Center for personal injuries sustain from 1994-1995. Though unknown at this time, the allegations could include numerous sexual assault injuries. Depending on the number of incidents involved that the plaintiff might choose to seek recovery on, potential liability in the case could exceed $2 million. The state agency would have numerous defenses to such a lawsuit, including timeliness defenses.

Department of Corrections

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

Four female New Hampshire state inmates filed this class action lawsuit in state court seeking declaratory and injunctive relief to remedy claimed violations of their constitutional, statutory and judicially decreed right to facilities, conditions of confinement, programs, and services that are on parity with those that the State of New Hampshire provides to male New Hampshire prison inmates. The Plaintiffs claim that female inmates do not have access to vocational training, education, and other programs, services and facilities comparable to what is provided to male inmates, and claim that the Defendant has therefore violated (1) their rights under New Hampshire's Equal Rights Amendment, Part I, Article 2 of the State Constitution; (2) the Equal Protection Clause of the New Hampshire Constitution, Part I, Article 12; (3) RSA 622:33-a, III; and (4) RSA 21-H:11. The State filed an answer on November 2, 2012. Petitioners filed a motion for class certification in February 2013. The State filed an objection in March 2013 and the parties have agreed to stay the case as the Legislature has included a $38 million capital budget appropriation for a new women's prison and transitional housing facility in the FY14/15 Capital Budget (Chapter 195 Laws 2013). The new women's prison is now complete and housing the women inmates, but the parties continue to discuss how the implementation of programs will be monitored going forward. The parties have reached a settlement arrangement under which the case is stayed for a period of years subject to the Department of Corrections meeting certain benchmarks with respect to the new women's prison. If those benchmarks are met, the case will be dismissed with prejudice. If those benchmarks are not met, the plaintiffs have the ability to re-open the matter. In the event the matter is re-opened, it will be amended and restructured.

Department of Safety

Estate of Champney v. Department of Safety

There is the potential for litigation, brought on behalf of the estate of Jesse Champney, arising from an officer-involved fatal shooting. On December 24, 2017, Mr. Champney fled from State Police during a pursuit related to an alleged stolen vehicle. After Mr. Champney's vehicle came to a stop off the road, Trooper O'Toole attempted to take him into custody, and Mr. Champney fled on foot. Mr. Champney refused to surrender and threatened to shoot Trooper O'Toole. Trooper O'Toole shot him, and he died at the scene. It is not possible to predict the outcome of the case at this time.

Simone v. Monaco, et al.

Richard Simone filed a complaint in the U.S. District Court, District of Massachusetts, alleging that NH State Trooper, Andrew Monaco, and MA State Trooper, Joseph Flynn, used excessive force when effecting an arrest after a high speed vehicle chase that terminated in Nashua, NH. Simone also named the Department of Safety Commissioner Quinn and two other State Troopers for failing to intervene and failing to adequately train Monaco. Simone is claiming damages in the amount of $6 million. Trooper Monaco's request for the State to defend and indemnify him in this lawsuit was denied. The Massachusetts District Court dismissed claims against Monaco and claims against Nashua Police Officers, holding that the court lacked personal jurisdiction over the New Hampshire defendants. The indemnified Department of Safety employees named as defendants in the lawsuit have not yet been served with process and the deadline for service has expired. If and when the defendants are served, the State will seek to dismiss the complaint for lack of personal jurisdiction and failure to timely serve the defendants under Civil Rule 3(m). It is not possible to predict the outcome of the threatened litigation at this time.

Other Departments

Contoocook Valley School District v. State et al.
On March 13, 2019, several plaintiffs, including a school district and three individuals, sued the State claiming that it has failed to meet its obligations to fund an adequate education. The plaintiffs assert that certain costs like transportation costs, school nurse costs, food services costs, facilities costs, teacher benefits, and superintendent costs, must, as a matter of constitutional law, be funded by the State and are currently not funded by the State. The plaintiff requests approximately $17 million for the school district to be provided by April 1, 2019. On June 5, 2019, the trial court issued an order finding that RSA 198:40-a, II, the statutory mechanism the state uses to make adequate education payments to school districts is unconstitutional. The court did not, however, require the State to pay the plaintiffs any amount of money, and denied the plaintiffs' claims to that effect. Instead, the trial court required the legislature to fix the statute on a prospective basis. The State timely appealed the trial court's order. The case remains pending on appeal. A briefing schedule has been issued. An extension of time has been requested to file the opening brief.

Conservation Law Foundation, Inc. v. New Hampshire Fish and Game Department, et al.

On October 31, 2018, the Conservation Law Foundation ("CLF") filed its Complaint pursuant to Section 505 of the Federal Water Pollution Control Act ("Clean Water Act") alleging violations by the Powder Mill State Fish Hatchery of the hatchery's federal National Pollutant Discharge Elimination System ("NPDES") Permit. Specifically, the suit alleges the following violations: (1) discharging effluent that has resulted in state water quality standards violations in the receiving waters; (2) discharging effluent that has impaired the use of receiving waters; (3) discharging formaldehyde in concentrations exceeding the limits stated in the facility's NPDES permit; (4) discharging effluent causing violation of the pH limits stated in the facility's NPDES permit; (5) discharging cleaning water in violation of the NPDES permit; and (6) failing to implement and maintain a best management practices plan as required by the NPDES permit. The suit names the Department, the Executive Director, the Fish and Game Commission, and each of the Fish and Game Commissioners. CLF alleged that each separate violation of the Clean Water Act subjects NHFG to a penalty of up to $52 thousand. In addition to civil penalties, CLF sought declaratory relief and injunctive relief to prevent further violations of the Clean Water Act. CLF also seeks injunctive relief to remediate past effluent and seeks recovery of costs and fees associated with this matter. Following briefing on NHFG's partial motion to dismiss, CLF voluntarily dropped the Department and the Commission from the suit. After a hearing, the Court determined that civil penalties were barred on 11th amendment grounds, but denied the State's motion to dismiss without prejudice to raising the remaining issues at summary judgment. The Parties filed cross-motions for summary judgment on November 27, 2019. CLF seeks summary judgment on all counts, while the State seeks summary judgment on Counts II, III, VI, and VII, as well as on CLF's request for injunctive relief to remediate past effluent on 11th amendment grounds. Objections are due January 3, 2020. The State has received information that US EPA is preparing to issue a draft NPDES permit in Q1 2020, which would largely moot the issues raised in the case.

New Hampshire Lottery Commission v. William Barr, Attorney General

In January 2019, the United States Department of Justice ("USDOJ") issued a memorandum adopting as an official position of the agency a very broad interpretation of the federal Wire Act, 18 U.S.C. § 1084. This interpretation reverses a prior interpretation of the USDOJ from 2011 finding that the Wire Act applies only to sports betting and therefore does not prohibit States from selling lottery tickets over the Internet. The USDOJ's recent reversal of the 2011 interpretation appears to prohibit the use of wire transmissions to engage in state conducted lottery activity. The New Hampshire Lottery Commission has sued the Attorney General and the USDOJ in the United States District Court for the District of New Hampshire to declare this new interpretation of law erroneous and for a declaration that the Wire Act does not extend to state-conducted lottery activity. If the USDOJ's new interpretation is correct, and the Wire Act does extend to state-conducted lottery activity, New Hampshire may lose substantial revenues. Under the narrowest interpretation of the USDOJ's opinion, the State would face a loss of approximately $6-8 million. Under the broadest interpretation of the USDOJ's opinion, the State could face a loss of approximately $90 million. The case was briefed April 8, 2019 and oral argument subsequently occurred. On June 3, 2019, the federal district court issued an order setting aside the USDOJ's new interpretation of the Wire Act under the federal Administrative Procedure Act. The USDOJ has filed a notice of appeal and opening brief is due on December 20, 2019.

State v. Purdue Pharma; State v. Janssen/Johnson & Johnson; State v. McKesson Corp and Cardinal Health; State v. Mallinckrodt; State v. Richard S. Sackler, et al.

The State has filed suit against three opioid manufacturers (Purdue Pharma, Janssen, and Mallinckrodt), as well as against two opioid distributors (McKesson and Cardinal Health) and on September 16, 2019 the State filed against four members of the Sackler family, owners of Purdue Pharma, alleging unfair or deceptive business practices, nuisance and other common law counts. The Sackler complaint includes a fraudulent conveyance count. All cases are in Merrimack County Superior Court. The Purdue and Janssen cases have survived motions to dismiss by the defendants and discovery is on-going. The two distributors filed their motion to dismiss and a hearing on the motion was held on December 11, 2019. The Mallinckrodt defendants filed their motion to dismiss, which will be objected to and be the subject of a hearing during the first quarter of 2020. Trial in the Purdue Pharma case was scheduled for June 2020, however, on September 14, 2019, Purdue filed bankruptcy in the southern district of New York. Both the Purdue litigation and the litigation against the Sacklers has been stayed by the bankruptcy court. The State is also participating in multistate settlement discussions, along with other attorneys general, aimed at a global resolution with all opioid related defendants (manufacturers, distributors and major pharmacy chains). It is not possible at this stage to predict any recovery amounts that would come to the State.

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. The case is currently stayed before the Merrimack County Superior Court. Possible liability for Volkswagen is more than $2 million, but a likely litigation or settlement result is, at this point, unknown.

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 continues to work with the FHWA in determining what portion, if any, of 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, 2019 follows:

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

	Restricted	Committed	Assigned	Unassigned
General Fund:				
General Government	$ 20,482	$ 6,263	$ 30,033	
Administration of Justice & Public Protection	45,952	19,019	5,697	
Resources Protection & Development	364,328	5,581	9,333	
Transportation	33,335		456	
Health & Human Services	57,692	174	17,129	
Education	18,135		5,317	
Other Purposes				$ 307,776
Total	539,924	31,037	67,965	307,776
Highway Fund:				
General Government				
Administration of Justice & Public Protection	4,787			
Resources Protection & Development	66			
Transportation	119,574		13,900	
Total	124,427		13,900	
Education Trust Fund:				
Education			84,472	
Total			84,472	
Non-Major Governmental Funds:				
Resources Protection & Development	4,362	3,219	2,047	
Other Purposes	13,274			(70,456)
Total	$ 17,636	$ 3,219	$ 2,047	$ (70,456)

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, $40 million of unrestricted General fund and Education Trust fund excess revenues over plan 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. At the end of the 2016-2017

biennium, in accordance with Chapter 156 of the 2017 legislative session, an additional $7.0 million was transferred to the Rainy Day Fund, bringing the balance as of June 30, 2017 to $100.0 million. During the 2018 legislative session, Chapter 162 required that $10 million of unrestricted General fund excess revenues over plan be transferred into the Rainy Day fund, bringing the balance as of June 30, 2018 to $110 million. During 2019, in addition to 10% of certain settlements ($258 thousand), HB4 required a $5 million transfer to the Rainy Day fund, bringing the balance at June 30, 2019 to $115.3 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, 2019, the Lottery recognized $9.0 million of net income from Tri-State. At June 30, 2019 Tri-State reported total installment prize obligations owed to jackpot winners of $22.2 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 $1.7 million at June 30, 2019. 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 38 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, 2019, the Lottery recognized $29.8 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 $3.2 million at June 30, 2019. 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.

Hot Lotto has been offered since April 2002. MUSL allocates 50 percent of the weekly sales to the prize pool. At June 30, 2019 the MUSL Hot Lotto prize reserve fund was $38.6 million with New Hampshire's share being $533 thousand. Each participating member pays for a share of Hot Lotto operating expenses based upon the member's proportionate share of total Hot Lotto game sales. Hot Lotto sales ended in October, 2017 as the game was discontinued due to falling sales.

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 lotteries in twenty-five states 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, 2019, New Hampshire's total share of the net operating income for Lucky for Life was $1.9 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, 2019 amounted to $2.6 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 $690,000 General Obligation Capital Improvement Bonds, 2019 Series A (the "2019 Series A Bonds") on July 11, 2019. The 2019 Series A Bonds were issued to the New Hampshire Municipal Bond Bank (the "Bond Bank") as a private placement and the proceeds will be used to finance various capital projects of the State.

The State issued its $40,840,000 Turnpike System Revenue Bonds, 2019 Refunding Series (the "2019 Refunding Series Bonds") on November 14, 2019. The 2019 Refunding Series Bonds were issued to refund a portion of the outstanding Turnpike System Revenue Bonds, 2009 Series A (Federally Taxable - Build America Bonds - Direct Payment) in order to provide debt service savings to the New Hampshire Turnpike System. The issue was sold competively and awarded to Jefferies, the underwriter with the lowest cost bid to the State. With an all-in true interest cost (TIC) of 1.58% over its weighted average life of 8.16 years, the refunding retired $50,725,000 of outstanding bonds and resulted in present value savings of just over $9.8 million.

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, 2019 through November 30, 2019, an additional $10.9 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, 2019
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
General Property Taxes	$405	$407	$582	$175
Special Taxes	1,254,908	1,260,191	1,348,236	88,045
Personal Taxes	120,048	120,048	119,451	(597)
Business License Taxes	22,438	22,562	24,380	1,818
Non-Business License Taxes	118,676	118,848	141,655	22,807
Fees	169,836	182,957	171,884	(11,073)
Fines, Penalties and Interest	9,439	9,809	11,655	1,846
Grants from Federal Government	1,962,179	2,566,982	1,969,984	(596,998)
Grants from Private and Local Sources	168,754	177,285	166,286	(10,999)
Rents and Leases	689	1,323	1,593	270
Interest Premiums and Discounts	15,464	16,163	30,342	14,179
Sale of Commodities	11,001	16,126	16,076	(50)
Sale of Services	29,150	29,741	25,226	(4,515)
Assessments	75,147	75,923	67,619	(8,304)
Grants from Other Agencies	205,576	213,035	156,009	(57,026)
Miscellaneous	1,288,250	471,396	396,026	(75,370)
Total Revenue	5,451,960	5,282,796	4,647,004	(635,792)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	28,845	29,509	17,961	11,548
Executive	54,125	54,456	36,948	17,508
Information Technology	94,850	93,529	77,116	16,413
Executive Council	248	252	199	53
Administrative Services	168,058	176,183	140,389	35,794
Sec of State	10,741	14,542	10,579	3,963
Revenue Administration	17,352	19,554	17,506	2,048
State Treasury	99,953	102,481	91,498	10,983
NH Retirement System	9,287	13,206	12,201	1,005
Developmental Disabilities Council	692	728	444	284
Office of Professional Licensure and Certification	8,114	10,898	9,727	1,171
Boards and Commissions	961	982	829	153
Total	493,226	516,320	415,397	100,923

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	95,088	98,265	90,589	7,676
Adjutant General	36,782	37,143	23,289	13,854
Agriculture	7,442	7,822	4,967	2,855
Justice Department	102,864	112,981	38,870	74,111
Bank Commission	6,511	6,760	5,856	904
Insurance	13,957	14,563	11,152	3,411
Labor	10,637	28,717	26,168	2,549
Public Utilities Commission	35,270	39,799	30,930	8,869
Safety	136,699	159,359	109,751	49,608
Corrections Department	127,969	134,482	129,267	5,215
Employment Security	87,105	88,338	29,410	58,928
Judicial Council	29,456	31,305	31,079	226
Human Rights Commission	707	705	588	117
Boards and Commissions	457	468	447	21
Total	690,944	760,707	532,363	228,344
RESOURCE PROTECTION AND DEVELOPMENT				
Natural and Cultural Resources	55,904	65,860	47,486	18,374
Business and Economic Development	50,295	51,399	22,680	28,719
Pease Development Authority	646	664	573	91
Environmental Services	170,084	229,819	97,736	132,083
Development Finance Authority	172	172	172	
Boards and Commissions	50	131	131	
Total	277,151	348,045	168,778	179,267
TRANSPORTATION				
Transportation	61,974	72,729	14,715	58,014
Total	61,974	72,729	14,715	58,014

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	General Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	145,692	182,784	123,323	59,461
Office of Health Management	109,798	131,265	82,278	48,987
Transitional Assistance	117,483	137,604	107,503	30,101
Office of Medicaid & Business Policy	1,535,011	2,023,272	1,814,458	208,814
Behavioral Health	93,152	123,656	61,168	62,488
Developmental Services	330,026	368,075	342,433	25,642
N H Hospital	77,685	80,029	74,906	5,123
Glencliff Home	15,697	16,108	14,883	1,225
N H Veterans Home	40,269	40,947	32,213	8,734
Veterans Council	673	888	630	258
Human Services	195,053	223,289	204,396	18,893
Elderly and Adult Services	32,075	33,154	22,633	10,521
Community Based Care Svc	2,012	2,012	1,281	731
Total	2,694,626	3,363,083	2,882,105	480,978
EDUCATION				
Department of Education	407,352	421,624	285,328	136,296
NH Comm. Tech. College System	47,075	47,075	47,075	
Police Standards and Training Council	3,484	3,581	3,193	388
University of New Hampshire	81,000	81,000	81,000	
Total	538,911	553,280	416,596	136,684
Debt Service	120,377	120,377	112,871	7,506
Capital Outlays	30,826	30,826	30,826	
Total Expenditures	4,908,035	5,765,367	4,573,651	1,191,716
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	543,925	(482,571)	73,353	555,924
OTHER FINANCING SOURCES (USES)				
Transfers In		967	967	
Transfers Out		(50)	(50)	
Miscellaneous		467	467	
Total Other Financing Sources (Uses)		1,384	1,384	
Excess (Deficiency) of Revenues				
and Other Sources Over (Under)	543,925	(481,187)	74,737	555,924
Expenditures and Other Uses				
Fund Balance - July 1	975,334	975,334	975,334	
Fund Balance - June 30	$1,519,259	$494,147	$1,050,071	$555,924

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 144,623	$ 144,627	$ 185,653	$ 41,026
Non-Business License Taxes	64,110	64,109	74,029	9,920
Fees	119,345	119,317	18,631	(100,686)
Fines, Penalties and Interest	5,239	5,333	5,950	617
Grants from Federal Government	529,752	549,288	183,825	(365,463)
Grants from Private and Local Sources	8,312	8,363	6,717	(1,646)
Rents and Leases	212	211	87	(124)
Sale of Commodities	6,233	6,238	3,336	(2,902)
Sale of Services	5,614	5,196	3,929	(1,267)
Grants from Other Agencies	13,876	13,789	11,547	(2,242)
Miscellaneous	70,456	76,966	31,758	(45,208)
Total Revenues	967,772	993,437	525,462	(467,975)
EXPENDITURES				
Justice and Public Protection	104,120	105,313	61,036	44,277
Resource Protection and Development	2,349	2,310	1,950	360
Transportation	869,615	879,705	451,322	428,383
Debt Service	34,338	34,338	32,753	1,585
Capital Outlays	13,279	13,279	13,279	
Total Expenditures	1,023,701	1,034,945	560,340	474,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,929)	(41,508)	(34,878)	6,630
OTHER FINANCING SOURCES (USES)				
Transfers Out		(2,833)	(2,833)	
Transfers In				
Miscellaneous		985	985	
Total Other Financing Sources (Uses)		(1,848)	(1,848)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(55,929)	(43,356)	(36,726)	6,630
Fund Balance - July 1	569,615	569,615	569,615	
Fund Balance - June 30	$ 513,686	$ 526,259	$ 532,889	$ 6,630

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Expressed in Thousands)

	Education Trust Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 406,499	$ 406,499	$ 402,618	$ (3,881)
Special Taxes	404,900	404,900	497,270	92,370
Personal Taxes	94,400	94,400	82,731	(11,669)
Fines, Penalties and Interest		1	1	
Miscellaneous	35,000	35,000	40,000	5,000
Total Revenues	940,799	940,800	1,022,620	81,820
EXPENDITURES				
Education	956,842	971,485	963,547	7,938
Total Expenditures	956,842	971,485	963,547	7,938
Deficiency of Revenues Under Expenditures	(16,043)	(30,685)	59,073	89,758
OTHER FINANCING SOURCES (USES)				
Transfers In				
Total Other Financing Sources (Uses)				
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(16,043)	(30,685)	59,073	89,758
Fund Balance - July 1	28,094	28,094	28,094	
Fund Balance - June 30	$ 12,051	$ (2,591)	$ 87,167	$ 89,758

See accompanying Independent Auditors' Report. The notes to the basic financial statements are an integral part of this statement.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The Budget To Actual (Non-GAAP Budgetary Basis) Schedules depict budgeted to actual expenditures using the same format, terminology and classification as in the statement of revenues, expenses and changes in fund balances with an additional expense level by department within each functional expense category.

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 2019, 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 (HB144) as of June 28, 2017 with an effective date of July 1, 2017, 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, 2019 rather than the amounts shown in the original budget, are reported. The final appropriations budget represents the original budget (HB144), plus HB517 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, 2019 (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)	$ 74,737	$ (36,726)	$ 59,073
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	52,337	927	(45)
To record change in Accounts Receivable	(218,689)	150	(105,606)
To record Other Financing Sources (Uses)	179,125	38,384	105,606
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing (uses) (GAAP Basis) including change in inventory	$ 87,510	$ 2,735	$ 59,028

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

Schedule of the State's Proportionate Share of the Net OPEB Liability (Trusted OPEB Plan)

(dollars in thousands)	June 30, 2019	June 30, 2018
State's Proportion of the Net OPEB Liability	20.1722%	19.097%
State's Proportionate Share of the Net OPEB Liability	$92,357	$87,317
State's Covered Payroll	$601,426	$587,542
State's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	15.36%	14.86%
NHRS Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.53%	7.91%

Note: The amounts presented were determined as of and for the measurement period ended June 30, 2018, 2017.

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,		
	2019	2018	2017
Required State Contribution	$ 9,460	$ 8,960	$ 11,996
Actual State Contributions	9,460	8,960	11,996
Excess/(Deficiency) of State Contributions			
State's Covered Payroll	$ 621,182	$ 601,426	$ 587,542
State Contribution as a Percentage of its Covered Payroll	1.52%	1.49%	2.04%

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

Notes to the Required Supplementary Information:

Changes in benefit terms: None

Changes in Assumptions: None

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NON TRUSTED OTHER POSTEMPLOYMENT BENEFITS PLAN

	2019	2018
Total OPEB Liability		
Service cost	76,699	111,334
Interest	81,507	84,315
Differences between expected and actual experience	(7,653)	(7,886)
Changes in assumptions	(235,527)	(784,281)
Changes in benefit terms	(182,835)	
Benefit payments	(51,623)	(49,772)
Net change in total OPEB liability	(319,432)	(646,290)
Total OPEB liability - beginning	2,229,421	2,875,711
Total OPEB liability - ending	1,909,989	2,229,421
Covered-employee payroll	601,426	587,542
Total OPEB liability as a percentage of covered-employee payroll	317.58%	379.45%

Notes to Schedule:

Changes in assumptions reflect trend assumptions to reflect current claims experience, as well as, changes in the discount rate used in each period. The following are the discount rates used in each period.

2019	3.87%
2018	3.58%
2017	2.85%

Changes in benefits reflect the implementation of the Medicare Advantage Plan, a fully insured plan, as of January 1,2019.

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2018, 2017, and 2016

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

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, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's Proportion of the Net Pension Liability	18.42%	19.83%	19.47%	20.07%	19.60%
State's Proportionate Share of the Net Pension Liability	$886,972	$975,446	$1,035,370	$794,933	$735,869
State's Covered Payroll	$601,426	$587,542	$562,387	$563,322	$533,457
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	147.48%	166.02%	184.10%	141.12%	137.94%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	64.73%	62.66%	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2018, 2017, 2016, 2015, and 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,					
	2019	2018	2017	2016	2015	2014
Required State Contribution	$ 82,370	$ 78,280	$ 72,680	$ 69,700	$ 67,450	$ 63,621
Actual State Contributions	82,370	78,280	72,680	69,700	67,450	63,621
Excess/(Deficiency) of State Contributions						
State's Covered Payroll	$ 621,182	$ 601,426	$ 587,542	$ 562,387	$ 563,322	$ 533,457
State Contribution as a Percentage of its Covered Payroll	13.26%	13.02%	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.

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

Fiscal Year Ended (dollars in thousands)	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Total Pension Liability					
Service cost	$ 3,921	$ 3,513	$ 3,248	$ 2,693	$ 2,351
Interest on total pension liability	6,411	6,826	6,568	5,642	5,648
Effect of differences between expected and actual experience		(10,003)	3,773		
Effect of changes in actuarial assumptions		4,435	3,806		
Benefit payments	(6,682)	(6,601)	(6,192)	(5,694)	(5,775)
Net change in total pension liability	3,650	(1,830)	11,203	2,641	2,224
Total pension liability, beginning	95,412	97,242	86,039	83,398	81,174
Total pension liability, ending (a)	99,062	95,412	97,242	86,039	83,398
Fiduciary Net Position					
Employer contributions	6,731	6,346	6,096	5,470	4,923
Member contributions	789	745	727	664	635
Investment income net of investment expenses	(3,422)	7,497	2,874	(249)	2,759
Benefit payments	(6,682)	(6,601)	(6,192)	(5,694)	(5,775)
Administrative expenses	(297)	(228)	(239)	(208)	(203)
Net change in plan fiduciary net position	(2,881)	7,759	3,266	(17)	2,339
Fiduciary net position, beginning	57,931	50,172	46,906	46,923	44,584
Fiduciary net position, ending (b)	55,050	57,931	50,172	46,906	46,923
Net pension liability, ending = (a) - (b)	44,012	37,481	47,070	39,133	36,475
Fiduciary net position as a % of total pension liability	55.57%	60.72%	51.59%	54.52%	56.26%
Covered payroll	9,044	8,359	8,525	8,031	7,535
Net pension liability as a % of covered payroll	486.64%	448.39%	552.14%	487.27%	484.07%

Note: The amounts presented above were determined as of and for the measurement period ended December 31, 2018, 2017, 2016, 2015 and 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,	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially Determined Contribution	$6,984	$6,592	$6,151	$5,678	$5,100	4,666
Contributions in Relation to the Actuarially Determined Contribution	6,984	6,592	6,151	5,678	5,100	4,666
Excess/(Deficiency) of State Contributions						
Covered Payroll	$ 9,315	$ 8,825	$ 8,686	$ 8,209	$ 7,944	$7,348
Contribution as a Percentage of the Covered Payroll	74.98%	74.70%	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	6.675%
Inflation	2.75%
Salary increases	1.5% for 2017, 6.78% for 2018, 2.25% thereafter
Cost of living adjustment	6.78% for 2018, 2.25% thereafter
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 22 years was used for the year ended December 31, 2017
Remaining amortization period	22 years
Asset valuation method	5-year non-asymptotic +/- 20%
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 the basic financial statements are an integral part of this statement.

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, 2019, 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 20, 2019. 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 Retirement System, New Hampshire Judicial Retirement Plan and the New Hampshire Public Deposit Investment Pool, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the New Hampshire Public Deposit Investment Pool and the Business Finance Authority of the State of New Hampshire.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

The State's Responses to Findings

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

Purpose of this Report

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

KPMG LLP

Boston, Massachusetts
December 20, 2019

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

Independent Auditors' Report on Compliance for Each Major Federal 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, 2019. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of 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 expended federal awards which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 referred to above 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 State's compliance.

Basis for Qualified Opinions on Certain Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement	Report Page Number
2019-004	16.575	Crime Victim Assistance	Eligibility, Suspension and Debarment, Subrecipient Monitoring	F-11
2019-005	16.575	Crime Victim Assistance	Reporting	F-14
2019-006	16.575	Crime Victim Assistance	Cash Management	F-16
2019-007	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions – Assessment System Security	F-18
2019-008	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions – Annual Report Card, High School Graduation Rate	F-20
2019-010	84.048	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	F-25
2019-011	93.044 93.045 93.053	Aging Cluster	Subrecipient Monitoring	F-28
2019-015	93.558 93.714	TANF Cluster	Special Tests and Provisions – Child Support Non-Cooperation	F-38
2019-016	93.558 93.714	TANF Cluster	Special Tests and Provisions – Lack of Child Care for Single Custodial Parent of Child under Age Six	F-40
2019-017	93.558 93.714	TANF Cluster	Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan	F-42
2019-019	93.667	Social Services Block Grant	Subrecipient Monitoring	F-47
2019-022	93.775 93.777 93.778	Medicaid Cluster	Eligibility	F-55
2019-023	93.788	Opioid STR	Subrecipient Monitoring	F-58

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

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 each of the major federal programs listed in the Basis for Qualified Opinions on Certain Major Federal Programs paragraph for the year ended June 30, 2019.

Unmodified Opinions on Each of the Other Major Federal Programs

In our opinion, 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 auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

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 2019-003, 2019-009, 2019-014, 2019-018, 2019-020, 2019-021 and 2019-024 Our opinion on each major federal program 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 is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Medicaid cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Section E "Eligibility." For 2019, this section includes eligibility determinations based on Modified Adjusted Gross Income (MAGI-based determination) and states that auditors should re-determine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category. Our procedures in relation to MAGI-based eligibility determinations were limited to testing compliance based on the state verification plan.

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 requirements 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 have not been identified. However, as discussed below, we did identify 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 a 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 findings and questioned costs as items 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-010, 2019-011, 2019-015, 2019-016, 2019-017, 2019-019 and 2019-023 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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 2019-003, 2019-009, 2019-012, 2019-013, 2019-014, 2019-018, 2019-020, 2019-021, 2019-022, and 2019-024 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 is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The State's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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, 2019, and the related notes to the financial statements, which collectively comprise State's basic financial statements. We issued our report thereon dated December 20, 2019 which contained unmodified opinions on those financial statements. 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 as a whole.

KPMG LLP

Boston, Massachusetts
March 27, 2020

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Agriculture					
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care	121,708	0%	-
7500	10.028	Wildlife Services	10,280	0%	-
1800	10.170	Specialty Crop Block Grant Program – Farm Bill	237,282	0%	-
5600	10.534	Child and Adult Care Food Program (CACFP) Meal Service Training Grants	5,869	0%	-
		Supplemental Nutrition Assistance Program (SNAP) Cluster			
9500	10.551	Supplemental Nutrition Assistance Program (Note 3,9)	94,946,206	0%	-
9500	10.561	State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 9)	10,886,576	0%	-
		SNAP Cluster Total	105,832,782	0%	-
		Child Nutrition Cluster			
5600	10.553	School Breakfast Program (Note 9)	5,547,798	100%	5,547,798
5600 1400	10.555	National School Lunch Program (Note 3, 9)	26,082,074	100%	26,082,074
5600	10.556	Special Milk Program For Children (Note 9)	141,045	100%	141,045
5600 1400	10.559	Summer Food Service Program For Children (Note 3,9)	1,052,913	95%	999,863
		Child Nutrition Cluster Total	32,823,830	100%	32,770,780
9500	10.557	Special Supplemental Nutrition Program For Women, Infants And Children	8,931,408	31%	2,731,432
5600 1400	**10.558**	**Child And Adult Care Food Program (Note 3)**	**5,036,064**	**99%**	**4,981,924**
5600 1400	10.560	State Administrative Expenses For Child Nutrition	668,995	2%	12,000
		Food Distribution Cluster			
9500	10.565	Commodity Supplemental Food Program (Note 3,9)	1,098,472	24%	262,448
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 9)	252,076	0%	-
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Note 3,9)	2,272,982	100%	2,272,982
		Food Distribution Cluster Total	3,623,530	70%	2,535,430
9500	10.576	Senior Farmers Market Nutrition Program	71,358	8%	5,939
9500	10.578	WIC Grants to States	569,461	15%	83,932
5600	10.579	Child Nutrition Discretionary Grants Limited Availability	62,980	100%	62,980
5600	10.582	Fresh Fruit And Vegetable Program	1,813,649	99%	1,787,995

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
3500	10.664	Cooperative Forestry Assistance	652,798	23%	150,009
3500	10.676	Forest Legacy Program	2,378,751	0%	-
3500	10.680	Forest Health Protection	41,506	0%	-
3500	10.912	Environmental Quality Incentives Program (EQIP)	12,441	0%	-
1800	10.913	Farm and Ranch Lands Protection Program	47,778	0%	-
4400	10.916	Watershed Rehabilitation Program	261,502	0%	-
7500	10.999	Challenge Grant	4,080	0%	-
		Department of Agriculture Total:	**163,208,052**	**28%**	**45,122,421**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Commerce					
2200	11.302	Economic Development Support for Planning Organizations	140,000	0%	-
7500	11.407	Interjurisdictional Fisheries Act Of 1986	10,444	0%	-
7500	11.417	Sea Grant Support Subaward # 18-049 from the University of NH	11,880	0%	-
4400	11.419	Coastal Zone Management Administration Awards	1,470,270	31%	448,828
7500	11.420	Coastal Zone Management Estuarine Research Reserves	562,172	0%	-
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act	131,259	0%	-
2300	11.549	State and Local Implementation Grant Program (SLIGP)	206	0%	-
		Department of Commerce Total:	**2,326,231**	**19%**	**448,828**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Defense					
2200	12.002	Procurement Technical Assistance For Business Firms	274,125	0%	-
4400	12.113	State Memorandum Of Agreement Program For The Reimbursement Of Technical Services	438,052	0%	-
1200	12.400	Military Construction, National Guard	6,224,851	0%	-
1200	12.401	National Guard Military Operations And Maintenance (O&M) Projects	20,562,678	0%	-
2200	12.610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies.	20,048	0%	-
		Department of Defense Total:	**27,519,754**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Housing and Urban Development					
9500	14.231	Emergency Solutions Grant Program	763,960	93%	711,176
9500	14.241	Housing Opportunities For Persons With AIDS	584,524	94%	550,826
9500	14.267	Continuum of Care Program	3,702,131	94%	3,483,150
		Department of Housing and Urban Development Total:	**5,050,615**	**94%**	**4,745,152**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of the Interior					
4400	15.153	Hurricane Sandy Disaster Relief -- Coastal Resiliency Grants	450,000	0%	-
4400	15.424	Marine Minerals Activities	20,646	0%	-
		Fish and Wildlife Cluster			
7500	15.605	Sport Fish Restoration Program (Note 9)	3,136,670	0%	-
7500	15.611	Wildlife Restoration And Basic Hunter Education (Note 9)	6,107,634	3%	169,919
		Fish and Wildlife Cluster Total	9,244,304	2%	169,919
7500 3500	15.615	Cooperative Endangered Species Conservation Fund	61,294	0%	-
4400	15.616	Clean Vessel Act	146,565	7%	10,147
7500	15.626	Enhanced Hunter Education And Safety Program	85,301	0%	-
7500	15.634	State Wildlife Grants	684,628	13%	88,136
7500	15.657	Endangered Species Conservation - Recovery Implementation Funds	22,804	0%	-
4400	15.810	National Cooperative Geologic Mapping Program	88,786	0%	-
4400	15.814	National Geological and Geophysical Data Preservation	3,014	0%	-
3500	15.904	Historic Preservation Fund Grants-In-Aid	589,771	11%	66,179
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning	1,005,648	99%	999,323
3500	15.957	Emergency Supplemental Historic Preservation Fund	426,724	63%	267,379
7500	15.999	No Program Title	11,780	0%	-
		Department of the Interior Total:	**12,841,265**	**12%**	**1,601,083**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Justice					
2000	16.017	Sexual Assault Services Formula Program	349,689	97%	337,720
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States	165,333	0%	-
2000	16.550	State Justice Statistics Program for Statistical Analysis Centers	3,468	0%	-
2000	16.554	National Criminal History Improvement Program (NCHIP)	1,778	0%	-
2000	**16.575**	**Crime Victim Assistance**	**7,365,496**	**93%**	**6,860,916**
2000	16.576	Crime Victim Compensation	163,333	0%	-
2000	16.582	Crime Victim Assistance/Discretionary Grants	56,821	0%	-
1000	16.585	Drug Court Discretionary Grant Program	3,874	0%	-
2000	16.588	Violence Against Women Formula Grants	1,075,904	74%	797,777
2000	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	199,464	82%	162,592
2000	16.593	Residential Substance Abuse Treatment For State Prisoners	83,972	84%	70,759
4600	16.606	State Criminal Alien Assistance Program	79,990	0%	-
4600	16.609	Project Safe Neighborhoods	120,483	70%	84,038
2300	16.710	Public Safety Partnership And Community Policing Grants	303,293	0%	-
2000	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,441,364	0%	-
2300	16.741	DNA Backlog Reduction Program	170,901	0%	-
2000	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	235,298	0%	-
2300	16.750	Support For Adam Walsh Act Implementation Grant Program	104,417	0%	-
2000	16.754	Harold Rogers Prescription Drug Monitoring Program	362,967	0%	-
2000	16.816	John R Justice Prosecutors And Defenders Incentive Act	1,390	0%	-
2000	16.838	Comprehensive Opioid Abuse Site-Based Program	619	0%	-
2000 2300 4600	16.922	Equitable Sharing Program	266,556	0%	-
		Department of Justice Total:	**12,556,410**	**66%**	**8,313,802**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Labor					
2700	17.002	Labor Force Statistics	849,777	0%	-
3200	17.005	Compensation And Working Conditions	23,000	0%	-
		Employment Service Cluster			
2700 2100	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 9)	2,899,812	0%	-
2700	17.801	Disabled Veterans` Outreach Program (DVOP) (Note 9)	1,005,060	0%	-
2700	17.804	Local Veterans` Employment Representative Program (Note 9)	-	0%	-
		Employment Service Cluster Total	3,904,872	0%	-
2700	17.225	Unemployment Insurance (Note 4)	61,942,823	0%	-
2200	17.235	Senior Community Service Employment Program	626,884	97%	607,377
2700	17.245	Trade Adjustment Assistance	749,819	0%	-
		Workforce Investment Act (WIA) Cluster			
2200	17.258	WIA Adult Program (Note 9)	2,350,012	77%	1,804,885
2200	17.259	WIA Youth Activities (Note 9)	2,396,463	77%	1,844,436
2200	17.278	WIA Dislocated Formula Grants (Note 9)	1,915,088	63%	1,202,424
		WIA Cluster Total	6,661,563	73%	4,851,745
2700	17.271	Work Opportunities Tax Credit Program (WOTC)	66,000	0%	-
2700	17.273	Temporary Labor Certification For Foreign Workers	63,305	0%	-
2200 2700	17.277	Workforce Investment Act (WIA) National Emergency Grants	543,541	8%	44,095
2200	17.280	WIOA Dislocated Worker National Reserve Demonstration Grants	324,052	88%	286,765
2200	17.281	WIA Dislocated Worker National Reserve Technical Assistance and Training	22,060	100%	22,060
2200	17.600	Mine Health And Safety Grants	47,044	96%	44,955
		Department of Labor Total:	**75,824,740**	**8%**	**5,856,997**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Transportation					
9600	20.106	Airport Improvement Program (Note 6)	4,484,779	100%	4,484,779
9600	20.200	Highway Research & Development	849,474	1%	7,844
		Highway Planning and Construction Cluster			
9600	20.224	Federal Lands Access Program (Note 9)	88,688	0%	-
9600	20.205	Highway Planning And Construction (Note 9)	178,961,894	7%	11,653,741
9600	20.219	Recreational Trails Program (Note 9)	900,342	67%	602,266
9600	23.003	Appalachian Development Highway System (Note 9)	-	0%	-
		Highway Planning and Construction Cluster Total	179,950,924	7%	12,256,007
9600	20.215	Highway Training & Education	275,197	50%	136,711
2300	20.218	National Motor Carrier Safety	1,136,456	0%	-
9600	**20.223**	**Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (Note 8)**	**38,383,849**	**0%**	**-**
2300	20.232	Commercial Driver's License Program Implementation Grant	508,599	0%	-
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	15,130	0%	-
		Federal Transit Cluster			
9600	**20.500**	**Federal Transit - Capital Investment Grants (Note 9)**	**6,846**	**0%**	**-**
9600	**20.507**	**Federal Transit - Formula Grants (Note 9)**	**3,387,471**	**0%**	**-**
9600	**20.525**	**State of Good Repair Grants Program (Note 9)**	**-**	**0%**	**-**
9600	**20.526**	**Bus and Bus Facilities Formula Program (Note 9)**	**2,361,340**	**94%**	**2,212,539**
		Federal Transit Cluster Total	**5,755,657**	**38%**	**2,212,539**
9600	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	565,495	0%	-
9600	20.509	Formula Grants For Rural Areas	4,207,235	84%	3,535,270
		Transit Services Program Cluster			
9600	20.513	Enhanced Mobility Of Seniors And Individuals With Disabilities (Note 9)	1,569,430	94%	1,475,422
9600	20.516	Job Access - Reverse Commute (Note 9)	-	0%	-
9600	20.521	New Freedom Program (Note 9)	11,611	62%	7,211
		Transit Services Program Cluster Total	1,581,041	94%	1,482,633

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
		Highway Safety Cluster			
2300	20.600	State And Community Highway Safety (Note 9)	2,331,758	53%	1,229,038
2300	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants (Note 9)	241,018	0%	-
	20.602	Occupant Protection Incentive Grants (Note 9)	-	0%	-
	20.609	Safety Belt Performance Grants (Note 9)	-	0%	-
2300	20.610	State Traffic Safety Information System Improvement Grants (Note 9)	93,252	20%	18,392
	20.611	Incentive Grant Program to Prohibit Racial Profiling (Note 9)	-	0%	-
2300	20.612	Incentive Grant Program to Increase Motorcyclist Safety (Note 9)	33,347	0%	-
	20.613	Child Safety and Child Booster Seat Incentive Grants (Note 9)	-	0%	-
2300	20.616	National Priority Safety Programs (Note 9)	1,549,677	24%	376,762
		Highway Safety Cluster Total	4,249,052	38%	1,624,192
2300	20.614	National Highway Traffic Safety Administration Discretionary Safety Grants and Cooperative Agreement	28,731	0%	-
8100	20.700	Pipeline Safety Program State Base Grant	593,426	0%	-
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants	79,975	93%	74,561
8100	20.720	State Damage Prevention Program Grants	32,139	0%	-
8100	20.721	PHMSA Pipeline Safety Program One Call Grant	42,267	0%	-
		Department of Transportation Total:	**242,739,426**	**11%**	**25,814,536**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Equal Employment Opportunity Commission					
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts	124,810	0%	-
		Equal Employment Opportunity Commission Total:	**124,810**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
General Services Administration					
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)	57,636	100%	57,636
3200	39.011	Election Reform Payments (Note 5)	10,097	0%	-
		General Services Administration Total:	**67,733**	**85%**	**57,636**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
National Endowment for the Arts					
3500	45.025	Promotion of The Arts - Partnership Agreements	728,128	41%	297,711
3500	45.310	Grants To States	1,144,590	0%	3,252
		National Endowment for the Arts Total:	**1,872,718**	**16%**	**300,963**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Small Business Administration					
2200	59.061	State Trade Expansion Program (STEP)	211,767	0%	-
		Small Business Administration Total:	**211,767**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Veterans Administration					
4300	64.005	Grants to States for Construction of State Home Facilities	955,284	0%	-
4300	**64.015**	**Veterans State Nursing Home Care**	**9,077,543**	**0%**	**-**
5600	64.124	All-Volunteer Force Educational Assistance	151,201	0%	-
1200	64.203	Veterans Cemetery Grants Program	1,661,202	0%	-
		Veterans Administration Total:	**11,845,230**	**0%**	**-**

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Environmental Protection Agency					
4400	66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	274,875	0%	-
9600	66.039	National Clean Diesel Emissions Reduction Program	(229,439)	0%	-
4400	66.040	State Clean Diesel Grant Program	195,298	86%	167,230
4400	66.454	Water Quality Management Planning	132,312	50%	65,998
		Clean Water State Revolving Fund Cluster			
4400	66.458	Capitalization Grants For Clean Water State Revolving Fund (Note 9)	12,806,146	94%	12,069,181
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	12,806,146	94%	12,069,181
4400	66.460	Nonpoint Source Implementation Grants	550,758	100%	549,638
4400	66.461	Regional Wetland Program Development Grants	239,719	30%	72,949
		Drinking Water State Revolving Fund Cluster			
4400	66.468	Capitalization Grants For Drinking Water State Revolving Fund (Note 9)	4,630,083	37%	1,710,672
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	4,630,083	37%	1,710,672
4400	66.474	Water Protection Grants To The States	137,783	0%	-
4400	66.605	Performance Partnership Grants	6,069,633	3%	201,206
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance	178,785	0%	-
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	339,075	0%	-
4400	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	95,064	0%	-
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals	294,226	0%	-
4400	66.708	Pollution Prevention Grants Program	90,588	0%	-
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements	2,172,605	0%	-
4400	66.804	Underground Storage Tank Prevention, Detection, And Compliance Program	267,824	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
4400	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	604,909	0%	-
4400	66.817	State And Tribal Response Program Grants	900,704	0%	-
4400	66.818	Brownfields Assessment And Cleanup Cooperative Agreements	32,510	90%	29,310
		Environmental Protection Agency Total:	**29,783,458**	**50%**	**14,866,184**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Energy					
0240	81.041	State Energy Program	453,688	22%	100,000
0240	81.042	Weatherization Assistance For Low-Income Persons	1,571,991	84%	1,320,907
4400	81.086	DOE Clean Cities	35,906	0%	-
0240	81.119	State Energy Program Special Projects	60,958	0%	-
0240	81.138	State Heating Oil and Propane Program	5,651	0%	-
		Department of Energy Total:	**2,128,194**	**67%**	**1,420,907**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
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Department of Education					
5600	84.002	Adult Education - Basic Grants To States	1,470,085	81%	1,187,347
5600	**84.010**	**Title I Grants To Local Educational Agencies**	**38,887,438**	**98%**	**38,067,679**
5600	84.011	Migrant Education - State Grant Program	187,344	18%	33,968
5600	84.013	Title I State Agency Program For Neglected And Delinquent Children And Youth	826,395	99%	815,876
		Special Education Cluster			
5600	**84.027**	**Special Education - Grants To States (Note 9)**	**52,297,514**	**89%**	**46,440,281**
5600	**84.173**	**Special Education - Preschool Grants (Note 9)**	**1,524,253**	**79%**	**1,206,864**
		Special Education Cluster Total	**53,821,767**	**89%**	**47,647,145**
5600	**84.048**	**Career And Technical Education - Basic Grants To States**	**5,324,492**	**91%**	**4,856,023**
5600	84.126	Rehabilitation Services - Vocational Rehabilitation Grants To States	9,259,224	0%	-
5600	84.144	Migrant Education - Coordination Program	155,420	30%	46,250
0205	84.161	Rehabilitation Services - Client Assistance Program	110,997	0%	-
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind	220,986	0%	-
9500	84.181	Special Education Grants For Infants And Families	2,115,724	80%	1,694,699
5600	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	14,177	0%	-
5600	84.196	Education For Homeless Children And Youth	196,214	77%	150,163
5600	84.282	Charter Schools	700,517	100%	700,517
5600	84.287	Twenty-First Century Community Learning Centers	5,680,588	96%	5,436,779
5600	84.323	Special Education - State Personnel Development	1,027,803	33%	336,040
5600	84.358	Rural Education	497,227	96%	476,309
5600	84.365	English Language Acquisition State Grants	1,015,135	83%	845,861
5600	84.366	Mathematics And Science Partnerships	239,718	100%	239,479
5600	**84.367**	**Supporting Effective Instruction State Grants**	**9,427,405**	**97%**	**9,127,981**
5600	84.369	Grants For State Assessments And Related Activities	3,385,489	75%	2,549,303

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State of New Hampshire
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For the Fiscal Year Ended 6/30/2019

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5600	84.377	School Improvement Grants	798,120	100%	797,477
5600	84.424	Student Support and Academic Enrichment Program	1,338,171	94%	1,261,005
5600	84.902	NAEP State Coordinator	129,452	0%	-
5600	84.938	Hurricane Education Recovery	618,375	100%	618,375
5600	84.999	No Program Name	2,573	0%	-
		Department of Education Total:	**137,450,836**	**85%**	**116,888,276**

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Bolded programs were audited during the 2019 audit

State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
U.S. Election Assistance Commission					
3200	90.401	Help America Vote Act Requirements Payments (Note 5)	106,636	0%	-
3200	90.404	2018 HAVA Election Security Grants	889,469	0%	-
		U.S. Election Assistance Commission Total:	**996,105**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Northern Border Regional Commission					
2200	90.601	Northern Border Regional Development	42,000	0%	-
		U.S. Election Assistance Commission Total:	**42,000**	**0%**	**-**

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State Agency	CFDA Number	Program or Cluster Title	2019 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	13,545	0%	-
9500	93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	116,659	0%	-
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services	84,252	0%	-
		Aging Cluster			
9500	**93.044**	**Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (Note 9)**	**1,529,335**	**84%**	**1,289,240**
9500	**93.045**	**Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 9)**	**3,636,978**	**100%**	**3,633,550**
9500	**93.053**	**Nutrition Services Incentive Program (Note 9)**	**837,629**	**100%**	**836,688**
		Aging Cluster Total	**6,003,942**	**96%**	**5,759,478**
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects	111,064	0%	-
9500	93.052	National Family Caregiver Support, Title III, Part E	554,723	0%	-
9500	93.069	Public Health Emergency Preparedness	7	0%	-
9500	93.070	Environmental Public Health And Emergency Response	1,829,061	0%	-
9500	93.071	Medicare Enrollment Assistance Program	106,794	0%	-
9500	93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	19,397	0%	-
9500	93.074	HPP AND PHEP Cooperative Agreement	5,134,889	18%	913,315
5600	93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	65,968	0%	-
9500	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	221,099	99%	218,439
9500 1800	93.103	Food And Drug Administration - Research	146,792	0%	-
5600	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances(SED)	2,508,403	88%	2,213,771
9500	93.110	Maternal And Child Health Federal Consolidated Programs	78,514	0%	-
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program	128,596	0%	-
9500	93.130	Cooperative Agreements to States/Territories for the Coordination, and Development of Primary Care Offices	34,822	0%	-
9500	93.136	Injury Prevention And Control Research And State And Community Based Programs	552,076	48%	265,145
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)	294,572	96%	282,573
9500	93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	128,018	0%	-
9500	93.217	Family Planning - Services	889,585	72%	643,484

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.234	Traumatic Brain Injury State Demonstration Grant Program	-	0%	-
9500	93.236	Grants To States To Support Oral Health Workforce Activities	534,838	0%	-
9500	93.241	State Rural Hospital Flexibility Program	391,639	0%	-
9500 5600	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	8,572,250	81%	6,914,315
9500	93.251	Universal Newborn Hearing Screening	150,257	0%	-
9500	93.268	Immunization Cooperative Agreements (Note 3)	12,635,373	2%	202,896
9500	93.270	Adult Viral Hepatitis Prevention And Control	86,109	0%	-
9500	93.283	Centers For Disease Control And Prevention - Investigations And Technical Assistance	207,354	0%	-
9500	93.301	Small Rural Hospital Improvement Grant Program	170,011	0%	-
9500	93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs	812,156	0%	-
9500	93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	113,855	0%	-
9500	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2,592,017	0%	-
9500	93.324	State Health Insurance Assistance Program	271,303	0%	-
9500	93.336	Behavioral Risk Factor Survey	362,435	0%	-
9500	93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	181,017	0%	-
5600	93.369	ACL Independent Living State Grants	308,377	100%	306,998
2400	93.413	The State Flexibility to Stabilize the Market Grant Program	48,250	0%	-
9500	93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	503,444	0%	-
9500	93.448	Food Safety And Security Monitoring Project	459,863	0%	-
5600	93.500	Pregnancy Assistance Fund Program	117,479	24%	28,342
		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)	-	0%	-
	93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program (Note 9)	3,075,046	63%	1,926,630
		Maternal, Infant, and Early Childhood Home Visiting Cluster	3,075,046	63%	1,926,630
2400	93.511	Affordable Care Act (ACA) Grants To States For Health Insurance Premium Review	359,435	0%	-
9500	93.517	Affordable Care Act – Aging and Disability Resource Center	67,042	0%	-
9500	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity	(447,573)	0%	-
9500	93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	722,006	0%	-
9500	93.556	Promoting Safe And Stable Families	365,986	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title		2019 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)**		**50,052,643**	**0%**	**-**
9500	**93.714**	**ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families (TANF) (Note 9)**		**-**	**0%**	**-**
		TANF Cluster Total		**50,052,643**	**0%**	**-**
9500	93.563	Child Support Enforcement		13,322,300	0%	-
9500	93.566	Refugee And Entrant Assistance - State Administered Programs		1,198,551	0%	-
0240	93.568	Low-Income Home Energy Assistance		30,069,358	99%	29,738,288
9500	**93.569**	**Community Services Block Grant**		**3,902,613**	**94%**	**3,652,898**
		Child Care and Development Fund (CCDF) Cluster				
9500	93.575	Child Care and Development Block Grant (Note 9)		13,997,250	0%	-
9500	93.596	Child Care Mandatory And Matching Funds Of The Child Care And Development Fund (Note 9)		10,245,581	0%	-
		CCDF Cluster Total		24,242,831	0%	-
9500	93.576	Refugee And Entrant Assistance - Discretionary Grants		169,587	0%	-
9500	93.584	Refugee And Entrant Assistance - Targeted Assistance Grants		6,881	0%	-
1000	93.586	State Court Improvement Program		328,797	0%	-
9500	93.597	Grants To States For Access And Visitation Programs		88,294	0%	-
9500	93.599	Chafee Education And Training Vouchers Program (ETV)		46,730	0%	-
9500	93.600	Head Start		84,805	0%	-
9500	93.603	Adoption and Legal Guardianship Incentive Payments		21,652	0%	-
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants	404,109			
		Developmental Disabilities Basic Support And Advocacy Grants Subaward IOD-NPH from the University of New Hampshire	1,000	428,861	12%	52,348
9700	93.631	Developmental Disabilities Projects of National Significance Subaward 18-033 from the University of New Hampshire		19,770	0%	-
2000	93.643	Children's Justice Grants To States		65,872	0%	-
9500	93.645	Stephanie Tubbs Jones Child Welfare Services Program		748,687	0%	-
9500	93.652	Adoption Opportunities		210,067	0%	-
9500	93.658	Foster Care - Title IV-E		14,658,065	0%	-
9500	93.659	Adoption Assistance		3,799,884	0%	-

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	**93.667**	**Social Services Block Grant**	**7,709,035**	**74%**	**5,740,712**
9500	93.669	Child Abuse And Neglect State Grants	70,832	0%	-
9500	93.670	Child Abuse and Neglect Discretionary Activities	33,702	0%	-
9500	93.671	Family Violence Prevention And Services / Battered Women's Shelters - Grants To States And Indian Tribes	906,437	0%	-
9500	93.674	Chafee Foster Care Independent Program	406,767	0%	-
9500	93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	28,223	0%	-
9500	93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	87,186	0%	-
9500	93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	89,575	0%	-
9500	93.758	Preventive Health and Health Services Block Grant	635,203	71%	452,532
9500	93.767	Children`s Health Insurance Program	14,195	0%	-
		Medicaid Cluster			
2000	**93.775**	**State Medicaid Fraud Control Units (Note 9)**	**657,618**	**0%**	**-**
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Title XVIII) Medicare (Note 9)**	**2,446,205**	**0%**	**-**
9500	**93.778**	**Medical Assistance Program (Note 9)**	**1,361,011,058**	**0%**	**-**
		Medicaid Cluster Total	**1,364,114,881**	**0%**	**-**
9500	**93.788**	**Opioid STR**	**7,046,744**	**90%**	**6,321,741**
9500	93.791	Money Follows The Person Rebalancing Demonstration	97,980	0%	-
9500	93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	196,851	0%	-
9500	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	101,638	0%	-
2400	93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	564,151	0%	-
9500	93.889	National Bioterrorism Hospital Preparedness Program	726,246	124%	899,032
9500	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	1,580,440	6%	97,181
9500	93.913	Grants To States For Operation Of Offices Of Rural Health	127,332	0%	-
9500	93.917	HIV Care Formula Grants	1,238,829	0%	-
9500	93.940	HIV Prevention Activities - Health Department Based	803,822	28%	223,610
9500	93.945	Assistance Programs for Chronic Disease Prevention and Control	159,269	0%	-
9500	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	184,330	0%	-
9500	93.958	Block Grants For Community Mental Health Services	1,841,732	104%	1,917,746

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
9500	93.959	Block Grants For Prevention And Treatment Of Substance Abuse	6,044,992	79%	4,800,060
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	187,349	16%	29,635
9500	93.991	Preventive Health and Health Services Block Grant	1,288,090	30%	383,334
9500	93.994	Maternal And Child Health Services Block Grant To The States	1,678,108	0%	-
		Department of Health and Human Services Total:	**1,593,112,934**	**5%**	**73,984,503**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title	2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Social Security Administration					
		Disability Insurance/SSI Cluster			
5600	96.001	Social Security - Disability Insurance (Note 9)	6,584,143	0%	-
5600	96.006	Supplemental Security Income (SSI) (Note 9)	-	0%	-
		Disability Insurance/SSI Cluster Total	6,584,143	0%	-
		Social Security Administration Total:	**6,584,143**	**0%**	**-**

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State of New Hampshire
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended 6/30/2019

State Agency	CFDA Number	Program or Cluster Title		2019 Expenditures	Pass Thru %	Amounts Provided to Subrecipients
Department of Homeland Security						
2300	97.012	Boating Safety Financial Assistance		1,140,192	0%	-
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)		111,509	0%	-
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Note 7)**		**11,890,686**	**77%**	**9,213,187**
2300	97.039	Hazard Mitigation Grant		797,333	98%	782,924
4400	97.041	National Dam Safety Program		87,638	0%	-
2300	97.042	Emergency Management Performance Grants		3,832,046	44%	1,684,923
2300	97.043	State Fire Training Systems Grants		23,528	0%	-
2300	97.044	Assistance to Firefighters Grant		228,437	0%	-
0240	97.045	Cooperating Technical Partners (CTP); Subaward 12-073 from the University System of New Hampshire	7,054	-	0%	-
		Cooperating Technical Partners (CTP); Subaward 17-027 from the University System of New Hampshire	1,103	-	0%	-
				-	0%	-
2300	97.047	Pre-Disaster Mitigation		190,401	95%	180,879
2300	97.067	Homeland Security Grant Program		3,119,945	63%	1,952,059
		Department of Homeland Security Total:		**21,421,715**	**64%**	**13,813,972**
		Grand Total of All Federal Assistance:		**2,347,708,136**	**13%**	**313,235,260**

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, with the exception of certain component units identified in Note 1 of the basic financial statements.

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 $7,043,124 in federal expenditures, distributions, or issuances for the year ended June 30, 2019. 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. 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 2019. 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 2 - INDIRECT COST RECOVERY

New Hampshire's public laws of 2017 Chapter 156 created the Department of Business and Economic Affairs. This agency utilized the 10% de minimus cost rate allowed under certain conditions as prescribed by 2 CFR 200.414 during the fiscal year ended June 30, 2019.

The remaining agencies and departments of the State have historically negotiated indirect cost recovery rates with their cognizant federal agencies and do not utilize the 10% de minimus cost rate.

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE

Supplemental Nutrition Assistance Program – Expenditures of $94,946,206 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, 2019.

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	$	4,293,614
10.558	Child and Adult Care Food Program		109,886
10.559	Summer Food Service Program for Children		4,636
10.565	Commodity Supplemental Food Program		827,990
10.569	Emergency Food Assistance Program (Food Commodities)		2,272,982
	Total:	**$**	**8,403,681**

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 $57,636 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 $11,510,027 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:	$ 49,179,153
Administrative Grants:	12,533,149
Federal Employees	178,059
Ex-Servicemen:	155,918
EUC08:	(188,735)
FAC:	(26,287)
Trade Act:	79,578
Extended Benefits:	(1,295)
ATAA:	33,283
Total	$ 61,942,823

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, November of 2011 an additional $1,425,000, and in March of 2018 an additional $3,102,253 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, and 90.404) as of June 30, 2019, the State had expended a cumulative total of $13,511,136 of the $21,124,056 Election Reform payments received, leaving a remaining balance of $7,612,920.

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 Development 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):

Expenditures of $9,213,187 reported as amounts passed through to subrecipients for Public Assistance Disaster Grants for fiscal year 2019 represent reimbursements to local entities for disasters that have approved project worksheets and expenditures incurred for fiscal years 2019 and prior.

NOTE 8 - 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 (SNAP)	$	94,946,206
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10,886,576
	SNAP Cluster Total	$	105,832,782
Child Nutrition Cluster			
10.553	School Breakfast Program (SBP)	$	5,547,798
10.555	National School Lunch Program (NSLP)		26,082,074
10.556	Special Milk Program for Children (SMP)		141,045
10.559	Summer Food Service Program for Children (SFSPC)		1,052,913
	Child Nutrition Cluster Total	$	32,823,830
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	$	1,098,472
10.568	Emergency Food Assistance Program (Administrative Costs)		252,076
10.569	Emergency Food Assistance Program (Food Commodities)		2,272,982
	Food Distribution Cluster Total	$	3,623,530
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	$	3,136,670
15.611	Wildlife Restoration and Basic Hunter Education		6,107,634
15.626	Enhanced Hunter Education and Safety Program		85,301
	Fish and Wildlife Cluster Total	$	9,329,605
Employment Service Cluster			
17.207	Employment Service/Wagner – Peyser Funded Activities	$	2,899,812
17.801	Disabled Veterans' Outreach Program (DVOP)		1,005,060
17.804	Local Veterans' Employment Representative (LVER) Program		-
	Employment Service Cluster Total	$	3,904,872

CFDA #	Program Title		Expenditures
Workforce Investment Opportunity Act (WIOA) Cluster			
17.258	WIA/WIOA Adult Program	$	2,350,012
17.259	WIA/WIOA Youth Activities		2,396,463
17.278	WIA/WIOA Dislocated Worker Formula Grants		1,915,088
	WIOA Cluster Total	$	6,661,563
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$	178,961,894
20.219	Recreational Trails Program		900,342
20.224	Federal Lands Access Program		88,688
23.003	Appalachian Development Highway System		-
	Highway Planning and Construction Total	$	179,950,924
Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants	$	6,846
20.507	Federal Transit – Formula Grants		3,387,471
20.525	State of Good Repair Grants Program		-
20.526	Bus and Bus Facilities Formula Program		2,361,340
	Federal Transit Cluster Total	$	5,755,657
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	$	1,569,430
20.516	Job Access – Reverse Commute		-
20.521	New Freedom Program		11,611
	Transit Services Programs Cluster Total	$	1,581,041
Highway Safety Cluster			
20.600	State and Community Highway Safety	$	2,331,758
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		241,018
20.602	Occupant Protection Incentive Grants		-
20.609	Safety Belt Performance Grants		-
20.610	State Traffic Safety Information System Improvement Grants		93,252
20.611	Incentive Grant Program to Prohibit Racial Profiling		-
20.612	Incentive Grant Program to Increase Motorcyclist Safety		33,347
20.613	Child Safety and Child Booster Seat Incentive Grants		-
20.616	National Priority Safety Programs		1,549,677
	Highway Safety Cluster Total	$	4,249,052

CFDA #	Program Title	Expenditures
Clean Water State Revolving Fund Cluster		
66.458	Capitalization Grants for Clean Water State Revolving Funds	$ 12,806,146
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Clean Water State Revolving Funds	-
	Clean Water State Revolving Fund Cluster Total	$ 12,806,146
Drinking Water State Revolving Fund Cluster		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 4,630,083
66.483	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds	-
	Drinking Water State Revolving Fund Cluster Total	$ 4,630,083
Special Education Cluster		
84.027	Special Education-Grants to States	$ 52,297,514
84.173	Special Education-Preschool Grants	1,524,253
	Special Education Cluster Total	$ 53,821,767
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services	$ 1,529,335
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	3,636,978
93.053	Nutrition Services Incentive Program	837,629
	Aging Cluster Total	$ 6,003,942
TANF Cluster		
93.558	Temporary Assistance for Needy Families (TANF)	$ 50,052,643
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF)	-
	TANF Cluster Total	$ 50,052,643
Child Care and Development Fund (CCDF) Cluster		
93.575	Child Care and Development Block Grant	$ 13,997,250
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	10,245,581
	CCDF Cluster Total	$ 24,242,831

CFDA #	Program Title	Expenditures
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ 657,618
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	2,446,205
93.778	Medical Assistance Program	1,361,011,058
	Medicaid Cluster Total	$ 1,364,114,881
Disability Insurance/SSI Cluster		
96.001	Social Security--Disability Insurance (DI)	$ 6,584,143
96.006	Supplemental Security Income (SSI)	-
	Disability Insurance/SSI Cluster Total	$ 6,584,143

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SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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	X	no
Noncompliance material to financial statements noted?	_____	yes	X	no

Federal Awards:

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

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

CFDA #16.575 Crime Victim Assistance–**Qualified**
CFDA #84.010 Title I Grants to Local Educational Agencies – **Qualified**
CFDA #84.048 Career and Technical Education – Basic Grants to States - **Qualified**
CFDA# 93.044, 93.045, 93.053 Aging Cluster – **Qualified**
CFDA #93.558, 93.714 TANF Cluster – **Qualified**
CFDA# 93.667 Social Services Block Grant – **Qualified**
CFDA# 93.775, 93.777, 93.778 Medicaid Cluster – **Qualified**
CFDA# 93.788 Opioid STR - **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, 2019

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Federal Transit Cluster	
20.500	Federal Transit –Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.525	State of Good Repair Grants Program
20.526	Bus and Bus Facilities Formula & Discretionary Programs
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education - Preschool Grants
Aging Cluster	
93.044	Special Programs for Aging – Title III, B – Grants for Supportive Services
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program
TANF Cluster	
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families
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
Other Programs	
10.558	Child and Adult Care Food Program
16.575	Crime Victim Assistance
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program
64.015	Veterans State Nursing Home Care
84.010	Title I Grants to Local Educational Agencies
84.048	Career and Technical Education – Basic Grants to States

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Identification of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
84.367	Supporting Effective Instruction State Grants
93.569	Community Services Block Grant
93.667	Social Services Block Grant
93.788	Opioid STR
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B Programs: $7,043,124

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Part II - Financial Statement Findings

All Findings and questioned costs related to State's basic financial statements are required to be reported in accordance with *Government Auditing Standards* are presented beginning on page F-5.

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- 8.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Part II – Findings Relating to the Financial Statements in Accordance with *Government Auditing Standards*

2019-001 Department of Administrative Services (DAS) and Department of Revenue Administration (DRA)
Credit Carryovers

Background

At the time a tax return is filed, a Credit Carryover represents the amount of overpaid Business Profit Taxes (BPT) and/or Business Enterprise Taxes (BET), a taxpaying entity elects to apply to future tax obligations rather than request a refund. Based on tax returns filed through June 30, 2019, the State estimated a gross Credit Carryover balance, as adjusted, of approximately $224 million.

The State's current accounting policy is to record a tax refund payable for Credit Carryovers only to the extent that Credit Carryovers exceed estimated incremental fiscal 2019 tax revenues from future audits. At June 30, 2019, the State recorded a net tax refund payable of $10 million dollars consistent with this policy.

Observation

At KPMG's request, the Department of Revenue Administration (DRA) took a fresh approach to its Credit Carryover policy and re-examined the gross components of the current year calculation.

First, the gross receivable component was reviewed. Based upon historical tax audit information, DRA estimated that approximately $214 million of incremental fiscal 2019 tax revenues will be generated by future tax audits/assessments. However, those tax audits by-and-large won't occur until fiscal 2020 and beyond. Moreover, the incremental tax revenue generated by such audits won't be fully realized until fiscal 2027.

Next DRA examined the $224 million of gross Credit Carryovers and determined that all but $85 million is expected to be applied towards fiscal 2019 tax obligations. In other words, of the $224 million gross Credit Carryovers at June 30, 2019, DRA estimates that $139 million will be applied to taxes earned by the State during fiscal 2019, predominately for first and second quarter tax periods from January 1st to June 30th of 2019.

Recommendation

We recommend that the State discontinue its past practice of offsetting Credit Carryovers with future tax audits due to the uncertainty and length of time involved in realizing the results of yet to be initiated tax audits.

KPMG also recommends that DRA continue to refine its analysis of gross Credit Carryovers. Some consideration should be given to developing a prior year trend analysis as well as to expanding the analysis of gross Credit Carryovers to include the impact on both the General Fund and the Education Trust Fund as BPT and BET revenues and related refunds should be appropriately recognized in both of those funds.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Management Response

Since fiscal year 2011, the State has conducted a detailed analysis addressing the accounting treatment of tax revenues under the modified accrual basis of accounting, as reported in the general and education trust funds. Each year, the State calculates the expected amount of overpaid taxes to be refunded (per RSA 71-C:4 requiring a report of the potential liability for credit carryovers from overpaid taxes), however, the State historically has not adjusted the cash basis tax revenues for this potential liability for refundable taxes. The state allows taxpayers to leave overpayments "on balance" with the Department of Revenue Administration (DRA), and extensive past history has shown that taxpayers do not generally request these funds to be refunded, but typically utilize credit carryovers to satisfy future quarterly estimate payments. Additionally, the State has empirical evidence that statutory audits result in the conclusion that taxpayers have underreported taxable income, resulting in an unrecorded receivable. This unrecorded receivable from taxpayer audits as compared to the unrecorded liability for credit carryovers, in most years, has been an excess of audit revenue over the credit carryover liability (discounted for the application of estimated payments). For those instances where the calculated credit carryover liability exceeds the calculated audit revenue, the State records a net liability at the general fund level, which impacts budgetary surplus. The State, throughout its reporting history, has applied this accounting policy to maintain symmetry and recognize both of these elements, on a net basis.

During the course of the fiscal 2019 audit, it was determined that these two elements should be assessed separately, from an accounting perspective. Since future audit revenue has an extended period of availability out several years, it is unlikely the state would record enough audit revenue to offset the specific liability incurred at the fund level. In order to address the disparity, DAS intends to consult with DRA to determine the estimated credit carryover liability at the end of each fiscal year. This would include establishing certain assumptions based on taxpayer reported data as of fiscal year-end, as well as subsequent taxpayer filing patterns based on a multi-year historical analysis. This "lookback" analysis would provide a better methodology for capturing the true credit carryover liability, beyond what the DRA taxpayer system currently calculates for credit carryforward balances. The timing of such analysis would need to be determined based on availability of taxpayer filing data and the State's current statutory reporting deadlines.

The State's policy review would also include an evaluation of the State's period of availability for the recording of tax revenues and whether it should be extended beyond the established sixty days. This may result in capturing future revenues attributable to the current period that would offset current period liabilities, for which existing accounting policies do not allow the State to recognize in the current reporting year. This approach could result in reporting consistency with other states. However, the State would need to evaluate if the accounting treatment would be inconsistent with the State's budget methodology, which measures obligations on general and education trust fund surplus that are going to be satisfied from current financial resources. The State will also need to evaluate if sufficient data is available to determine the amount of credit carryover liability that would be attributable to both the general fund and education trust fund.

The State expects to conduct its review by June 30, 2020, with any resulting change in accounting policy implemented for the 2020 fiscal year.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

2019-002 Department of Health and Human Services (DHHS) Capital Assets

Background

The State's capitalization policy requires equipment to be capitalized when the individual item exceeds $10,000. Software is capitalized when the cost of externally purchased or internally developed is greater than or equal to $500,000. All other capital assets are capitalized when the cost of individual items or projects exceeds $100,000. Individual departments and agencies are responsible for maintaining accurate and complete records regarding the acquisition, status and disposal of all capital assets and to comply with all applicable accounting and regulatory requirements.

Observation

During testwork over capital assets at the Department of Health and Human Services (HHS), we noted that the agency had a backlog of software development projects in work-in-progress (WIP) that should have been capitalized over the past several years. During fiscal year 2019, HHS reviewed the backlog and as a result $49.7 million in software projects was removed from WIP, capitalized and then fully depreciated, as software projects have a pre-determined useful life of 5 years per the State's Long-Term Assets Policy and Procedures Manual, and these software projects were put in place more than 5 years ago. This resulted in the depreciation on these projects being fully expensed in fiscal year 2019 instead of in the years that the projects were being used.

Recommendation

We recommend that the Department of Health and Human Services develop formal policies and procedures for identifying completed software projects and removing the associated costs from software work-in-progress in a timely manner.

Management Response

DHHS management noted that previously there had been a lack of adequate standards at DHHS, in that not all functional areas were involved in the computer software capitalization reporting process. In addition, not all areas within DHHS had identified reportable software costs, with most of the attention given to the Medicaid IT systems. Throughout the past fiscal year, DHHS hired dedicated staff, who conducted a review and reconciliation of past IT projects, which resulted in the $49.7M correction entry for FY19.

Going forward, DHHS has established an internal process to review software-consulting contracts and differentiate between "design, development and implementation (DDI)" projects from regular maintenance operations (M&O) engagements. This distinction is included in the invoice coding, which allows DHHS financial managers to properly query and report the costs that meet the capitalization criteria set forth in the state's Long-Term Assets Policy manual. An additional review process has been established which includes a compilation of each division's data by the DHHS Financial Data Administrator, as well as review and approval by the DHHS Chief Financial Officer, prior to submitting capitalized assets and depreciation expense on the DAS Exhibit E.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Part III – Findings and Questioned Costs Relating to Federal Awards

Finding Reference Number: 2019-003

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2015-VA-GX-0007, 2016-VA-GX-0061, 2017-VA-GX-0044

Federal Award Year: 2014, 2015, 2016

U.S. Department of Justice

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must: 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

The recipient must assure that the its subrecipients will comply with the conditions of the Victims of Crime Act (VOCA) of 1984 section, 1404(a)(2), and 1404(b)(1) and (2), 42 U.S.C. 10603(a)(2) and (b)(1) and (2) (and the applicable program guidelines and regulations), as required. Specifically, the State certifies that funds under this award will not be used to supplant state and local public funds that would otherwise be available or crime victim assistance, 42 U.S.C. 10603(a)(2).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Crime Victim Assistance program, the New Hampshire Department Justice (the Department) enters into grant agreements with local entities to provide services to victims of various types of crimes. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department maintains a spreadsheet as a tracking mechanism to document whether or not their subrecipients are required to submit Uniform Guidance reports. However, outside of a "findings" column the Department does not have a documented process in place over the review of Uniform Guidance reports that outlines specifically the types of procedures performed over

each Uniform Guidance report received, how they follow up on uncollected reports and how management decision letters are issued. As a result for 5 of the subrecipients selected for testwork, we were unable to verify whether or not the subrecipients Uniform Guidance was appropriately reviewed.

B. As part of the grant agreement process, subrecipients are required to sign the agreement, attesting to supplement not supplant assurances. While these assurances are obtained for 20 of the subrecipients selected for testwork, we were unable to identify any documented procedures performed by the Department to ensure the subrecipient is in fact not supplanting funds.

Cause

The cause of the condition found was primarily due to the controls in place not being properly designed and operating effectively as well as the following:

- While the Department does have formal policies and procedures related to the review of subrecipients Uniform Guidance reports, there are no policies or guidelines on how that review should be documented, what it should encompass, and what documentation should be maintained.
- The Department does not have any formal policies or procedures in place to monitor for compliance with supplement not supplant requirements.

Effect

The effect of the condition found is that the Department may not have complied with 2 CFR section 200.331(f), and 42 U.S.C. 10603(a)(2).

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to implement controls to ensure it complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(f) and 42 U.S.C. 10603(a)(2). This would include ensuring that:

1. All required uniform guidance reports are obtained and reviewed by the Department and findings noted in the report are followed up on and resolved by the Department; and
2. All subrecipients are reviewed to ensure the subrecipient is in fact not supplanting funds.

View of Responsible Officials

The New Hampshire Department of Justice ("DOJ") concurs. While the tracking spreadsheet did not have the questions suggested in this finding, no Single Audit findings have occurred that affected a subaward from the DOJ. As such, there is nothing for DOJ to report regarding this issue. In order to provide more information in our records, DOJ has added columns to the DOJ tracking sheet for single audits that indicates the date of receipt, date of review, and who reviewed it.

In reference to the supplanting finding, the DOJ does require each subrecipient to attest that the agency is not supplanting funds at the time of award. On a yearly basis, budgets are reviewed for each subrecipient as part of the annual VOCA renewal application. At the time that subrecipients submit their budgets, if their budgets changed from previous years, they are asked to explain that change. For example, if a

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

subrecipient moved personnel costs from match to federal, they are specifically asked about supplanting by making that change. This information is confirmed in writing and often leads DOJ to request that subrecipients modify their budgets to ensure supplanting is not taking place. This information will be maintained in the subrecipients' grant award file. Going forward, the question of supplanting will be asked, again, during on-site monitoring of each subrecipient and the response and appropriate financial documentation will be reviewed and recorded.

Anticipated Completion Date

Completed

Contact Person

Thomas Kaempfer, Grants Unit Administrator

Tanya Pitman, VOCA Grant Administrator

Anne Edwards, Associate Attorney General

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-004

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2015-VA-GX-0007, 2016-VA-GX-0061, 2017-VA-GX-0044

Federal Award Year: 2014, 2015, 2016

U.S. Department of Justice

Compliance Requirement: Eligibility, Suspension and Debarment, Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

The recipient must assure that its subrecipients will comply with the conditions of the Victims of Crime Act (VOCA) of 1984 section, 1404(a)(2), and 1404(b)(1) and (2), 42 U.S.C. 10603(a)(2) and (b)(1) and (2) (and the applicable program guidelines and regulations), as required. Specifically, the State certifies that funds under this award will:

(a) Be awarded only to eligible victim assistance organizations, 42 U.S.C. 10603(a)(2);

(b) Not be used to supplant state and local public funds that would otherwise be available or crime victim assistance, 42 U.S.C. 10603(a)(2); and

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 passthrough 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.

A pass-through entity must: 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)).

A pass-through entity must: 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)).

A pass-through entity must: 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). In addition to procedures identified

as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over allowability, we noted that 4 of 40 payments selected for testwork related to payments made for technology upgrades that were paid directly to 4 different subgrantees of one of the Department's subrecipient for this program. While the amounts incurred appeared to be allowable under federal regulations, we noted that the Department did not enter into grant agreements with each of these 4 entities that outlined the scope of work. As a result, there was no documentation to support the Department:

(a) verified subrecipient eligibility;

(b) obtained a suspension and debarment clause;

(c) made the required award notification communications;

(d) reviewed the A-133 report;

(e) performed a risk assessment;

(f) assigned monitoring procedures; or

(g) obtained a supplement not supplant clause.

Cause

The cause of the condition found was primarily due to insufficient controls and procedures to ensure that all payment are made to eligible subrecipients with active agreements that have been approved by the Department.

Effect

The effect of the condition found is that the Department did not comply with the eligibility, suspension and debarment and subrecipient monitoring requirements.

Questioned Costs

None

Recommendation

We recommend that the Department review its existing policies and procedures and enhance internal control in place to ensure that the Department complies with the provisions 42 U.S.C. 10603(a) (2) and enters into formal agreement with vendors before expending federal dollars. The agreement is important as it outlines the requirements to use Federal funds and the expectations related to the program funding.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

The Department should maintain documentation to support executed a formal grant agreement, including the Departmental approvals, the subrecipient attestations, and the executed grant agreement

View of Responsible Officials

The DOJ concurs with this finding. DOJ has reviewed all of its existing policies and procedures and has made necessary changes. The grant referred to in this finding was a one-time grant to reimburse existing subrecipients for technology upgrades. An award document should have been sent at the time the awards were determined and not sending an award document was an oversight. All award documents have since been provided to the subrecipients that received funding under these technology grants. DOJ concurs that it erred and did not follow its internal policy. DOJ has updated the subrecipient monitoring form for agencies that subaward funding to ensure that eligibility for awards is monitored and documented.

Anticipated Completion Date

Completed

Contact Person

Thomas Kaempfer, Grants Unit Administrator

Tanya Pitman, VOCA Grant Administrator

Anne Edwards, Associate Attorney General

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-005

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2015-VA-GX-0007, 2016-VA-GX-0061, 2017-VA-GX-0044

Federal Award Year: 2014, 2015, 2016

U.S. Department of Justice

Compliance Requirement: Reporting

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated. Electronic versions of the standard forms are located on agency's home page.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over the federal reporting process, we were unable to agree the current period expenditures reported to external supporting documentation for 5 reports selected for testwork. The Department prepares the federal report using internally prepared spreadsheets, referred to as VOCA spreadsheets. The Department continuously updates these spreadsheets and does not save the version that was used to prepare the FFR. In addition, the Department does not perform a formal reconciliation between the VOCA spreadsheets and the State of New Hampshire's centralized accounting system, NHFirst. As such, we were unable to agree the amounts on the FFR to the underlying supporting records. As a result, we were unable to verify whether or not the federal reports filed were complete and accurate

Cause

The cause of the condition found was primarily due to the lack of internal controls and procedures in place to ensure documentation to support the FFR, as filed, is maintained by the Department and that the internal spreadsheets used to prepare the FFR is reconciled to NHFirst.

Effect

The effect of the condition found is that the Department may not have filed accurate federal reports.

Questioned Costs

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

We recommend the Department review its existing policies and procedures to implement policies and controls to ensure it complies with the federal financial reporting requirements. These procedures should include that for each FFR filed, the Department maintains accounting records which support the amounts reported. We also recommend that the Department take steps to ensure the records maintained internally agree to the State's accounting system of record, NHFirst.

View of Responsible Officials

The DOJ concurs with this Finding. The Federal Financial Reports filed at the time with the US Department of Justice were correct. However, subsequent adjustments and reconciliations to the awards ultimately indicted previous reporting to be incorrect. Each FFR filed with US DOJ indicates that the FFR is "updated" and that the *cumulative* numbers are accurate. The FFR website does not allow data entry into the cumulative numbers section, only the reporting period. This causes data entry to be skewed to report numbers to match the cumulative amounts. This information was provided to the auditors during the audit. Due to systemic improvements in the accounting and reconciliation of federal programs, this should no longer be an issue going forward. VOCA Spreadsheets utilized to report the FFR are now being kept as historical back up information to the FFR.

Expenditures reported into the VOCA tracking spreadsheets are now entered into the spreadsheet only after posting into the State's system of record, NHFirst, by the Grants Management Unit accountant. This was a system that was not in place at the beginning of the audit period.

Anticipated Completion Date

Completed

Contact Person

Thomas Kaempfer, Interim Director of Administration

Tanya Pitman, VOCA Grant Administrator

Anne Edwards, Associate Attorney General

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-006

NH Department of Justice

Crime Victim Assistance (16.575)

Federal Award Numbers: 2015-VA-GX-0007, 2016-VA-GX-0061, 2017-VA-GX-0044

Federal Award Year: 2014, 2015, 2016

U.S. Department of Justice

Compliance Requirement: Cash Management

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Non-Federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305 (2 CFR section 200.302(b)(6)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 testwork over cash management for the Crime Victim Assistance program we noted the New Hampshire Department Justice (the Department) utilizes the State's New Hampshire First (NHFirst) accounting system to complete and their monthly cash draws. We noted for 3 of 5 cash draws selected for testwork that the Department was unable to reconcile the amount drawn back the underlying expenditures. As a result, we were unable to conclude whether or not the balances drawn were complete and accurate. Overall, it appeared that the Department was in a net underdrawn position for the 3 draws noted above.

Cause

The cause of the condition found was primarily due to the lack of internal controls and procedures in place to ensure documentation to support the cash draw is maintained by the Department and that the documentation maintained agrees to the States NHFirst system, the State accounting system of record.

Effect

The effect of the condition found is that the Department may not have drawn down the appropriate amount of funds based on the federal expenditures incurred, resulting in potential unallowable costs.

Questioned Costs

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

We recommend the Department review its existing policies and procedures to implement policies and controls to ensure it complies with the cash management requirements, including maintaining accounting records which support the amounts drawn on each federal draw.

View of Responsible Officials

The DOJ concurs. At the time the draws were completed for each of the samples selected they were correct. However, subsequent adjustments and reconciliations ultimately provided reporting for those periods to be no longer correct. Reconciliations after the fact corrected previous cash draws. Cumulative cash draws are accurate. Due to systemic improvements since June 30, 2018, in the accounting and reconciliation of federal programs, this inaccuracy should no longer be a concern going forward. Existing policies and procedures on cash draws were last updated to reflect these policy improvements. Improved reconciliation practices performed by the accountant will reduce future problems with cash draws.

Anticipated Completion Date

Completed

Contact Person

Thomas Kaempfer, Interim Director of Administration

Tanya Pitman, VOCA Grant Administrator

Anne Edwards, Associate Attorney General

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-007

NH Department of Education

Title I Grants to Local Educational Agencies (84.010)

Federal Award Numbers: S010A170029, S010A180029

Federal Award Year: 2018, 2019

U.S. Department of Education

Compliance Requirement: Special Tests and Provisions – Assessment System Security

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-026

Statistically Valid Sample: No

Criteria

States, in consultation with Local Educational Agencies (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, State Educational Agencies (SEA) must have policies and procedures to maintain test security and ensure that LEAs implement those policies and procedures (Section 1111(b)(2)(B)(iii) of the ESEA (20 USC 6311(b)(2)(B)(iii))).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 the year ending June 30, 2019, the New Hampshire Department of Education (the Department) implemented an on-site monitoring process over LEA's to ensure that the LEA had appropriately implemented required policies and procedures related to assessment security requirements. During our testwork over the Department's on-site monitoring process, we noted that for 4 of 9 on-site monitoring reviews selected for testwork the Department was unable to provide documentation to support that the on-site monitoring review had been performed. As a result, we were unable to determine that the Department had complied with its policies and procedures and if any deficiencies were noted as a result of the on-site monitoring review, that the deficiencies were followed up on to ensure timely correction action was taken by the LEA.

Cause

The cause of the condition found was primarily due to employee turnover within the Department. The 4 on-site monitoring visits had been performed by 1 employee that subsequently left the Department and their electronic files were not maintained to support that the on-site monitoring visit had been performed. The Department did not have sufficient internal controls to ensure that documentation to support it had performed the required on-site monitoring procedures related to assessment security as required by its policies and procedures was properly maintained and was unable to determine whether or not any deficiencies identified during the on-site review had been timely corrected by the LEA to ensure compliance with federal regulations.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Effect

The effect of the condition found is that the LEAs may not be in compliance with system security assessment requirements and the Department may not have taken timely action to ensure that corrective action was appropriately taken by the LEA.

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and procedures over assessment security requirements and implement internal controls to ensure that documentation related to its on-site monitoring reviews over LEAs is properly maintained to support the results of the on-site monitoring review and that deficiencies identified during the review are followed up on timely.

View of Responsible Officials

We concur

This finding is a repeat finding (*Finding 2018-026).* The NHDOE Division of Learner Support had committed to developing and implementing a procedure document no later than March 31, 2020.

Anticipated Completion Date

March 31, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-008

NH Department of Education

Title I Grants to Local Educational Agencies (84.010)

Federal Award Numbers: S010A170029, S010A180029

Federal Award Year: 2018, 2019

U.S. Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-030

Statistically Valid Sample: No

Criteria

A State Educational Agency (SEA) and its Local Educational Agencies (LEAs) must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate and, at an SEA's or LEA's discretion, extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by subgroup in section 1111(c)(2) of the ESEA using a 4-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates). (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)). Except as noted below, only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating graduation rates. The term "regular high school diploma means the standard high school diploma that is awarded to the preponderance students in the State and that is fully aligned with the State standards (but not to alternate academic achievement standards for students with the most significant cognitive disabilities) or a higher diploma. A regular high school diploma does not include a recognized equivalent of a diploma, such as a general equivalency diploma, certificate of completion, certificate of attendance, or similar lesser credential (ESEA section 8101(43). An SEA may, but is not required to, award a State-defined alternate diploma for students with the most significant cognitive disabilities who take an alternate assessment aligned with alternate academic achievement standards. That the diploma must be standards based, aligned with the State's requirements for a regular high school diploma, and obtained within the time period for which the State ensure the availability of a free appropriate public education. If an SEA awards an alternate diploma, the SEA may count those students in its four-year and any extended-year adjusted cohort graduation rate, even if the student takes more than four years to receive the alternate diploma.

To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, transferred to a prison or juvenile facility, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating the graduation rate and must remain in the adjusted cohort (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(25), (23)).

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 the year ending June 30, 2019, the New Hampshire Department of Education (the Department) implemented an on-site programmatic monitoring process over LEAs to ensure that the LEA had appropriately complied with the terms and conditions of their grant agreement and with federal regulations. As part of the programmatic on-site monitoring review process, the Department was to review and ensure that there were policies and procedures in place at the LEA related to the removal of students from the cohort. During our testwork over the Department's programmatic on-site monitoring reviews, we noted that for all 3 of the on-site monitoring reviews selected for testwork the requirement related to the removal of students from the cohort was not monitored.

Cause

The cause of the condition found was primarily due to the fact that the Department is in the process of implementing its new programmatic on-site monitoring process. While the monitoring tool used by the Department included a component to review the LEA's process for removing students from the cohort, the Department has not yet developed and implemented specific internal controls and procedures that it will perform to monitor this component of compliance.

Effect

The effect of the condition found is that the Department did not sufficiently monitor the LEA's compliance with policies and procedures related to the removal of students from the cohort to ensure that graduation rates are accurately reported to the Department.

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and implement controls and procedures over the monitoring of the accuracy of the cohort at the LEA and related accuracy of graduation rates to ensure that specific monitoring procedures are developed and implemented to appropriately monitor the federal requirement at the LEA.

View of Responsible Officials

We concur

This finding is a repeat finding (*Finding 2018-030).* The NHDOE Division of Learner Support intends to include confirming that LEAs are maintaining the appropriate student documentation as part of the Established Title I, Part A subrecipient monitoring program. Title I, Part A program monitoring was completed by Division staff during the spring of 2019. While the current Title I, Part A Program Compliance Monitoring Guide 2018-2019 documents speak to the requirement that an LEA must have written documentation that a student transferred out, it does not direct the LEA to provide any supporting documentation or describes how the NHDOE will confirm the existence of the documentation.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Anticipated Completion Date

March 31, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-009

NH Department of Education

Special Education Cluster (84.027, 84.173)

Federal Award Numbers: H027A160103-16A, H027A160103-16B, H027A170103-17A, H027A170103-17B, H027A180103-18A, H027A180103-18B

Federal Award Year: 2017, 2018, 2019

U.S. Department of Education

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the IDEA cluster, the New Hampshire Department of Education (the Department) enters into grant agreements with local educational agencies to provide special education and related services to eligible children with disabilities. As part of our testwork over the subrecipient monitoring process, we noted that the Department communicates award information to subrecipients through a grant award notice. Per review of the grant award notices issued during the year ending June 30, 2019, we noted that for all 25 subrecipients selected for testwork that the grant award notice did not communicate the following required elements:

a. Subrecipient's unique entity identifier

b. Federal Award Identification Number

c. Federal award date of the award to the recipient by the federal agency

d. Subaward period of performance start and end date

e. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

f. Identification of whether the award is R&D

g. Appropriate terms and conditions concerning the close out of the subaward

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Cause

The cause of the condition found was primarily due to insufficient control procedures in place to ensure that the grant award notifications issued by the Department contained all of the required elements outlined in 2 CFR section 200.331(a).

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a).

Questioned Costs

None

Recommendation

We recommend that the Department review its existing policies and procedures and implement the appropriate controls to ensure that the Department communicates all required award identification information to subrecipients as outlined within the provisions of 2 CFR section 200.331(a).

View of Responsible Officials

We concur

The NHDOE Division of Learner Support, Bureau of Student Support is committed to correcting this issue of insufficient controls and noncompliance related to providing award identification information to subrecipients. The Bureau will develop procedures and timelines to address the finding and to ensure all districts receive a Grant Award Notification (GAN). The NHDOE is also going through a Grants Management System (GMS) update which will hopefully send out GANS to districts upon grant approval.

Anticipated Completion Date

April 1, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-010

NH Department of Education

Career and Technical Education – Basic Grants to States (84.048)

Federal Award Numbers: V048A160029-16B

Federal Award Year: 2017

U.S. Department of Education

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
2. 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). This would include ensuring that subrecipients only used funds for career and technical education activities that supplement, not supplant, non-federal funds expended to carry out career and technical education activities and tech-prep activities (Section 311(a) of Perkins IV(20 USC2391(a)).
3. In addition to procedures identified as necessary based on the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal awarded provided to the subrecipient from the pass through entity detected through audits, on-site reviews, and other means.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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 New Hampshire Department of Education (the Department) enters into grant agreements with local educational agencies (subrecipients) to provide funds to develop the career, technical, and academic skills of secondary and postsecondary schools. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. On an annual basis the Department performs a risk assessment rubric to determine which subrecipients should be subjected to an in-depth programmatic monitoring visit. For 8 of 18 subrecipients selected for testwork, the Department was unable to provide the risk assessment rubric that was completed as part of the programmatic monitoring process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

B. For all 3 subrecipients selected for testwork, we were unable to identify any monitoring procedures, either at the time that the grant was awarded or as part of its subrecipient monitoring process, the Department performed to ensure that subrecipients had used funds to supplement and not supplant non-federal funds to carry out career and technical education activities.

C. For 2 of 3 programmatic monitoring visits selected for testwork, there was no documentation to support that the Department had sent a formal letter to the subrecipient outlining the results of the programmatic monitoring review or whether or not the Department had ensured that corrective action was taken if required.

Cause

The cause of the condition found was primarily due to the insufficient controls and procedures in place over the subrecipient monitoring process to ensure that all required programmatic risk assessments are performed, that supplement not supplant considerations are reviewed as part of the monitoring process and that letters are issued upon conclusion of programmatic monitoring visits.

Effect

The effect of the condition found is that noncompliance could exist at the subrecipient level and there would not be controls and procedures in place for the Department to identify the noncompliance timely.

Questioned Costs

None

Recommendation

We recommend that the Department review its existing policies and procedures to ensure that the Department complies with the provisions 2 CFR section 200.331(b) and 2 CFR section 200.331(d) through (f). This would include implementing controls and procedures to ensure that:

1. A documented programmatic risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient;
2. As part of the subrecipient monitoring process the Department should review compliance with supplement not supplant requirements; and
3. A formal letter be issued as a result of all programmatic monitoring visits that outlines, if applicable, all items requiring corrective action and that all items that require corrective action are followed up on to ensure the matters identified are resolved timely by the subrecipient.

View of Responsible Officials

We concur

1 A documented programmatic risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

- Bureau of Career Development is in the process of reworking the risk assessment rubric used to assess risk factors associated with CTE programs funded by Perkins of not meeting performance goals (Core Indicators of Performance).
- Annual applications for funds forms submitted for Perkins funds granted to eligible CTE programs will be part of the determination process for targeted monitoring of programs. The Bureau of Career Development will look closely at costs associated with required uses of Perkins funds, and as part of monitoring, we will look at such spending in the programs to be monitored.

2 As part of the subrecipient monitoring process the Department reviews compliance with supplement not supplant requirements

- The annual application for Perkins funds implemented in February 2020, with a due date of May 31, 2020 includes a justification line for each cost. This line includes items about previous sources of funding, including a question about whether or not the spending is new, was previously funded by Perkins, or was previously funded from other sources. The answer for these items gives reviewers of the annual application for funds the opportunity to question the costs, and not test for supplement, not supplant.

3 A formal letter is issued as a result of all programmatic monitoring

- As part of a new, two-tiered monitoring process the Bureau of Career Development will issue a monitoring letter to each Perkins subrecipient in April of each year. The letter will include CTE center-wide (non-Federal) findings, recommendations, and corrective actions, and the results, including findings, recommendations, and corrective actions for programs selected as part of the programmatic monitoring (Perkins, Federal).
- Follow up on the letter will take the form of a corrective action plan, developed by the Bureau of Career Development in collaboration with the CTE director of the center with programs monitored. This corrective action plan will include steps taken to address compliance issues identified in the program monitoring letter, along with due dates for completion of activities to resolve the issues.

Anticipated Completion Date

June 1, 2020

Contact Person

Lindsey Scribner, Agency Audit Manager, Bureau of Federal Compliance

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-011

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Aging Cluster, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide congregate and home delivery meals to program participants. On a monthly basis, the subrecipient submits a request for reimbursement that is composed of the number of meals served during that month and the subrecipient is reimbursed a set rate for each meal served. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 5 subrecipients selected for testwork, the Department

did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

a. Federal award date

b. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

c. Identification of whether the award is research and development (R&D)

B. The Department did not perform a risk assessment for each of the 5 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 5 subrecipients selected for testwork.

C. The Department's during the award monitoring is primarily composed of the Department's review process over monthly invoices submitted for reimbursement by the subrecipient. The Department reviews the invoices prior to payment indicating that the invoice appears reasonable and allowable under federal regulations. In addition, the Department also reviews meal count trends for each subrecipient to look for trends in number of meals provided. While this review is performed at the invoice level, for each of the 5 subrecipients selected for testwork, the Department was unable to provide any documentation to support that it had performed any monitoring procedures to ensure that the actual meal count information submitted by the subrecipient is accurate and that there is sufficient documentation maintained by the subrecipient to support the meals served. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to the following:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. For each of the 5 subrecipient selected for testwork, the contracts were 5 years old and were entered into before the Department's risk assessment policy was implemented. The original contracts reviewed as part of our audit were for a 3 year period with 2 one year renewal options exercised. The Department's risk assessment policy went into effect in June of 2018 and as a result, these existing agreements are not subject to the provisions of the risk assessment policy.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We partially concur with the findings.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.
3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-012

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Matching, Level of Effort, Earmarking

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

The State Agency must spend for both services and administration at least the average amount of State funds it spent under the State plan for these activities for the 3 previous fiscal years. If the State Agency spends less than this amount, the Assistant Secretary for Aging reduces the State's allotments for supportive and nutrition services under this part by a percentage equal to the percentage by which the State reduced its expenditures (42 USC 3029 (c); 45 CFR section 1321.49).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the process to track and monitor compliance with federal maintenance of effort requirements, the New Hampshire Department of Health and Human Services (the Department) maintains a spreadsheet called the Maintenance of Effort Worksheet (the Worksheet). The Worksheet is updated quarterly and contains quarterly expenditure data from the Department's cost allocation plan to support the expenditures used to track compliance. During our testwork over compliance with maintenance of effort requirements, we noted that the expenditure data contained within the quarter ending September 30, 2018 Worksheet was not accurate and the Department was unaware of the error. Upon request the Department updated the Worksheet and was able to show that while the expenditure data had been incorrect, the Department maintained compliance with the required maintenance of effort requirement.

Cause

The cause of the condition found was primarily due to insufficient review controls over the accuracy of the Worksheet to detect errors with the expenditure data used to track the maintenance of effort requirement.

Effect

The effect of the condition found is that the Department may not meet its annual maintenance of effort requirement and the noncompliance would not be timely identified due to errors within the Worksheet.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Questioned Costs

None

Recommendation

We recommend that the Department review its existing procedures to track annual maintenance of effort requirements and implement necessary management review controls over the Worksheet to ensure that the Worksheet is complete and accurate.

View of Responsible Officials

The Department concurs. Although the error did not produce any erroneous outcomes regarding meeting the Maintenance of Effort, the spreadsheet detailing expenditures did contain a calculation error. As a secondary control, a signature block has been added to the spreadsheet for the preparer to sign, as well as a place for the Supervisor to sign after review. The first signatures will appear on the MOE spreadsheet that is due to be updated mid-April 2020 for the quarter ended March 31, 2020.

Anticipated Completion Date

April 30, 2020

Contact Person

Jayne Jackson, Finance Director – DLTSS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-013

NH Department of Human Services

Aging Cluster (93.044, 93.045, 93.053)

Federal Award Numbers: 18AANHT3SS, 18AANHT3CM, 18AANHT3HD, 18AANHNSIP, 1901NHOANS

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions – Distribution of Cash

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

States are required to promptly and equitably distribute NSIP cash to recipients of grants or contracts under OAA Title C1 and C2 (42 USC 3030a(d)(4)).

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

On a monthly basis, subrecipients are required to submit a claim for reimbursement for the Nutritional Services Incentive Program (NSIP). As part of the request for reimbursement, the service providers (subrecipients) are required to submit a "Meals Unit Summary" report which is completed and certified by the subrecipient's chief executive. The report breaks out the total number of served meals into eligible and ineligible meals. Each report is submitted to the Business Administrator II for review and approval. During our testwork over NSIP claims paid, for 2 of 15 items selected for testwork the Meals Unit Summary coversheet was not provided. As a result, we were unable to conclude that the accuracy of the meals claimed had been reviewed.

Cause

The cause of the condition found was a result of insufficient controls and procedures to ensure a copy of the Meals Unit Summary was retained to support the claim paid.

Effect

The effect of the condition found is that the New Hampshire Department of Health and Human Services (the Department) may not maintain sufficient documentation to support the review over the accuracy of the claims paid which could result in unallowable costs being charged to the federal program.

Questioned Costs

Not determinable

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

We recommend that the Department review its existing policies procedures over the review and approval of claims paid and implement controls to ensure that all appropriate documentation to support claims paid is maintained.

View of Responsible Officials

The Department concurs. The division does have a procedure in place to require proper documentation for claims reimbursed. The two missing coversheets may have been mislaid. Staff have been reminded to securely attach and maintain all documentation supporting claims paid. As a secondary control, a signature block has been added to the coversheet to allow for the preparer and the supervisor to sign before being sent for processing. This block has been added beginning with the February submissions which will be processed in late March or early April 2020.

Anticipated Completion Date

April 30, 2020

Contact Person

Jayne Jackson, Finance Director – DLTSS

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-014

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Allowability

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Funds may be used in any manner reasonably calculated to accomplish the purposes of the program as specified in 45 CFR section 260.20.

45 CFR 75 303(a) states the non-Federal entity 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

As part of the benefit eligibility process, the New Hampshire Department of Health and Human Services (the Department) calculates the amount of benefits that a participant is eligible to receive based upon a variety of factors, including a participant's family size, gross earned income, certain income disallowances and standard deductions. During our testwork over the eligibility process we noted the following:

A. For 1 of 40 participants selected for testwork, the participant case was in pending status as the case was being modified to add another member to the assistance group. As the case was in pending status, when a system upgrade was made to the New Heights System, the Department's eligibility benefit maintenance system, the income limit amount was not appropriately updated. As the income limit had increased, once the participant's benefit amount had been calculated, the system incorrectly calculated the wrong benefit amount and as such, the participant was underpaid.

B. For 1 of 40 participants selected for testwork, we were unable to substantiate the amount used for the dependent child care deduction used to calculate the participant's benefit payment and as such, we were unable to conclude the amount paid was accurate.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure the accuracy of the data used to support the calculation of participant benefit payments.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the data that is utilized by the New Heights system to calculate participant benefit payments is complete, accurate, and supported by the appropriate external documentation.

View of Responsible Officials

We partially concur. While there are errors regarding the benefit payment, we believe they are isolated occurrences. There are sufficient procedures in place to ensure the calculation of benefits is complete.

We will be informing all supervisors of the specific errors found during the audit. We will require the supervisors to include these topics at their next staff meeting.

In addition, individual emails will be sent to the staff involved with the errors for additional guidance.

Anticipated Completion Date

June 1, 2020

Contact Person

Colleen McKinlay, Program Specialist IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-015

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Child Support Non-Cooperation

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-007

Statistically Valid Sample: No

Criteria

If the State agency responsible for administering the State plan under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25% from the TANF assistance that would otherwise be provided to the family of the individual and (20 may deny the family any TANF assistance. Health and Human Services (HHS) may penalize a State for up to 5% of the SFAG for failure to substantially comply with this required State child support program (45 CFR sections 264.30 and 264.31)

45 CFR 75 303(a) states the non-Federal entity 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 testwork related to child support non-cooperation, we noted the following:

A. For 2 of 40 participants selected for testwork, while the participant had been correctly sanctioned due to non-cooperation, there was documentation maintained within the file that the participant's sanction should have been lifted due to future cooperation. While the sanction was authorized to be lifted, New Heights, the eligibility maintenance system, was not properly updated and the sanction remained in effect, resulting in an inappropriate reduction of the participant's benefits.

B. For 6 of 40 participants selected for testwork, there was insufficient support maintained within the file to document that the participant had not been cooperating and as a result, it was unclear if the participant's benefits should have been sanctioned.

C. For 1 of 40 participants selected for testwork, the participant's case file indicated that the participant was issued a letter of non-compliance in July 2017, however the participant was not sanctioned until May 2019. It was unclear why the sanction was not imposed as of July 2017 and if the participant's benefit payment was accurate during this time period.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods related to child support non-cooperation and ensuring that the New Heights system is updated timely to reflect the correct sanction dates.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights System.

View of Responsible Officials

We partially concur. While there are errors regarding insufficient documentation for child support sanctions, we believe there are sufficient processes in place to ensure documentation is maintained to support these sanctions.

We believe that additional communication needs to be given to all staff to reiterate these procedures.

We will notify all supervisors in an email explaining the errors that were found during the audit. We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff.

Anticipated Completion Date

June 1, 2020

Contact Person

Colleen McKinlay, Program Specialist IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-016

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Lack of Child Care for Single Custodial Parent of Child under Age Six

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-007

Statistically Valid Sample: No

Criteria

If an individual is a single custodial parent caring for a child under the age of six, the State may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates to the State an inability to obtain needed child care for one or more of the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; or (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the State. HHS may penalize a State for up to five percent of the SFAG for violation of this provision (42 USC 607(e)(2) and 609(a)(11); 45 CFR sections 261.15, 261.56, and 261.57).

45 CFR 75 303(a) states the non-Federal entity 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 testwork related to sanctions imposed against single custodial parents caring for a child under the age of 6, we noted the following:

A. For 2 of 40 participants selected for testwork, there was insufficient documentation in the file to support that the participants should have been sanctioned. As such we were unable to conclude if the sanction was appropriate.

B. For 2 of 40 participants selected for testwork, the participant had been appropriately sanctioned for reasons other than inability to find child care. However, subsequently the sanction had been lifted but there was insufficient documentation to support that it was appropriate that the sanction had been lifted.

C. For 6 of 40 participants selected for testwork, the participants had been incorrectly sanctioned for reasons other than inability to find child care and as such their benefits were inappropriately reduced.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

D. For 2 of 40 participants selected for testwork, the participants were appropriately sanctioned for reasons other than inability to find child care, however the sanction when applied to the participants benefit was not applied timely.

E. For 2 of 40 participants selected for testwork, the participant was appropriately sanctioned for reasons other than inability to find child care, however the period of time in which the sanction was applied to the participant's benefits was not accurate based upon the beginning and termination dates documented within the case file.

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the beginning and termination of sanction periods, that the cause of the sanction is appropriate and ensuring that the New Heights system is updated timely to reflect the correct sanction dates.

Effect

The effect of the condition found is that participant benefit payments may not be accurately paid and could result in unallowable costs charged to the federal program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support the beginning and termination of sanction periods is maintained and that those dates are accurately reflected within the New Heights System. In addition, controls and procedures should be implemented to ensure that sanctions are properly reviewed and approved prior to implementation to ensure that that the sanction being imposed is valid.

View of Responsible Officials

We partially concur. While there are errors regarding sanctions applied to participants benefits, we believe they are isolated occurrences. There are sufficient procedures in place to ensure that proper documentation regarding these sanctions is maintained.

Although there are processes in place, additional communication will occur.

We will notify all supervisors in an email explaining the errors that were found during the audit. We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff

Anticipated Completion Date:

June 1, 2020

Contact Person:

Colleen McKinlay, Program Specialist IV

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-017

NH Department of Human Services

TANF Cluster (93.558, 93.714)

Federal Award Numbers: 2018G996115, 2019G996115

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions: Penalty for Failure to Comply with Work Verification Plan

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: 2018-009

Statistically Valid Sample: No

Criteria

The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

45 CFR 75 303(a) states the non-Federal entity 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 testwork related to the compliance with the State's work verification plan we noted the following:

A. For 10 of 40 participants selected for testwork, the documentation to support the hours worked for each participant did not agree to the New Height's system and as a result, the hours for each participant were under reported.

B. For 1 of 40 participants selected for testwork, the participant's work hours were auto populated within the New Heights system and were not properly adjusted once supporting documentation such as paystubs were received. As a result, the participant's work hours were over reported.

C. For 3 of 40 participants selected for testwork, there was insufficient documentation to support the number of hours worked within the New Heights system for each participant.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Cause

The cause of the condition found was a result of inadequate review controls in place to ensure sufficient documentation is maintained to support the number of work hours reported by participants and that the hours worked is accurately reported within the New Heights system.

Effect

The effect of the condition found is that the State may not be in compliance with its work verification plan and would not be able to identify the noncompliance timely.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department enhance its existing controls and procedures to ensure the documentation used to support participant workhours is maintained and that the hours reported agree to the documented hours worked and are accurately reflected within the New Heights System.

View of Responsible Officials

We concur with the findings listed above. The following actions to mitigate future issues have been put in place.

- We have redesigned the WPS Activity Tracking Sheet. This will be implemented for the month of March 2020.
- A memo was created highlighting the errors found during the audit reminding all staff to follow procedures to prevent errors.
- We will be adding additional slides in the Quality Assurance Section of the Core Power Point Training for new staff.

Anticipated Completion Date

June 30, 2020

Contact Person

Kim Runion, Bureau Chief

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-018

NH Department of Human Services

Community Services Block Grant (93.569)

Federal Award Numbers: G-18B1NHCOSR, G-1901NHCOSR

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a)
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b))

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Community Services Block Grant program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide services to eligible participants. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for each of the 2 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

   a. Federal award date

   b. Federal Award Identification Number (FAIN)

   c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

   d. Identification of whether the award is research and development (R&D)

B. The Department was unable to provide support that a programmatic risk assessment was completed for each of the 2 subrecipients selected for testwork as required under the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Department's Subrecipient Monitoring Policy dated March 5, 2018. As a result, it was unclear what type of during the award monitoring was required to be performed over the 2 subrecipients selected for testwork.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. There does not appear to be sufficient controls and procedures to ensure that the required risk assessments have been performed or if they are performed that they are retained and used to support the subrecipient monitoring process.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b).

Questioned Costs

None

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a) and 2 CFR section 200.331(b). This would include implementing controls and procedures to ensure that t:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

View of Responsible Officials

We concur.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-019

NH Department of Human Services

Social Services Block Grant (93.667)

Federal Award Numbers: 2017G992342, 2018G992342, 2019G992342

Federal Award Year: 2017, 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Social Services Block Grant program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with local entities to provide a variety of services, including meals, adult day services and comprehensive family services. On a periodic basis, the subrecipient submits a request for reimbursement for the services that are rendered which is reviewed and approved by the Department prior to payment. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 6 subrecipients selected for testwork, the Department

did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

a. Federal award date

b. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

c. Identification of whether the award is research and development (R&D)

B. The Department did not perform a risk assessment for each of the 6 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 6 subrecipients selected for testwork.

D. The Department's during the award monitoring is primarily composed of the Department's review process related to requests for reimbursement submitted by the subrecipient. The Department reviews the invoices prior to payment indicating that the invoice appears reasonable and allowable under federal regulations. For each of the 6 subrecipients selected for testwork, the Department was unable to provide documentation to support that it had performed additional monitoring procedures over its subrecipients to address whether or not the subrecipient had sufficient documentation to support that the costs requested for reimbursement were allowable or whether or not the subrecipient had determined participant eligibility accurately if eligibility requirements were applicable. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. For each of the 6 subrecipient selected for testwork, the contracts were entered into prior to the date in which the Department's risk assessment policy went into effect in June of 2018.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We concur.

1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.
2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.
3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date

June 30, 2020

Contact Person

Melissa Kelleher, Grants Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-020

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Utilization Control and Program Integrity

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: 2018-002

Statistically Valid Sample: No

Criteria

The State Plan must provide methods and procedures to safeguard against unnecessary utilization of care and services. In addition, the State must have (1) methods of determining 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).

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 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. In accordance with the approved contract, the QIO was required to perform 8,000 reviews with half being focused on the prior fiscal years and the remaining portion for 2019 claims.

The Department does not have procedures in place to monitor that the conclusions the QIO reached in their review, with the exception of denials, were accurate based on the claims information reviewed. The QIO did not provide sufficient documentation to the Department for acceptances. For 3 of 65 claim denials selected for testwork, the Department was unable to provide the documentation for the denial.

Completeness was monitored through the monthly invoice approval process which included cumulative totals of claims reviewed. However, the QIO did not meet their required claim review target and did not review cases throughout state fiscal year 2019. The Department was unable to determine the exact number of cases reviewed but estimated 4,000 cases were outstanding as of June 30, 2019, the end of the contract period with the QIO. Documentation from the QIO was not available.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Cause

The cause of the condition found was primarily due to the QIO's inability to provide the Department with the documentation required for them to review the work performed.

Effect

The Department is unable to validate the QIO is performing adequate utilization reviews.

Questioned Costs

None

Recommendation

The Department has represented that these utilization reviews are no longer outsourced to a QIO. Effective July 1, 2019, the utilization reviews will be performed by the Department. The Department needs to ensure adequate controls and processes have been established to address utilization methodology execution and review of results.

View of Responsible Officials

We concur with the finding. Program Integrity has made the decision to bring the QIO function to perform utilization reviews in house. To that end, PIU is actively working on an internal process for the Department to perform utilization reviews going forward. PIU is in the process of writing policies and procedures to guide the in-house QIO function. This includes developing a process and methodology to perform utilization reviews. Further, the Department created two staff positions in the State Fiscal Year 20/21 budget to perform the quality reviews. DHHS is in the process of obtaining access to a system that will assist in determining whether a paid claim was medically necessary and accurate. Until this function is started, claim universe reports are being run monthly and stored for sampling. It is the intent of the Program Integrity unit to ensure all months are sampled and reviewed from the end of the QIO contract.

Anticipated Completion Date

December 31, 2020

Contact Person

Karen Carleton, RN PIU Administrator

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-021

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Special Tests and Provision: Provider Eligibility (Screening and Enrollment)

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

In order to receive Medicaid payments, providers must: (1) be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H.

Per 2 CFR 200.303, non-federal entities must establish and maintain effective internal control over federal awards that provide 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 Department assigns risks to each provider based on their provider type. All new provider enrollments and moderate and high risk revalidations are reviewed and approved by the Department of Health and Human Services (the Department). However, for limited risk revalidations, the Department has outsourced this service to the Department's Medicaid Management Information System fiscal agent (Fiscal Agent). The Department holds at least bi-weekly meetings with the fiscal agent to discuss issues noted with enrollment, revalidation, trends noted, etc. In addition, the Department has hired the Fiscal Agent to perform a quality assurance review over all provider new and revalidations prior to the notification that they are an eligible provider for State of New Hampshire services to address the accuracy of enrollment. During the year the Department noted issues and inconsistencies in the revalidations which were performed by the Fiscal Agent and decided as of July 1, 2019 all new enrollments and revalidations are reviewed and approved by the Department before the Fiscal Agent completes the application or revalidation process.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

During our test work over the above monitoring controls, the Department provided minutes of the meetings that demonstrated review of enrollment and revalidation processes and discussion of resulting trends and efficiencies on a consistent basis. The feedback from the Fiscal Agent regarding the quality assurance process is less formalized and more ad-hoc in nature not allowing for audit evidence throughout the fiscal year of the accuracy monitoring control.

During our testwork over provider eligibility we noted:

(a) For 6 of 105 providers selected for testwork, there was a discrepancy between the risk noted in the MMIS and the risk per the Department's "Provider application fee and type of screening required for NH Medicaid Program" (risk chart) file.

   a. For 4 of 6, the provider was coded as a Moderate risk provider per the risk chart, but was coded limited risk in MMIS. For these 4 provider, we noted the risk per the risk chart was incorrect. As MMIS was correct, the procedures performed were in accordance with policy.

   b. For 1 of 6, the provider was coded a Limited risk provider in MMIS although the provider was coded moderate risk per the risk chart. The Department performed the review as if the provider was Moderate, however, the coded risk in MMIS was inaccurate.

   c. For 1 of 6, this provider was coded a moderate risk provider in MMIS, but per the risk chart should have been a limited risk provider. Moderate procedures were performed.

(b) For 41 of 105 providers selected for testwork, the Department did not revalidate the provider within the required 5 year timeframe. Timeframes ranged from 5.1 to 6.9 years.

(c) For 3 of 105 providers selected for testwork, the providers did not have a most recent revalidation date completed within MMIS. The Department noted the revalidation was still being investigated due to issues noted on the license. The documentation reflected an outstanding license, however, there didn't appear to be an update related to the investigations in over 9 months. Additionally, as the provider has not yet been revalidated, the provider did not have a risk assigned in MMIS.

Cause

With regard to the monitoring controls, the condition noted is due to lack of a formalized process to receive information on a regular basis from the Fiscal Agent resulting in the control not being effectively designed. The cause of the noncompliance conditions found was primarily due to the following:

(a) inconsistent documentation maintained related to provider risk assignment, and;

(b) System updates causing delays in the revalidation process.

Effect

The effect of the condition found is that the Department does not revalidate providers timely and does not have steps to ensure provider revalidates are documented accurately.

Questioned Costs

None

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

The Department has represented that review and approval are required of the limited risk revalidations and new provider enrollment effective July 1, 2019. For the monitoring control, the Department should implement a more formal process for receiving quality assurance feedback from the Fiscal Agent such that the Department has adequate documentation on a defined periodic basis that can be reviewed.

With regard to compliance, the Department should consistently apply provider risk as noted per the risk chart and implement procedures to ensure provider revalidations are completed timely.

View of Responsible Officials

We concur with the finding. DHHS knew that we were behind in establishing the system processes for revalidation. DHHS established a team of DHHS staff, MMIS, DoIT staff, and fiscal agent staff to establish a project plan and implementation of the revalidation process. This requires system updates, new provider revalidation application, and provider notification. DHHS also reached out to CMS for technical assistance to perform revalidations including the electronic data exchange of duel providers that are enrolled with Medicare and Medicaid to expect the revalidation screening process which allowed DHHS to screen thousands of providers quickly and efficiently expediting the process. DHHS and the fiscal agent are actively performing revalidation monthly and the process is being reviewed and updated as needed to ensure all revalidations are done correctly and timely.

DHHS will ensure current procedures cover all required regulations for provider enrollment. DHHS will ensure there is documentation of our periodic, systematic oversight of the fiscal agent's quality review process.

Anticipated Completion Date

March 2021

Contact Person

Francesca Hennessy

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-022

NH Department of Health and Human Services

Medicaid Cluster (CFDA 93.775, 93.777, 93,778)

Federal Award Numbers: 1805NH5MAP, 1905NH5MAP, 1805NH5ADM, 1905NH5ADM, 1805NHIMPL, 1905NHIMP

Federal Award Years: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Eligibility

Type of Finding: Significant Deficiency and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

Eligibility for Medicaid can be broadly grouped into determinations based on Modified Adjusted Gross Income (MAGI-based determination) and non-MAGI determinations (e.g. Aged, Blind and Disabled). Auditors should test eligibility determinations made for fee-for-service and managed care beneficiaries. The auditors should re-determine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category.

Condition

The Division of Medicaid Services (DMS), with the Department of Health and Human Services (DHHS) administers the Medicaid program. The Bureau of Family Assistance (BFA) is responsible for determining eligibility for non-MAGI groups as well as MAGI groups according to New Hampshire policy.

One hundred sixty MAGI and non-MAGI participants were selected for review, who fell into four main eligibility types: fee for service, managed care, waiver, and nursing home. During the audit, the following was noted:

(a) For 1 of 40 managed care participants, the State did not take steps to ensure the participant was a New Hampshire resident and the participants income verification was not verified via the verify current income (VCI) match (<10%) or New Hampshire employment Security (NHES) verification. We noted that pursuant to NH's CMS approved MAGI-based verification plan, residency is a "self-attest" factor of eligibility for New Hampshire Medicaid, however, when this participant applied they indicated they would be moving to New Hampshire and never attested they had in fact moved to New Hampshire and the application for funding showed they attested to not living in New Hampshire. In addition the participant failed the data match for income. However when updated income information was received, the DHHS trainee case worker did not properly process the case and the trainee's supervisor did not review, correct, and confirm the case. The New HEIGHTS system enrolled the participant. DHHS requires the case workers to review and uncheck the eligibility notation applied by the system. In this case, the case worker inadvertently did not uncheck the MAGI-eligible notation and the person received Medicaid

benefits for a period of approximately a year without appropriate income support. The Department's control to have all trainee cases reviewed and confirmed by a supervisor was not conducted and failed to prevent the beneficiary from becoming enrolled.

(b) For 96 of 160 participants, (21 of 40 fee for service, 6 of 40 managed care, 30 of 40 waiver, and 39 of 40 nursing home) the Department was unable to provide support to verify that the participants social security income had been matched, via a Bendex match, with the Social Security Administration (SSA) because the SSA has not provided New Hampshire authorization to share that information. Therefore validation that the participants were deemed eligible by the SSA was not able to be determined.

Cause

The cause of the condition found under paragraph (a) was primarily due to a trainee not properly processing the case combined with improper oversight of the trainee's case, i.e., the supervisor not correcting and confirming the case before processing is an ineffective control.

The cause of the condition under paragraph (b) is that the SSA has not issued a Redisclosure Memorandum for the CMS Single Audit. Without the Memorandum, states do not have permission to disclose SSA data to any auditors. There is no control failure attached to this compliance issue as there are conflicting federal regulations that prevented the information from being shared.

Effect

The Department is providing Medicaid benefits to participants who may be ineligible for the program.

Questioned Costs

Not determinable

Recommendation

The Department should implement a process to ensure all participants meet all eligibility requirements before being awarded benefits. In addition, the Department should obtain approval from SSA to share data with the single auditor or work with SSA to provide correspondence to the single auditor confirming eligibility for individuals during the audit process.

View of Responsible Officials

We concur.

This was an isolated incident which has been discussed thoroughly with the supervisor, both via email and over the phone. The supervisor went over the error with the trainee. Management will review other procedures performed at other District Office to determine whether other processes should be implemented to ensure supervisors know the cases completed by trainees and verify they have reviewed the cases to ensure accurate eligibility determinations.

However, the Department would point out that there was no issue with the self-attestation of residency. Federal regulations permit states to choose to accept self-attestation for residency of the individual's information for all factors of eligibility except where otherwise required by law (e.g. citizenship and immigration status). Self-attestation can be accepted from the individual applying, an adult who is in the applicant's household, an authorized representative, or if the individual is a minor or incapacitated, someone acting responsibly for the individual. States must accept self-attestation of pregnancy unless the

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

state has information that is not reasonably compatible with such attestation (see Self-attestation (§435.945)).

The Department has contacted the Social Security Administration (SSA) and has requested written permission from SSA to authorize KPMG access for the Single Audit. The Department of Health and Human Services is governed by the Computer Match Agreement (CMA) it has executed with SSA, which governs the safeguarding of its data. This is an open request with SSA and the DHHS will continue to follow-up until a written decision is received from the SSA.

Anticipated Completion Date

September 30, 2020

Contact Person

Debra Sorli, Bureau Chief, Bureau of Family Assistance

Elizabeth Gillett, Deputy Information Security Officer

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-023

NH Department of Human Services

Opioid STR (93.788)

Federal Award Numbers: 3H79T1081685-01, 6H79T1081685-01M003, 1H79T1080246-01

Federal Award Year: 2018, 2019

U.S. Department of Health and Human Services

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. 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). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required through the terms and conditions of the award, subaward monitoring must include 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.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

Under the State Targeted Response to the Opioid Crisis (SOR) program, the New Hampshire Department of Health and Human Services (the Department) enters into grant agreements with third parties to provide evaluation and treatment services to individuals with an opioid substance abuse disorder. On a monthly basis, the subrecipient submits a request for reimbursement for services that were rendered. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through the approved contract. Per review of the contract, for all 5 subrecipients selected for testwork, the Department

did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

a. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

b. Identification of whether the award is research and development (R&D)

c. The federal award date

B. We were unable to obtain documentation to support that a risk assessment had been performed for each of the 5 subrecipients selected for testwork. As a result, it was unclear what type of during the award monitoring was required to be performed over the 5 subrecipients selected for testwork.

E. The Department's during the award monitoring is primarily composed of the Department's review process over monthly invoices submitted for reimbursement by the subrecipient. The Department reviews the invoices prior to payment along with documentation that is submitted by the subrecipient to support the costs that are being claimed for reimbursement. Under this program, only individuals that have an opioid substance abuse disorder can receive services. The determination of this is performed at the subrecipient level. As part of our testwork, for each of the 5 subrecipients selected for testwork we were unable to identify any procedures that the Department had performed to monitor the eligibility assessment performed by the subrecipient to ensure that the services that were being claimed for reimbursement were only for services rendered on behalf of eligible participants. As the Department does not have a formal subrecipient monitoring policy that outlines the types and frequency of monitoring activities to be performed and there was no risk assessment performed for these subrecipients, it was unclear whether or not the exclusion of these types of monitoring activities was appropriate.

Cause

The cause of the condition found was primarily due to:

- Insufficient controls and procedures to ensure that all required federal award information has been communicated to subrecipients. As this program does not allow for an indirect cost reimbursement and is not R&D, the Department was unaware that it was required to formally communicate that these items are not applicable to the federal award.
- The Department requires a risk assessment to be performed prior to entering into a subrecipient contact. There does not appear to be sufficient controls and procedures to ensure that the required risk assessments have been performed or if they are performed that they are retained and used to support the subrecipient monitoring process.
- The Department currently does not have a documented subrecipient monitoring policy that outlines the types and frequency of monitoring procedures that will be performed over this federal program and how those monitoring procedures will be documented.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a) and 2 CFR section 200.331(b). In addition, as there is no documented subrecipient monitoring policy for

this program, fiscal and programmatic monitoring requirements that the subrecipient is required to comply with may not be appropriately or timely monitored for compliance by the Department, resulting in potential unallowable costs being charged to the program.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. As a result of the risk assessment performed, monitoring activities are performed over subrecipients to ensure compliance with the terms and conditions of its subrecipient grant agreement. The procedures that are to be performed based upon the assessed level for of risk should be outlined in a documented subrecipient monitoring policy that is specific to this program. The subrecipient monitoring policy should document the types and frequency of monitoring activities that will be performed.

View of Responsible Officials

We concur.

1. The Department has developed the attached spreadsheet to address the required notification under 2 CFR 200.331. This spreadsheet will be attached to procurements with Federal Funding, and will be implemented in Spring 2020.

2 and 3a. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

3b. We concur and that formal process to monitor sub-recipients was not in place during SFY 19. The department did conduct site reviews on several of the State Opioid Response (SOR) providers during the subsequent period, during which documentation showing a diagnosis of “opioid substance abuse

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
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disorder" was reviewed. It was determined by the review team that only individuals with this specific diagnosis were treated with SOR funding. The SOR Executive Director is working with the DHHS Grant Coordinator to establish specific procedures to document the monitoring of future site visits to be completed in the following months.

Anticipated Completion Date

1. June 30, 2020
2. June 30, 2020

3a. June 30, 2020

3b. September 1, 2020

Contact Person

Melissa Kelleher, Grants Administrator

Jayne Jackson, DBH Finance Director

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Finding Reference Number: 2019-024

NH Department of Safety

Disaster Grants –Public Assistance (Presidentially Declared Disasters) (97.036)

Federal Award Numbers: FEMA-4329-DR, FEMA-4355-DR, FEMA-4370-DR, FEMA-4371-DR

Federal Award Year: 2017, 2018

U.S. Department of Homeland Security

Compliance Requirement: Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Criteria

A pass-through entity must:

1. Clearly identify to the subrecipient required award information and applicable requirements described in 2 CFR section 200.331(a);
2. Evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 300.331(b)); and
3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the pass-through entity as required by 2 CFR section 200.521.

Non-federal entities must establish and maintain effective internal control over federal awards that provide 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

As part of the Disaster Grants – Public Assistance program, the New Hampshire Department of Public Safety (the Department) enters into grant agreements with eligible local entities for disaster related projects that have been approved for funding under the federal disaster declaration. As part of our testwork over the subrecipient monitoring process, we noted the following as of the year ending June 30, 2019:

A. The Department communicates award information to subrecipients through an award package. Per review of the award package, for all 20 subrecipients selected for testwork, the Department did not communicate all the required award information as outlined in 2 CFR section 200.331(a). Specifically the following elements were not communicated:

   a. Federal Award Identification Number (FAIN)

   b. Subaward period of performance start and end date

   c. Indirect cost rate for federal awards (including if the deminimus rate is charged per 2 CFR section 200.414)

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

d. Identification of whether the award is R&D

e. Appropriate terms and conditions concerning the close out of the subaward

B. The Department did not perform a risk assessment for each of the 20 subrecipients selected for testwork.

C. The Department did not monitor to determine whether or not each of the 20 subrecipients selected for testwork had a recent audit performed in accordance with the Uniform Guidance in order to obtain the issued report and issue timely management decision letters if applicable.

Cause

The cause of the condition found was primarily due to insufficient controls in place during the audit period as the Department was in the process of revising their existing policies and procedures related to subrecipient monitoring. Due to employee turnover within the Department, existing policies and procedures were being reviewed and revisions being made in order to ensure that the policies in effect over subrecipient monitoring were consistent with what was required under federal regulations.

Effect

The effect of the condition found is that the Department did not comply with 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251.

Questioned Costs

Not determinable

Recommendation

We recommend that the Department continue to review its existing policies and procedures to ensure that the Department complies with the provisions of 2 CFR section 200.331(a), 2 CFR section 200.331(b) and 2 CFR section 200.251. This would include implementing controls and procedures to ensure that:

1. All required award information is communicated to subrecipients;
2. A documented risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient; and
3. All subrecipients are reviewed annually to determine if the subrecipient has had an annual uniform guidance audit, and that those audit reports are obtained and reviewed and a management decision letter is issued if required.

View of Responsible Officials

We concur

<u>Condition A</u>

In order to maintain transparency within the Public Assistance (PA) Grant Program, it is necessary to provide all of the award information required in 2 C.F.R. § 200.331 in the award notification email that the Recipient of the grant (NH Homeland Security and Emergency Management – HSEM) send to the Subrecipient.

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

HSEM previously had no full or part time staff dedicated to the management of the PA Grant program prior to CY 2018. Since that time, one full time and one part time staff member have been hired and trained to maintain the program. These staff members have been methodically overhauling the management of the grant in order to become more compliant.

Prior to this audit, HSEM created an award notification template that addressed the majority of the elements of information required by 2 C.F.R. § 200.331. This most recent audit identified elements that were missing from this award letter template. Since being notified of this finding, HSEM staff have added the required information to the award notification package and will be implementing the changes with all award letters moving forward.

Conditions B and C

In order to ensure that proper oversight of the PA Grant is completed to prevent potential noncompliance of Applicants, it is necessary to complete the required Subrecipient Risk Assessments and Subrecipient Monitoring. This process allows the Recipient to identify areas of the grant where Subrecipients are experiencing issues and provide technical assistance to ensure grant compliance is maintained.

Prior to the hire of dedicated PA Program staff at HSEM, risk assessments and Subrecipient monitoring were not completed consistently. Following these hires, HSEM staff created a new process to complete Subrecipient risk assessments and monitoring to move the program into compliance in this area. At the time of the SFY 2019 audit, HSEM had already completed restructuring of its risk assessment procedures and had begun applying them retroactively to all applicants under four previous disasters declared between CYs 2017-2018, and had just started using the new process on a disaster declared in CY 2019 (declaration date outside of SFY 2019 that was audited). Additionally, HSEM staff was completing an overhaul of the Subrecipient monitoring procedures to accompany the new risk assessment, but had not implemented the procedures at the time of the audit.

HSEM intends to complete the last phase of Subrecipient monitoring procedure development within SFY 2020 (low and medium risk Subrecipient procedures are complete and high risk procedures are in progress). A method for tracking the Subrecipient monitoring has been created for low and medium risk Subrecipients, and an online form is in progress to track the in person site visits that will take place for high risk Subrecipients.

The use of these updated risk assessment and Subrecipient Monitoring procedures, along with new tracking mechanisms, will rectify the findings of this audit report. Additionally, HSEM PA staff will work with the State Business Office to create procedures to issue timely management decision letters, if applicable, to Subrecipients with recent audit findings that will impact their performance in the PA Program. This new procedure will go into effect immediately after it is completed and approved.

Anticipated Completion Date

Condition A – Completed

Conditions B and C – June 30, 2020

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Contact Person

Vanesa Urango, State Public Assistance Coordinator

Meghan Wells, Public Assistance Program Assistant II

Fallon Reed, State Coordinating Officer Planning Section Chief

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SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-001	*Department of Health and Human Services*	93.775 93.777 93.778	Unallowable Activities and Costs	$ 295,285	*Resolved*
2018-002	*Department of Health and Human Services*	93.775 93.777 93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Partially Resolved. See G-13*
2018-003	*Department of Health and Human Services*	93.667	Reporting and Period of Performance	$ 191,413	*Partially Resolved. See G-15*
2018-004	*Department of Health and Human Services*	93.667	Lack of Subaward Agreement with Subrecipient	$ 30,000	*Resolved, Questioned Costs remain open*
2018-005	*Department of Health and Human Services*	93.959	Reporting	None	*Resolved*
2018-006	*Department of Health and Human Services*	93.959	Special Test and Provision – Independent Peer Reviews	None	*Partially Resolved. See G-17*
2018-007	*Department of Health and Human Services*	93.558	Incorrect sanctioning of benefit, Noncompliance under Special Test - Child Support Noncooperation and Adult Custodial Parent of Child Under Six When Childcare Not Available	None	*Partially Resolved. See G-20*
2018-008	*Department of Health and Human Services*	93.558	Insufficient documentation to support compliance with required maintenance of effort (MOE) requirements as it relates to in-kind contributions from third party organizations	None	*Unresolved. See G-23*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-009	*Department of Health and Human Services*	93.558	Special Test and Provision - Insufficient documentation to support work verification activities	None	*Unresolved See G-26 and related finding 2019-017*
2018-010	*Department of Health and Human Services*	93.575 93.596	Internal controls over and compliance with the Health and Safety federal requirements were not operating effectively for the entire fiscal year	None	*Resolved*
2018-011	*Department of Health and Human Services*	93.575 93.596	Cash management - Noncompliance with the Treasury State Agreement	None	*Resolved*
2018-012	*Department of Health and Human Services*	93.575 93.596 93.558	General Information Technology Controls related to access to programs and data within the Bridges application were not operating effectively for the period	None	*Partially Resolved. See G-28*
2018-013	*Department of Health and Human Services*	93.268	Subrecipient Monitoring • Programmatic risk of noncompliance with Federal regulations is not evaluated • Financial and programmatic monitoring of subrecipient activities was not formalized • Certain required information is not communicated at the time of award	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-014	*Department of Health and Human Services*	93.268	Reporting • Annual SF-425 FFR requirement was not submitted timely • Schedule of Expenditures of Federal Awards (SEFA) reporting was not reviewed and incorrect	None	*Partially Resolved. See G-32*
2018-015	*Department of Health and Human Services*	93.069 93.889	The Department of Health and Human Services (HHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirements and comply with the MOE requirements	$ 544,416	*Partially Resolved. See G-35, Questioned Costs remain open*
2018-016	*Department of Health and Human Services*	93.069	The Department of Health and Human Services (DHHS) should comply with the earmarking requirements.	None	*Unresolved, See G-38*
2018-017	*Department of Health and Human Services*	93.069	The Department should improve its internal controls over and compliance with equipment inventory requirements	None	*Resolved*
2018-018	*Department of Health and Human Services*	93.889	The Department should improve internal controls over and compliance with reporting of the SF-425 annual report and Period of Performance Requirements.	$ 14,497	*Partially Resolved. See G-40, Questioned Costs remain open*
2018-019	*Department of Health and Human Services*	93.069 93.889	Lack of Controls over Schedule of Expenditures of Federal Awards (SEFA) Reporting and Financial Reporting and Reconciliation	None	*Partially Resolved. See G-42*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-020	*Department of Health and Human Services*	93.889	Direct payroll costs not approved appropriately	None	*Partially Resolved. See G-45*
2018-021	*Department of Health and Human Services*	93.069	Labor Grade Not Properly Updated	None	*Resolved*
2018-022	*Department of Education*	93.243	Allocated payroll charges were not in accordance with Federal requirements. Level of Effort Requirements therefore not met.	$ 241,653	*Resolved, Questioned Costs remain open*
2018-023	*Department of Education*	93.243	Certain Components of the Federal Subrecipient Monitoring Regulations Were Not Met	None	*Resolved*
2018-024	*Department of Education*	84.010 84.367	Internal controls were not functioning and compliance over subrecipient monitoring was not met.	None	*Resolved*
2018-025	*Department of Education*	84.010 84.367	Program Assurances Not Approved	None	*Partially Resolved. See G-47*
2018-026	*Department of Education*	84.010	Assessment System Security Special Test Not Complied With	None	*Partially Resolved. See G-50*
2018-027	*Department of Education*	84.010 84.367	Lack of controls and compliance in ensuring the requirements of Level of Effort-Maintenance of Effort were met	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-028	*Department of Education*	84.010 84.367 84.027 84.173	Allocated payroll charges were not in accordance with Federal requirements. Semi-annual certifications for those employees charging 100% of their time only existed for part of the fiscal year.	$ 747,504	*Resolved, Questioned Costs remain open*
2018-029	*Department of Education*	84.010 84.367	Lack of controls and compliance over ensuring participation of private school children federal requirements were met	None	*Partially Resolved. See G-53*
2018-030	*Department of Education*	84.010	Lack of controls and policies and procedures over ensuring LEAs are maintaining documentation to support removal of students from the regulatory adjusted cohort	None	*Partially Resolved See G-56 and related finding 2019-008*
2018-031	*Department of Education*	84.027 84.173 10.553 10.555 10.556 10.559	Compliance over a component of subrecipient monitoring was not met	None	*Resolved*
2018-032	*Department of Education*	84.027 84.173	Internal controls were not functioning and compliance over ensuring contractor was not suspended or debarred for sole source contracts	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2018-033	*Department of Education*	84.027 84.173	Ineffective controls over and noncompliance with Period of Performance Requirement	$ 85,500	*Resolved, Questioned Costs remain open*
2018-034	*Department of Administrative Services*	10.553 10.555 10.556 10.559	Internal controls were not functioning and compliance over accountability for USDA-donated foods was not met.	None	*Partially Resolved. See G-58*
2018-035	*Department of Education*	10.553 10.555 10.556 10.559	Internal controls were not functioning and noncompliance over reporting	None	*Partially Resolved. See G-61*
2018-036	*Department of Safety*	20.600 20.601 20.610 20.612 20.616	Office of Highway Safety staff failed to review subrecipient audit reports as required by 2 CFR part 200, subpart F.	None	*Resolved*
2018-037	*Office of Strategic Initiatives*	93.568	OSI did not perform a formal risk assessment for each subrecipient as required	None	*Resolved*
2017-006	*Department of Health and Human Services*	93.778	Backlog of Medicaid cases identified for investigations relating to unnecessary utilization of care and services	None	*Partially Resolved. See G-64*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-008	*Department of Health and Human Services*	10.557	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	Not Determinable	*Partially Resolved. See G-66*
2017-009	*Department of Health and Human Services*	93.575 93.596	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.	Not Determinable	*Resolved*
2017-010	*Department of Health and Human Services*	93.575 93.596	Cash management - Noncompliance with the Treasury State agreement	None	*Resolved*
2017-016	*Department of Health and Human Services*	93.658	Invoices from contractors lack sufficient support.	Not Determinable	*Unresolved. See G-70*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-018	*Department of Health and Human Services*	93.667	Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipients.	Not Determinable	*Partially Resolved See G-72*
2017-020	*Department of Health and Human Services*	93.596 93.575 93.667	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	None	*Partially Resolved, See G-76*
2017-021	*Department of Health and Human Services*	93.659	Adoption savings were inaccurately calculated and the reported adoption savings expended improperly included federally funded expenditures.	None	*Unresolved, See G-78*
2017-022	*Department of Health and Human Services*	93.659	Report CB-496, Title IV-E Programs Quarterly Financial Report included improper information or missing information.	None	*Unresolved, See G-80*
2017-024	*Department of Health and Human Services*	93.959	Level of Effort – Maintenance of Effort	$ 306,955	*Resolved, Questioned Costs remain open*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-025	*Department of Health and Human Services*	93.268	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	Not Determinable	*Resolved*
2017-026	*Department of Health and Human Services*	93.268	A Form 170 used to transfer an employee within Health and Human Services does not appear to have been processed timely or monitored	None	*Partially Resolved See G-82*
2017-027	*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-85*
2017-028	*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-88*
2017-029	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-91*
2017-030	*Department of Fish and Game*	15.605 15.611	Inadequate controls over suspension and debarment requirements	None	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2017-038	*Department of Education*	84.126	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.	$ 44,004	*Resolved*
2017-042	*Department of Education*	84.010	Lack of policy to ensure LEA's implement Assessment System Security measures	None	*Partially Resolved. See G-95*
2017-043	*Department of Education*	84.010 84.027 84.173 84.367	Internal controls and compliance over the subrecipient monitoring requirements should be improved.	Not Determinable	*Resolved*
2017-044	*Department of Administrative Services*	10.553 10.555 10.556 10.559	Accountability for USDA-Donated Foods	None	*Partially Resolved. See G-98*
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	*Partially Resolved. See G-101*
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-104*
2016-014	*Department of Health and Human Services*	93.575 93.596	Noncompliance with components of the health and safety special test	Not Determinable	*Resolved*
2016-024	*Department of Health and Human Services*	93.667	Programmatic subrecipient monitoring not performed and inaccurate identification of subrecipient	Not determinable	*Partially Resolved See G-107*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
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	*Partially Resolved. See G-110*
2016-027	*Department of Health and Human Services*	93.758	Noncompliance with components of subrecipient monitoring and cash management	Not determinable	*Partially resolved, See G-113*
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 Remain Open*
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-117 Questioned Costs remain open*
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	*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-119*
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-122*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2016-040	*Department of Fish and Game*	15.605 15.611	Incomplete equipment inventory count	None	*Partially Resolved. See G-125*
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*

TOTAL UNRESOLVED QUESTIONED COSTS AS OF MARCH 2019: $ 2,629,292

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***Finding 2018-002***
NH Department of Health and Human Services

CFDA #93.775, 93.777, 93.778 Medicaid Cluster

Grant Year and Awards:

10/01/2015 – 09/30/2016	***MP***	***1605NH5MAP***
10/01/2016 – 09/30/2017	***MP***	***1705NH5MAP***
10/01/2017 – 09/30/2018	***MP***	***1805NH5MAP***
10/01/2015 – 09/30/2016	***MT***	***1605NH5ADM***
10/01/2016 – 09/30/2017	***MT***	***1705NH5ADM***
10/01/2017 – 09/30/2018	***MT***	***1805NH5ADM***

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 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 manages the Department's 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 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 was without a QIO since September 2014 but procured a new QIO contractor in June 2017 and the new QIO started performing reviews in September 2017. In accordance with the approved contract, the QIO was required to perform 4,000 reviews and during our procedures we noted that there were 1,796 reviews outstanding at June 30, 2018. Additionally, we noted during our procedures that of the backlogged reviews, 393 reviews were outstanding as of the period ended June 30, 2018.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Cause:
The PIU has had to rely upon an external QIO to perform the required reviews of inpatient claims which included a backlog of cases since 2014. This includes the lack of resources of staff with a learning curve of 6 months as well as system development of the QIO to complete the 4,000 cases per contract period.

Effect:
The potential effect of the condition found is risk of non-compliance with the utilization control and program integrity requirement which may result in untimely detection and correction of 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 2017-006

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:
Program Integrity concurs with the finding and is involved with regular communications with external contractor on completed review process and case review status. We have implemented a work plan with the QIO for monthly case updates and number of reviews completed each month submitted to PIU. QIO is working diligently to perform the current and backlog reviews by June 30, 2019.

Anticipated Completion Date:
September 30, 2019

Contact Person:
Karen Carleton, RN
Program Integrity Administrator, Bureau of Improvement and Integrity

Status as of March 2020:
Partially Resolved: The contracted QIO has completed the utilization review of 4,000 cases up to May 2019 and completed the outstanding for 2018. The contract period with the contracted vendor ended June 30, 2019. DHHS will be implementing an internal utilization review as part of Program Integrity.

Anticipated Completion Date:
March 31, 2020

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-003***
NH Department of Health and Human Services

CFDA # 93.667 Social Services Block Grant, Title XX

Grant Year and Award:
10/01/2014 – 09/30/2016 1501NHSOSR

Finding: Reporting and Period of Performance

Criteria:
Funds transferred into SSBG from TANF pursuant to section 404(d)(3)(A) shall not be subject to the requirements of TANF (except as required under 404(d)(3)(B)) but are subject to the rules and regulations pertaining to the SSBG program corresponding to the fiscal year when the funds are transferred. The transferred funds and regular SSBG funds granted the State during a fiscal year are subject to the two-year timely filing provisions contained in 45 CFR Part 95.1.

If TANF funds transferred pursuant to section 404(d)(3)(A) remain unliquidated by the end of the two-year expenditure time limit the State may transfer these funds back to TANF if the transfer back to TANF occurs before the end of the two-year expenditure period. The funds transferred back to TANF must be included in the prior year unobligated balances (corresponding to the year the funds were awarded from the TANF agency) and expended on TANF assistance.

Per the Terms and Conditions of the Award and the HHS Grants Policy Statement, a Federal Financial Report (FFR) is required to be submitted within 90 days for each 12 month budget period. An interim report (covering Year 1 of the project period) is due 90 days following the end of the Federal Fiscal Year 1; and, a Final report (cumulative, covering the entire 2-year project period) is due 90 days following the end of the Federal Fiscal Year 2.

Condition:
During the State fiscal year ended June 30, 2018, we noted that the Department transferred approximately $936,937 from TANF to the Social Services Block Grant (SSBG) program for the 2016 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 and the GYR 2016 Federal Financial Report, we noted that the payments made to subrecipients was less than the total transfer which resulted in an unobligated balance of Federal funds in the amount of $191,413 which was not transferred back to TANF before the end of the two-year expenditure period (09/30/2017).

Additionally, during our reporting testwork, we noted that the GYR 2016 Federal Financial Report was required to be submitted as a final report prior to 12/31/2017 but the Department submitted an annual report on 12/06/2017.

Cause:
The State Department's policies and procedures are not designed to ensure that the required reports are submitted nor are they designed to ensure that the total TANF transfer is used within the two-year timely filing provisions contained in 45 CFR Part 95.1.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Effect
TANF Federal funding transferred to the SSBG program may be lost.

Questioned Costs:
$191,413 based on the unobligated balance of the TANF transfer

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 monitoring of the Federal program expenditures to ensure the TANF transfer amounts provided for programs and services to children or their families is not lost.

Views of Responsible Officials:
The Department concurs. Policies and procedures for completing the SSBG and TANF expenditure reports will be updated to ensure that the proper monitoring occurs.

Anticipated Completion Date:
July 1, 2019

Contact Persons:
Rebecca Lorden, Human Services Finance Director
Mary Calise, Deputy Chief Finance Officer
Hannah Glines, Revenue Director

Status as of March 2020:
Unresolved: To ensure proper monitoring occurs, the department will be updating the procedures for completing the SSBG and TANF expenditure reports.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-006***
NH Department of Health and Human Services

CFDA # 93.959 Substance Abuse Block Grant

Grant Year and Awards:
10/01/2015 – 09/30/2017 **3B08T1010035-16S1**
10/01/2016 – 09/30/2018 **3B08T1010035-17S1**

Finding: Special Test and Provision – Independent Peer Reviews

Criteria:
The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136). States may satisfy the independent peer review requirement by demonstrating that at least 5 percent of their entities providing services obtained accreditation, during their fiscal year, from a private accreditation body such as the Joint Commission on the Accreditation of Healthcare Organizations, the Commission on the Accreditation of Rehabilitation Facilities, or a similar organization.

Condition:
During the State fiscal year ended June 30, 2018, the Department of Health and Human Services (the Department) did not fully implement controls to ensure the special test and provision requirement relating to the independent peer reviews of treatment facilities providing services in New Hampshire was met. During the audit, the Department did not demonstrate at least 5 percent of the entities providing services in New Hampshire were reviewed as the procured contractor could not complete the annual peer review of the selected facility due to a confidentiality issue.

However, in accordance with Federal regulations noted above, the State may satisfy the independent peer review requirement by demonstrating that at least 5 percent of their entities providing services obtained accreditation during their fiscal year, from a private accreditation body such as the Joint Commission on the Accreditation of Healthcare Organizations, the Commission on the Accreditation of Rehabilitation Facilities, or a similar organization instead. The Department did provide a copy of one accreditation which is 5 percent of the treatment facilities and therefore was in compliance with the special test on an annual basis. However, the Department's process to ensure compliance with this requirement does not include controls that document compliance using facilities accreditation to meet the requirement.

Cause:
The Department has not implemented policies, procedures and controls precise enough to ensure the independent peer reviews are performed annually or accreditations are collected annually and documented to evidence compliance.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Effect:
The effect is weakness in controls over the independent peer reviews as required by the Federal 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 implement a formal process to verify and document that 5 percent of the treatment facilities funded with block grant funds are either included in the annual independent peer review contract or accredited in accordance with the Federal requirement.

Views of Responsible Officials:
We concur in part.

The Department has a management control in the form of a contract requirement for an annual independent peer review to be completed. During SFY18, a review was started and circumstances occurred which required DHHS legal department to research a confidentiality issue. While this was taking place, the contractor was precluded from completing the review until a determination was made. There was insufficient time to schedule and complete the review by June 30, 2018 when this was resolved.

We are in the process of scheduling the SFY19 independent peer review to ensure this is completed in a timely manner. In addition, recurring reminders have been placed in staff calendars to ensure that these reviews are scheduled in a timely manner going forward.

In the unusual circumstance it appears this requirement will not be met, the Department will look at additional controls such as receiving copies of accreditation reports from the providers to fulfill this requirement.

Anticipated Completion Date:
March 8, 2019

Contact Person:
Jaime Powers, Clinical Services Unit Administrator

Status as of March 2020:
Partially Resolved: The independent peer review occurred during May and June 2019.

The Department's management control is a contract requirement for the annual independent peer review to be completed. In addition, the Department has added the requirement of the review and the report in the workplan of its vendor.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

The Department has not amended their controls to include controls that document compliance using facilities accreditation to meet the requirement.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-007***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Incorrect sanctioning of benefit, Noncompliance under Special Test - Child Support Noncooperation and Adult Custodial Parent of Child Under Six When Childcare Not Available

Criteria:
If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).

If an individual is a single custodial parent caring for a child under the age of six, the State may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates to the State an inability to obtain needed child care for one or more of the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individual's home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; or (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the State. HHS may penalize a State for up to five percent of the SFAG for violation of this provision (42 USC 607(e)(2) and 609(a)(11); 45 CFR sections 261.15, 261.56, and 261.57).

45 CFR 75 303(a) states the non-Federal entity 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 testwork over special tests and provisions related to the sanctioning of benefits, we noted the following:

1 For 1 of 40 participants selected for testwork related to sanctions for failure to cooperate with the Department for Child Support Services, the participant had been incorrectly sanctioned resulting in an incorrect reduction of benefits paid to the participant. The error had been identified previously by the Department and the sanction had been lifted, however, the participant did not receive a supplemental payment of benefits to rectify the payment reduction. As a result, the participant was underpaid the amount of benefits eligible to receive.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

2 For 1 of 40 participants selected for testwork related to sanctions for failure to comply with work requirements, the participant had been incorrectly sanctioned resulting in an incorrect reduction of benefits paid to the participant. The error had been identified previously and the sanction had been lifted, however, the participant did not receive a supplemental payment of benefits to rectify the payment reduction. As a result, the participant was underpaid the amount of benefits eligible to receive.

Cause:
The cause of the condition found was a result of insufficient controls and procedures in place to ensure retroactive benefits were paid to each participant. In both cases, the participant did not timely provide the appropriate documentation to prevent the penalty from being placed. Subsequent to being sanctioned, the participant provided the required documentation to support that a sanction was not warranted. While the Department reviewed the documentation and lifted the sanction from being applied to future benefits, it did not retroactively pay the prior sanctioned benefit amount that the participant was eligible to receive as required.

Effect:
The effect of the condition found is that participants did not receive the full benefit amount that they were eligible to receive.

Questioned Costs:
None

Repeat Finding:
No

Whether Sampling Was Statistically Valid:

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

Recommendation:
We recommend that the Department enhance its existing policies and procedures to ensure there are sufficient controls in place to provide retroactive benefits to participants that are improperly sanctioned as a result of a delay in the receipt of documentation from participants to support that a sanction is not warranted.

View of Responsible Officials:
We concur. We agree that the individuals' sanction should have been lifted, or that a supplement should have been issued when the recertification completed. Staff will be reminded to look at all aspects of a case when they are confirming a recertification including potential for retroactive benefits.

The training unit will be engaged in this effort along with supervisors.

Anticipated Completion Date:
August 31, 2019

Contact Person:
Maureen Burke, Administrator III

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Status as of March 2020:
Partially Resolved: The Department's Training Unit continues to train new staff to look at all aspects of a case when they are confirming a recertification including potential for retroactive benefits. The training is conducted using the Training Unit's FANF Policy Manual during the Classroom Training 2 (CT2) module as part of their regular curriculum. The Bureau of Family Assistance Management Team shared this material with all field supervisors in order for them to review with their staff.

The Department has not enhanced existing policies and procedures to strengthen existing controls.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-008***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Insufficient documentation to support compliance with required maintenance of effort (MOE) requirements as it relates to in-kind contributions from third party organizations

Criteria:
Every fiscal year, a State must maintain an amount of "qualified state expenditures" (as defined in 42 US 609(a)(7)(B) and 45 CFR section 263.2) for eligible families (as defined in 42 USC 609(a)(7)(B)(i)(IV) and 45 CFR section 263.2(b)) at least at the applicable percentage of the State's historic State expenditures.

Qualified expenditures with respect to eligible families may come from all programs. This requirement may be met through allowable state or local cash expenditures for goods and services, cash donations by non-governmental third parties, or the value of third party in-kind contributions. A State's records must show that all costs are verifiable and meet all applicable requirements in 45 CFR sections 263.2 through 263.6.

45 CFR 75 303(a) states the non-Federal entity 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:
For the federal fiscal year ending September 31, 2017, the State was required to meet an annual MOE requirement of $32,115,003. In total, the State incurred $36,271,757 in eligible MOE expenditures, which exceeded the amount required. Of the MOE expenditures incurred, $9,256,657 represented in-kind contributions from 13 community organizations. On an annual basis, each community organization completes a TANF Maintenance of Effort form to report expenses that qualify as TANF expenditures. The form requires a description of the program operated and what TANF purpose the program addresses, the number of families served, and the amount of eligible expenditures in total. The form is signed by the organization and submitted to the State to serve as the supporting documentation for the in-kind contribution provided by the community organization. No additional documentation is provided by the community organization to support the amount of the expenditures included on the form. The State does not perform procedures to ensure expenditures reported by the community organization are accurate and represent valid expenditures that were incurred to support the program outlined within the form and therefore to ensure the in-kind contribution used to support the required MOE is appropriate.

Cause:
The cause of the condition found was a result of insufficient controls and procedures in place to ensure the expenditures reported by the community organization are properly supported by valid expenditures that meet the criteria of qualified TANF expenditures.

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Effect:
The effect of the condition found is that the State may not meet the required annual MOE requirement as in-kind contributions may not be complete or represent qualified expenditures and they do not have controls and procedures in place to identify the noncompliance timely.

Questioned Costs:
Not determinable.

Repeat Finding:
No

Whether Sampling Was Statistically Valid:
The sample was not intended to be and, was not, a statistically valid sample.

Recommendation:
We recommend that the Department implement controls and procedures to ensure that in-kind contributions used to support MOE are reviewed to ensure that the expenditures are accurate and meet the definition of qualifying expenditures.

View of Responsible Officials:
The Department does not concur. We have procedures to ensure that in-kind contributions used to support MOE are reviewed to ensure that the expenditures are accurate and meet the definition of qualifying expenditures. The procedures the Department performs include meeting with the providers to provide them with training and support on the front end to ensure amounts reported are complete and accurate and in accordance with Federal regulations. The Department understands the definition of third party in-kind contributions is:

Third-party in-kind contributions means the value of non-cash contributions (i.e., property or services) that:
(1) Benefit a federally assisted project or program; and
(2) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.

The Department requires that the providers certify allowable expenditures which is how it verifies the amounts provided are accurate and complete. The Department has forwarded all of the documents that the providers submitted certifying allowable expenditures. In addition, we have submitted the specific Memorandum of Understandings (MOUs) that were requested.

Anticipated Completion Date:
N/A

Contact Person:
Maureen Burke, Administrator III

KPMG Rejoinder:
The Department stated in their response that it verifies the completeness and accuracy of the third party in-kind match through certifications the providers submit. Per review of the signed certifications, we noted

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the certification contains a description of the general purpose of the program, an identification of the TANF purpose the program addresses, the number of families/individuals served, the expenses incurred under the program, excluding any federal and state funds received. While we were provided with documentation to support that the third party certifications were received, we were not provided with evidence to support the Department had performed additional procedures to verify the incurred costs were complete and accurate as required by 45 CFR section 263.2(e) and 75.306.

We do not agree that a certification alone from a third party meets the definition of a verifiable cost from the third parties records.

Status as of March 2020:
Unresolved: The Department stands by its initial response it does not concur.

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U.S. Department of Health and Human Services ***2018-009***
NH Department of Health and Human Services

CFDA# 93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/16-9/30/17
2018G996115 10/1/17-9/30/18

Finding: Special Test and Provision - Insufficient documentation to support work verification activities

Criteria:
The State agency must maintain adequate documentation, verification and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work: (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

Condition:
Participants receiving benefits under the TANF program are required to report their hours worked to the Department on a monthly basis. During our testwork over the accuracy of reported work activities used to support the State's work participation rates, we noted for 1 of 40 participants selected for testwork, the Department lacked sufficient documentation to support the hours reported within the work program and activity verification screens within the New Heights system.

Cause:
The cause of the condition found was a result of insufficient controls and procedures in place to ensure that the hours reported within the work programs and activity verification screen within New Heights is properly supported with pay stubs, a self-employment log or other employment verification documentation.

Effect:
The effect of the condition found is that the State may not have appropriate documentation to support its compliance with the required work participation rate.

Questioned Costs:
Not determinable

Repeat Finding:
No

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 2018, 2017, AND 2016

Recommendation:
We recommend that the Department review its existing policies and procedures for obtaining documentation from participants to support work related activities and ensure that the appropriate documentation is obtained and that the records are maintained for each participant.

View of Responsible Officials:
We concur. In regards to this instance related to employment hours not being documented; the State has confirmed those hours were entered as a self-attestation and then verified without receiving supporting verification.

This case reflects a training issue that will be addressed with refresher trainings with the specific staff whom are still active employees.

Anticipated Completion Date:
Supervisors of the specific staff will have until April 30, 2019 to issue refresher training and report completion to the BFA Bureau Chief.

Contact Person:
Maureen Burke, Administrator III

Status as of March 2020:
Unresolved: A similar finding was identified in the 2018 single audit report. See finding and views of responsible officials at 2019-017.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-012***
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
10/1/2014 – 9/30/2017 2015G996005

CFDA #93.558 Temporary Assistance for Needy Families (TANF)

Grant Year and Awards:
2017G996115 10/1/15-9/30/17
2018G996115 10/1/17-9/30/18

Finding: General Information Technology Controls related to access to programs and data within the Bridges application 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.

Condition:
The State of New Hampshire uses the Bridges application (the application) for the Child Welfare system and the Child Care Development fund program, specifically related to the payment of benefits. As a result of testing performed over Bridges, we have determined that certain General Information Technology Controls (GITCs) related to the application were not designed adequately or operating effectively for the period.

During our review, we noted that, for 25 of the 25 samples selected, evidence supporting the timely removal of access to the Bridges application was not available. Further, the audit team compared the termination list for the entire audit period to the active user listing and noted 4 additional terminated users that were not removed in a timely manner. For each of these 29 terminated users, systematic evidence was obtained and reviewed to determine whether access rights were used subsequent to termination date. It was identified that for 1 of 29 the terminated users, access rights were used subsequent to the individual's termination date.

During our review, we noted that the annual user access review for the Bridges application and related infrastructure was not completed for the period.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

During our review, we noted that, for 15 of the 15 samples selected, evidence supporting the request and approval process for provisioning of user access for new and modified users was not available.

When completing the monthly review of access to the datacenter, documentation supporting the performance of the review should be retained. During our review, we noted that for one month, management did not retain the documentation supporting the performance of the review. Management prepared and the audit team obtained and reviewed a retroactive review of datacenter access and noted that access was appropriate for the month with no changes requested.

On at least an annual basis, management should complete a disaster recovery test. During our review, it was noted that a disaster recovery was not performed.

Cause:
With regards to the timely removal of terminated users, management did not retain systematic evidence and did not have the ability to obtain historic systematic evidence to support the timely removal of user access rights from the application or related infrastructure.

With regards to the performance of an annual review of user access rights to the application and related infrastructure, management has not designed and implemented a control for this process.

With regards to provisioning user access rights for new and modified users, management did not retain documentation to support the request and approval process relative provisioning of access to the application and related infrastructure.

With regards to the review of access to the datacenter, the reviewer did not retain the evidence of review for one month. When access rights are not formally reviewed, there is an increased risk that unauthorized users may have access to the datacenter which houses Bridges infrastructure.

With regards to the disaster recovery test, when a test is not performed on an annual basis, there is an increased risk that in the case of a disaster the data will not be able to be restored completely and accurately.

Effect:
When accounts for terminated employees are not disabled and/or removed in a timely manner, there is an increased risk of inappropriate access to the application and related infrastructure.

When user access rights to the application and related infrastructure is not reviewed for appropriateness, there is an increased risk of inappropriate access to the application and related infrastructure.

When access rights are not provisioned as requested for new and modified user accounts, there is an increased risk of inappropriate access to the application and related infrastructure.
Inappropriate access to the datacenter for Bridges increases the risk that physical access to the Bridges application and related infrastructure hardware could become compromised leading to an increased risk of operational downtime.

When disaster recovery tests are not completed successfully, there is an increased risk that, in the event of a disaster, critical data may not be restored completely and accurately leading to an increased opportunity for error.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Questioned Costs:
None

Repeat Finding:
No

Whether Sampling Was Statistically Valid:
The sample was not intended to be and, was not, a statistically valid sample.

Recommendation:
Management should reinforce policies and procedures to ensure that documentation supporting the timely removal of user access rights to the application and related infrastructure for terminated employees is retained.

Management should reinforce the policies and procedures to ensure that the performance of an annual review of user access rights is completed on at least an annual basis.

Management should reinforce policies and procedures to ensure that documentation supporting the request and approval process relative to provisioning access for new and modified users is retained.

Management should reinforce policies and procedures to strengthen controls to validate users are appropriate to the datacenter and inappropriate access is removed in a timely manner.

Management should perform procedures necessary to strengthen controls to validate the disaster recovery tested completed successfully.

View of Responsible Officials:
ITEM #1 Timely removal of access: The Department concurs. There is a process in place to request and track terminations. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to ensure that notification of termination for users of the Bridges application occurs in a consistent and timely manner, resulting in timely removal of access rights. As this is believed to be a training issue rather than a technical one the training will be completed by March 31, 2019.

ITEM#2 Annual user access review: The Department concurs. There is a process in place to review accounts on a regular basis. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users to ensure that the annual user access review is completed in a timely manner. As this is believed to be a training issue rather than a technical one the training will be completed by March 31, 2019.

ITEM#3 New user approval process: The Department concurs. There is a process in place to request and track new accounts. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users to ensure accounts are provisioned appropriately based on requests. As this is a training issue rather than a technical one the training will be completed by March 31, 2019.

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ITEM#4 Retention of documentation– Review of access to the datacenter: The Department concurs. This is being addressed at the Department of Human Services level in conjunction with Department of Information Technology (DoIT). As this is an Enterprise Wide issue, DCYF will follow the direction of the Department. Target completion date March 31, 2019.

ITEM#5 Annual disaster recovery testing: The Department concurs. The Bridges Disaster Recovery Plan is current. The Bridges team is planning to execute and document an annual a system restoration test to validate that controls are in place to restore the system in the event of a disaster. As this is believed to be a training issue rather than a technical one the training will be completed by December 31, 2018.

Anticipated Completion Date:
March 31, 2019

Contact Person:
Steve DeGiso, Office of Information Systems

Status as of March 2020:
Partially Resolved. ITEM #1 Timely removal of access: This is being addressed at the Department of Human Services level not in conjunction with DoIT. DCYF will follow the direction of the Department. DCYF is working with the DHHS Bureau of Improvement & Integrity to train and work with our user community.

Item #2: There is a process in place to request and track new accounts. The Bridges team is working with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users to ensure accounts are provisioned appropriately based on requests. This is practice issue not a technical issue.

In retrospect, the Department disagrees with the finding that 15 of 15 samples could not be validated.

Item #3: There is a process in place to review accounts on a regular basis. The Bridges team is working with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to provisioning access for new and modified users to ensure that the annual user access review is completed in a timely manner. This is practice issue not a technical issue.

Item #4: There is a process in place to request and track terminated. There is a plan in place to work with the DCYF Management team to reinforce policies and procedures to strengthen controls relative to ensure that notification of termination for users of the Bridges application occurs in a consistent and timely manner, resulting in timely removal of access rights. This is practice issue not a technical issue.

In retrospect, the Department disagrees with the finding that 25 of 25 samples could not be validated.

Item #5: The Bridges Disaster Recovery Plan is current. The Bridges team planned a system restoration test however, it was postponed due to project priories and resource constraints. Bridges is rescheduling and planning to execute and document an annual a system restoration test to validate that controls are in place to restore the system in the event of a disaster.

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U.S. Department of Health and Human Services ***2018-014***
N.H. Department of Health and Human Services

CFDA # 93.268 Immunization

Grant Year and Awards:
01/01/2013- 06/30/2018 NH23IP000757-05-00
01/01/2013-06/30/2018 NH23IP000757-05-01
01/01/2013-12/31/2017 NH23IP000757-05-03

Finding: Reporting

- ***Annual SF-425 FFR requirement was not submitted timely***
- ***Schedule of Expenditures of Federal Awards (SEFA) reporting was not reviewed and incorrect***

Criteria:
2 CFR 200 Subpart D – Financial Reporting requires recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

A standard financial reporting form for grants and cooperative agreements required for the immunization program is as follows:

> - *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)).* Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability

2 CFR section 200.327 – Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

Condition:
The Department of Health and Human Services (the Department) was awarded a grant with an original end date of June 30, 2018, which was the end of a five year cooperative agreement. There was an original requirement to submit the final SF-425 (FFR) for this period, but was not. The Department was granted an extension on the grant due to significant funds remaining unspent, with the new budget period ending June

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30, 2019. During our review, we noted controls, policies and procedures over reporting have not been strong enough to encourage the Department to verify the reporting requirements.

Further, there was incorrect reporting of the SEFA as another program with approximately $1.1m in expenditures and a separate cfda# 93.539, was reported with the immunization program. The SEFA reporting is completed and submitted by the same person without any review.

Cause:
The Department needs to increase its awareness of and compliance with the reporting requirements included in the Uniform Guidance.

Effect:
Noncompliance with the Federal reporting 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 strengthen its controls over and ensure its policies and procedures for complying with the reporting procedures included in the Uniform Guidance are sufficient and formalized to meet the federal requirements. Specifically, reporting requirements need to be formally documented and implemented in case of employee turnover in the future.

We also recommend a control be implemented to ensure that the department is reconciling all SF-425 reports and SEFA submissions to the general ledger. We further recommend that the reconciliation is reviewed by someone other than the person performing the reconciliation.

Views of Responsible Officials:
We concur.

We agree that the SF-425 (FFR) report was not filed on time. The area of finance that was responsible for submitting the reports did not have the necessary procedures in place to ensure the reports were filed. Effective July 1, 2018 all federal reports in this area were moved to the central federal reporting area where there are procedures in place to ensure timely filing.

The original SEFA was submitted to DAS with expenses from an incorrect CFDA# included. It was revised.

Anticipated Completion Date:
July 1, 2018

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Contact Person:
Richelle Swanson, Finance Director

Status as of March 2020:
Partially Resolved: The procedures for completing the SF-425's have been updated to ensure timely completion.

The Department continues to revise and strengthen its procedures for SEFA reporting.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-015***
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:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department of Health and Human Services (HHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirements and comply with the MOE requirements.

Criteria:
The Notice of Awards for the Public Health Emergency Preparedness (PHEP) and National Bioterrorism Hospital Emergency Preparedness (HPP) grants include the following matching and maintenance of effort requirement:

Matching Funds Requirement: The required level of non-federal participation is 10% of the award. Matching is calculated on the basis of the federal award amount and is comprised of grantee contributions proposed to support anticipated costs of the project during a specific budget period (confirmation of the existence of funding is supplied by the grantee via their Federal Financial Report). The grantee must be able to account separately for stewardship of the federal funding and for any required matching; it is subject to monitoring, oversight, and audit.

Statutory formula for PHEP is included in Section 319C-1 of the Public Health Service (PHS) Act, as amended. For the year 03 budget period, matching funds are from non-Federal sources in an amount not less than 10 percent of such costs ($1 for each $10 of Federal funds provided in the award). Match can be provided directly by the state, in cash, or third party in-kind contributions. Match must be reported on the SF-425 Federal Financial Report (FFR), if applicable.

Maintenance of Effort (MOE) Requirement: MOE represents an applicant/grantee historical level of expenditures related to Federal programmatic activities which have been made prior to the receipt of Federal funds. MOE is used as an indicator of nonfederal support for public health security before the infusion of Federal funds. These expenditures are calculated by the grantee without reference to any Federal funding that also may have contributed to such programmatic activities in the past. Awardees must stipulate the total dollar amount in their grant applications. Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit. MOE may not include any Sub awardee matching funds requirement.

Condition:
An MOE calculation for both PHEP and HPP was not available for us to audit some six months after the State's year end. However, once received, we noted the State did not meet the maintenance of effort for the PHEP and HPP programs by $51,043 and does not separately account for MOE as required. If MOE was separately accounted for from match, the MOE noncompliance would increase by the match requirement of $493,373. The State assesses the MOE requirement with the use of the same general funds that are used

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

for the Match. As noted above from the grant award, "Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit."

Further, the Department has not instituted a formal control whereby the calculation for MOE is monitored throughout the year, not after year end when it is too late to meet the MOE requirement.

We also identified a weakness in the control over the matching compliance requirement for HPP. HPP relies on hospitals for in-kind match by using the salaries and benefits of their Emergency Preparedness Coordinators. The hospitals aren't monitored throughout the year to ensure they are maintaining their match. Before the year starts, the hospital provide pledge sheets for what they anticipate match to be. However, in many instances, the match doesn't meet the pledged amounts and HHS does not know whether match was met until after year end. The matching requirement appears to have been met.

Cause:
The cause of the condition appears to be not monitoring of the MOE and Match during the year.

Effect:
Noncompliance with the maintenance of effort requirements included in the PHEP and HPP program notice of award.

Questioned Costs:
$544,416 including match amounts

Whether Sampling Was Statistically Valid:
The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:
Yes 2016-025

Recommendation:
We recommend the Department monitor the MOE and Match requirements during the year, formalize the review control and adhere to the grant award terms requiring MOE be accounted for separately from any matching funds.

Views of Responsible Officials:
We concur. On the Maintenance of Effort (MOE), the FY 2018 Notice of Award states match dollars cannot be used as part of the MOE. The responsible finance administrator overlooked this change in the award language and therefore the MOE was calculated the same way it has been calculated for the last 10 years.

Moving forward the Finance Director will review the MOE calculations on a quarterly basis in order to be proactive in this requirement of the federal award. Oversight will be provided by the Finance Director to the program finance staff and reviews will take place quarterly to monitor the MOE needs.

On the matching requirement for HPP, historically hospitals have provided sufficient match (even over matching) by using the salary and benefits of their Emergency Preparedness Coordinators. The Department

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has not had any issue meeting the HPP match requirement. The Finance Officers (FO) are communicated with before the start of grant period and do respond back to the Department with their pledge amounts. The Department will develop a control to ensure the match requirement is likely to be met prior to year-end.

Anticipated Completion Date:
June 30, 2019

Contact Person:
Richelle Swanson, Finance Director

Status as of March 2020:
Partially Resolved: In seeking clarification on funds allowable for inclusion in the program's maintenance of effort calculation, the Department received conflicting guidance. The Department initiated an appeal of the questioned costs based on the conflicting guidance to ensure proper questioned costs were recovered and to clarify the program's requirements regarding maintenance of effort.

Since filing the appeal, we have had a telephone conference call regarding the finding on October 11, 2019 in which the CDC agreed to our interpretation that the State match funds could be used for the MOE. We have requested a written formal letter from the CDC verifying they are in agreement with DHHS's interpretation of the regulation that State match funds can be used toward the MOE.

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U.S. Department of Health and Human Services ***2018-016***
NH Department of Health and Human Services

CFDA #93.069 Public Health Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department of Health and Human Services (DHHS) should 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 $279,296 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 for the Cities Readiness Initiative. We determined CRI jurisdictions received over the required 75% of the allocated funds; however, DHHS underspent the earmark by $41,260.

A similar issue was noted in the prior year audit. DHHS disagreed with that finding, quoting Centers for Disease Control (CDC) 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 2016 finding agreed that earmarking was not met. The Department submitted an appeal and has requested reconsideration. CDC has not made a decision on the appeal.

Cause:
The Department does not believe the CRI requirement included in the grant award is an earmark.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 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:
Yes, 2016-030

Recommendation:
We recommend the Department work with the federal government and determine whether the requirement for the State 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 CRI amount is spent.

Views of Responsible Officials:
We respectfully do not concur with the finding. CRI funds are distributed to the CRI jurisdictions within the State of New Hampshire in order to meet the objectives of the grant. Based on previous correspondence with CDC officials, the requirement is not simply to spend all the funds awarded. The requirement is to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. Based on documentation of the Final FFR submitted for this grant period, the State of NH spent a total of 85% of our CRI funds awarded, while having had distributed out 86.1% of those CRI funds. Continued CRI funding is based on satisfactorily completing the required activities of the grant. The Department believes it has met the requirements put forth in the notice of grant award and we are unable to find any language in the Notice of Award that speaks to earmarking or CRI earmark.

Anticipated Completion Date:
Not Applicable

Contact Person:
Richelle Swanson, Finance Director

Rejoinder:

We encourage the Department to continue to work with the federal government and determine whether the requirement for the State to spend a specified amount for CRI, is an earmark.

Status as of March 2020:
Unresolved: The Department does not concur with the finding noting the CDC has concurred with the Department's position on related findings from the 2014 and 2015 audits.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S Department of Health and Human Services ***2018-018***
NH Department of Health and Human Services

CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: The Department should improve internal controls over and compliance with reporting of the SF-425 annual report and Period of Performance Requirements.

Criteria:
Annual Federal financial Report (FFR, SF-425): The Annual Federal Financial Report (FFR) SF-425 is required and must be submitted through eRA Commons no later than 90 days after the end of the calendar quarter in which the budget period ends. Financial reporting requirements are contained in 2 CFR section 200.327.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Condition:
Based on our review of the required FFR (SF 425) report for the HPP program, we noted the amounts on line: 10 (e) federal share of expenditures and (g) total federal share included $14,497 of costs incurred in fiscal 2019, outside of the period of performance. This noncompliance with the period of performance regulations was not identified during the review of the report.

Cause:
The controls over the review and authorization of required reports are not at a precise enough level to identify an error.

Effect:
Noncompliance with the Federal reporting and period of performance requirements.

Questioned Cost:
$14,497

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 2018, 2017, AND 2016

Recommendation:
We recommend the Department ensure the review control when performed is precise enough to identify any reporting errors prior to the report being submitted to Federal government. We further recommend controls are established to ensure only expenditures within the period are included in the federal reports.

Views of Responsible Officials:
We concur with this finding. An invoice was included for costs that belong to fiscal 2019. Better care will be taken when reviewing obligations and research will be conducted if necessary to ensure that the obligations included are relevant to the period in question. A revised SF-425 report will be filed.

Anticipated Completion Date:
June 30, 2019

Contact Person:
Richelle Swanson, Department of Public Health Services, Finance Director

Status as of March 2020:
Partially Resolved. A revised FFR SF-425 for the HPP program was completed on November 25, 2019.

The Department has not enhanced existing policies and procedures to strengthen existing controls.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

U.S. Department of Health and Human Services ***2018-019***
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:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

Finding: Lack of Controls over Schedule of Expenditures of Federal Awards (SEFA) Reporting and Financial Reporting and Reconciliation

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.

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 reconciliation of the cost allocation plan, which tracks total and federal program expenditures at the transactional level, to the Schedule of Expenditures of Federal Awards (SEFA), and the Internal Federal Ledgers, we noted the following:

1 The amounts reported in the SEFA are not on a cash basis as required, but in some instances, exclude expenditures paid in FY 2018 but relate to a prior period and include expenditures paid in FY 2019, but incurred prior to June 30, 2018.

2 Further, the SEFA is not reconciled to the cost allocation plan, but is reconciled to the federal ledgers, but not timely. The federal ledgers include adjustments to track costs by grant year.

3 The SEFA is prepared and reported by the same individual without review by someone other than the preparer and originally included a program reported under a separate cfda#.

Specifically for the HPP program, the SEFA for fiscal year 2018 was overstated by approximately $85,000. This is due to $200,195 costs charged to the HPP program in fiscal 2018 in error, but included in the SEFA, offset by $115,195 of expenditures paid in FY 2018, applied to a prior grant, but not included in the SEFA. In relation to the Department of Information Technology (DoIT) costs of $200,195 referred to above and originally charged to HPP, the Department of Health and Human services (Department) has a process to

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complete activity number forms to adjust job numbers for programmatic changes; however, in this instance the form wasn't completed resulting in an overdraw of costs to the federal government. These overdrawn cost were credited back to the federal government by the Department in fiscal 2019. However, the Department's procedures developed to ensure costs are charged to the correct federal program through accurate job number reporting was not followed.

For the reconciliation of PHEP program activity specifically, the PHEP column report from Cost Allocation when reconciled to the ledgers has an unexplained $48,316 variance. The SEFA excludes approximately $550,000 of expenses paid in fiscal year 2018, but reported against a fiscal year 2017 award. SEFA State reporting is on a cash basis, and the $550,000 of expenditures paid during fiscal 2018, should have been reported in the SEFA.

Cause:
The cause of the condition found is primarily due to the lack of controls over the SEFA reporting process and timely reconciliations between the sefa, cost allocation, and federal ledgers.

Effect:
The potential effect of the conditions found could result in improper reporting of the SEFA and incorrect charging of costs to 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 policies and procedures of timely reconciliation of the cost allocation plan, federal ledgers and schedule of expenditures over federal awards.

We recommend the Department strengthen its controls over the utilization and review over activity number forms and approvals over prior quarter adjustments to ensure correct charging of job numbers and costs occurs.

We further recommend someone besides the preparer of the SEFA complete a review prior to submission to the Department of Administrative Services.

Views of Responsible Officials:
The Department concurs in part. The Department will review its existing policies and procedures over the entire reconciliation process. The Department feels that the controls in place over activity number forms and the approval of prior quarter adjustments is adequate. While we believe the controls in place over the activity forms is sufficient, we will provide additional training to the financial managers to fully understand this process. In addition, we will be reviewing the current prior quarter adjustment

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

process and looking to strengthen it. Starting with SFY 19, the Department will have someone other than the preparer of the SEFA review and sign off prior to submission.

Anticipated Completion Date:
July 1, 2019

Contact Person:
Mary Calise, Deputy Chief Financial Officer

Status as of March 2020:
Partially Resolved: The Department continues to revise and strengthen its procedures for SEFA reporting.

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U.S. Department of Health and Human Services ***2018-020***
N.H. Department of Health and Human Services

CFDA #93.889 National Bioterrorism Hospital Emergency Preparedness

Grant Year and Award:
7/1/2017 – 6/30/2018 NU90TP921910-01-02

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 semi-annual attestations to for employee's who are paid 100% from a particular Program/Grant. The program supervisor signs the certification attesting that the employee (s)he supervises works solely on that Program/Grant for the 6 month ending 12/31/17 or 6/30/18. As part of our test work over the direct payroll costs for HPP, we selected a sample of 3 timesheets, comprised of one (1) employee among three (3) pay periods and noted no exceptions. As part of our test work over the direct payroll costs for HPP, we also traced each employee not selected for testwork to the attestation to ensure that the program supervisor did not attest to the time spent for employees who did not work 100% on a program/grant.

- One (1) employee whose time was charged at the beginning of the fiscal year to an allocated job number was improperly included in the 12/31/2017 attestation as working 100% on HPP. This attestation was signed-off on by the program supervisor.

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Cause:
The cause of the condition found is primarily due to the lack of training 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 Public Health will perform training to program regarding the attestation process.

Anticipated Completion Date:
February 28, 2019

Contact Person:
Patricia Tilley, Executive Project Manager

Status as of March 2020:
Partially Resolved. DHHS has developed a written overview of the attestation process, along with a frequently asked questions forms. These forms were reviewed at the December DPHS Extended Management Team with implementation of their use ongoing.

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U.S. Department of Education ***2018-025***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Awards:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Program Assurances Not Approved

Criteria:
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 non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition:
Local Educational Agencies (LEAs)/school districts submit an application for Title I and Title II program funds to the NH DOE. The application and budget are submitted through an online system. Among the section of the application called, the *Program Assurances*, the requirements imposed on the school districts are outlined and must be signed by the school superintendent prior to the State of New Hampshire Department of Education (NHDOE) releasing funds. However, for our sampling over this control, we noted two assurances where funds were disbursed without superintendent's assurance being obtained. Further due to a lack of 'during the award' monitoring performed in fiscal 2018, the NHDOE did not have a system in place to review LEA expenditures for allowability to determine possible misuse of funds.

Cause:
Lack of formal internal controls that provide a check that the *Program Assurances* were executed prior to reimbursements being processed.

Lack of review of expenditure documentation is due to no subrecipient monitoring procedures being performed for fiscal 2018.

Effect:
Federal funds may reimburse unallowed expenditures or the LEA may not be aware of or meet all of the requirements imposed by the NHDOE.

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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 ensure controls over LEA assurances are in place prior to expending funds are at a level precise enough to determine noncompliance.

Further, we recommend through subrecipient monitoring, the NHDOE review subrecipient supporting documentation for claimed expenditures.

Views of Responsible Officials:
The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, both the Title I and Title II programs are currently developing both written internal controls and subrecipient monitoring programs. The program monitoring protocols associated with these two programs will include written procedures to ensure *Program Assurances* are in place prior to reimbursing funds to subrecipients.

In addition, each program will develop a program allowability guidance document to be used as an internal tool when reviewing and approving subrecipient applications (post-award). This guidance document will also be provided to subrecipients to provide clarity on expected allowability determinations by the NHDOE.

Both the Title I and Title II programs are part of the current fiscal Federal compliance monitoring program which has been in place since September of 2018. In addition to general fiscal compliance review, during the fiscal Federal compliance monitoring work completed by the Bureau of Federal Compliance, selected grant activities are reviewed for program allowability. Any non-allowable expenditures are brought to the attention of the appropriate program administrator to assist in resolving incidents of non-compliance.

Anticipated Completion Date:
July 1, 2019

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

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Status as of March 2020:
Partially Resolved.
Compliance Concern #1
For Finding 2018-025, KPMG found that in two instances the NHDOE did not have signed Program Assurances from a Local Education Agency (LEA) prior to releasing funds. The Program Assurances are required to be signed by the LEAs and returned to the NHDOE prior to releasing grant funds. KPMG stated that the NHDOE did not provide adequate internal controls that check that Program Assurances were signed and returned.

As of this writing the NHDOE has developed a draft policy entitled POLICY: Substantially Approved Policy for Federal Grants. The need to define "substantially approvable" per (34 CFR 76.708(a)(2) must necessarily proceed the implementation of a program assurances procedure as the confirmation of the receipt of the LEA's Program Assurances is a requirement for an application to be "substantially approvable".

Once the draft substantially approvable policy is adopted by NHDOE leadership, a companion program assurances procedure will be developed and implemented. As part of the implementation process the NHDOE Division of Learner Support will complete employee training sessions and also provide technical support to affected subrecipients regarding the new policy and procedure. It is anticipated this work, including initial trainings, will be completed by March 31, 2020.

Compliance Concern #2
For Finding 2018-025, KPMG also noted that the NHDOE did not have a "during the award" monitoring program in place to review LEA expenditures for allowability to determine possible misuse of funds. In response to this Finding, the NHDOE Division of Learner Support has developed an allowability guidance document for 2019-2020 Title Programs entitled Spending Handbook - Title I, Part A, Title II, Part A, Title II Part A, Title IV, Part A, Subpart 2. The NHDOE Bureau of Federal Compliance will now include "during the award" monitoring as part of its FY20 fiscal monitoring protocols using the Spending Handbook as guidance.

Based on the above, the NHDOE considers this compliance concern to be resolved.

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U.S. Department of Education ***2018-026***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies

Grant Year and Award:
07/01/2017- 9/30/2018 S010A170029

Finding: Assessment System Security Special Test Not Complied With

Criteria:
States, in consultation with Local education agencies (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.

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:
Yes 2017-042

Recommendation:
We recommend the NHDOE enhance its policies and procedures to include proper controls over tracking, review and follow-up, and retention of each LEAs compliance with the NHDOE's policies over test security.

Views of Responsible Officials:
The NHDOE concurs with this finding.

For the FY19 assessment testing window (which begins in the Spring of 2019) the NHDOE has developed and implemented a significantly improved Assessment System Security program. Following a full cycle of implementation, which will be completed by the end of June 2019, the NHDOE will reevaluate the test security controls using feedback from both NHDOE staff and involved subrecipients, make needed improvements, and finalize the Assessment System Security protocols to be implemented for FY20 (2019-2020 school year).

Anticipated Completion Date:
August 1, 2019

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

Status as of March 2020:
Partially Resolved.
Non-compliance Concern #1
For the FY18 test window, KPMG found that although the NHDOE provided test security training to LEA principal and school district leaders through an on-line webinar, the NHDOE did not track attendance to determine the risk of non-compliance as a result of LEAs not attending the training session.

For the FY19 test window the NHDOE provided LEAs with five voluntary assessment test security regional training sessions between October 22 and 26, 2019. Participant sign-in information for each session was collected.

Non-compliance Concern #2
KPMG noted that for the FY18 test window there were no on-site monitoring visits, or follow-ups, to ensure policies were being properly executed by the LEAs.

During the FY19 test window the NHDOE selected 21 LEAs for on-site monitoring based on assessment testing improprieties during the FY18 testing window or if they had not returned their signed FY18 assurance. LEAs not selected for testing were sent a memo notifying them as such. LEAs which were

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selected for on-site monitoring were sent a letter outlining the purpose of the monitoring. The on-site monitoring was documented using an onsite monitoring checklist. A copy of the monitoring checklist was sent to each LEA upon completion.

Of the 21 LEAs visited, none required follow-up by the NHDOE due to compliance concerns.

Non-compliance Concern #3

Lastly, KPMG observed that 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. For the FY19 testing window the NHDOE tracked and reviewed the submitted copies of the assurance forms. The NHDOE retains all of the signed assurances.

Based on the controls implemented during the FY19 test window, as described above, and with similar controls planned for the FY20 test window the NHDOE feels it has addressed the three non-compliance concerns identified by KPMG in Finding 2018-026. However, the NHDOE recognizes that a governing procedure document which provides a comprehensive description of the entire assessment system security process needs to be developed. As such, the NHDOE considers the corrective actions related to fully resolving Finding 2018-026 to be only partially implemented. The NHDOE Division of Learner Support had committed to developing and implementing such a governing procedure document no later than December 31, 2019. However, due to staff vacancies the completion date of this task has been extended to March 31, 2020.

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U.S. Department of Education ***2018-029***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies
CFDA #84.367 Supporting Effective Instruction State Grants (Title II)

Grant Year and Award:
07/01/2017- 9/30/2018 S010A170029
07/01/2017-9/30/2018 S367A170028

Finding: Lack of controls and compliance over ensuring participation of private school children federal requirements were met

Criteria:
The State will ensure that LEAs use Federal funds to provide benefits to eligible children enrolled in private schools and to ensure that teachers and families of participating private school children participate on an equitable basis. ESEA §1120, §9501; 34 C.F.R. 200.62-67; 34 C.F.R. 299.6; 34 C.F.R. 299.9

Condition:
The NHDOE ensures the Local Educational Agencies (LEAs) conduct timely consultation with private school officials and provides student counts for eligible services set-aside generated by each individual private school. Further, the NHDOE ensures the LEAs in their applications include attestations that consultations with private school officials to determine the kind of educational services to be provided to eligible private school children has occurred. However, we noted NHDOE did not validate student counts, and ensure the LEA's planned services were provided and the required amount was used for private school children.

Cause:
Due to a lack of subrecipient monitoring, the NHDOE did not ensure the planned services were provided to eligible private school children and the required amount was used for private school children.

Effect:
Noncompliance with the Participation of Private School Children special test 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 NHDOE should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures that includes procedures over ensuring planned services provided to eligible

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

private school children were provided and at the required amount. The NHDOE then needs to design and implement controls to ensure any noncompliance with the regulations would be detected or prevented.

Views of Responsible Officials:
The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, both the Title I and Title II programs are currently developing new subrecipient monitoring programs. The program monitoring protocols associated with these two programs will include procedures to ensure planned services to eligible private school children were provided and at the required amount. In addition, the new subrecipient monitoring program will include controls to ensure any noncompliance with the regulations would be detected or prevented. Adequate internal controls will be established to monitor this regulatory requirement both pre- and post-award.

Anticipated Completion Date:
July 1, 2019

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

Status as of March 2020:
Partially Resolved. KPMG found that the NHDOE ensures that Local Education Agencies (LEAs) conduct timely consultation with private school officials and provide student counts for eligible services set-aside generated by each individual private school. Further, the NHDOE ensures that LEAs in their applications include attestations that consultations with private school officials to determine the kind of educational services to be provided to eligible private school children has occurred.

However, for Finding 2018-029, KPMG noted that the NHDOE did not validate student counts, or ensure that the LEA's planned services were provided and the required amount was used for private school children.

In order to resolve this non-compliance, the NHDOE Division of Learner Support intends to include validating student counts and ensuring the LEA's planned services were provided and the required amount was used for private school children in both its 2019-2020 Title I, Part A and Title II, Part A subrecipient monitoring program. Both Title I, Part A and Title II, Part A program monitoring was completed by Division staff during the Spring of 2019.

Although the Title I monitoring guide does speak to private school student participation, it does not address the compliance requirements identified by KPMG. Similarly, the Title II monitoring guide discusses third party contracts for services provided to private school children but does not adequately address the required compliance matters identified in Finding 2018-029.

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When the monitoring guides are updated for the 2019-2020 monitoring cycle, the NHDOE will develop a more detailed monitoring procedure in order to strengthen both requirements so the Federal requirements are met. The NHDOE Division of Learner Support intends to begin their on-site subrecipient monitoring visits in mid-March 2020, utilizing the updated guides.

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U.S. Department of Education ***2018-030***
NH Department of Education

CFDA #84.010 Title I Grants to Local Educational Agencies

Grant Year and Award:
07/01/2017- 9/30/2018 S010A170029

Finding: Lack of controls and policies and procedures over ensuring LEAs are maintaining documentation to support removal of students from the regulatory adjusted cohort

Criteria:
An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate. For reporting during the 2017-2018 school year, graduation rates would reflect data from the 2016-2017 school year. Accordingly, the requirements for calculating and reporting graduation rates under the ESEA, as amended by the No Child Left Behind Act of 2001 (NCLB), would continue to apply. Under these requirements, graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in 34 CFR section 200.13(b)(7)(ii) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes of calculating the 4-year adjusted cohort graduation rate. The term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma and does not include a General Educational Development (GED) credential, certificate of attendance, or an alternative award. To remove a student from the cohort, a school or LEA must confirm, in writing, that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. A student who is retained in grade, enrolls in a GED program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort (Title I, Sections 1111(b)(2) and (h) of the ESEA, as amended by NCLB (20 USC 6311(b)(2) and (h)); 34 CFR section 200.19(b)).

Condition:
The NHDOE does not have policies and procedures in place that ensure that LEAs are maintaining appropriate documentation to confirm when students have been removed from the regulatory adjusted cohort.

Cause:
Due to a lack of subrecipient monitoring, the NHDOE did not ensure the provisions of the Annual Report Card, High School Graduation Rate special tests were fully met.

Effect:
Noncompliance with the Annual Report Card, High School Graduation Rate special test federal regulations.

Questioned Costs:
None

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Whether Sampling Was Statistically Valid:
The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding:
No

Recommendation:
The NHDOE should continue to develop its policies and procedures for complying with the subrecipient monitoring procedures that include procedures over ensuring LEAs are maintaining documentation supporting students removed from the regulatory adjusted cohort. The NHDOE then needs to design and implement controls to ensure any noncompliance with the regulations would be detected or prevented.

Views of Responsible Officials:
The NHDOE concurs with this finding.

As part of ongoing Federal compliance improvements being undertaken throughout the NHDOE, the Title I program is currently developing new subrecipient monitoring programs. The program monitoring protocols associated with the Title I programs will include pre-award notification to the subrecipients of the requirement to maintain documentation supporting students removed from the regulatory adjusted cohort (either within the Program Assurances or by providing a technical assistance memo). In order to ensure that any noncompliance by subrecipients with the regulations would be detected, the subrecipient post-award monitoring program will include a protocol to request appropriate evidence in support of this regulation be provided during monitoring.

Anticipated Completion Date:
July 1, 2019

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
Timothy.Carney@doe.nh.gov

Status as of March 2020:
Partially resolved. A similar finding was identified in the 2019 single audit report. See finding and views of responsible officials at 2019-XXX.

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U.S. Department of Agriculture ***2018-034***
NH 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:
10/01/2016-9/30/17 Various
10/01/2017-9/30/18 Various

Finding: Internal controls were not functioning and compliance over accountability for USDA-donated foods was not met.

Criteria:

a. *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)).

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 client's maintenance of records was tested to ensure inventory was traceable in the system from receipt of the donated food to the distribution of the food to recipient agencies. We also tested the staging and storage of the food to ensure it complied with USDA standards.

For the receiving reports, we noted the following:

- In 10 out of 14 instances sampled, the unloading record completed by warehouse personnel at the time USDA shipments are received, was incomplete as it was missing some or all of the following critical information: sales order, cases inspected, seal information, condition of product, product description, indication of storage, and record of date and time of unloading. In 2 cases, the unloading record contained mathematical errors.

- In 5 out of 14 instances sampled, there is no signature of the warehouse receiver in either the unloading record or bill of lading to indicate what was listed on the receiving report was received.

For the distribution reports, we noted the following:

- The warehouse employees were unable to locate the notification of shipment sent to the recipient agencies. We were unable to inspect any of these notifications for our selections.

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- The driver of the shipment to the recipient agencies did not sign the pick slip in 11 out of 40 cases sampled thereby there was no assurance the shipment was validated by the driver.

For storage of donated foods, we noted the following:

- In order to monitor the staging and storage of donated foods, the warehouse has 24/7 temperature monitoring technology which alerts general services whenever the temperature changes dramatically. The warehouse personnel also have a manual control process in which they log the temperature in each of the storage areas daily. We tested the temperature control logs and there was a lack of control over documenting the temperature in each of the areas in 9 out of 25 samples.

- In 2 out of these 25 samples, the control of documenting the temperature in each of the areas was performed; however, the temperature was higher than USDA required range and a determination could not be made whether there was follow-up to determine the temperature was adjusted to the appropriate range.

Cause:
Administrative services did not have appropriate monitoring over compliance and controls relating to accountability for USDA-donated foods.

Effect:
Noncompliance with the Accountability for USDA-Donated Foods 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:
Yes 2017-044

Recommendation:
The Department should continue to develop its policies and procedures for complying with the accountability for USDA-Donated Foods procedures included in the Uniform Guidance and ensure they are sufficient to meet federal requirements.

Views of Responsible Officials:
We concur. The Department's policies and procedures are currently being reviewed. Though many of the existing documents are comprehensive and adhere to USDA - Donated Foods requirements, in multiple instances they were not completed in entirety leading to a lack of records accountability. Accordingly, staff will be retrained, and procedures will be enhanced to reflect the need for fully completed documentation. Additionally, during the audit process Surplus Distribution discovered a simple and effective improvement to our Delivery Notification (Notification of Shipment) process; the notifications were being sent by from individual staff members email. Sending notification from the Surplus Distribution email will allow

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immediate access from multiple staff members and ensure records will be stored in one location, leading to increased control. Our delivery procedure is being edited to reflect the change.

Once the aforementioned improvements have been finalized, Surplus Distribution will review the Unloading Records, Delivery Notifications, recipient agency Pick Slip's and Temperature Control Log to evaluate the effectiveness of the retraining, and enhanced procedures. Upon successful completion, Surplus Distribution will have increased accountability measures, internal controls and operational efficiency.

Anticipated Completion Date:
June 30, 2019

Contact Person:
Katie Daley
Federal Surplus Manager

Status as of March 2020:
Partially resolved. In addition to the implementation of the new and improved procedures Federal Surplus Food Distribution put in place and the additional training staff underwent over the past season, all pertinent documentation to and from recipient agencies has been funneled through the business email. This enables multiple staff members to extrapolate necessary records immediately, improving functionality.

As previously mentioned, one of the major challenges Federal Surplus Food Distribution faces is the inaccurate inventory reporting and lack of real time data. To correct the aforementioned issues, Federal Surplus Food Distribution created a Division wide workgroup to assess and measure program inventory management objectives against system capabilities to determine the feasibility of system reconfiguration versus acquisition of a new Inventory Management System (IMS). The workgroup determined the acquisition of new system to be the best solution and is moving forward with the purchase and implementation of a new IMS. The procurement for the new IMS is underway. Included with the procurement is a two day training session with vendor to ensure a smooth roll out.

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U.S. Department of Education ***2018-035***
NH Department of Education

CFDA # 10.553 School Breakfast Program (SBP)
CFDA #10.555 National School Lunch Program (NSLP)
CFDA #10.556 Special Milk Program (SMP)
CFDA #10.559 Summer Food Service Program (SFSP)

Grant Year and Award:
10/01/2016-9/30/17 Various
10/01/2017-9/30/18 Various

Finding: Internal controls were not functioning and noncompliance over reporting

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-13, *Annual Report of State Revenue Matching (OMB No. 0584 - 0075)* – This report is due 120 days after the end of each school year and identifies the State revenues to be counted toward meeting the State revenue matching requirement (7 CFR section 210.17(g)).

FNS-777, Financial Status Report (OMB No. 0584-0067) – This report captures the State agency's cumulative outlays (expenditures) and unliquidated obligations of Federal funds for the programs and program components that comprise the Child Nutrition Cluster. FNS uses the data captured by this report to monitor State agencies' program costs and cash draws (7 CFR sections 210.20(a)(2), 215.11(c)(2), 220.13(b)(2), and 225.8(b)). Two different versions of this form are made available for use by State agencies: one for reporting on Child Nutrition Program funds, and the other for reporting the status of the State agency's SAE grant. This enables the State agency to separately report on its SAE grant which, unlike the program funds, is a 2-year grant.

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:

- FNS 777: The unliquidated obligation amounts included in two of four quarterly FNS 777 reports tested did not represent true obligations as of that point in time but amounts rounded up equaled approximately $1,066,000 to account for future potential claims. Further, NHDOE does not have written procedures for preparing the FNS 777 financial status report.
- FNS 13 and 777: There appears to be a lack of segregation of duties over the compilation and review of the FNS 13 and 777 reports. The Business Administrator prepared, reviewed and certified the report.

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Cause:
The NHDOE does not have written policies and procedures over compliance with the FNS 13 and FNS 777 reporting requirements that should include proper reporting of unliquidated obligations.

Effect:
Noncompliance with the reporting of federal regulation

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 continue to develop its policies and procedures for complying with reporting included in the Uniform Guidance and ensure they are sufficient to meet federal requirements.

Views of Responsible Officials:
The NHDOE concurs with this finding.

The NHDOE will develop and document standard policies and procedures including controls for assuring the unliquidated obligations represent true obligations on the quarterly FNS 777 reports and ensuring segregation of duties in the compilation and review of the FNS 13 and FNS 777 reports. Additionally, the NHDOE will develop a written procedure for preparing the FNS financial status reports.

Anticipated Completion Date:
July 1, 2019

Status as of March 2020:
Partially resolved. For Finding 2018-035, KPMG found that the NHDOE did not have written policies/procedures over compliance with the FNS-13 and FNS-777 reporting requirements. Procedures need to specifically address the proper reporting of unliquidated obligations and segregation of duties.

In response to Finding 2018-035, the Office of Business Management (OBM) had developed two procedures. The first procedure, entitled Procedure: FNS-13 – Annual Report of State Revenue Matching – Bureau of Student Wellness – Food & Nutrition Services outlines the FNS-13 report preparation and approval process and describes the duties to be undertaken by multiple staff members (segregation of duties). The second procedure, entitled Procedure: FNS-777 Report – Bureau of Student Wellness – Food & Nutrition Services describes the FNS-777 report preparation and approval process and describes the duties to be completed by multiple staff members (segregation of duties).

With the implementation of these two policies, the NHDOE considers the segregation of duties compliance concern to be resolved.

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With respect to resolving the rounding process identified by KPMG used by the Bureau of Student Wellness, the prior non-compliant practice has been changed. However, the Bureau is still working with USDA compliance staff on acceptable language within the FNS-777 Report – Bureau of Student Wellness – Food & Nutrition Services document. The NHDOE Bureau of Student Wellness will continue to work with their USDA partners in developing a mutually acceptable process and related procedure language.

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator
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U.S. Department of Health and Human Services ***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.

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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

Status as of March 2020:
Partially Resolved: The contracted QIO has completed the utilization review of 4,000 cases up to May 2019 and completed the outstanding for 2018. The contract period with the contracted vendor ended June 30, 2019. DHHS will be implementing an internal utilization review as part of Program Integrity.

Anticipated Completion Date:
March 31, 2020

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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).

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

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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.

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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

Status as of March 2020:
Partially Resolved.
1) Programatic risk assessments are being accomplished for all brand new procurements using the newly developed "Risk Assessment Tool" effective July 1, 2018.

2) Pre-award financial risk assessments are being communicated to both the program as well as the contract specialist for all brand new procurements. In addition, the BII coordinates their onsite financial review schedule with WIC program staff and shares the final report after completion.

3) Financial monitoring is being phased in. The Department will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training. Combined with the sub-recipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by more specialized trainings and supporting tools and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

The WIC program staff has chosen one invoice per fiscal year per vendor and requested all of the back-up documentation that tied into the submitted invoice prior to authorizing payment. This has occurred through April 2019 when the staff person retired. Upon filling this position, this process will again restart.

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BII performs a financial site review of the WIC contractors every two years. This review includes two years of contract documentation.

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

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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

Status as of March 2020:
Unresolved. The corrective action plan is in the process of being implemented. The Program has strengthened their subrecipient monitoring procedures to 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. "

The Department has not reported on strengthening requirements relative to contractor's provision of additional support behind budget to actual monthly expenditure analyses for the Department to more properly make a determination as to whether the costs incurred are allowable under Federal regulations.

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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.

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 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:

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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.

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

Questioned Costs:
Not Determinable

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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:
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.

Contact Persons:
Nathan White, Grants Manager
Mary Calise, Deputy Chief Financial Officer

Anticipated Completion Date:
December 2018

Status as of March 2020:
Partially resolved. In July 2018, the Department sent notifications to all vendors that received $750,000 or more of applicable federal funds during fiscal year 2018.

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The Department's Contract and Procurement Unit (CU) has implemented a process to ensure subrecipients are identified in every contract. The CU hired an attorney in the Spring of 2018 who is conducting a thorough review of the Department's contract templates and will be working to incorporate all of the required elements of 2 CFR 200.331(a)(1).

The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training this coming fall. Combined with the subrecipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements.

The Department has initiated a two (2) pronged approach to include the proper information on subawards as required by 2 CFR 200.331 that will be phased in for new procurements and subsequent amendments. 1) Include the necessary information as per 2 CFR 200.331 on the subaward document, and 2) Provide an invoice template to subrecipients with updated Federal Award Information that upon submission for payment indicates the respective award and amount.

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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 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

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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

Contact Person:
Hannah Glines, Administrator IV

Status as of March 2020:
Partially resolved. Due to many procedural changes and reporting enhancements the revised SEFA reconciliation is still in process. It was expected the new process would have been documented by September 30, 2018 however unanticipated challenges have delayed the Department's documentation and implementation.

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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.

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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

Contact Person:
Rebecca Lorden, Administrator III

Status as of March 2020:
Unresolved. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure is in the process of being enhanced to eliminate the inaccuracies cited.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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.

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:
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

Status as of March 2020:
Unresolved. The process for completing the CB-496 quarterly report has been analyzed to identify and isolate only allowable expenditures. The related procedure is in the process of being enhanced to eliminate the inaccuracies cited.

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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 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.

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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:

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.

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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

Status as of March 2020:
Partially resolved. The procedures implemented did not include a process for the Department to validate human resources made prescribed changes.

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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.

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.

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- 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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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

Status as of March 2020:
The Department is continuing to improve its sub-recipient monitoring. The Department has researched and developed several documents to aid in sub-recipient monitoring but are still working on completing a final policy.

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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 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.

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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

Status as of March 2020:
Partially resolved. The Department is continuing to work in conjunction with the Department of Administrative Services (DAS) to implement the NHFIRST grants module.

Currently, program specific architecture and automated application of indirect cost recoveries has been tested successfully. Automatic distribution of allocable costs is currently being developed with future work on budget to actual reporting and period of performance controls planned for the first part of calendar year 2020.

It is anticipated implementation of the initial architecture and indirect cost recoveries will take place in the early part of 2020 with additional elements of the design planned for implementation later in the year.

The Department would also note the system development process has significantly clarified the Department's "traditional" methods of grant management resulting in improved SEFA reporting for fiscal year 2019. The DAS would note the Department's ability to reconcile grant expenditures with their internal management systems and the state's accounting system NH FIRST has significantly improved since the 2017 audit.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

These performance improvements in conjunction with strengthened SEFA validation procedures implemented by the DAS should maintain full compliance with regulations dictating the content and presentation of the Department's schedule of expenditures of federal awards while the system development process continues.

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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. 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

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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

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.

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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

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

Status as of March 2020:
Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NHFIRST Surplus procedures which remain unresolved as they have not contacted DAS to seek resolution as of this point. The Department has therefore not thus far been successful in achieving a process flow utilizing reports in the NHFIRST surplus module to determine if in fact items processed on our end actually are received electronically at NH State surplus. To compensate, there is however, very good communication between the Business Office and Surplus ensuring items approved for surplus by the POA are received.

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The Business Office works closely with DAS to ensure the items input into the NHFIRST system for surplus are received by DAS' Surplus Bureau. We do not believe it is a worthwhile use of our time to pursue this any further by running reports and reconciling the data against our internal data, this would be a 'no value added' exercise.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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.

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:
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

Contact Person:
Timothy Carney
Department of Education
Bureau of Federal Compliance Administrator

Julie Couch
Department of Education

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Administrator of State Assessments

Status as of March 2020:
Partially Resolved.
Non-compliance Concern #1
For the FY18 test window, KPMG found that although the NHDOE provided test security training to LEA principal and school district leaders through an on-line webinar, the NHDOE did not track attendance to determine the risk of non-compliance as a result of LEAs not attending the training session.

For the FY19 test window the NHDOE provided LEAs with five voluntary assessment test security regional training sessions between October 22 and 26, 2019. Participant sign-in information for each session was collected.

Non-compliance Concern #2
KPMG noted that for the FY18 test window there were no on-site monitoring visits, or follow-ups, to ensure policies were being properly executed by the LEAs.

During the FY19 test window the NHDOE selected 21 LEAs for on-site monitoring based on assessment testing improprieties during the FY18 testing window or if they had not returned their signed FY18 assurance. LEAs not selected for testing were sent a memo notifying them as such. LEAs which were selected for on-site monitoring were sent a letter outlining the purpose of the monitoring. The on-site monitoring was documented using an onsite monitoring checklist. A copy of the monitoring checklist was sent to each LEA upon completion.

Of the 21 LEAs visited, none required follow-up by the NHDOE due to compliance concerns.

Non-compliance Concern #3
Lastly, KPMG observed that 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. For the FY19 testing window the NHDOE tracked and reviewed the submitted copies of the assurance forms. The NHDOE retains all of the signed assurances.

Based on the controls implemented during the FY19 test window, as described above, and with similar controls planned for the FY20 test window the NHDOE feels it has addressed the three non-compliance concerns identified by KPMG in Finding 2018-026. However, the NHDOE recognizes that a governing procedure document which provides a comprehensive description of the entire assessment system security process needs to be developed. As such, the NHDOE considers the corrective actions related to fully resolving Finding 2018-026 to be only partially implemented. The NHDOE Division of Learner Support had committed to developing and implementing such a governing procedure document no later than December 31, 2019. However, due to staff vacancies the completion date of this task has been extended to March 31, 2020.

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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.

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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.

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

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Status as of March 2020:
Partially resolved. In addition to the implementation of the new and improved procedures Federal Surplus Food Distribution put in place and the additional training staff underwent over the past season, all pertinent documentation to and from recipient agencies has been funneled through the business email. This enables multiple staff members to extrapolate necessary records immediately, improving functionality.

As previously mentioned, one of the major challenges Federal Surplus Food Distribution faces is the inaccurate inventory reporting and lack of real time data. To correct the aforementioned issues, Federal Surplus Food Distribution created a Division wide workgroup to assess and measure program inventory management objectives against system capabilities to determine the feasibility of system reconfiguration versus acquisition of a new Inventory Management System (IMS). The workgroup determined the acquisition of new system to be the best solution and is moving forward with the purchase and implementation of a new IMS. The procurement for the new IMS is underway. Included with the procurement is a two day training session with vendor to ensure a smooth roll out.

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U.S. Department of Health and Human Services ***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.

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.

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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.

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 2020:
Partially Resolved: The contracted QIO has completed the utilization review of 4,000 cases up to May 2019 and completed the outstanding for 2018. The contract period with the contracted vendor ended June 30, 2019. DHHS will be implementing an internal utilization review as part of Program Integrity.

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Anticipated Completion Date:
March 31, 2020

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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.

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

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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.

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.

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Anticipated Completion Date:
July 1, 2017

Contact Person:
Dolores A Cooper, DPHS Financial Manager

Status as of March 2020:
Partially Resolved.
1) Programatic risk assessments are being accomplished for all brand new procurements using the newly developed "Risk Assessment Tool" effective July 1, 2018.

2) Pre-award financial risk assessments are being communicated to both the program as well as the contract specialist for all brand new procurements. In addition, the BII coordinates their onsite financial review schedule with WIC program staff and shares the final report after completion.

3) Financial monitoring is being phased in. The Department will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training. Combined with the sub-recipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by more specialized trainings and supporting tools and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

The WIC program staff has chosen one invoice per fiscal year per vendor and requested all of the back-up documentation that tied into the submitted invoice prior to authorizing payment. This has occurred through April 2019 when the staff person retired. Upon filling this position, this process will again restart.

BII performs a financial site review of the WIC contractors every two years. This review includes two years of contract documentation.

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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

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OII 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.

Anticipated Completion Date:
September 30, 2017

Contact Person:
Mary Calise, Senior Finance Director

Status as of March 2020:
Partially resolved. In July 2018, the Department sent notifications to all vendors that received $750,000 or more of applicable federal funds during fiscal year 2018.

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The Department's Contract and Procurement Unit (CU) has implemented a process to ensure subrecipients are identified in every contract. The CU hired an attorney in the Spring of 2018 who is conducting a thorough review of the Department's contract templates and will be working to incorporate all of the required elements of 2 CFR 200.331(a)(1).

The Department is currently developing and will be rolling out to all DHHS staff involved in contract management, a Contract Management 101 training this coming fall. Combined with the subrecipient training module and tools, staff will receive training and be introduced to contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements.

The Department has initiated a two (2) pronged approach to include the proper information on subawards as required by 2 CFR 200.331 that will be phased in for new procurements and subsequent amendments. 1) Include the necessary information as per 2 CFR 200.331 on the subaward document, and 2) Provide an invoice template to subrecipients with updated Federal Award Information that upon submission for payment indicates the respective award and amount.

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U.S. Department of Health and Human Services ***2016-025***
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: The Department of Health and Human Services (DHHS or Department) should improve its internal controls over the Matching and Maintenance of Effort (MOE) requirement and comply with the MOE requirements.

Criteria:
The Notice of Awards for the Public Health Emergency Preparedness (PHEP) and National Bioterrorism Hospital Emergency Preparedness (HPP) grants include the following matching and maintenance of effort requirement:

Matching Funds Requirement: The required level of non-federal participation for HPP is $110,402 and for PHEP is $481,283. Matching is calculated on the basis of the federal award amount and is comprised of grantee contributions proposed to support anticipated costs of the project during a specific budget period (confirmation of the existence of funding is supplied by the grantee via their Federal Financial Report). The grantee must be able to account separately for stewardship of the federal funding and for any required matching; it is subject to monitoring, oversight, and audit.

Statutory formula for PHEP is included in Section 319C-1 of the Public Health Service (PHS) Act, as amended. For the year 03 budget period, matching funds are from non-Federal sources in an amount not less than 10 percent of such costs ($1 for each $10 of Federal funds provided in the award). Match can be provided directly by the state, in cash, or third party in-kind contributions. Match must be reported on the SF-425 Federal Financial Report (FFR), if applicable.

Maintenance of Effort (MOE) Requirement: MOE represents an applicant/grantee historical level of expenditures related to Federal programmatic activities which have been made prior to the receipt of Federal funds. MOE is used as an indicator of nonfederal support for public health security before the infusion of Federal funds. These expenditures are calculated by the grantee without reference to any Federal funding that also may have contributed to such programmatic activities in the past. Awardees must stipulate the total dollar amount in their grant applications. Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit. MOE may not include any Sub awardee matching funds requirement.

Condition:
During our testwork over the MOE calculation provided to us during the audit, we noted the State did not meet the maintenance of effort for the PHEP and HPP programs by $46,420 and does not separately account for the MOE. If MOE was separately accounted for, the MOE noncompliance would increase by the match requirement of $481,283. The State assesses the MOE requirement with the use of the same general funds

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that are used for the Match. As noted above from the grant award, "Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit."

Further, the Department has not instituted a formal control whereby the calculation for MOE is monitored throughout the year, not after year end when it is too late to meet the MOE requirement.

We also identified a weakness in the control over the matching compliance requirement as the review of the annual federal financial report used to ensure the match is met, was completed, but the report was incorrect and the error not identified during review. However, the matching requirement appears to have been met.

Cause:
The cause of the condition appears to be not monitoring of the MOE and Match during the year and improper application of grant award terms.

Effect:
Noncompliance with the maintenance of effort requirements included in the PHEP program notice of award.

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 monitor the MOE requirement during the year, formalize the review control and adhere to the grant award terms requiring MOE and match be accounted for separately from any matching funds.

Views of Responsible Officials:
The department does not concur with the finding that the State of NH did not meet the MOE requirement during the year. During the review of the MOE analysis, an error in the prior year expenses reported was revealed. This error increased the funds included in the MOE calculation. The final MOE analysis shows the MOE to be met for the year reviewed during the audit.

Processes have been reviewed and work papers updated to include greater review of the FFR's before the reports are signed.

Anticipated Completion Date:
March 1, 2017

Contact Person:
Dolores A Cooper, DPHS Financial Manager

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Rejoinder:
The MOE calculation provided to us during the audit, based in part on a prior year issued report only recently corrected, showed that the MOE was not met. In any case, the State assesses the MOE requirement with the use of the same general funds that are used for the Match, and therefore, MOE is not met. As noted above from the grant award, "Grantees must be able to account for MOE separately from accounting for Federal funds and separately from accounting for any matching funds requirement; this accounting is subject to ongoing monitoring, oversight, and audit."

Status as of March 2020:
Partially Resolved. In seeking clarification on funds allowable for inclusion in the program's maintenance of effort calculation, the Department received conflicting guidance. The Department initiated an appeal of the questioned costs based on the conflicting guidance to ensure proper questioned costs were recovered and to clarify the program's requirements regarding maintenance of effort.

Since filing the appeal, we have had a telephone conference call regarding the finding on October 11, 2019 in which the CDC agreed to our interpretation that the State match funds could be used for the MOE. We have requested a written formal letter from the CDC verifying they are in agreement with DHHS's interpretation of the regulation that State match funds can be used toward the MOE.

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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.

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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.

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.

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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 2020:
Partially resolved:

1. The Department has implemented a sub-recipient monitoring policy effective 6/1/18. The Department developed procedures to formalize the risk assessment for all sub-recipients and trained program and finance staff on those procedures in SFY 2018. The formal risk analysis for these contracts was not completed until March 2019. The Department anticipates full compliance at the issuance of the next contract. These processes will create a control to evaluate risk of noncompliance.
2. We currently have monitoring of sub-recipient activity. In SFY 2018, sub recipient activities were monitored in accordance with federal requirements. Federal requirements state the Department should monitor based on risk. While not formally documented within the new risk assessment, the sub recipients had been determined to be low risk and were monitored accordingly.

   During this period Public Health Networks (PHNs) were monitored in a variety of ways. Financially, they are monitored through a budget approval process whereby the Department receives an individual, monthly invoice workbook (which the PH Network Coordinator completes and submits) and each Program approves their specific area, so for example, the Immunization Program Project Lead would look at the expenditures in the workbook that are specific to the school-based vaccination clinics and approve/reject.

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Programmatically the PHNs complete three annual trainings (vaccine storage and handling, vaccine ordering and clinical vaccine training), submit temperature logs to ensure vaccine is kept viable, and undergo an annual site visit. Additionally, planning meetings as well as annual debrief meetings are held focusing on quality improvement of services provided. PHNs are periodically reviewed financially by the Bureau of Improvement and Integrity.

Starting in the 2018/2019 influenza season, prior to this finding, a formalized review process was initiated for site visits. Additionally, started in the 2018/2019 Influenza season, an annual audit of one month of primary receipts is conducted by the Immunization Program Project Lead. Monitoring procedures are in the process of being formally documented.

3. The Federal Clearinghouse is checked on a continuous basis as BII is required to perform a review of all providers that have DHHS contracts and are required have single audit performed.
4. We are in the process devising a process to have all of the required information included on the payments made to the sub-recipients.
5. Payments made are based on actual invoices already paid by the sub-recipients.

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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.

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

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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

Status as of March 2020:
The Department does not concur with the finding noting the CDC has concurred with the Department's position on related findings from the 2014 and 2015 audits.

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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.

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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.

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 2018, 2017, AND 2016

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 2020:
The Department is continuing to improve its sub-recipient monitoring. The Department has researched and developed several documents to aid in sub-recipient monitoring but are still working on completing a final policy.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Department of the Interior ***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 2018, 2017, AND 2016

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 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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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 2020:
Partially resolved. The Department is continuing to work in conjunction with the Department of Administrative Services (DAS) to implement the NHFIRST grants module.

Currently, program specific architecture and automated application of indirect cost recoveries has been tested successfully. Automatic distribution of allocable costs is currently being developed with future work on budget to actual reporting and period of performance controls planned for the first part of calendar year 2020.

It is anticipated implementation of the initial architecture and indirect cost recoveries will take place in the early part of 2020 with additional elements of the design planned for implementation later in the year.

The Department would also note the system development process has significantly clarified the Department's "traditional" methods of grant management resulting in improved SEFA reporting for fiscal year 2019. The DAS would note the Department's ability to reconcile grant expenditures with their internal management systems and the state's accounting system NH FIRST has significantly improved since the 2017 audit.

These performance improvements in conjunction with strengthened SEFA validation procedures implemented by the DAS should maintain full compliance with regulations dictating the content and presentation of the Department's schedule of expenditures of federal awards while the system development process continues.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

Department of the Interior ***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 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.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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.

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

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2018, 2017, AND 2016

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 2020:
Partially resolved. The Department has implemented the 'floor to sheet' process. The Department has encountered some challenges with the NHFIRST Surplus procedures which remain unresolved as they have not contacted DAS to seek resolution as of this point. The Department has therefore not thus far been successful in achieving a process flow utilizing reports in the NHFIRST surplus module to determine if in fact items processed on our end actually are received electronically at NH State surplus. To compensate, there is however, very good communication between the Business Office and Surplus ensuring items approved for surplus by the POA are received.

The Business Office works closely with DAS to ensure the items input into the NHFIRST system for surplus are received by DAS' Surplus Bureau. We do not believe it is a worthwhile use of our time to pursue this any further by running reports and reconciling the data against our internal data, this would be a 'no value added' exercise.

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State Agency Listing In Numerical Order

Appendix A-1

AGENCY NUMBER	AGENCY NAME
0205	Governor's Commission on Disability
0240	Governor's Office of Energy and Planning
1000	Judicial Branch
1200	Adjutant General
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
2000	Justice, Department of
2100	Professional Licensure and Certification, Office of
2200	Business and Economic Affairs, Department of
2300	Safety, Department of
2400	Insurance Department
2700	Employment Security, Department of
3200	Secretary of State
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
2200	Business and Economic Affairs, Department of
4600	Corrections, 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)
7600	Human Rights Commission
2400	Insurance Department
1000	Judicial Branch
2000	Justice, Department of
2100	Professional Licensure and Certification, Office 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

State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
DIVISION OF ACCOUNTING SERVICES
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Commissioner
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Federal Grants and Cost Allocation Administrator
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2019 SINGLE AUDIT CORRECTIVE ACTION PLAN - 2 CFR § 200.511(c)

For the Fiscal Year ending 06/30/2019

Finding Reference Number: 2019-003
NH Department of Justice
Crime Victim Assistance (16.575)
U.S. Department of Justice
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No

Planned Corrective Action:
The New Hampshire Department of Justice ("DOJ") concurs. While the tracking spreadsheet did not have the questions suggested in this finding, no Single Audit findings have occurred that affected a subaward from the DOJ. As such, there is nothing for DOJ to report regarding this issue. In order to provide more information in our records, DOJ has added columns to the DOJ tracking sheet for single audits that indicates the date of receipt, date of review, and who reviewed it.

In reference to the supplanting finding, the DOJ does require each subrecipient to attest that the agency is not supplanting funds at the time of award. On a yearly basis, budgets are reviewed for each subrecipient as part of the annual VOCA renewal application. At the time that subrecipients submit their budgets, if their budgets changed from previous years, they are asked to explain that change. For example, if a subrecipient moved personnel costs from match to federal, they are specifically asked about supplanting by making that change. This information is confirmed in writing and often leads DOJ to request that subrecipients modify their budgets to ensure supplanting is not taking place. This information will be maintained in the subrecipients' grant award file. Going forward, the question of supplanting will be asked, again, during on-site monitoring of each subrecipient and the response and appropriate financial documentation will be reviewed and recorded.

Anticipated Completion Date:
Completed

Responsible Official:
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Finding Reference Number: 2019-004
NH Department of Justice
Crime Victim Assistance (16.575)
U.S. Department of Justice
Compliance Requirement: Allowability, eligibility, subrecipient monitoring
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:
The DOJ concurs with this finding. DOJ has reviewed all of its existing policies and procedures and has made necessary changes. The grant referred to in this finding was a one-time grant to reimburse existing subrecipients for technology upgrades. An award document should have been sent at the time the awards were determined and not sending an award document was an oversight. All award documents have since been provided to the subrecipients that received funding under these technology grants. DOJ concurs that it erred and did not follow its internal policy. DOJ has updated the subrecipient monitoring form for agencies that subaward funding to ensure that eligibility for awards is monitored and documented.

Anticipated Completion Date:
Completed

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Finding Reference Number: 2019-005
NH Department of Justice
Crime Victim Assistance (16.575)
U.S. Department of Justice
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No

Planned Corrective Action:
The DOJ concurs with this Finding. The Federal Financial Reports filed at the time with the US Department of Justice were correct. However, subsequent adjustments and reconciliations to the awards ultimately indicted previous reporting to be incorrect. Each FFR filed with US DOJ indicates that the FFR is "updated" and that the *cumulative* numbers are accurate. The FFR website does not allow data entry into the cumulative numbers section, only the reporting period. This causes data entry to be skewed to report numbers to match the cumulative amounts. This information was provided to the auditors during the audit. Due to systemic improvements in the accounting and reconciliation of federal programs, this should no longer be an issue going forward. VOCA Spreadsheets utilized to report the FFR are now being kept as historical back up information to the FFR.

Expenditures reported into the VOCA tracking spreadsheets are now entered into the spreadsheet only after posting into the State's system of record, NHFirst, by the Grants Management Unit accountant. This was a system that was not in place at the beginning of the audit period.

Anticipated Completion Date:
Completed

Responsible Official:
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Finding Reference Number: 2019-006
NH Department of Justice
Crime Victim Assistance (16.575)
U.S. Department of Justice
Compliance Requirement: Cash Management
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:
The DOJ concurs. At the time the draws were completed for each of the samples selected they were correct. However, subsequent adjustments and reconciliations ultimately provided reporting for those periods to be no longer correct. Reconciliations after the fact corrected previous cash draws. Cumulative cash draws are accurate. Due to systemic improvements since June 30, 2018, in the accounting and reconciliation of federal programs, this inaccuracy should no longer be a concern going forward. Existing policies and procedures on cash draws were last updated to reflect these policy improvements. The reconciliations by the accountant mentioned in finding 2019-003 will reduce future problems with cash draws.

Anticipated Completion Date:
Completed

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Finding Reference Number: 2019-007
NH Department of Education
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA (84.010)
U.S. Department of Education
Compliance Requirement: Special Tests and Provisions
Type of Finding: Material Weakness and Noncompliance
Prior Year Finding: 2018-026

Planned Corrective Action:
This finding is a repeat finding (*Finding 2018-026).* The NHDOE Division of Learner Support had committed to developing and implementing a procedure document no later than March 31, 2020.

Anticipated Completion Date:
March 31, 2020

Responsible Official:
Lindsey Scribner
Agency Audit Manager
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Finding Reference Number: 2019-008
NH Department of Education
Title I Grants to Local Educational Agencies (Title I, Part A of ESEA (84.010)
U.S. Department of Education
Compliance Requirement: Special Tests and Provisions
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: 2018-030

Planned Corrective Action:
This finding is a repeat finding (*Finding 2018-030).* The NHDOE Division of Learner Support intends to include confirming that LEAs are maintaining the appropriate student documentation as part of the Established Title I, Part A subrecipient monitoring program. Title I, Part A program monitoring was completed by Division staff during the spring of 2019. While the current Title I, Part A Program Compliance Monitoring Guide 2018-2019 documents speak to the requirement that an LEA must have written documentation that a student transferred out, it does not direct the LEA to provide any supporting documentation or describes how the NHDOE will confirm the existence of the documentation.

Anticipated Completion Date:
March 31, 2020

Responsible Official:
Lindsey Scribner
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Finding Reference Number: 2019-009
NH Department of Education
IDEA Cluster (84.027, 84.173)
U.S. Department of Education
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No
Statistically Valid Sample: No

Planned Corrective Action:
The NHDOE Division of Learner Support, Bureau of Student Support is committed to correcting this issue of insufficient controls and noncompliance related to providing award identification information to subrecipients. The Bureau will develop procedures and timelines to address the finding and to ensure all districts receive a Grant Award Notification (GAN). The NHDOE is also going through a Grants Management System (GMS) update which will hopefully send out GANS to districts upon grant approval.

Anticipated Completion Date:
April 1, 2020

Responsible Official:
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Finding Reference Number: 2019-010
NH Department of Education
Career and Technical Education – Basic Grants to States (84.048)
U.S. Department of Education
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur
1 A documented programmatic risk assessment is performed over all subrecipients and the results of that risk assessment is used to evaluate the types of monitoring procedures that will be performed over the subrecipient.

• Bureau of Career Development is in the process of reworking the risk assessment rubric used to assess risk factors associated with CTE programs funded by Perkins of not meeting performance goals (Core Indicators of Performance).
• Annual applications for funds forms submitted for Perkins funds granted to eligible CTE programs will be part of the determination process for targeted monitoring of programs. The Bureau of Career Development will look closely at costs associated with required uses of Perkins funds, and as part of monitoring, we will look at such spending in the programs to be monitored.

2 As part of the subrecipient monitoring process the Department reviews compliance with supplement not supplant requirements • The annual application for Perkins funds implemtned in February 2020, with a due date of May 31, 2020 includes a justification line for each cost. This line includes items about previous sources of funding, including a question about whether or not the spending is new, was previously funded by Perkins, or was previously funded from other sources. The answer for these items gives reviewers of the annual application for funds the opportunity to question the costs, and not test for supplement, not supplant.

3 A formal letter is issued as a result of all programmatic monitoring.
• As part of a new, two-tiered monitoring process the Bureau of Career Development will issue a monitoring letter to each Perkins subrecipient in April of each year. The letter will include CTE center-wide (non-Federal) findings, recommendations, and corrective actions, and the results, including findings, recommendations, and corrective actions for programs selected as part of the programmatic monitoring (Perkins, Federal).
• Follow up on the letter will take the form of a corrective action plan, developed by the Bureau of Career Development in collaboration with the CTE director of the center with programs monitored. This corrective action plan will include steps taken to address compliance issues identified in the program monitoring letter, along with due dates for completion of activities to resolve the issues.

Anticipated Completion Date:
June 1, 2020

Responsible Official:
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Finding Reference Number: 2019-011
NH Department of Human Services
Aging Cluster (93.044, 93.045, 93.053)
U.S. Department of Health and Human Services
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We partially concur with the findings.
1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.

2. The Department finalized the Subrecipient Monitoring Policy, which encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date:
June 30, 2020

Responsible Official:
Melissa Kelleher,
Grants Administrator
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Finding Reference Number: 2019-012
NH Department of Human Services
Aging Cluster (93.044, 93.045, 93.053)
U.S. Department of Health and Human Services
Compliance Requirement: Matching, Level of Effort, Earmarking
Type of Finding: Significant Deficiency
Prior Year Finding: No

Planned Corrective Action:
The Department concurs. Although the error did not produce any erroneous outcomes regarding meeting the Maintenance of Effort, the spreadsheet detailing expenditures did contain a calculation error. As a secondary control, a signature block has been added to the spreadsheet for the preparer to sign, as well as a place for the Supervisor to sign after review. The first signatures will appear on the MOE spreadsheet that is due to be updated mid-April 2020 for the quarter ended March 31, 2020.

Anticipated Completion Date:
April 30, 2020

Responsible Official:
Jayne Jackson,
Finance Director - DLTSS
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Finding Reference Number: 2019-013
NH Department of Human Services
Aging Cluster (93.044, 93.045, 93.053)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant Deficiency
Prior Year Finding: No

Planned Corrective Action:
The Department concurs. The division does have a procedure in place to require proper documentation for claims reimbursed. The two missing coversheets may have been mislaid. Staff have been reminded to securely attach and maintain all documentation supporting claims paid. As a secondary control, a signature block has been added to the coversheet to allow for the preparer and the supervisor to sign before being sent for processing. This block has been added beginning with the February submissions which will be processed in late March or early April 2020.

Anticipated Completion Date:
April 30, 2020

Responsible Official:
Jayne Jackson,
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Finding Reference Number: 2019-014
NH Department of Human Services
TANF Cluster (93.558)
U.S. Department of Health and Human Services
Compliance Requirement: Allowability
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We partially concur. While there are errors regarding the benefit payment, we believe they are isolated occurrences. There are sufficient procedures in place to ensure the calculation of benefits is complete.

We will be informing all supervisors of the specific errors found during the audit. We will require the supervisors to include these topics at their next staff meeting.

In addition, individual emails will be sent to the staff involved with the errors for additional guidance.

Anticipated Completion Date:
June 1, 2020

Responsible Official:
Colleen McKinlay,
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Finding Reference Number: 2019-015
NH Department of Human Services
TANF Cluster (93.558)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provisions
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: 2018-007

Planned Corrective Action:
We partially concur. While there are errors regarding insufficient documentation for child support sanctions, we believe there are sufficient processes in place to ensure documentation is maintained to support these sanctions.

We believe that additional communication needs to be given to all staff to reiterate these procedures. We will notify all supervisors in an email explaining the errors that were found during the audit.

We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff.

Anticipated Completion Date:
June 1, 2020

Responsible Official:
Colleen McKinlay,
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Finding Reference Number: 2019-016
NH Department of Human Services
TANF Cluster (93.558)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provisions
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: 2018-007

Planned Corrective Action:
We partially concur. While there are errors regarding sanctions applied to participants benefits, we believe they are isolated occurrences. There are sufficient procedures in place to ensure that proper documentation regarding these sanctions is maintained.

Although there are processes in place, additional communication will occur. We will notify all supervisors in an email explaining the errors that were found during the audit.

We will require the supervisors to include these topics at their next staff meeting.

Individual emails will be sent to the staff involved with the errors for additional guidance.

We have also added an additional slide in our Power Point presentation for new staff

Anticipated Completion Date:
June 1, 2020

Responsible Official:
Colleen McKinlay,
Program Specialist IV
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Finding Reference Number: 2019-017
NH Department of Human Services
TANF Cluster (93.558)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provisions
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: 2018-009

Planned Corrective Action:

We concur with the findings listed above. The following actions to mitigate future issues have been put in place.

• We have redesigned the WPS Activity Tracking Sheet. This will be implemented for the month of March 2020.
• A memo was created highlighting the errors found during the audit reminding all staff to follow procedures to prevent errors.
• We will be adding additional slides in the Quality Assurance Section of the Core Power Point Training for new staff.

Anticipated Completion Date:

June 30, 2020

Responsible Official:

Kim Runion,
Bureau Chief
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Finding Reference Number: 2019-018
NH Department of Human Services
Community Services Block Grant (93.569)
U.S. Department of Health and Human Services
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur.
1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.

2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date:
June 30, 2020

Responsible Official:
Melissa Kelleher,
Grants Administrator
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Finding Reference Number: 2019-019
NH Department of Human Services
Social Services Block Grant (93.667)
U.S. Department of Health and Human Services
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur.
1. The Department has developed an exhibit to address the required notification under 2 CFR 200.331. This exhibit will be included in all procurements with Federal Funding, and will be implemented in the Spring of 2020.

2. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new competitively bid procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

3. The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

Anticipated Completion Date:
June 30, 2020

Responsible Official:
Melissa Kelleher,
Grants Administrator
Melissa.Kelleher@dhhs.nh.gov

Finding Reference Number: 2019-020
NH Department of Health and Human Services
Medicaid Cluster (CFDA # 93.775, 93.777, 93,778)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provision: Utilization Control and Program Integrity
Type of Finding: Significant deficiency and noncompliance
Prior Year Finding: 2018-002

Planned Corrective Action:

We concur with the finding. Program Integrity has made the decision to bring the QIO function to perform utilization reviews in house. To that end, PIU is actively working on an internal process for the Department to perform utilization reviews going forward. PIU is in the process of writing policies and procedures to guide the in-house QIO function. This includes developing a process and methodology to perform utilization reviews. Further, the Department created two staff positions in the State Fiscal Year 20/21 budget to perform the quality reviews. DHHS is in the process of obtaining access to a system that will assist in determining whether a paid claim was medically necessary and accurate. Until this function is started, claim universe reports are being run monthly and stored for sampling. It is the intent of the Program Integrity unit to ensure all months are sampled and reviewed from the end of the QIO contract.

Anticipated Completion Date:

December 31, 2020

Responsible Official:

Karen Carleton, RN
PIU Administrator
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Finding Reference Number: 2019-021
NH Department of Health and Human Services
Medicaid Cluster (CFDA # 93.775, 93.777, 93,778)
U.S. Department of Health and Human Services
Compliance Requirement: Special Tests and Provision: Provider Eligibility (Screening and Enrollment)
Type of Finding: Significant deficiency and noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur with the finding. DHHS knew that we were behind in establishing the system processes for revalidation. DHHS established a team of DHHS staff, MMIS, DoIT staff, and fiscal agent staff to establish a project plan and implementation of the revalidation process. This requires system updates, new provider revalidation application, and provider notification. DHHS also reached out to CMS for technical assistance to perform revalidations including the electronic data exchange of duel providers that are enrolled with Medicare and Medicaid to expect the revalidation screening process which allowed DHHS to screen thousands of providers quickly and efficiently expediting the process. DHHS and the fiscal agent are actively performing revalidation monthly and the process is being reviewed and updated as needed to ensure all revalidations are done correctly and timely.

DHHS will ensure current procedures cover all required regulations for provider enrollment. DHHS will ensure there is documentation of our periodic, systematic oversight of the fiscal agent's quality review process.

Anticipated Completion Date:
March 2021

Responsible Official:
Francesca Hennessy
OII Administrator III
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Finding Reference Number: 2019-022
NH Department of Health and Human Services
Medicaid Cluster (CFDA # 93.775, 93.777, 93,778)
U.S. Department of Health and Human Services
Compliance Requirement: Eligibility
Type of Finding: Significant deficiency and material noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur.
This was an isolated incident which has been discussed thoroughly with the supervisor, both via email and over the phone. The supervisor went over the error with the trainee. Management will review other procedures performed at other District Office to determine whether other processes should be implemented to ensure supervisors know the cases completed by trainees and verify they have reviewed the cases to ensure accurate eligibility determinations.

However, the Department would point out that there was no issue with the self-attestation of residency. Federal regulations permit states to choose to accept self-attestation for residency of the individual's information for all factors of eligibility except where otherwise required by law (e.g. citizenship and immigration status). Self-attestation can be accepted from the individual applying, an adult who is in the applicant's household, an authorized representative, or if the individual is a minor or incapacitated, someone acting responsibly for the individual. States must accept self-attestation of pregnancy unless the state has information that is not reasonably compatible with such attestation (see Self-attestation (§435.945)).

The Department has contacted the Social Security Administration (SSA) and has requested written permission from SSA to authorize KPMG access for the Single Audit. The Department of Health and Human Services is governed by the Computer Match Agreement (CMA) it has executed with SSA, which governs the safeguarding of its data. This is an open request with SSA and the DHHS will continue to follow-up until a written decision is received from the SSA.

Anticipated Completion Date:
September 30, 2020

Responsible Official:
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Elizabeth Gillett
Deputy Information Security Officer
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Finding Reference Number: 2019-023
NH Department of Human Services
Opioid STR (93.788)
U.S. Department of Health and Human Services
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness and Material Noncompliance
Prior Year Finding: No

Planned Corrective Action:

We Concur:
1. The Department has developed a spreadsheet to address the required notification under 2 CFR 200.331. This spreadsheet will be attached to procurements with Federal Funding, and will be implemented in Spring 2020.

2 and 3a. The Department finalized the Subrecipient Monitoring Policy, which, encompasses the financial and programmatic risk assessments as well as the subrecipient monitoring, on June 1, 2018. The Department provided user training on the subject in February 2018. However, only brand new procurements utilized this policy during the initial roll out of this policy. The audited procurements were amendments, not new procurements, and therefore were not included in the roll out of the Subrecipient Monitoring policy at that time.

The Department is currently rolling out the Subrecipient Monitoring policy to all procurements. Combined with the subrecipient training module and tools, staff have been trained on contract management and monitoring tools to better ensure compliance with Uniform Guidance requirements. This is to be followed by ongoing specialized trainings, supporting tools, and procedures for expenditure testing, site visits, files reviews, and corrective action planning.

3b. We concur and that formal process to monitor sub-recipients was not in place during SFY 19. The department did conduct site reviews on several of the State Opioid Response (SOR) providers during the subsequent period, during which documentation showing a diagnosis of "opioid substance abuse disorder" was reviewed. It was determined by the review team that only individuals with this specific diagnosis were treated with SOR funding. The SOR Executive Director is working with the DHHS Grant Coordinator to establish specific procedures to document the monitoring of future site visits to be completed in the following months.

Anticipated Completion Date

1. June 30, 2020
2. June 30, 2020
3a. June 30, 2020
3b. September 1, 2020

Contact Person

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Jayne Jackson,
Finance Director - DLTSS
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Finding Reference Number: 2019-024
NH Department of Safety
Disaster Grants –Public Assistance (Presidentially Declared Disasters) (97.036)
U.S. Department of Homeland Security
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant Deficiency and Noncompliance
Prior Year Finding: No

Planned Corrective Action:
We concur:
Condition A
In order to maintain transparency within the Public Assistance (PA) Grant Program, it is necessary to provide all of the award information required in 2 C.F.R. § 200.331 in the award notification email that the Recipient of the grant (NH Homeland Security and Emergency Management – HSEM) send to the Subrecipient.

HSEM previously had no full or part time staff dedicated to the management of the PA Grant program prior to CY 2018. Since that time, one full time and one part time staff member have been hired and trained to maintain the program. These staff members have been methodically overhauling the management of the grant in order to become more compliant.

Prior to this audit, HSEM created an award notification template that addressed the majority of the elements of information required by 2 C.F.R. § 200.331. This most recent audit identified elements that were missing from this award letter template. Since being notified of this finding, HSEM staff have added the required information to the award notification package and will be implementing the changes with all award letters moving forward.

Conditions B and C
In order to ensure that proper oversight of the PA Grant is completed to prevent potential noncompliance of Applicants, it is necessary to complete the required Subrecipient Risk Assessments and Subrecipient Monitoring. This process allows the Recipient to identify areas of the grant where Subrecipients are experiencing issues and provide technical assistance to ensure grant compliance is maintained.

Prior to the hire of dedicated PA Program staff at HSEM, risk assessments and Subrecipient monitoring were not completed consistently. Following these hires, HSEM staff created a new process to complete Subrecipient risk assessments and monitoring to move the program into compliance in this area. At the time of the SFY 2019 audit, HSEM had already completed restructuring of its risk assessment procedures and had begun applying them retroactively to all applicants under four previous disasters declared between CYs 2017-2018, and had just started using the new process on a disaster declared in CY 2019 (declaration date outside of SFY 2019 that was audited). Additionally, HSEM staff was completing an overhaul of the Subrecipient monitoring procedures to accompany the new risk assessment, but had not implemented the procedures at the time of the audit.

HSEM intends to complete the last phase of Subrecipient monitoring procedure development within SFY 2020 (low and medium risk Subrecipient procedures are complete and high risk procedures are in progress). A method for tracking the Subrecipient monitoring has been created for low and medium risk Subrecipients, and an online form is in progress to track the in person site visits that will take place for high risk Subrecipients.

The use of these updated risk assessment and Subrecipient Monitoring procedures, along with new tracking mechanisms, will rectify the findings of this audit report. Additionally, HSEM PA staff will work with the State Business Office to create procedures to issue timely management decision letters, if applicable, to Subrecipients with recent audit findings that will impact their performance in the PA Program. This new procedure will go into effect immediately after it is completed and approved.

Anticipated Completion Date
Condition A – Completed
Conditions B and C – June 30, 2020

Contact Person
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