STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2008

PREPARED BY:
DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF NEW HAMPSHIRE

SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2008

STATE OF NEW HAMPSHIRE
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FOR THE YEAR ENDED JUNE 30, 2008

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State of New Hampshire

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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, 2008. This audit has been performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The report that follows provides the results of the work conducted to satisfy the requirements of Title 31, Chapter 75, United States Code, otherwise known as the Single Audit Act and the related Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the U.S. Office of Management and Budget.

This report is presented in five major sections:

- Basic Financial Statements with the Independent Auditors' Report (section C)
- Auditor's Reports on Compliance and on Internal Control (section D)
- Schedule of Expenditures of Federal Awards (section E)
- Schedule of Current Year Findings and Questioned Costs (section F)
- Status of Prior Years' Findings and Questioned Costs (section G).

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, 2008, are issued under separate covers and can be obtained by contacting the Department of Administrative Services.

Department Of Administrative Services

March 09, 2009

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

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STATE OF NEW HAMPSHIRE
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2008

INTRODUCTION

The Single Audit Act requires annual audits of the State's federal financial assistance programs. The specific audit and reporting requirements are set forth in U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (A-133)*.

This report is divided into various sections: the State's fiscal year 2008 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), current year findings and questioned costs (section F), the status of prior years' findings (section G), and various appendices (section H).

The Schedule of Expenditures of Federal Awards (the Schedule) reports federal expenditures for each federal financial assistance program by federal agency, as identified by the Catalog of Federal Domestic Assistance (CFDA) number, and is used for identifying Type A and Type B programs. Type A federal programs for the State of New Hampshire are those programs with annual federal expenditures that equal or exceed $4,726,027. All other programs are classified as Type B programs.

The identification of Type A and B programs is used to determine which federal programs will be tested in detail for compliance with federal laws and regulations. Under A-133, the auditor uses a risk-based approach to testing. Once programs are classified as Type A or B, they are then assessed as either high or low risk programs. High-risk programs are considered major programs and are tested in detail for compliance with federal regulations. In addition, all Type A programs must be tested at least once every three years. For fiscal year 2008, 18 programs/clusters were tested as major programs. The list of major programs/clusters tested begins on page F-2.

During fiscal year 2008, the State administered 293 federal programs, with total federal expenditures of approximately $1.6 billion. Of those programs, Type A programs/clusters accounted for over 90% of total federal expenditures, with the Medicaid program cluster accounting for 42% of total expenditures. The remainder of this section groups Type A federal programs by the State agency responsible for program administration.

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2008

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Adjutant General	12.401	National Guard Operations and Maintenance	$ 12,323,049	$ 12,323,049
		Other Programs		2,212,999
		Total Adjutant General		$ 14,536,048
Administrative Services	Various	Child Nutrition Cluster	4,020	4,020
		Other Programs		5,270,782
		Total Administrative Services		$ 5,274,802
Agriculture		Other Programs		$ 476,447
Christa McAuliffe Planetarium		Other Programs		$ 2,393,260
Commission On Disability		Other Programs		$ 160,939
Community Technical Colleges	Various	Student Financial Aid Cluster	32,529,996	32,529,996
		Other Programs		2,304,752
		Total Community Technical Colleges		$ 34,834,748
Corrections	84.048	Career and Technical Education	24,817	$ 24,817
		Other Programs		1,244,307
		Total Corrections		1,269,124
Cultural Resources		Other Programs		$ 2,387,675
Development Disabilities Council		Other Programs		$ 472,108
Education	Various	Child Nutrition Cluster	20,220,394	
	84.010	Title I Grants	32,189,299	
	Various	Special Education Cluster	45,679,419	
	84.048	Career and Technical Education	5,610,400	
	84.126	Rehabilitation Services	10,280,909	
	84.287	Twenty-First Century Learning Centers	4,957,827	
	84.367	Improving Teacher Quality	12,703,739	
	84.369	Grants For State Assessments And Related Activities	5,348,185	
	96.001	Social Security – Disability Insurance	5,142,590	142,132,762
		Other Programs		22,555,354
		Total Education		$ 164,688,116

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2008

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Employment Security	17.225	Unemployment Insurance	115,710,742	
	Various	WIA Cluster	322,642	
	93.563	Child Support Enforcement	3,713	116,037,097
		Other Programs		7,513,382
		Total Employment Security		$ 123,550,479
Energy & Planning	93.568	Low-Income Energy Assistance	25,809,462	25,809,462
		Other Programs		3,202,574
		Total Energy & Planning		$ 29,012,036
Environmental Services	66.458	Clean Water Revolving Fund	5,619,144	
	66.468	Drinking Water Revolving Funds	10,438,213	
	66.605	Performance Partnership Grants	5,149,532	21,206,889
		Other Programs		9,302,847
		Total Environmental Services		$ 30,509,736
Fish & Game Department	Various	Fish and Wildlife Cluster	4,932,243	4,932,243
		Other Programs		2,271,688
		Total Fish & Game		$ 7,203,931
Health & Human Services	Various	Food Stamps Cluster	74,840,197	
	10.557	Supplemental Food Program	13,911,383	
	Various	Aging Cluster	5,579,537	
	93.069	Public Health Emergency Preparedness	7,050,086	
	93.268	Immunization Grants	10,488,371	
	93.283	CDC - Investigations	6,059,056	
	93.558	TANF	37,137,733	
	93.563	Child Support Enforcement	11,182,037	
	93.596	Child Care And Development	23,790,224	
	93.658	Foster Care	15,294,892	
	93.667	Social Services Block Grant	7,732,843	
	93.767	Children's Insurance Program	9,352,748	
	Various	Medicaid Cluster	659,630,618	
	93.959	Substance Abuse Block Grants	5,285,849	887,335,574
		Other Programs		40,305,267
		Total Health & Human Services		$ 927,640,841
Highway Safety		Other Programs		$ 1,661,536
Human Rights Commission		Other Programs		$ 108,359

STATE OF NEW HAMPSHIRE

SUMMARY TABLE OF FEDERAL PROGRAM EXPENDITURES
BY STATE AGENCY
FOR THE YEAR ENDED JUNE 30, 2008

STATE AGENCY	*CFDA NUMBER*	*PROGRAM TITLE*	*TYPE A PROGRAMS*	*TOTAL EXPENDITURES*
Judicial Branch		Other Programs		$ 239,702
Justice	Various	Medicaid Cluster	533,906	533,906
		Other Programs		6,720,342
		Total Justice		$ 7,254,248
Labor	Various	WIA Cluster	7,901,973	7,901,973
		Other Programs		682,343
		Total Labor		$ 8,584,316
Police Standards & Training		Other Programs		$ 18,498
Postsecondary Education Commission		Other Programs		$ 342,153
Public Utilities Commission		Other Programs		$ 277,603
Resources & Economic Development	Various	Fish and Wildlife Cluster	23,358	23,358
		Other Programs		3,323,882
		Total Resources & Economic Development		$ 3,347,240
Safety	97.036	Public Assistance Grants	22,238,623	22,238,623
		Other Programs		13,405,014
		Total Safety		$ 35,643,637
Secretary Of State		Other Programs		$ 987,963
Transportation	20.205	Highway Planning And Construction	158,324,890	
	Various	Federal Transit Cluster	6,906,031	165,230,921
		Other Programs		4,782,607
		Total Transportation		$ 170,013,528
Veterans Home		Other Programs		$ 2,453,268
		TOTAL EXPENDITURES	**$ 1,438,264,690**	**$ 1,575,342,341**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire as of and for the year ended June 30, 2008, which collectively comprise the State of New Hampshire's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Investment Trust Fund and Judicial Retirement Plan, which represent 5.6% and 55.8% of the assets and revenues, respectively, of the aggregate remaining fund information, or the University System of New Hampshire, the Business Finance Authority, the Pease Development Authority, and the Community Development Finance Authority, which represent 97.8% and 88.6% of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of New Hampshire's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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

As described in note 10, the State of New Hampshire, in 2008, implemented Governmental Accounting Standards Board (GASB) Statement Nos. 45 and 50, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and *Pension Disclosures*, respectively.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, on our consideration of the State of New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 through 20, the budget to actual - budgetary basis - schedules on pages 72 through 77, and the schedules of funding progress and schedule of employer contributions on page 78 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Hampshire's basic financial statements. The introductory section, the other supplementary information and the statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal, which can be found at the front of this report and with the state's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS –PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets: The total assets of the state exceeded total liabilities at fiscal year ending June 30, 2008 by $2.9 billion. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government (condensed information can be seen in the MD&A section of this report). Of this amount, $285.6 million was reported as unrestricted net assets, $631.4 million was restricted net assets, and $2.0 billion was invested in capital assets. Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

Changes in Net Assets: The state's total net assets decreased by $101.1 million, or 3.4%, in fiscal year 2008. Net assets of governmental activities decreased by $94.1 million (4.0%), and net assets of the business-type activities showed a decrease of $7.0 million (1.1%).

Non-Current Liabilities: The state's total non-current liabilities increased by $107.1 million (10.9%) during the current fiscal year. Long-term bonded debt increased $5.9 million or 0.7% as new issuances exceeded payments of outstanding debt. In addition, a $101.7 million long-term liability was recorded for other postemployment health benefits in accordance with governmental accounting standards.

Fund Highlights:

Governmental Funds - Fund Balances: As of the close of fiscal year 2008, the state's governmental funds reported a combined ending fund balance of $382.2 million, a decrease of $37.7 million from the prior year. This change is inclusive of a $0.6 million inventory reserve increase. Included in the combined governmental fund balance is the activity of the state's General Fund. The General Fund ended the year with an unreserved, undesignated surplus of $17.2 million, and the Rainy Day balance remained at $89.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 financial statements.

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

Government-Wide Financial Statements

The Government-Wide Financial Statements provide a broad view of the state's finances. These statements (Statement of Net Assets and the Statement of Activities) provide both short-term and long-term information about the state's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The **Statement of Net Assets**, beginning on page 22 presents all of the state's non-fiduciary assets and liabilities. The difference between assets and liabilities is reported as "net assets" instead of fund equity as shown on the Fund Statements. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the state is improving or deteriorating.

The **Statement of Activities**, beginning on page 24, presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and licenses and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the state.

Both of the Government-Wide Financial Statements have separate sections for three different types of state activities. These three types of activities are:

Governmental Activities: The activities in this section represent most of the state's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the state include general government, administration of justice and public protection, resource protection and development, transportation, health and social services, and education.

Business-Type Activities: These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the state include the operations of the:

- Liquor Commission,
- Lottery Commission,
- Turnpike System, and
- New Hampshire Unemployment Compensation Trust Fund.

Discretely Presented Component Units: Component Units are entities that are legally separate from the state, but for which the state is financially accountable. The state's discretely presented component units are presented in the aggregate in these Government-Wide Statements and include the:

- University System of New Hampshire (USNH),
- Business Finance Authority,
- Community Development Finance Authority,
- Pease Development Authority, and
- Community College System of New Hampshire.

Except for 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 financial statements.

Fund Financial Statements

A fund is a grouping of related funds 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 3 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 combining schedules in the other supplementary information section to support the Non-Major Funds column. Fiduciary funds are reported by fiduciary type (pension, private-purpose, investment trust, and agency) with combining schedules in the Supplementary Section.

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 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 basic Governmental Fund Financial Statements can be found on pages 28-31.

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 Statements and the Government-Wide Statements, which can be found on pages 29 and 31.

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

Individual fund data for each of the state's non-major governmental funds (Fish and Game Fund, Capital Fund and Permanent Funds) are provided in the combining statements found on pages 84 and 85.

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 4 enterprise funds and 1 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 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 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 34-36.

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 accrual basis of accounting.

The state's fiduciary funds on pages 41-42 include the:

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

Individual fund detail can be found in the combining financial statements in the Other Supplementary Information Section.

Major Component Unit

The state has only one major discretely presented component unit - the University System of New Hampshire and 4 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 38 and 39.

Notes to the 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 44.

Required Supplementary Information

In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for each of the state's major governmental funds, and includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, schedules on the funded status and employer contributions are presented for the state's Other Postemployment Benefit Plan and the Judicial Retirement Plan.

Other Supplementary Information

Other supplementary information includes combining financial statements and schedules for governmental, internal service and fiduciary funds and non-major component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The state's combined net assets (government and business-type activities) totaled $2.9 billion at the end of 2008, compared to $3.0 billion at the end of the previous year.

Investment in Capital Assets: The largest portion of the state's net assets (68%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The state's investment in capital assets increased $144.3 million from prior year. This increase was the result of a net increase in capital assets of $151.2 million during the year combined with an increase in capital related debt of $6.9 million. Although the state's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

Restricted Net Assets: An additional portion of the state's net assets (22%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets decreased $31.5 million from prior year due largely to a decrease in unemployment compensation benefit reserves during the year.

Unrestricted Net Assets: The state's unrestricted net assets, totaling $285.6 million, decreased $213.9 million from the previous year, due largely to increases in retiree health costs and the recognition of other postemployment benefit liabilities in accordance with governmental accounting standards. These assets may be used to meet the state's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets. At the end of both the current and prior fiscal years, the state was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

State of New Hampshire's Net Assets as of June 30, 2008 and 2007

(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current assets	$ 1,064,429	$ 1,108,989	$ 377,211	$ 395,743	$ 1,441,640	$1,504,732
Capital assets	2,368,452	2,221,866	573,495	568,897	2,941,947	2,790,763
Other assets	285,104	292,252	6,871	6,996	291,975	299,248
Total assets	3,717,985	$3,623,107	957,577	971,636	4,675,562	$4,594,743
Noncurrent liabilities	837,626	716,303	251,113	265,355	1,088,739	981,658
Current liabilities	592,924	525,264	86,518	79,328	679,442	604,592
Total liabilities	1,430,550	1,241,567	337,631	344,683	1,768,181	1,586,250
Net assets:						
Invested in capital assets, net of related debt	1,674,011	1,547,866	316,330	298,150	1,990,341	1,846,016
Restricted	366,662	355,883	264,782	307,056	631,444	662,939
Unrestricted	246,762	477,791	38,834	21,747	285,596	499,538
Total net assets	$ 2,287,435	2,381,540	$ 619,946	$ 626,953	$ 2,907,381	$3,008,493

Changes in Net Assets

The state's net assets decreased by $101.1 million, or 3.4%, during the current fiscal year. Total revenues increased by $76.5 million (1.5%) as compared to increases in expenses of $417.2 million (8.3%).

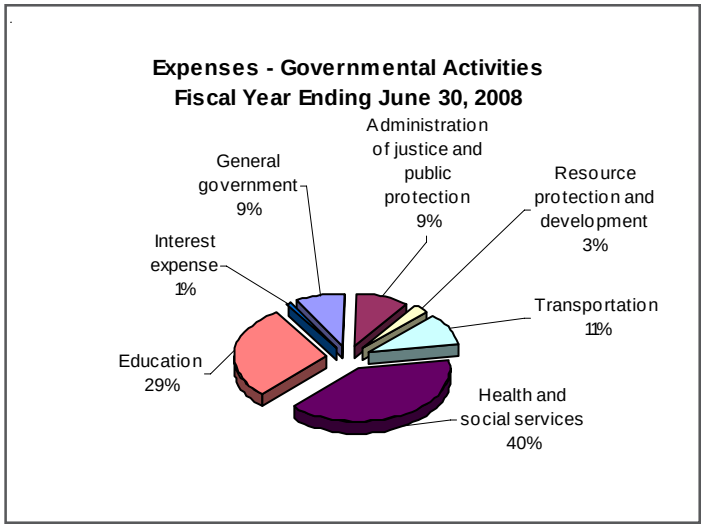
More than half of the state's revenue (60.5%) is from program revenue, consisting of charges for goods and services, and federal and local grants. Revenues not specifically targeted for a specific program are known as general revenues, which are primarily from taxes. The largest revenue increases were from a combination of growth in several taxes including business and tobacco taxes and increases in federal health and social service grants.

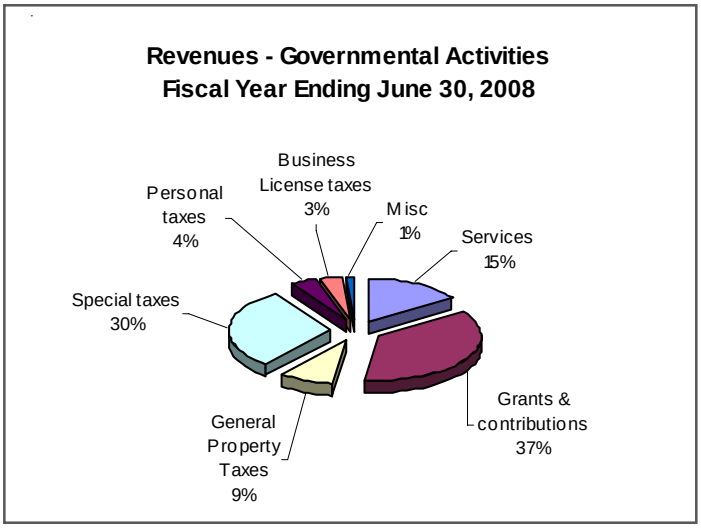
The state's expenses cover a range of services. The largest expenses were for Health and Social Services and Education, which accounted for 34.6% and 24.8% of total expenses, respectively. As compared to the prior year, Health and Social Services saw an increase of 9.5% due to additional federal Medicaid funding. Education expenses increased by 2.5% due to growth in Education Grants.

In addition, both higher energy costs and expenses related to retiree health and postemployment benefits contributed to General Government, Justice and Public Protection and Transportation growing by 17.4%, 23.0% and 7.7%, respectively.

State of New Hampshire's Changes in Net Assets
For Fiscal Years Ending June 30, 2008 and 2007
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Revenues						
Program revenues:						
Charges for services	$ 666,819	$ 650,410	$ 927,588	$ 891,424	$ 1,594,407	$ 1,541,834
Operating grants & contributions	1,424,014	1,367,207			1,424,014	1,367,207
Capital grants & contributions	194,637	184,409	8,816	10,422	203,453	194,831
General revenues:						
General Property Taxes	387,952	384,708			387,952	384,708
Special taxes	1,329,137	1,383,540			1,329,137	1,383,540
Personal taxes	166,288	143,610			166,288	143,610
Business License taxes	151,321	151,472			151,321	151,472
Interest	18,169	35,631			18,169	35,631
Miscellaneous	48,314	43,695			48,314	43,695
Total revenues	4,386,651	4,344,682	936,404	901,846	5,323,055	5,246,528
Expenses						
General government	420,367	358,060			420,367	358,060
Administration of justice and public protection	420,120	341,501			420,120	341,501
Resource protection and development	138,215	139,096			138,215	139,096
Transportation	443,258	411,475			443,258	411,475
Health and social services	1,877,924	1,714,445			1,877,924	1,714,445
Education	1,343,253	1,310,261			1,343,253	1,310,261
Interest Expense	26,115	28,180			26,115	28,180
Turnpike System			80,411	72,136	80,411	72,136
Liquor Commission			367,847	349,084	367,847	349,084
Lottery Commission			186,906	186,907	186,906	186,907
Unemployment Compensation			119,645	95,673	119,645	95,673
Total expenses	4,669,252	4,303,018	754,809	703,800	5,424,061	5,006,818
Increase (decrease) in net assets before transfers	(282,601)	41,664	181,595	198,046	(101,006)	239,710
Transfers & Other Items	188,496	186,542	(188,602)	(186,542)	(106)	
Increase(decrease) in net assets	(94,105)	228,206	(7,007)	11,504	(101,112)	239,710
Net assets, beginning of year	2,381,540	2,153,334	626,953	615,449	3,008,493	2,768,783
Net assets, end of year	$ 2,287,435	$ 2,381,540	$ 619,946	$ 626,953	$ 2,907,381	$ 3,008,493



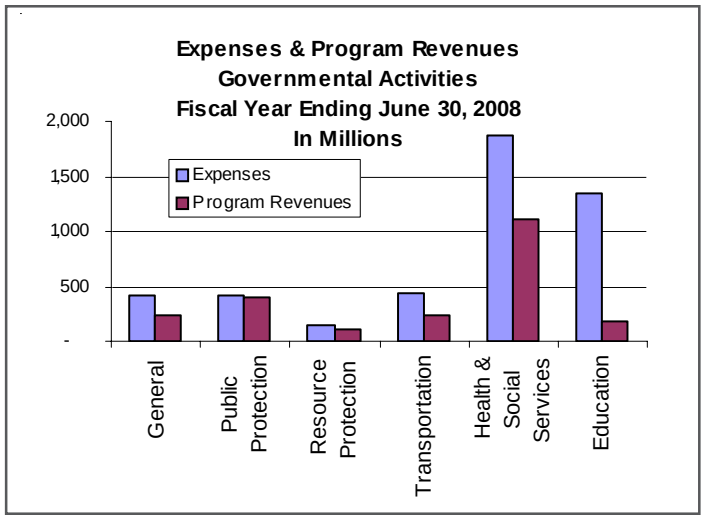


State of New Hampshire
Analysis of Changes in Revenues and Expenses
For Fiscal Year Ending June 30, 2008 Compared to 2007
($ In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	$Change	% Change	$Change	% Change	$Change	% Change
Revenues						
Program revenues:						
Charges for services	16.4	2.5%	36.2	4.1%	52.6	3.4%
Operating grants & contributions	56.8	4.2%			56.8	4.2%
Capital grants & contributions	10.2	5.5%	(1.6)	-15.4%	8.6	4.4%
General revenues:						
General Property Taxes	3.2	0.8%			3.2	0.8%
Special taxes	(54.4)	-3.9%			(54.4)	-3.9%
Personal taxes	22.7	15.8%			22.7	15.8%
Business License taxes	(0.2)	-0.1%			(0.2)	-0.1%
Interest	(17.5)	-49.0%			(17.5)	-49.0%
Miscellaneous	4.6	10.6%			4.6	10.6%
Total revenues	42.0	1.0%	34.6	3.8%	76.5	1.5%
Expenses						
General government	62.3	17.4%			62.3	17.4%
Administration of justice and public protection	78.6	23.0%			78.6	23.0%
Resource protection and development	(0.9)	-0.6%			(0.9)	-0.6%
Transportation	31.8	7.7%			31.8	7.7%
Health and social services	163.5	9.5%			163.5	9.5%
Education	33.0	2.5%			33.0	2.5%
Interest Expense	(2.1)	-7.3%			(2.1)	-7.3%
Turnpike System			8.3	11.5%	8.3	11.5%
Liquor Commission			18.8	5.4%	18.8	5.4%
Lottery Commission			(0.0)	0.0%	(0.0)	0.0%
Unemployment Compensation			24.0	25.1%	24.0	25.1%
Total expenses	366.2	8.5%	51.0	7.2%	417.2	8.3%

Governmental Activities
Governmental activities decreased the state's net assets by $282.6 million, before transfers and other items. Revenues increased by $42.0 million or 1.0% from prior year to total $4.4 billion. The growth was not sufficient to offset expenses which grew $366.2 million or 8.5%.

A comparison of the cost of services by function for the state's governmental activities with the related program revenues is shown in the chart below. Note that the largest expenses for the state, Health and Social Services and Education, also represent those activities that have the largest gap between expense and program revenues. Since these expenses are least recovered from program revenues, the differences are made up from general revenues, which primarily represent state's taxes, such as the statewide property taxes, business profits tax, business enterprise tax, real estate transfer, tobacco, meals and rooms, interest and dividends, etc. Health and Social Services increased by 9.5% from the previous year, while Education expenses grew approximately 2.5%.



Business-Type Activities
Charges for goods and services for the state's combined business type activities were more than adequate to cover the operating expenses and resulted in net assets increasing by $181.6 million prior to transfers. Business-Type activities include the operations from the Liquor Commission, Lottery Commission, Unemployment Compensation Fund and Turnpike Fund.

Sales growth from the operations of the Liquor Commission resulted in net income of $111.6 million, a 5.5% increase from prior year, all of which was transferred to the General Fund to fund the general operations of the state. A decline in lottery ticket sales during the year contributed to a $77.0 million or 4.4% decrease in net income from the Lottery Commission which was transferred to the Education Fund.

Turnpike System net assets increased by $35.5 million or 10.2% as a result of growth in toll revenues primarily due to toll rate increases implemented during the year. The operations of Unemployment Compensation, resulted in a decrease in net assets of $42.6 million as a result of higher unemployment benefit payments this fiscal year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds
The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund
The general fund is the chief operating fund of the state. The total fund equity was $347.2 million. The general fund ended the year with a unreserved, undesignated surplus of $17.2 million which represents a $44.5 million decrease from the prior year. This decrease can be attributed to the effects of the weakening economy and tax revenues falling short of estimates.

Education Fund
The education fund, before year end transfers, had a deficit of $15.3 million. The general fund made a transfer of surplus to bring the education fund balance to zero at June 30. The deficit can be attributed to revenue shortfalls along with increases in adequate education grant payments.

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 72.

General Fund:

The increase from the original budget of $4,086 million to the final budget of $4,206 million is $120 million and represents additional appropriations issued after July 1, 2007 and are composed of the following (*in millions*):

• Dept. of Environmental Services State Revolving Loan Fund	$ 44
• DHHS Provider Payments	23
• Dept. of Safety Disaster Relief Assistance	15
• Office of Energy & Planning Fuel Assistance	12
• Dept. of Justice Criminal Justice Grants	5
• Various	21
Total	$ 120

The largest negative variances from the final budget to actual amounts were for grant revenues. Grants from Federal, Private and Local Sources had a combined unfavorable variance of $342 million. The unfavorable variances in grant revenues are due to timing differences that extend beyond the state's fiscal year and therefore revenue is not drawn down until expenditures are incurred.

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, 2008, amounted to $5.4 billion, with accumulated depreciation amounts of $2.5 billion, leaving a net book value of $2.9 billion, an increase of $151.2 million from prior year. The investment in capital assets includes equipment, real property, infrastructure, computer software, and construction in progress. Infrastructure assets are items that are normally immovable, of value only to the state and include only roads and bridges. The net book value of the state's infrastructure for its roads and bridges approximates $1.6 billion, which increased $112.0 million from the previous year as current year additions of $173.0 million exceeded depreciation of $61.0 million.

Additional information on the state's capital assets can be found in Footnote 4 of the Notes to the Financial Statements.

Debt Administration

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. At the end of the current fiscal year, the state had total bonded debt outstanding of $995.0 million. Of this amount, $738.0 million are general obligation bonds, which are backed by the full faith and credit of the state. The remainder of the state's bonded debt is Turnpike revenue bonds, which are secured by the specified revenue sources within the Turnpike System.

On January 10, 2008, the state issued $75 million of general obligation capital improvement bonds. The interest rate on these serial bonds range from 3.375% to 5.0%, and the maturity dates range from 2009 through 2027.

On March 12, 2008, the state issued $30 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 4.75%, and the maturity dates range from 2009 through 2028.

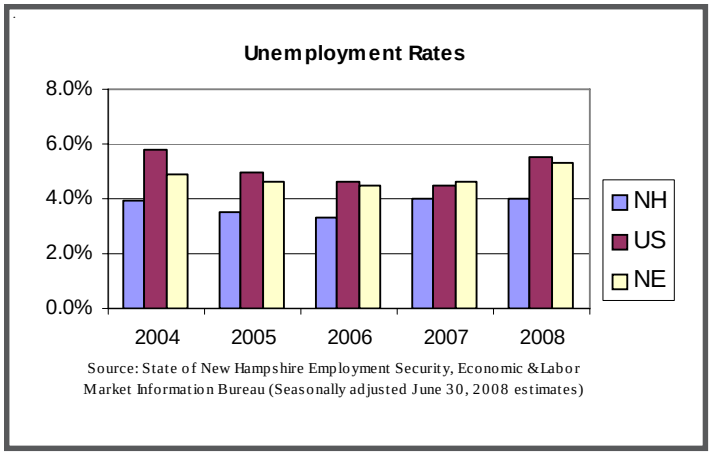
On March 12, 2008 the state issued $56.3 million of general obligation refunding bonds. The interest rate on these serial bonds is 5.0%, and the maturity dates range from 2016 through 2025. These bonds were used to refund $60.0 million of outstanding variable auction rate bonds.

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 Financial Statements.

Fitch Ratings and Standards & Poor's have assigned the state's bonds a rating of AA. Moody's Investors Service has assigned a rating for the state of Aa2.

ECONOMIC CONDITIONS AND OUTLOOK

Along with the nation and the region, the states economy is in a recession with difficult challenges ahead through much, if not all of 2009. Favorable tax climate for both business and the individual coupled with high quality of life and standard of living has made New Hampshire a competitive state. The state is forecasted to lead the region during the recovery in several areas including gross state product and employment. The state's unemployment rate of 4.0% continues to be below the New England and national averages of 5.3% and 5.5%, respectively.



General and Education Fund revenues for the first five months of fiscal year 2009 were 672.8 million, which were $95.4 million (12%) below plan and $50.5 million (7%) below the prior year. As experienced in fiscal year 2008, Business Taxes and the Real Estate Transfer Tax continue to drive the underperformance in revenues.

In preparing for the expected revenue shortfall in fiscal year 2009, the Governor issued executive orders in fiscal year 2008 to reduce fiscal year 2009 spending:

- Executive Order 2008-1, initially issued on February 22, 2008 and expanded to include all of fiscal year 2009 on June 17, 2008, is expected to reduce expenditures by $8 million.
- Executive Order 2008-9, issued on June 17, 2008, reduced fiscal year 2009 appropriations by $30.1 million.
- Executive Order 2008-8, issued on June 17, 2008, froze state purchases except those considered an emergency.

In addition to the budget reductions made by the above-described executive orders, the Governor and the Legislature cut judicial and legislative budgets for a total of $2.1 million, decreased the discounts received by liquor distributors to raise an additional $7.5 million, and closed a loophole on games of chance revenue to raise $1.5 million. These executive orders, legislative reductions and increases are expected to result in an additional $49.2 million toward the shortfall in the operating budget.

In addition, a provision was made in law to bond up to $40 million of the school building aid program, to the extent there is a general fund unreserved, undesignated deficit at the end of fiscal year 2009. The school building aid program reimburses school districts for a portion of principal payments made on school construction debt. This program has historically been funded from current revenues rather than long term bonding.

On October 15, 2008, the Commissioner of Administrative Services reported that state General and Education Fund revenues for fiscal year 2009 could fall short of budgeted revenues by approximately $250 million. Business profits and enterprise taxes and real estate transfer tax make up 75% of that projected shortfall. On October 2, 2008 the Governor requested an 8% expense reduction plan from all agencies in addition to the reductions made through Executive Orders 2008-1 and 2008-9. These additional reductions resulted in executive orders 2008-10 and 2008-11 which will further reduce expenditures by approximately $58 million. The Governor continues to work on a plan to address the remaining revenue shortfall of approximately $100 million. Given the current nature of the national and regional economies and of the financial markets, these estimates are likely to change and could worsen.

Going forward, the state will be monitoring revenue collections closely. The state will continue to manage spending with budget reductions and program savings initiatives where needed.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 456,462	$ 272,330	$ 728,792	$ 244,591
Cash and Cash Equivalents-Restricted		40,597	40,597	948
Receivables (Net of Allowances for Uncollectibles)	593,664	25,136	618,800	39,317
Other Receivables-Restricted				3,769
Internal Balances	(11,071)	11,071		
Due from Primary Government				9,610
Due from Component Units	12,637		12,637	
Inventories	12,737	27,935	40,672	
Other Current Assets		142	142	5,762
Total Current Assets	1,064,429	377,211	1,441,640	303,997
Noncurrent Assets:				
Receivables (Net of Allowances for Uncollectibles)	245,676		245,676	31,983
Due from Component Units	11,834		11,834	
Investments	27,594		27,594	368,811
Bond Issue Costs		3,108	3,108	
Other Assets		3,763	3,763	4,040
Capital Assets:				
Land & Land Improvements	576,443	113,895	690,338	14,440
Buildings & Building Improvements	685,424	25,161	710,585	1,217,103
Equipment & Computer Software	248,838	42,127	290,965	127,309
Construction in Progress	262,355	26,082	288,437	146,896
Infrastructure	2,865,262	611,156	3,476,418	
Less: Allowance for Depreciation	(2,269,870)	(244,926)	(2,514,796)	(560,340)
Net Capital Assets	2,368,452	573,495	2,941,947	945,408
Total Noncurrent Assets	2,653,556	580,366	3,233,922	1,350,242
Total Assets	3,717,985	957,577	4,675,562	1,654,239
LIABILITIES				
Current Liabilities:				
Accounts Payable	277,536	46,391	323,927	46,317
Accrued Payroll	48,544	2,436	50,980	3,672
Due to Primary Government				12,637
Due to Component Units	9,610		9,610	
Deferred Revenue	56,229	9,823	66,052	42,162
Unclaimed Property & Prizes	16,197	1,083	17,280	
General Obligation Bonds Payable	78,953	1,474	80,427	
Claims & Compensated Absences Payable	45,779	1,540	47,319	11,038
Other Postemployment Benefits Payable	55,153		55,153	5,117
Other Liabilities	4,923	6,694	11,617	6,832
Other Liabilities-Restricted		3,807	3,807	654
Revenue Bonds Payable-Restricted		13,270	13,270	
Revenue Bonds Payable				9,005
Total Current Liabilities	592,924	86,518	679,442	137,434
Noncurrent Liabilities:				
General Obligation Bonds Payable, Net	656,223	1,347	657,570	
Revenue Bonds Payable, Net		243,695	243,695	449,334
Claims & Compensated Absences Payable	76,031	5,707	81,738	29,991
Other Postemployment Benefits Payable	101,657		101,657	46,305
Due to Primary Government				11,834
Other Noncurrent Liabilities	3,715	364	4,079	57,699
Total Noncurrent Liabilities	837,626	251,113	1,088,739	595,163
Total Liabilities	$ 1,430,550	$ 337,631	$ 1,768,181	$ 732,597

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

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
NET ASSETS				
Invested in Capital Assets, net of related debt	$ 1,674,011	$ 316,330	$ 1,990,341	$ 495,116
Restricted for Debt Repayments		40,597	40,597	
Restricted for Unemployment Benefits		220,422	220,422	
Restricted for Permanent Funds-Non-Expendable	14,773		14,773	
Restricted for Prize Awards - MUSL & Tri-State		3,763	3,763	
Restricted for Environmental Loans	262,843		262,843	
Restricted for Revenue Stabilization	89,046		89,046	
Restricted Component Unit Net Assets				288,370
Unrestricted Net Assets	246,762	38,834	285,596	138,156
Total Net Assets	$ 2,287,435	$ 619,946	$ 2,907,381	$ 921,642

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

STATE OF NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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	$ 420,367	$ 192,436	$ 45,599	
Administration of Justice & Public Protection	420,120	315,613	92,699	$ (102)
Resource Protection and Development	138,215	62,406	44,438	9
Transportation	443,258	19,093	30,274	189,803
Health and Social Services	1,877,924	76,392	1,040,932	
Education	1,343,253	879	170,072	4,927
Interest Expense	26,115			
Total Governmental Activities	4,669,252	666,819	1,424,014	194,637
Business-type Activities:				
Turnpike System	80,411	107,075		8,816
Liquor Commission	367,847	479,448		
Lottery Commission	186,906	264,014		
Unemployment Compensation	119,645	77,051		
Total Business-type Activities	754,809	927,588		8,816
Total Primary Government	$ 5,424,061	$ 1,594,407	$ 1,424,014	$ 203,453
COMPONENT UNITS				
University System of New Hampshire	$ 658,874	$ 423,843	$ 117,139	$ 25,780
Non-Major Component Units	117,454	63,921	27,050	
Total Component Units	$ 776,328	$ 487,764	$ 144,189	$ 25,780

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

Payments from State of New Hampshire
Loss on Transfer of Net Assets to Component Unit
Transfers - Internal Activities
Total General Revenues and Transfers
Changes in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (182,332)		$ (182,332)	
(11,910)		(11,910)	
(31,362)		(31,362)	
(204,088)		(204,088)	
(760,600)		(760,600)	
(1,167,375)		(1,167,375)	
(26,115)		(26,115)	
(2,383,782)		(2,383,782)	
	$ 35,480	35,480	
	111,601	111,601	
	77,108	77,108	
	(42,594)	(42,594)	
	181,595	181,595	
$ (2,383,782)	$ 181,595	$ (2,202,187)	
			$ (92,112)
			(26,483)
			$ (118,595)
387,952		387,952	
1,329,137		1,329,137	
166,288		166,288	
151,321		151,321	
18,169		18,169	16,047
48,314		48,314	
			152,624
(106)		(106)	
188,602	(188,602)		
2,289,677	(188,602)	2,101,075	168,671
(94,105)	(7,007)	(101,112)	50,076
2,381,540	626,953	3,008,493	871,566
$ 2,287,435	$ 619,946	$ 2,907,381	$ 921,642

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

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Fund Financial Statements

Governmental Funds

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

Highway Fund: *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid 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, sweepstakes funds, and tobacco settlement funds.*

STATE OF NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 367,153	$ 29,554	$	$ 15,155	$ 411,862
Investments	18,550			9,044	27,594
Receivables (Net of Allowances for Uncollectibles)	504,488	32,209	35,404	1,622	573,723
Due from Other Funds	56,859	513	15,350		72,722
Due from Component Units	24,471				24,471
Inventories	5,573	6,250		914	12,737
Loans and Notes Receivables	264,279				264,279
Total Assets	$ 1,241,373	$ 68,526	$ 50,754	$ 26,735	$ 1,387,388
LIABILITIES					
Accounts Payable	$ 241,660	$ 23,233	$ 2,194	$ 10,308	$ 277,395
Accrued Payroll	42,361	5,327		856	48,544
Due to Other Funds	26,934		33,064	23,795	83,793
Due to Component Unit	9,610				9,610
Deferred Revenue	557,246	452	11,800		569,498
Unclaimed Property and Prizes	16,197				16,197
Other Liabilities	117				117
Total Liabilities	894,125	29,012	47,058	34,959	1,005,154
FUND BALANCES					
Reserved for Encumbrances	174,907	42,129		81,849	298,885
Reserved for Inventories	5,573	6,250		914	12,737
Reserved for Unexpended Appropriations	60,538	18,643	3,696	136,182	219,059
Reserved for Revenue Stabilization	89,046				89,046
Reserved for Permanent Trust				14,773	14,773
Unreserved, Undesignated (Deficit) (Note 14)	17,184	(27,508)			(10,324)
Unreserved, Fish & Game Fund				3,997	3,997
Unreserved (Deficit), Capital Project Fund				(245,939)	(245,939)
Total Fund Balances	347,248	39,514	3,696	(8,224)	382,234
Total Liabilities and Fund Balances	$ 1,241,373	$ 68,526	$ 50,754	$ 26,735	$ 1,387,388

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

STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

Total fund balances for governmental funds		$ 382,234
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,368,452
Certain tax revenues and loans are earned but not available and therefore are deferred in the funds:		
Business Taxes, I&D, Meals & Rooms, and Utility Property	183,204	
Medicaid Hospital Reimbursements	39,235	
Highway Fund Federal and Municipal Billings	139	
Indigent Representation Advances	3,376	
SRF Loans	262,844	
Component Unit Loans	24,471	513,269
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 is included in governmental activities in the Statement of Net Assets.		24,805
Certain long term liabilities are not payable by current available resources and therefore are not reported in the funds:		
Compensated Absences, Workers Compensation and Health Claims	(100,818)	
Other Postemployment Benefits	(156,810)	
Capital Lease Obligations	(5,146)	
Bond Payables	(735,176)	
Interest Payable	(3,375)	(1,001,325)
Net Assets of Governmental Activities		$ 2,287,435

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

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	General	Highway	Education	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Property Taxes	$ 232		$ 387,320		$ 387,552
Special Taxes	1,083,278		269,198		1,352,476
Personal Taxes	57,028		109,260		166,288
Business License Taxes	20,956	$ 151,321			172,277
Non-Business License Taxes	96,741	81,139		$ 9,223	187,103
Fees	131,270	21,247		1,158	153,675
Fines, Penalties and Interest	34,455	739		189	35,383
Grants from Federal Government	1,285,279	162,835		49,492	1,497,606
Grants from Private and Local Sources	138,128	9,287		267	147,682
Rents and Leases	949	102			1,051
Interest, Premiums and Discounts	22,569	848		1,023	24,440
Sale of Commodities	10,059	216		190	10,465
Sale of Service	58,690	3,806		3	62,499
Assessments	53,068	1			53,069
Grants from Other Agencies	1,772	776		4,717	7,265
Miscellaneous	113,706	12,515	40,000	1,909	168,130
Total Revenues	3,108,180	444,832	805,778	68,171	4,426,961
EXPENDITURES					
General Government	343,190		3,157		346,347
Administration of Justice and Public Protection	352,482	1,193			353,675
Resource Protection and Development	138,135			23,350	161,485
Transportation	11,324	294,054			305,378
Health and Social Services	1,836,789			1,229	1,838,018
Education	411,473		893,261		1,304,734
Debt Service	88,957	7,568		245	96,770
Capital Outlay	34,186	162,882		157,269	354,337
Total Expenditures	3,216,536	465,697	896,418	182,093	4,760,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,356)	(20,865)	(90,640)	(113,922)	(333,783)
OTHER FINANCING SOURCES (USES)					
Transfers In	10,814	7,347	15,322	2,503	35,986
Transfers in from Enterprise Funds	111,592		77,010		188,602
Transfers Out	(22,806)	(7,212)		(5,968)	(35,986)
Capital Lease Acquisition	198				198
Payments to Refunding Bond Escrow Agent				(60,000)	(60,000)
G.O. Bond Premiums				6,548	6,548
G.O. Bond Issuance				161,320	161,320
Total Other Financing Sources (Uses)	99,798	135	92,332	104,403	296,668
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,558)	(20,730)	1,692	(9,519)	(37,115)
Fund Balances - July 1	355,912	61,005	2,004	1,033	419,954
Change in Reserve for Inventory	(106)	(761)		262	(605)
Fund Balances - June 30	$ 347,248	$ 39,514	$ 3,696	$ (8,224)	$ 382,234

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

STATE OF NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

Net change in fund balance - total governmental funds		$ (37,720)
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		(46,376)
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	30,031	
Buildings & Building Improvements	23,592	
Equipment & Computer Software	29,805	
Construction in Progress	28,261	
Infrastructure	120,742	
Accumulated Depreciation, net of Disposals	(85,845)	146,586
Internal service funds are used by management to charge the costs of certain activities, such as risk management and health related fringe benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		(11,474)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.		
Bond Proceeds & Premiums Received	(167,868)	
Repayment of Bond Principal & Interest	147,412	
Accretion of Bonds Payable	(4,620)	
Accrued Interest & Amortization	1,076	(24,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Elimination of the following expenses resulted in a net increase from prior year:		
Changes in Compensated Absences, Workers Compensation and Health Claims	(1,651)	
Other Postemployment Benefits	(156,810)	
Change in Capital Lease Obligation	679	
SRF loan program	36,661	(121,121)
Change in net assets of governmental activities		$ (94,105)

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

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Proprietary Fund Financial Statements

Enterprise Funds:

Turnpike System: *The state constructs, maintains, and operates transportation toll facilities. The Turnpike System, presently consists of 93 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 631 total lane miles. The Turnpike Sysytem primarily serves the major cities located in the central and eastern sections of southern New Hampshire. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program.*

Liquor Commission: *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales 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.*

Lottery Commission: *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Education Fund and then transferred to the local school districts.*

New Hampshire Unemployment Trust Fund: *Receives contributions from employers and provides benefits to eligible unemployed workers.*

Internal Service Fund:

The employee benefit risk management fund reports the health related fringe benefit services for the state. The fund was created to account for the state's self-insurance program and to pool all resources to pay for the cost associated with providing these benefits to active employees and retirees.

STATE OF NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 54,057	$ 740	$ 249	$ 217,284	$ 272,330	$ 44,600
Cash and Cash Equivalents-Restricted	40,597				40,597	
Receivables (Net of Allowances for Uncollectibles)	4,095	8,507	2,910	9,624	25,136	1,338
Due from Other Funds		11,612			11,612	
Inventories	1,263	25,840	832		27,935	
Other Current Assets			142		142	
Total Current Assets	100,012	46,699	4,133	226,908	377,752	45,938
Noncurrent Assets:						
Bond Issue Costs	3,108				3,108	
Capital Assets:						
Land & Land Improvements	110,663	3,232			113,895	
Buildings & Building Improvements	4,828	20,333			25,161	
Equipment & Computer Software	35,656	5,971	500		42,127	
Construction in Progress	26,082				26,082	
Infrastructure	611,156				611,156	
Less: Allowance for Depreciation & Amortization	(228,021)	(16,648)	(257)		(244,926)	
Net Capital Assets	560,364	12,888	243		573,495	
Other Assets			3,763		3,763	
Total Noncurrent Assets	563,472	12,888	4,006		580,366	
Total Assets	663,484	59,587	8,139	226,908	958,118	45,938
LIABILITIES						
Current Liabilities:						
Accounts Payable	5,069	39,749	1,573		46,391	141
Accrued Payroll	791	1,477	168		2,436	
Due to Other Funds	513		28		541	
Deferred Revenue	6,833	1,873	1,117		9,823	
Unclaimed Prizes			1,083		1,083	
General Obligation Bonds Payable	1,474				1,474	
Revenue Bonds Payable-Restricted	13,270				13,270	
Accrued Interest Payable-Restricted	3,807				3,807	
Claims & Compensated Absences Payable	428	998	114		1,540	20,992
Other Liabilities	85	123		6,486	6,694	
Total Current Liabilities	32,270	44,220	4,083	6,486	87,059	21,133
Noncurrent Liabilities:						
General Obligation Bonds Payable	1,347				1,347	
Revenue Bonds Payable	243,695				243,695	
Claims & Compensated Absences Payable	2,798	2,602	307		5,707	
Other Noncurrent Liabilities		364			364	
Total Noncurrent Liabilities	247,840	2,966	307		251,113	
Total Liabilities	280,110	47,186	4,390	6,486	338,172	21,133
NET ASSETS						
Invested in Capital Assets, net of related debt	303,686	12,401	243		316,330	
Restricted for Debt Repayments	40,597				40,597	
Restricted for Prize Awards - MUSL & Tri-State			3,763		3,763	
Restricted for Unemployment Benefits				220,422	220,422	
Unrestricted Net Assets (Deficit)	39,091		(257)		38,834	24,805
Total Net Assets	$ 383,374	$ 12,401	$ 3,749	$ 220,422	$ 619,946	$ 24,805

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

STATE OF NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
OPERATING REVENUES						
Charges for Sales and Services		$ 460,540	$ 263,193	$ 65,553	$ 789,286	$ 220,679
Toll Revenue Pledged for Repaying Revenue Bonds	$ 104,204				104,204	
Total Operating Revenue	104,204	460,540	263,193	65,553	893,490	220,679
OPERATING EXPENSES						
Cost of Sales and Services		333,048	23,135		356,183	
Lottery Prize Awards			154,687		154,687	
Unemployment Insurance Benefits				119,645	119,645	
Insurance Claims						225,210
Administration	48,964	34,050	9,028		92,042	9,414
Depreciation	17,575	749	56		18,380	
Total Operating Expenses	66,539	367,847	186,906	119,645	740,937	234,624
Operating Income (Loss)	37,665	92,693	76,287	(54,092)	152,553	(13,945)
NONOPERATING REVENUES (EXPENSES)						
Licenses		3,598			3,598	
Beer Taxes		12,508			12,508	
Investment Income	2,546		821	11,498	14,865	2,471
Miscellaneous	325	2,802			3,127	
Interest on Bonds	(13,602)				(13,602)	
Amortization of Bond Issuance Costs	(270)				(270)	
Total Nonoperating Revenues (Expenses)	(11,001)	18,908	821	11,498	20,226	2,471
Income Before Grant Contributions	26,664	111,601	77,108	(42,594)	172,779	(11,474)
Grant Contributions	8,816				8,816	
Income Before Operating Transfers	35,480	111,601	77,108	(42,594)	181,595	(11,474)
Transfers Out to Governmental Funds		(111,592)	(77,010)		(188,602)	
Change in Net Assets	35,480	9	98	(42,594)	(7,007)	(11,474)
Net Assets - July 1	347,894	12,392	3,651	263,016	626,953	36,279
Net Assets - June 30	$ 383,374	$ 12,401	$ 3,749	$ 220,422	$ 619,946	$ 24,805

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Turnpike System	Liquor Commission	Lottery Commission	Unemployment Compensation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from federal and local agencies				$ 2,378	$ 2,378	
Receipts from customers	$ 103,901	$ 461,284	$ 138,068	54,354	757,607	$ 22,619
Receipts from interfund charges						197,888
Payments to employees	(12,159)	(19,893)	(2,289)		(34,341)	
Payments to suppliers	(32,667)	(344,053)	(6,523)		(383,243)	(9,372)
Payments to prize winners			(51,921)		(51,921)	
Payments for Insurance Claims				(110,038)	(110,038)	(223,808)
Payments for Interfund Services	(3,211)	(3,551)	(911)		(7,673)	
Net Cash Provided by (Used In) Operating Activities	55,864	93,787	76,424	(53,306)	172,769	(12,673)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to Other Funds		(113,376)	(78,490)		(191,866)	
Proceeds from Collection of Licenses and Beer Tax		16,105			16,105	
Net Cash Used for Noncapital and Related Financing Activities		(97,271)	(78,490)		(175,761)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition, Disposal and Construction of Capital Assets	(20,918)	(791)	(67)		(21,776)	
Grant Contributions	8,816				8,816	
Interest Paid on Revenue & General Obligation Bonds	(13,459)				(13,459)	
Principal Paid on Bonds	(13,964)				(13,964)	
Contributions from Other Funds		791			791	
Net Cash (Used) for Capital and Related Financing Activities	(39,525)		(67)		(39,592)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Other Income	2,999	2,811	821	11,498	18,129	2,471
Net Cash Provided by Investing Activities	2,999	2,811	821	11,498	18,129	2,471
Net Increase (Decrease) in Cash & Cash Equivalents	19,338	(673)	(1,312)	(41,808)	(24,455)	(10,202)
Cash and Cash Equivalents - July 1	75,316	1,413	1,561	259,092	337,382	54,802
Cash and Cash Equivalents -June 30	$ 94,654	$ 740	$ 249	$ 217,284	$ 312,927	$ 44,600
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:						
Operating Income (Loss)	$ 37,665	$ 92,693	$ 76,287	$ (54,092)	$ 152,553	$ (13,945)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	17,575	749	56		18,380	
Change in Operating Assets and Liabilities:						
Change in Receivables	(1,176)	713	(47)	129	(381)	(156)
Change in Inventories	465	(3,552)	104		(2,983)	
Change in Other Current Assets			(37)		(37)	
Change in Restricted Deposits-MUSL			(99)		(99)	
Change in Accounts Payable and other Accruals	463	3,153	34	657	4,307	25
Change in Claims Payable			14		14	1,403
Change in Deferred Revenue	872	31	112		1,015	
Net Cash Provided by (Used In) Operating Activities	$ 55,864	$ 93,787	$ 76,424	$ (53,306)	$ 172,769	$ (12,673)

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

Component Units Financial Statements

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	University System of New Hampshire	Non-Major Component Unit	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 218,848	$ 25,743	$ 244,591
Cash and Cash Equivalents-Restricted		948	948
Accounts Receivable	22,985	6,267	29,252
Other Receivables-Restricted		3,769	3,769
Due From Primary Government - Current Portion		9,610	9,610
Notes Receivable - Current Portion	4,837	5,228	10,065
Prepaid Expenses & Other	5,154	608	5,762
Total Current Assets	251,824	52,173	303,997
Noncurrent Assets:			
Investments	351,304	17,507	368,811
Notes & Other Receivables	19,571	12,412	31,983
Other Assets	2,760	1,280	4,040
Capital Assets:			
Land & Land Improvements	11,767	2,673	14,440
Building & Building Improvements	1,092,337	124,766	1,217,103
Equipment	121,451	5,858	127,309
Construction in Progress	137,437	9,459	146,896
Less: Accumulated Depreciation	(508,313)	(52,027)	(560,340)
Net Capital Assets	854,679	90,729	945,408
Total Noncurrent Assets	373,635	31,199	404,834
Total Assets	1,480,138	174,101	1,654,239
LIABILITIES			
Current Liabilities:			
Accounts Payable	43,062	3,255	46,317
Accrued Salaries and Wages		3,672	3,672
Accrued Employee Benefits - Current	6,544	4,494	11,038
Other Postemployment Medical Benefits - Current	5,117		5,117
Other Payables & Accrued Expenses		6,832	6,832
Other Liabilities-Restricted		654	654
Deposits and Deferred Revenues	35,581	6,581	42,162
Due to Primary Government - Current Portion	377	12,260	12,637
Long Term Debt-Current Portion	8,206	799	9,005
Total Current Liabilities	98,887	38,547	137,434
Noncurrent Liabilities:			
Revenue Bonds Payable	449,334		449,334
Accrued Employee Benefits - Current	29,991		29,991
Other Postemployment Medical Benefits - Current	46,305		46,305
Due to Primary Government	278	11,556	11,834
Other Long Term Debt	19,469	38,230	57,699
Total Noncurrent Liabilities	545,377	49,786	595,163
Total Liabilities	644,264	88,333	732,597
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	432,454	62,662	495,116
Restricted for Endowments	278,943		278,943
Restricted for Specific Purposes		5,657	5,657
Restricted for Long Term Receivable		3,770	3,770
Total Restricted Net Assets	711,397	72,089	783,486
Unrestricted Net Assets	124,477	13,679	138,156
Total Net Assets	$ 835,874	$ 85,768	$ 921,642

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

STATE OF NEW HAMPSHIRE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	University System of New Hampshire	Total Non-Major	Total
Expenses	$658,874	$117,454	$776,328
Program Revenues:			
Charges for Services:			
Tuition & Fees	317,554	35,082	352,636
Scholarship Allowances	(84,210)		(84,210)
Sales, Services, & Other Revenue	190,499	28,839	219,338
Operating Grants & Contributions	117,139	27,050	144,189
Capital Grants & Contributions	25,780		25,780
Total Program Revenues	566,762	90,971	657,733
Net Revenues (Expenses)	(92,112)	(26,483)	(118,595)
Interest & Investment Income	12,876	3,171	16,047
Payments (to) from State of New Hampshire	116,235	36,389	152,624
Change in Net Assets	36,999	13,077	50,076
Net Assets - Beginning	798,875	72,691	871,566
Net Assets - Ending	$835,874	$ 85,768	$921,642

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

Fiduciary Funds Financial Statements

Pension Trust Funds:

New Hampshire Retirement System - *The New Hampshire Retirement System (NHRS) is the administrator of a cost-sharing multiple employer contributory pension plan and trust established on July 1, 1967, and is intended to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts. The NHRS is a component unit of the state.*

New Hampshire Judicial Retirement Plan *The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 and is a contributory pension plan and trust intended to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a component unit of the state.*

Private-Purpose Trust Funds: *Private-Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.*

Investment Trust Fund: *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Fiduciary Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund. NHPDIP financial statements can be obtained by contacting NHPDIP at 5 Country View Drive, Raymond, NH 03077.*

Agency Funds: *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. The Unified Court System Litigation accounts which are held pending judicial judgements and Child Support Funds are two of the larger agency funds of the state.*

STATE OF NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 2,904	$ 5,703		$ 16,769
Cash Collateral on Security Lending	510,542			
Total Cash	513,446	5,703		16,769
Receivables:				
Due from Employers	21,617			
Due from State	7,229			
Due from Plan Members	15,739			
Due from Group I State Employee OPEB Plan	16,917			
Due from Brokers for Securities Sold	35,586			
Interest and Dividends	13,267			
Other	4,488		491	
Total Receivables	114,843		491	
Investments	5,592,771	23,258	322,835	2,857
Other Assets	2,125			
Total Assets	6,223,185	28,961	323,326	19,626
LIABILITIES				
Securities Lending Collateral	510,542			
Management Fees and Other Payables	6,523		119	
Due to Group I Political Subdivision OPEB Plan	16,917			
Due to Brokers for Securities Purchased	40,299			
Custodial Funds Payable				19,626
Other Liabilities		79		
Total Liabilities	574,281	79	119	19,626
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,648,904	$ 28,882	$ 323,207	

RECONCILIATION OF NET ASSETS HELD IN TRUST:			
Employees' Pension Benefits	$ 5,477,061		
Employees' Postemployment Healthcare Benefits	171,843		
Net Assets for Pool Participants in External Investment Pool			$ 323,207
Other Purposes		$ 28,882	
Net Assets Held in Trust for Benefits & Other Purposes	$ 5,648,904	$ 28,882	$ 323,207

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

STATE OF NEW HAMPSHIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Investment Trust Funds
ADDITIONS			
Contributions:			
Employer	$ 200,945		
State Contributions on Behalf of Local Employers	50,202		
Total Employer Contributions	251,147		
Plan Members	158,552		
From Participants		$ 12,865	$ 523,960
Total Contributions	409,699	12,865	523,960
Investment Income:			
From Investing Activities:			
Net Appreciation (Depreciation) in Fair Value of Investments	(390,142)	10,255	
Interest Income	64,785	524	
Dividends	39,097		
Alternative Investment Income	1,742		
Commercial Real Estate Operating Income	23,016		
Net Increase in Joint Value from Investment Income			16,233
Total Income (Loss) from Investing Activities	(261,502)	10,779	16,233
Less: Investment Activity Expenses:			
Investment Management Fees	20,169		
Custodial Fees	555		
Investment Advisor Fees	1,213		
Total Investment Activity Expenses	21,937		
Total Net Income (Loss) from Investing Activities	(283,439)	10,779	16,233
From Securities Lending Activities:			
Security Lending Income	21,557		
Less: Security Lending Borrower Rebates	27,014		
Less: Security Lending Management Fees	-		
Net Income from Securities Lending Activities	(5,457)		
Total Net Investment Income (Loss)	(288,896)	10,779	16,233
Interest Income	439		
Other	1,774		
Total Additions	123,016	23,644	540,193
DEDUCTIONS			
Benefits/Distributions to Participants	448,315	2,437	16,233
Refunds of Contributions	32,297		
Administrative Expense	6,984		
Professional Fees	1,424		
Interest Expense	439		
Other	1,968	24,003	529,111
Total Deductions	491,427	26,440	545,344
Change in Net Assets	(368,411)	(2,796)	(5,151)
NET ASSETS HELD IN TRUST FOR BENEFITS & OTHER PURPOSES			
Beginning of the Year	6,017,315	31,678	328,358
End of the Year	$ 5,648,904	$ 28,882	$ 323,207

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of New Hampshire (the state) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

For financial reporting purposes, the state's reporting entity includes all funds, organizations, agencies, boards, commissions, authorities and the state has considered all potential component units for which the state is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities, which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. Complete audited financial statements of the individual component units can be obtained from the respective entities.

The component unit columns of the government-wide financial statements include the financial data of the following entities:

Major Component Unit

University System of New Hampshire - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and Executive Council and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges of the system, the alumni, and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. USNH financials can be obtained by contacting, USNH at 18 Garrison Avenue, Durham NH 03824.

Non-major Component Units

Business Finance Authority of the State of New Hampshire - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees outstanding loans and principal on bonds of the BFA as of June 30, 2008, which creates the potential for the BFA to impose a financial burden on the state. BFA's financials can be obtained by contacting, BFA at 2 Pillsbury Street, Suite 201, Concord NH 03301.

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

Pease Development Authority - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the Governor and state legislative leadership, and three members are appointed by the city of Portsmouth and the town of Newington. The state currently guarantees outstanding loans and principal on bonds of the PDA and has issued bonds on behalf of the PDA as of June 30, 2008, 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, 360 Corporate Drive, Portsmouth NH 03801.

Pursuant to Chapter 290 Laws of 2001, the New Hampshire State Port Authority, a former department of the primary state government, was transferred to the PDA effective July 1, 2001.

The Community College System of New Hampshire (CCSNH) Formally the Department of Regional Community-Technical Colleges, 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 currently includes colleges in Berlin, Claremont, Concord, Laconia, Manchester, Nashua and Stratham/Portsmouth. It is governed by a single board of trustees with its 19 voting members appointed by Governor and Executive Council. The CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations. Each college within the CCSNH and the chancellor's office are considered separate budgetary units. The CCSNH prepares a biennial operating budget for presentation to the Governor and the General Court. The CCSNH continues to use the financial and administrative services of the State Treasurer and State Department of Administrative Services, but the expenses related to these services have not been allocated to the CCSNH but rather remain as an expense to the Primary Government. The use of State services has a sunset provision of July 1, 2009.

With the establishment of the CCSNH, certain net assets of the primary government attributable to the CCSNH, were transferred. Included in the transfer were only those capital assets and related bonds payable which were deemed self-funded by the CCSNH.

Fiduciary Component Units:

The state's fiduciary component units consists of the Pension Trust Fund, which represents the assets and liabilities of the following:

New Hampshire Retirement System - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a 14 member board of Trustees on which the state does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over the administrative costs of the System.

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

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

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

These component units are presented in the fiduciary funds, along with other fiduciary funds of the state, and they have been omitted from the states government-wide financial statements.

Related Organizations:

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

Those organizations are:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. Certain indirect costs are included in program expenses reported for individual functions.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. 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. 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, except for federal grants, the state generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences and claims and judgments are recorded only when payment is due.

Proprietary Fund, Fiduciary Funds and Similar Component Units, and Discrete Component Unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

In reporting proprietary activities, including component units, the state only applies applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, for its business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Financial Statement Presentation

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The state reports the following major governmental funds:

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

Highway Fund: The Highway Fund is used to account for the revenues and expenditures used in the construction and maintenance of the state's public highways and the supervision of traffic thereon.

Education Fund: In fiscal year 2000, the Education Trust Fund was created in accordance with Chapter 17:41, Laws of 1999. The fund is non-lapsing and is used to distribute adequate education grants to school districts.

The state reports the following major enterprise funds:

The *Liquor Commission* accounts for the operations of state-owned liquor stores and the sales of all beer and liquor sold in the state.

The *Lottery Commission* accounts for the operations of the state's lottery games.

The *Turnpike System* accounts for the revenues and expenditures used in the construction, maintenance and operations of transportation toll facilities.

The *New Hampshire Unemployment Trust Fund* receives contributions from employers and provides benefits to eligible unemployed workers.

Additionally, the state reports the following non-major funds:

Governmental Fund Types

Capital Projects Fund - used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the state or its citizenry.

Proprietary Fund Types

Internal Service Fund - provides services primarily to other agencies or funds of the state, rather than to the general public. These services include health related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types

Pension (and Other Employee Benefits) Trust Fund – report resources that are required to be held in trust for the members and beneficiaries of the state's contributory defined benefit plans, and post employment benefit plan. The New Hampshire Retirement System and The New Hampshire Judicial Retirement plan are component units of the State.

Investment Trust Fund - accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Reporting Periods

The accompanying financial statements of the state are presented as of June 30, 2008, and for the year then ended, except for the New Hampshire Judicial Retirement Plan which is as of December 31, 2007.

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund, which are reported at net amortized cost because it qualifies as a 2a7-like pool.

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 representing amounts owed by the taxpayers, which are received by the state within 60 days after year-end, except for federal grants, which reimburse the state for expenditures incurred pursuant to federally funded programs. Tax revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. Both the Lottery and Liquor use the lower of cost or market to value their inventories. Lottery uses the first-in, first-out method and Liquor uses the average cost method. All other inventories in the governmental and proprietary funds are stated at average cost.

Governmental fund inventories are recorded under the purchase method. Reported inventory balances in the governmental funds are offset by a fund balance reserve that indicates they do not constitute "available expendable resources".

H. RESTRICTED ASSETS

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

I. 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. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is capitalized when the cost of individual items exceed $10,000, and all other capital assets are capitalized when the cost of individual items or projects exceed $100,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government and the component units are depreciated using the straight-line method over the following useful lives:

Equipment	5 years
Buildings	40 years
Building improvements	20 years
Infrastructure	50 years
Computer software	5 years

J. DEFERRED REVENUE

In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to their being earned. In the governmental fund financial statements deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness. The liability for compensated absences is recorded on the accrual basis in the government-wide and proprietary fund financial statements.

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are "due and payable" and recorded in the fund only for employee resignations and retirements that occur before year-end and were paid out after year-end.

L. ENCUMBRANCES

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. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND BALANCES

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets, which, by their nature, are not available for appropriations (Reserve for Inventories); 2) funds legally segregated for a specific future use (Reserve for Encumbrances); 3) segregated

by legal restrictions (Reserve for Permanent Funds). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. As amended by Chapter 158:41, Laws of 2001, at the close of each fiscal biennium, any General Fund undesignated fund balance, remaining after Education Trust Fund transfer, is distributed to the Revenue Stabilization account. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserve for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

Not withstanding the provisions of RSA 9:13-e, Chapter 263:110, Laws of 2007 directed that any surplus in excess of $20.0 million for the close of the fiscal biennium ending June 30, 2007, shall not be deposited in the revenue stabilization reserve account but shall remain in the general fund. Therefore, at the end of fiscal year 2007, $20.0 million was transferred to the revenue stabilization account bringing the balance up to $89.0 million at June 30, 2007. The balance at June 30, 2008 remained at 89.0 million.

N. CAPITAL OUTLAYS

Capital outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state capital highway construction program.

O. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

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.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by state law or by outside restriction (e.g. federal grants), available only for specified purposes. Unused restricted revenues at year end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the state's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Debt Service" or "Capital Outlay." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for real property or infrastructure (e.g. highways).

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. administration and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources (Uses) – these additions to and reductions from governmental resources in fund financial statements normally result from transfers from/to other funds and include financing provided by bond proceeds. Legally required 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 are: 1) activities between funds reported as governmental activities and funds reported as business-type activities (e.g. transfers of profits from the Liquor Commission to General Fund and the Sweepstakes Commission to the Education Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources.

Interfund Balances – Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

R. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

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 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 and proprietary funds, with the exception of the Capital Projects Fund. 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 comparisons statement. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated 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 reservation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the combined balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

DEPOSITS:

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

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

Custodial Credit Risk: The custodial risk for deposits is the risk that in the event of a bank failure, the state's deposits may not be recovered.

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

All depositories used by the state must be approved at least annually by the Governor and Executive Council. All commercial paper must be from issuers having an A1/P1 rating or better and an AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposits must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

Whereas all payments made to the state are to be in U.S dollars, foreign currency risk is essentially nonexistent on state deposits.

As of June 30, 2008, the state's carrying value for deposits was $564.7 million. The table below details the state's bank balances at June 30, 2008 exposed to custodial credit risk (expressed in thousands):

	Governmental & Business Type			Fiduciary		
Type	Insured	Collateral & held in State's name	Uncollateralized	Insured	Collateral & held in State's name	Uncollateralized
Demand Deposits	$ 300	$ 74,776	$ -	$ -	$ 4,236	$ 6,482
Money Market	-	159,119	179,319	-	-	6,802
Savings Accounts	100	-	950	-	8,793	576
CDs	1,300	95,333	68,700	-	-	77
Total	$ 1,700	$ 329,228	$ 248,969	$ -	$ 13,029	$ 13,937

INVESTMENTS:

The Treasury Department has adopted policies to ensure reasonable rates of return on investments while minimizing risk factors. Approved investments are defined in statute (RSA 6:8, 387:6, 387:6-a, and 387:14). Additionally, investment guidelines exist for operating funds as well as trust and custodial funds. All investments will be denominated in U.S. dollars. As of June 30, 2008, the state had the following types of investments:

(Fair values in thousands)

Investment Type	Governmental & Business Type	Fiduciary
Stocks	$ 18,285	
Corporate Bonds	1,368	
US Treasury	521	
US Government Agencies	8,115	
Equity Open Ended Mutual Funds	2,104	$ 23,996
Fixed Income Open Ended Mutual Funds	3,502	689
Unemployment Compenation External Pool (special issue bonds guaranteed by US government)	217,284	
NH Public Deposit Investment Pool (internal investment held by Treasury)	1,481	
NH Public Deposit Investment Pool (Internal investment held by NHH patient agency fund)		171
External Portion of NH Public Deposit Investment Pool		322,835
Totals	$ 252,660	$ 347,691

The table below reconciles the cash and investments in the financial statements to the footnote (expressed in thousands):

Reconciliation Between Financial Statements and Footnote

		Unrestricted		Restricted		
		Cash and Cash Equivalents	Investments	Cash and Cash Equivalents	Investments	Total
Per Statement of Net Assets	Primary Government	$ 728,792	$ 27,594	$ 40,597	$ -	$ 796,983
Per Statement of Fiduciary Net Assets	Private Purpose	5,703	23,258			28,961
	Investment Trust		322,835			322,835
	Agency Funds	16,769	2,857			19,626
	Total per Financial Statements	**$ 751,264**	**$ 376,544**	**$ 40,597**	**$ -**	**$ 1,168,405**

Per Footnote	
Cash On Hand	$ 3,356
Carrying Amount of Deposits	564,698
Investments	600,351
Total Per Footnote	**$ 1,168,405**

Repurchase Agreements:
Repurchase agreements must be executed through a New Hampshire or Massachusetts bank with assets in excess of $500 million and has either the strongest rating as measured by Veribanc, Inc. or has a long term debt rating of AA- or better as rated by Standard and Poor's and Fitch or Aa3 or better as rated by Moody's. Repurchase agreements may also be executed through any of the primary government security dealers as designated by the Federal Reserve.

Custodial Credit Risk: The state's repurchase agreements are all with banking institutions and therefore subject to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the state's deposits may not be recovered.

Interest Rate Risk: The Term Repurchase Agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the state's investments. The state measures its interest rate risk using the weighted average maturity method (WAM). The state's WAM is dollar weighted in terms of years.

As of June 30, 2008, the state's bank balances were exposed to custodial credit risk and interest rate risk as follows (expressed in thousands):

	Governmental & Business Type			
	Custodial Credit Risk			
Type	Insured	Collateralized	Uncollateralized	
Overnight Repurchase Agreements	$ -	$ 19,391	$ -	
Total	$ -	$ 19,391	$ -	

Stocks:
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.

Concentration Risk: The risk of loss attributed to the magnitude of the state's investment in a single issuer. The top 10 issuers as of June 30, 2008 are noted below (expressed in thousands):

	Governmental			
	General Fund			
Name / Issuer	Aband. Property	Permanent Funds	Total	% of Total
Metlife Inc (1)	$ 7,426	$ 37	$ 7,463	40.8%
A T & T Inc	1,335	-	1,335	7.3%
Prudential Finl Inc	537	-	537	2.9%
Exxon Mobil Corp	494	110	604	3.3%
Vodafone Grp Plc	427	-	427	2.3%
Chevron Corp	341	99	440	2.4%
Toronto Dominion Bk Ont	319	-	319	1.7%
Manulife Finl Corp	306	-	306	1.7%
Canadian Natl Ry Co	297	-	297	1.6%
Verizon Communications	264	-	264	1.4%

(1) The state holds Metlife Inc. securities as a result of shares forwarded to the state related to abandoned property.

Custodial Risk: The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of investments that are in the possession of an outside party. All the state's stocks are uninsured, registered in the state's name and held by the custodian. Custodial credit quality with respect to investments is mitigated primarily through selection criteria aimed at investing only with high quality institutions where default is extremely unlikely.

New Hampshire Public Deposit Investment Pool (NHPDIP):
The NHPDIP 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. NHPDIP's audited financial statements can be obtained by contacting NHPDIP at 497 Belknap Mountain Rd, Gilford NH 03249.

Credit Risk: The risk that the issuer or other counterparty will not fulfill its obligations. Neither the equity mutual fund or PDIP are rated.

Debt Securities: The state invests in several types of debt securities including corporate and municipal bonds, securities issued by the US Treasury and Government Agencies, mutual funds and investment pools.

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

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

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

The state's exposed risks at June 30, 2008 are noted below (expressed in thousands):

	Governmental & Business Type			**Fiduciary**		
Type	**Credit Risk**		**Interest Rate Risk**	**Credit Risk**		**Interest Rate Risk**
	Grade	Unrated	WAM in years	Grade	Unrated	WAM in years
Corporate Bonds	$ 1,363	$ 5	2.1	-	-	-
US Treasury	521	-	3.5	-	-	-
US Government Agencies	8,115	-	0.6	-	-	-
Fixed Income Open Ended Mutual Funds	-	3,502	4.9	-	$ 689	5.3
Unemployment Compensation Fund Pool (special issue bonds guaranteed by US govt)	-	217,284	3.09	-	-	-

Debt Securities (continued):

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

The state's top ten issuers at June 30, 2008 are listed below (expressed in thousands):

	Governmental & Business Type	
Issuer	Fair Value	% of Total
Dow Chem Co	$ 253	18.5%
Goldman Sachs Group Inc	152	11.1%
Boeing Cap Corp	105	7.7%
SBC Communications Inc	103	7.6%
FPL Group Cap Inc	103	7.6%
Target Corp	102	7.5%
Aflac Inc	102	7.5%
Lehman Bros Hldgs Inc	102	7.5%
National City Bank Cleve	88	6.4%
Suntrust Banks Inc	78	5.7%

MAJOR COMPONENT UNIT (University System of New Hampshire)

Cash and Cash Equivalents (expressed in thousands):
Highly liquid investments with a maturity of 90 days or less when purchased are recorded as cash and cash equivalents. Cash and cash equivalents at June 30 consisted of the following:

	2008
Cash & Repurchase agreements.....	$ 6,030
Money Market Funds.....	146,492
Total Cash & Cash Equivalents.....	$ 152,522

Included in the cash and repurchase agreements balances at June 30, 2008 were $3,061 in repurchase agreements, $9,470 in cash and a net cash overdraft of $6,501. Repurchase agreements were limited to overnight investments only.

Investments (expressed in thousands):
Investments include operating investments, debt proceeds held by others for construction purposes, and endowment and similar investments. Investments are maintained with established financial institutions whose credit is reviewed by management and the respective governing boards of USNH and it's affiliated entities. The carrying amount of these financial instruments approximates fair value.

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

Operating Investments

Unlike the long-term operations investments discussed below, operating investments included in current assets, are amounts invested to meet regular operations of USNH and include obligations of the U.S. Government, commercial paper, and money market funds. Operating investments have an original maturity of more than 90 days, are highly liquid and are invested for purposes of satisfying current liabilities and generating investment income to support operating expenses. The components of operating investments at June 30 are summarized below (expressed in thousands):

	2008	
	Balance	Weighted Average Maturity
Obligations of the U.S. Government	$ 31,335	3 years
Corporate Bonds & Notes	7,341	4 Years
Money Market and other Mutual Funds	14,129	Not Applicable
Current portion of Debt proceeds held by others	6,724	Not Applicable
Commercial Paper (at estimated fair value)	6,644	Not Applicable
Other Accounts	153	Not Applicable
Total:	$ 66,326	

Operating investments in mutual funds are uninsured and uncollateralized against custodial credit risk.

Debt Proceeds Held By Others for Construction Purposes:

At June 30, 2008 total debt proceeds held by others included $32,195 of construction proceeds held by the bond trustee.

Debt proceeds held by others for construction purposes consisted of the following investments at June 30, 2008 (expressed in thousands):

	2008	
	Balance	Weighted Average Maturity
Guaranteed investment contracts	$ 10,782	123 days
Money market funds	28,137	Not Applicable
Total Debt proceeds held by others	38,919	
Less: current portion	(6,724)	
Long-term portion	32,195	
Operating amounts invested alongside endow ment pool	6,830	
Total:	$ 39,025	

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

Long-term operating investments represent unrestricted amounts invested alongside the campuses endowment pool which are not expected to be liquidated in the next year, but which are available for operations if needed. The balance of long-term operating investments at June 30, 2008 was $6,830. These amounts consisted of ownership shares of the campuses endowment pool and, therefore, the components, credit risk, and all other investment characteristics are identical to those described below.

Endowment and Similar Investments:

Endowment and similar investments are amounts invested primarily for long-term appreciation and consisted of the following as of June 30 (expressed in thousands):

	2008
Money Market Funds	$ 13,461
Mutual Funds-Bonds	32,016
Mutual Funds-Stocks	54,813
Mutual Funds-Real Estate	2,867
U.S. Government Obligations	18,862
Corporate Bonds and Notes	421
Common/Preferred Stocks	98,250
Alternative Investments	78,901
Investments Held by Others	19,518
Operating amounts invested alongside endowment pool	(6,830)
Total endowment and similar investments	$ 312,279

The estimated fair value of investments is based on quoted market prices except for certain investments, primarily private equity partnerships, hedge funds and similar alternative investments, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers within the past fiscal year, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Because the alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market for such investments existed.

Mutual funds, common stocks, and alternative investments are uninsured and uncollateralized against custodial credit risk. The endowment investment policies of the governing boards of USNH and its affiliated entities mitigate the risk associated with uninsured and uncollateralized investments collectively through diversification, target allocations and ongoing investment review.

3. RECEIVABLES

The following is a breakdown of receivables at June 30, 2008 (expressed in thousands):

	Governmental	Business-Type	Total	Major Component Unit
Short Term Receivables				
Taxes:				
Meals and Rooms	$ 23,884		$ 23,884	
Business Taxes	211,585		211,585	
Tobacco	16,994		16,994	
Estate and Legacy	90		90	
Real Estate Transfer	11,500		11,500	
Interest & Dividends	33,681		33,681	
Communications	7,199		7,199	
Utility Property Tax	11,800		11,800	
Gasoline Road Toll	11,315		11,315	
Beer		$ 1,200	1,200	
Subtotal	328,048	1,200	329,248	
Other Receivables:				
Turnpike System		4,095	4,095	
Liquor Commission		7,307	7,307	
Lottery Commission		2,910	2,910	
Unemployment Trust Fund		16,373	16,373	
Internal Service Fund	1,338		1,338	
Board and Care	1,878		1,878	
Federal Grants	192,991		192,991	$ 14,110
Local Grants	44,116		44,116	
Miscellaneous	76,722		76,722	12,231
Short Term Portion Of State Revolving Loan Fund.	18,603		18,603	
Short Term Portion Of Note/Pledge Receivable				4,837
Subtotal	335,648	30,685	366,333	31,178
Total Current Receivables (Gross)	663,696	31,885	695,581	31,178
Long Term Receivables				
State Revolving Loan Fund	244,240		244,240	
Miscellaneous	1,436		1,436	
Note/Pledge Receivable				19,571
Total Long Term Receivables (Gross)	245,676		245,676	19,571
Allowance for Doubtful Accounts	(70,032)	(6,749)	(76,781)	(3,356)
Total Receivables (Net)	$ 839,340	$ 25,136	$ 864,476	$ 47,393

State Revolving Loan Fund:

Primary Government: As of June 30, 2008, total water pollution control loans outstanding of $262.8 million were recorded in the state's general fund. This amount was offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established by RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund, enabling the fund balance to be available in perpetuity.

Major Component Unit: The component unit balance is University System of New Hampshire Perkins Loans, pledges and other college and university loans of $47.4 million.

Deferred Revenue:

Primary Government: Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2008, the various components of deferred revenue ($569.5 million) reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes & Fees receivable	$ 209,282	
Loans receivable	287,313	
Federal/Local receivables	16,674	
Receipts in advance of eligibility requirements		$ 56,229
Total	$ 513,269	$ 56,229

4. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2008, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 449,798	$ 28,996	$ -	$ 478,794
Construction in Progress *	234,094	165,221	(136,960)	262,355
Work in Progress Computer Software	23,982	13,923	(3,709)	34,196
Total Capital Assets not being depreciated	707,874	208,140	(140,669)	775,345
Other Capital Assets:				
Equipment & Computer Software	195,051	28,499	(8,908)	214,642
Buildings & Building Improvements *	661,832	36,068	(12,476)	685,424
Land Improvements	96,614	1,035		97,649
Infrastructure	2,744,520	120,742		2,865,262
Total Other Assets	3,698,017	186,344	(21,384)	3,862,977
Less accumulated depreciation for:				
Equipment & Computer Software	(154,676)	(29,358)	8,908	(175,126)
Buildings & Building Improvements *	(288,189)	(19,266)	3,638	(303,817)
Land Improvements	(80,603)	(3,032)		(83,635)
Infrastructure	(1,660,557)	(46,735)		(1,707,292)
Total Accumulated Depreciation	(2,184,025)	(98,391)	12,546	(2,269,870)
Other Capital Assets, Net	1,513,992	87,953	(8,838)	1,593,107
Governmental Activities Capital Assets, Net	$ 2,221,866	$ 296,093	$ (149,507)	$ 2,368,452

* During fiscal year 2008, $12.5 million of Buildings & Building Improvements with related accumulated depreciation of $3.6 million and $0.1 million of Construction in Progress were transferred to the Community College System of New Hampshire.

Business-Type Activities:				
Turnpike:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 110,412	$ 588	$ (337)	$ 110,663
Construction in Progress	58,984	21,542	(54,444)	26,082
Capital Assets not being depreciated	169,396	22,130	(54,781)	136,745
Other Capital Assets:				
Equipment	33,468	2,717	(529)	35,656
Buildings & Building Improvements	4,828			4,828
Infrastructure	558,936	52,220		611,156
Total Capital Assets	766,628	77,067	(55,310)	788,385
Less accumulated depreciation for:				
Equipment	(18,162)	(3,277)	530	(20,909)
Buildings & Building Improvements	(2,747)	(73)		(2,820)
Infrastructure	(190,067)	(14,225)		(204,292)
Total Accumulated Depreciation	(210,976)	(17,575)	530	(228,021)
Turnpike Capital Assets, Net	$ 555,652	$ 59,492	$ (54,780)	$ 560,364
Liquor:				
Capital Assets not being depreciated:				
Land & Land Improvements	$ 2,355			$ 2,355
Other Capital Assets:				
Equipment	8,969	$ 199	$ (3,197)	5,971
Buildings & Building Improvements	19,918	437	(22)	20,333
Land Improvements	877			877
Total Capital Assets	32,119	636	(3,219)	29,536
Less accumulated depreciation for:				
Equipment	(8,538)	(225)	3,188	(5,575)
Buildings & Building Improvements	(9,885)	(511)	22	(10,374)
Land Improvements	(686)	(13)		(699)
Total Accumulated Depreciation	(19,109)	(749)	3,210	(16,648)
Liquor Capital Assets, Net	$ 13,010	$ (113)	$ (9)	$ 12,888
Lottery Commission:				
Equipment	$ 443	$ 64	$ (7)	$ 500
Less Accumulated Depreciation for Equipment:	(208)	(56)	7	(257)
Lottery's Capital Assets, Net	$ 235	$ 8	$ -	$ 243

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

Governmental Activities:	
General Government	$ 5,695
Administration of Justice and Public Protection	14,654
Resource Protection and Development	6,527
Transportation	62,675
Health and Social Services	5,736
Education	3,104
Total Governmental Activities Depreciation Expense	$ 98,391

The state possesses certain capital assets that have not been capitalized and depreciated, these assets include works of art and historical treasures such as statues, monuments, paintings and miscellaneous capitol-related artifacts and furnishings. These collections meet all of the following criteria.

A. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
B. Protected, kept unencumbered, cared for, and preserved.
C. Subject to an organizational policy that required the proceeds from the sales of collection items to be used to acquire other items for the collection.

Major Component Unit: The following is a rollforward of Capital Assets for the University of New Hampshire, (Expressed in Thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	$ 10,709	$ 1,058		$ 11,767
Building and Building Improvements	961,740	131,187	$ (590)	1,092,337
Equipment	121,887	7,146	(7,582)	121,451
Construction in Progress	163,527	(26,090)		137,437
Subtotal	$ 1,257,863	$ 113,301	$ (8,172)	$ 1,362,992
Less: Accumulated Depreciation	(476,058)	(39,683)	7,428	(508,313)
Total	$ 781,805	$ 73,618	$ (744)	$ 854,679

5. LONG TERM-DEBT

PRIMARY GOVERNMENT

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to $439.0 million at June 30, 2008. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Capital Projects Fund	$ 247,923
Turnpike System	191,050
Total	$ 438,973

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 $586 million of bonds to support this project. The state has issued $395 million of revenue bonds for this project.

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, 2008
Governmental Fund Types (General Obligation Bonds):	
December, 2006	$ 108,965
Subtotal	$ 108,965

Bond Issues:

On January 10, 2008, the state issued $75 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 3.375% to 5.0%, and the maturity dates range from 2009 through 2027.

On March 12, 2008, the state issued $30 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 4.75%, and the maturity dates range from 2009 through 2028.

On March 12, 2008 the state issued $56.3 million of general obligation refunding bonds. The maturity dates on these serial bonds range from 2016 through 2025. These bonds were used to refund $60.0 million of outstanding variable auction rate bonds. By early 2008, the auction rate security market began to experience unprecedented instability accompanied by a rapid rise in rates. This refunding transaction replaced the variable debt with highly stable fixed rate bonds at an interest rate of 5.0%.

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

Governmental Activities	Beginning Balance	Accretion	Increases	Decreases	Ending Balance	Current	Long-Term
General Obligation Bonds Payable *	$ 710,875	$ 4,620	$ 161,320	$ 141,639	$ 735,176	$ 78,953	$ 656,223
Compensated Absences	68,144		60,474	56,729	71,889	19,595	52,294
Other Postemployment Benefits			207,142	50,332	156,810	55,153	101,657
Claims Payable	50,612		229,269	229,960	49,921	26,184	23,737
Capital Lease	5,825		198	877	5,146	1,431	3,715
Total Governmental	$ 835,456	$ 4,620	$ 658,403	$ 479,537	$ 1,018,942	$ 181,316	$ 837,626
Business-Type Activities							
Turnpike System							
General Obligation Bonds	$ 4,377			$ 1,556	$ 2,821	$ 1,474	$ 1,347
Revenue Bonds	269,084			12,119	256,965	13,270	243,695
Claims & Compensated Absences Payable	3,381		$ 728	883	3,226	428	2,798
Total	$ 276,842		$ 728	$ 14,558	$ 263,012	$ 15,172	$ 247,840
Liquor Commission							
Capital Lease	$ 618			$ 131	$ 487	$ 123	$ 364
Claims & Compensated Absences Payable	3,327		2,012	1,739	3,600	998	2,602
Total	$ 3,945		$ 2,012	$ 1,870	$ 4,087	$ 1,121	$ 2,966
Lottery Commission							
Claims & Compensated Absences Payable	$ 407		$ 321	$ 307	$ 421	$ 114	$ 307
Total	$ 407		$ 321	$ 307	$ 421	$ 114	$ 307
Total Business-Type	$ 281,194		$ 3,061	$ 16,735	$ 267,520	$ 16,407	$ 251,113

* During fiscal 2008, $13.2 million of General Obligation Bonds payable were transferred to the Community College System of New Hampshire

Bond Anticipation Notes: The state issues bond anticipation notes in advance of issuing general obligation bonds. The proceeds are deposited into the capital fund to fund various capital outlay projects. During the year ending June 30, 2008, the state had no bond anticipation notes outstanding.

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually. At June 30, 2008, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately $144.3 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Debt Maturity: All bonds issued by the state, except for Turnpike revenue bonds, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 2.0% to 7.2%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

		SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
		Governmental Activities				Business-Type Activities		TOTAL ALL FUNDS		
						Turnpike System				
Payable June 30,	General Fund	General Fund	Highway Fund	Self Liquidating	Total	General Obligation	Revenue	Principal	Interest	Total
2009	$ 64,216	$ 64,216	$ 8,017	$ 6,720	$ 78,953	$ 1,474	$ 13,270	$ 93,697	$ 41,180	$ 134,877
2010	62,405	62,405	7,812	6,430	76,647	624	13,500	90,771	37,687	128,458
2011	58,955	58,955	7,665	6,067	72,687	584	14,710	87,981	34,400	122,381
2012	49,486	49,486	5,874	6,085	61,445		14,550	75,995	31,230	107,225
2013	42,141	42,141	5,583	5,976	53,700		16,950	70,650	28,199	98,849
2014-2018	172,576	172,576	24,565	13,354	210,495		87,450	297,945	100,485	398,430
2019-2023	108,117	108,117	15,953	7,970	132,040		59,255	191,295	42,995	234,290
2024-2028	34,306	34,306	9,718	3,084	47,108		33,120	80,228	9,755	89,983
2029-2033							7,230	7,230	343	7,573
Subtotal	$ 592,202	$ 592,202	$ 85,187	$ 55,686	$ 733,075	$ 2,682	$ 260,035	$ 995,792	$ 326,274	$ 1,322,066
Unamortized (Discount) / Premium	10,030	10,030	(951)	(821)	8,258	139	6,876	15,273		15,273
Unamortized Loss on Refunding	(6,157)	(6,157)			(6,157)		(9,946)	(16,103)		(16,103)
Total	$ 596,075	$ 596,075	$ 84,236	$ 54,865	$ 735,176	$ 2,821	$ 256,965	$ 994,962	$ 326,274	$ 1,321,236

MAJOR COMPONENT UNIT

Changes in Long-Term Liabilities: The University System of New Hampshire's long term liabilities include: Revenue Bonds Payable of $437.3 million; capital lease obligations of $20.2 million; due to primary government of $.7 million; accrued employee benefits and compensated absences of $36.6 million; other postemployment benefits of $51.4 million; and other liabilities of $19.5 million.

The following is a summary of the changes in the long-term liabilities as reported by the University of New Hampshire during the fiscal year : **(Expressed in Thousands)**

	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
University System of NH	$ 523,409	$ 68,893	$ 26,681	$ 565,621	$ 20,244	$ 545,377

Payable June 30,	UNIVERSITY SYSTEM OF N.H. Principal	Interest	Total
2009	$ 8,575	$ 17,823	$ 26,398
2010	12,344	19,433	31,777
2011	12,449	18,672	31,121
2012	13,138	18,335	31,473
2013	13,628	17,538	31,166
2014-2018	73,911	79,083	152,994
2019-2023	130,013	52,979	182,992
2024-2028	72,447	34,205	106,652
2029-2033	76,525	19,913	96,438
2034-2038	49,035	4,699	53,734
Subtotal	462,065	282,680	744,745
Unamortized Discount	(3,870)		(3,870)
Total	$ 458,195	$ 282,680	$ 740,875

Debt Maturity: The table on the left is a summary of the annual principal payments and total debt service relating to the debt of the University of New Hampshire and includes revenue bonds, capital leases and amounts due to primary government (expressed in thousands):

6. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years.

During fiscal year 2004, the state established an Employee Benefit Risk Management Fund, an internal service fund, to account for its uninsured risks of loss related to employee and retiree health benefits. Under this program, the Fund provides coverage for up to a maximum of $0.5 million for each employee per year. The state has purchased commercial insurance for claims in excess of coverage provided, as well as, aggregate stop loss liability coverage set at 125% of the state's total expected claims per contract year.

Claim liabilities not covered by commercial insurance are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The following table presents the changes in claim liabilities during the fiscal year ending June 30, 2008 (In Thousands):

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Current	Long-Term
Workers Compensation Claims Payable	$ 31,023	$ 2,656	$ 4,750	$ 28,929	$ 5,192	$ 23,737
Health Claims Payable*	19,589	226,613	225,210	20,992	20,992	-
Total	$ 50,612	$ 229,269	$ 229,960	$ 49,921	$ 26,184	$ 23,737
Business-Type Activities						
Turnpike System						
Workers Compensation Claims Payable	$ 2,594	$ -	$ 276	$ 2,318	$ 181	$ 2,137
Total	$ 2,594	$ -	$ 276	$ 2,318	$ 181	$ 2,137
Liquor Commission						
Workers Compensation Claims Payable	$ 1,588	$ 460	$ 397	$ 1,651	$ 467	$ 1,184
Total	$ 1,588	$ 460	$ 397	$ 1,651	$ 467	$ 1,184
Lottery Commission						
Workers Compensation Claims Payable	$ 12	$ 3	$ 2	$ 13	$ 3	$ 10
Total	$ 12	$ 3	$ 2	$ 13	$ 3	$ 10
Total Business-Type	$ 4,194	$ 463	$ 675	$ 3,982	$ 651	$ 3,331

* Health Claims Payable is recorded in the Internal Service Fund

7. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds for the primary government on the fund financial statements represent amounts related to year end transfers of surplus or profits between intragovernmental entities or funds and consist of the following as of June 30, 2008 (expressed in thousands):

RECEIVABLES / DUE FROM	AMOUNT	PAYABLES / DUE TO	AMOUNT
General Fund	$ 23,795	Non Major Fund	$ 23,795
General Fund	33,064	Education Fund	33,064
Highway Fund	513	Turnpike Fund	513
Education Fund	15,322	General Fund	15,322
Education Fund	28	Lottery Commission	28
Liquor Commission	11,612	General Fund	11,612
Total	$ 84,334	Total	$ 84,334

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 payable of $11.1 million to business-type activities represents the "internal balances" amount on the statement of net assets. The $73.2 million between governmental funds has been eliminated on the government-wide financial statements .

Due from Component Units: As of June 30, 2008, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to $23.8 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund Financial Statements.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 2008, the outstanding balance of these bonds was $0.7 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund Financial Statements.

8. INTERFUND TRANSFERS

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

	Transferred To				
Transferred From	General Fund	Highway Fund	Education Fund	Non-Major Funds	Total Governmental Fund
Governmental Funds					
General Fund		$ 7,347	$ 15,322	$ 137	$ 22,806
Highway Fund	$ 4,846			2,366	7,212
Non-Major Funds	5,968				5,968
Total Governmental Funds	* 10,814	7,347	15,322	* 2,503	* 35,986
Proprietary - Enterprise Funds					
Liquor Commission	111,592				111,592
Lottery Commission			77,010		77,010
Total Proprietary - Enterprise Funds	$ 111,592		$ 77,010		$ 188,602

*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:

- $6.7 million transfer from general fund to highway fund in accordance with the laws of 2007 Chapter 262:26.
- Transfer of Lottery Commission profits of $77.0 million to fund education
- Transfer of Liquor Commission profits of $111.6 million to general fund for government operations
- $15.3 million transfer from general fund to eliminate education fund deficit

Pursuant to RSA 260:61, $0.7 million transfer from highway fund to fish and game fund for the Bureau Off Highway Recreational Vehicle (BOHRV) Grant.

Pursuant to RSA 260:60, $1.7 million of unrefunded gas tax in the highway fund was transferred on a 50/50 basis to the general and fish & game funds.

9. UNDESIGNATED FUND BALANCE (DEFICIT) and CONTRACTUAL COMMITMENTS

Capital Projects Fund: The June 30, 2008, unreserved, undesignated deficit of the Capital Projects Fund was $245.9 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 2008, bonds authorized and unissued for the Capital Projects Fund amounted to $247.9 million.

Contractual Commitments: The state has estimated its share of contractual obligations for construction contracts to be $86.9 million at June 30, 2008. This represents total obligations of $253.6 million less $166.7 million in estimated federal and local aid.

10. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I members at age 60 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 (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) 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 at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007 the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

During fiscal year 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of 10 1/2 percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

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

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In fiscal year 2008, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The state's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The state's contributions to the plan for the years ending June 30, 2008, 2007, and 2006 were $106.8 million, $78.1 million, and $72.7 million, respectively. The state's contributions for the fiscal year ended June 30, 2008 increased substantially over the amounts contributed for the fiscal year ended June 30, 2007 due to an increase in employer contribution rates.

As of June 30, 2008, the date of the most recent actuarial valuation, the net assets available to pay pension benefits, at fair value, were reported by the New Hampshire Retirement System to be $5,302 million. The total pension liability at June 30, 2008 using the entry age normal actuarial cost method was $7,821 million, resulting in a funded ratio of 67.8% and projected pension liability in excess of assets of $2,519 million.

OTHER POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the state's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires state Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health insurance benefits. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, which is the state's self-insurance fund implemented in October 2003 for active state employees and retirees. The state recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees, which totaled approximately $15.5 million for the fiscal year ended June 30, 2008.

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB Statement 45, was implemented by the state during fiscal year 2008, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2008 (dollar amounts in thousands):

Annual Required Contribution/OPEB Cost	$ 207,142
Contributions made (pay-as-you-go)	(50,332)
Increase in Net OPEB Obligation	156,810
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	**$ 156,810**

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 was as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
06/30/08	$ 207,142	$ 50,332	24.30%	$ 156,810

As of December 31, 2006, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was $2,559.5 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,559.5 million. The covered payroll (annual payroll of active employees covered by the plan) was $558.4 million during fiscal year 2008, and the ratio of the UAAL to the covered payroll was 458 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, morality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return per annum. The projected annual healthcare cost trend is 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at December 31, 2006, was thirty years.

JUDICIAL RETIREMENT PLAN

Plan Description: The New Hampshire Judicial Retirement Plan (the Plan) was established on January 1, 2005 pursuant to RSA 100-C:2 and is intended for all time to meet the requirements of a qualified pension trust within the meaning of section 401(a) and to qualify as a governmental plan within the meaning of section 414(d) of the United States Internal Revenue Code. The Plan is a defined benefit plan providing disability, death, and retirement protection for full-time supreme court, superior court, district court or probate court judges employed within the state.

The Plan is administered by an appointed Board of Trustees (Board), separate from the New Hampshire Retirement System, but certain daily administrative functions of the plan have been delegated by the Board to the New Hampshire Retirement System such as retirement request processing, member record maintenance and serving as the Plan's information center. The Plan has no full or part time employees. All employer and member contributions are deposited into separate trust funds that are managed and controlled by the Board of the Plan. Any member of the Plan who has at least 15 years of creditable service and who is at least 60 years old is entitled to retirement benefits equal to 70% of the member's final year's salary.

Any member of the Plan who has at least 10 years of creditable service and who is at least 65 years old is entitled to retirement benefits equal to 75% of the member's final year's salary. Any member who has at least 7 years of creditable service and who is at least 70 years old is entitled to retirement benefits equal to 45% of the member's final year's salary. A member who is at least 70 years old shall be granted an additional 10% over the 45% level for each year of creditable service that a member has over 7 years. A member who is at least 60 years old with at least 15 years of service is entitled to 70% of the member's final year's salary, plus an additional 1% for each year of additional service in excess of 15 years.

However, under no circumstances shall any retirement benefit exceed 75% of the member's final year's salary. For purposes of determining the above benefit, the member's final salary is equal to compensation earned in the prior 12-month period in which the employee was a member of the plan.

Funding Policy: The Plan is financed by contributions from the members and the state. Pursuant to Chapter 311, Laws of 2003, on January 19, 2005, the state issued $42.8 million of general obligation bonds in order to fund the Plan's initial unfunded accrued liability. All eligible judges are required to contribute 10% of their salaries to the Plan until they become eligible for a service retirement equal to 75% of their final years salary. For the bienniums beginning July 1, 2007 and July 1, 2005, the state was required to contribute 19.68% and 17.18%, respectively, of the members' salary.

As of January 1, 2006, the date of the most recent actuarial valuation, the net assets available to pay retirement benefits, at fair value, were reported by the Plan to be $45.0 million. The total retirement benefit liability using the entry age normal actuarial cost method was $47.2 million, resulting in a funded ratio of 95% and projected liability in excess of assets of $2.2 million. Actuarial assumptions used in the valuation include the 1994 Group Annuity Mortality Table, an investment return of 8.0% and salary growth of 2.5%.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System, Pease Development Authority, and Community College System of New Hampshire participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

11. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Contingent Liabilities: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the state's $97.7 million of contingent liabilities and the statutory limits as of June 30, 2008 (expressed in thousands):

	RSA	Guarantee Limit	Remaining Capacity	June 30, 2008 PRINCIPAL	INTEREST	TOTAL
Water Pollution Bonds	485-A:7	$ 175,000	$ 156,356	$ 16,085	$ 2,559	$ 18,644
Business Finance Authority (BFA) - General Obligation	162-A:17	25,000	**	20,000	8,688	28,688
Business Finance Authority (BFA) - Additional State Guarantee	162-I:9-b	50,000	**	35,508	307	35,815
Business Finance Authority (BFA) - Unified Contingent Credit Limit	162-A:22	95,000	* 39,492	55,508	8,995	64,503
School Construction Bonds	195-C:2	95,000	80,835	8,975	5,190	14,165
Solid Waste Bonds	149-M:31	30,000	29,652	295	53	348
Super Fund Site Cleanup Bonds	33:3-f	50,000	* 50,000			
Water Resources Council Bonds	481:19	5,000	5,000			
Housing Finance Authority Child Care Loans	204-C:79	300	300			
TOTALS		$ 450,300	$ 361,635	$ 80,863	$ 16,797	$ 97,660

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

Limited Liabilities with the Pease Development Authority (PDA):

The state has statutory authority to guarantee bonds issued by the PDA, within certain limits, and advance money to the PDA, through both interest and non-interest bearing loans. In addition, RSA 12-G:17 authorizes the issuance of up to $250.0 million in bonds backed solely by the credit of the PDA. The table below highlights the legal limits of state guarantees and loans relative to the PDA as of June 30, 2008 (expressed in thousands):

	(1) RSA 12-G:31	(2) RSA 12-G:33	(3) RSA 12-G:34	(4) RSA 12-G:35	Non-Statutory
Legal Limit	$ 50,000	$ 35,000	$ 5,000	$ 10,000	No Limit
Debt Guranteed Now Assumed by State					
Business Express Airlines	10,000				
Atlantic Coast Airlines	1,000				
Amount Bonded By State and Loaned to PDA					
Operating Budget FY92 (V161)	2,800				
Operating Budget FY93 (V161)	3,800				
Operating Budget FY93 (V165)	1,000				
Matching Grants Econ. Dev. (V165)			5,000		
Lonza (Celltech)	29,990				
Amount Advanced to PDA					
Operating Budget FY94					$ 400
Operating Budget FY95					1,900
Operating Budget FY96					1,948
Operating Budget FY97					1,572
Remaining Capacity	$ 1,410	$ 35,000	$ -	$ 10,000	N/A

(1) RSA 12-G:31 - $50 million in bonds may be guaranteed by the state for airport projects or the state can make loans by issuing bonds.
(2) RSA 12-G:33 - $35 million in bonds may be guaranteed by the state to develop a research district.
(3) RSA 12-G:34 - $5 million in bonds may be issued and loaned to provide matching grants for FAA and EDA grants.
(4) RSA 12-G:35 - $10 million in bonds may be issued and loaned to provide matching to private grants for development of research district.

PDA: The state loaned PDA the proceeds from bond issues V161 ($6.6 million) and V165 ($6.0 million). Currently, the state pays the debt service payments for the bond issues and when funds are available PDA will repay the state. As of June 30, 2008, $11.1 million has been paid by the PDA to the state against these bonds. Total principal and interest due at maturity owed by PDA, for these two bonds, is $10.6 million.

Semiannually, PDA makes payments to the state for the Lonza (Celltech) loans and the state pays the debt service payments. The amount outstanding as of June 30, 2008 relative to the Lonza (Celltech) loans is $16.0 million (representing principal $13.3 million and interest $2.7 million).

Federal Grants: The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

12. LEASE COMMITMENTS

OPERATING LEASES

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 2008 for governmental activities and business-type activities were approximately $14.3 million and $3.3 million, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2008 (expressed in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2009	$ 8,591	$ 2,539
2010	6,635	2,399
2011	3,574	2,176
2012	2,290	1,840
2013	1,683	1,470
2014-2018	1,014	2,519
Total	$ 23,787	$ 12,942

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, 2008, are as follows (in thousands):

Payable June 30,	Governmental Activities	Business-Type Activities
2009	$ 1,648	$ 142
2010	899	141
2011	681	141
2012	529	109
2013	466	
2014-2018	1,424	
2019-2023	570	
Total	6,217	533
Amount Representing Interest	(1,071)	(46)
Present Value of Minimum Lease Payments	$ 5,146	$ 487

The assets aquired through capital leases and included in capital assets at June 30, 2008 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Equipment	$ 5,445	$ 563
Buildings & Building Improvements	9,862	1,129
Total	15,307	1,692
Less: Accumulated Depreciation	(12,025)	(921)
Net	$ 3,282	$ 771

13. LITIGATION

City of Nashua v. State; and Londonderry School District v. State

In 2005, the state enacted House Bill 616, now known as 2005 New Hampshire Laws Chapter 257, as the current education funding bill. Chapter 257 provides funding to schools based on four types of aid and revenue from the statewide enhanced education tax. Chapter 257 does not generally provide aid to municipalities on a per pupil basis. The four types of aid are: local tax capacity aid, targeted per pupil aid, statewide enhanced education tax capacity aid, and transition grants. Chapter 257 also includes the statewide enhanced education tax, which is assessed at a uniform rate across the state necessary to raise $363 million. For fiscal year 2006, the total state education aid under Chapter 257 is more than $819 million.

Two lawsuits were filed challenging the constitutionality of Chapter 257. The first is City of Nashua v. State, Docket No. 05-E-257, and the second is Londonderry School District, et al. v. State, Docket No. 05-E-406. Both of these suits were filed in August 2005 in the Supreme Court and both were dismissed from the Supreme Court. Both suits were refiled in Hillsborough County Superior Court, Southern District.

Nashua's Petition includes four general claims: 1) a challenge to Chapter 257 for not providing for an adequate education by failing to "relate the taxes raised by it to the cost of an adequate education," 2) a claim that Chapter 257's transition grants create disproportional and unequal taxes, 3) a claim challenging Chapter 257's "reliance upon three-year old data to fund the cost of an adequate education today," and 4) a claim questioning whether Chapter 257 requires the use of data from April 2003 for "Equalized Valuation With Utilities" in order to correctly calculate the education grants under Chapter 257.

Londonderry's petition includes the following four general claims: (1) a claim that Chapter 257 fails to define an adequate education and establish an accountability system, (2) a claim that targeting aid to some municipalities has imposed on many of the remaining municipalities the burden of funding education through a local education tax, (3) a claim which asserts that Chapter 257 violates Part II, Article 5 because it results in property taxes that are not "proportional across the state" due to the transition grants, and (4) an equal protection claim.

The Nashua case was tried in mid-December 2005. The Londonderry case proceeded with a motion for summary judgment filed in January 2006, with the state filing a timely response in February 2006. On March 8, 2006, the Superior Court issued orders in both cases declaring Chapter 257 unconstitutional due to the state's failure to reasonably determine the cost of an adequate education. The Superior Court also found that the state has not defined an adequate education and has not enacted a constitutional accountability system.

The state filed timely appeals of these orders with the New Hampshire Supreme Court and, after an expedited appeal, on September 7, 2006, the Supreme Court found the state's definition of an adequate education unconstitutional. The Supreme Court gave the Legislature until June 30, 2007, to enact a constitutional definition of an adequate education. The Nashua case was stayed pending the outcome of the 2007 legislative session.

During the 2007 Legislative session, the Legislature debated many bills proposing to define an adequate education and held seven public meetings around the state to gather input. HB 927 was the main bill that defined an adequate education by including the specific criteria and programs. HB 927 passed both houses and was signed by Governor John Lynch on June 29, 2007. See 2007 NH Laws Chapter 270.

On July 20, 2007, the New Hampshire Supreme Court issued orders in both the Londonderry and Nashua cases requiring the parties to file a response as to whether the cases should be remanded based on the Legislature's actions. Londonderry filed a response offering to dismiss its case if the state agreed to cost and fund an adequate education and develop a new accountability system by June 30, 2008. The state declined this offer and asked that the matter either be dismissed or stayed until the end of the 2008 Legislative Session. Nashua responded that it wanted its appeal to proceed to argument and was requesting approximately $5 million in damages plus attorneys' fees. The state argued that Nashua was not entitled to either damages or attorneys' fees and that this matter should be dismissed as moot.

The Nashua case was remanded to the superior court for further proceedings. In August, 2008 the state settled the Nashua case for payment of $125,000.

On September 14, 2007, the Supreme Court issued an order in Londonderry staying the case until July 1, 2008, but allowing any party to move "for good cause shown to lift the stay." On September 20, 2007, the Supreme Court issued an order in Nashua remanding the case to the Hillsborough County Superior Court for the court to determine (1) if the prior law should have been reinstituted and damages awarded to Nashua for the additional monies it would have received under the prior law, and (2) if attorneys' fees should have been awarded. The parties settled the Nashua Case in August 2008 for $125,000.

During the 2008 legislative session, the Legislature, initially through the Joint Legislative Oversight Committee on Costing an Adequate Education and later through legislative hearings, proceeded to analyze, review, hear testimony, and debate a new education funding formula. The result of these efforts was the enactment of SB 539.

On July 25, 2008, the New Hampshire Supreme Court issued an order in the Londonderry case requiring the parties to file a response as to whether the case should be dismissed without prejudice or remanded based on the Legislature's actions. Londonderry filed a response requesting that the court retain jurisdiction. The state filed a response requesting that the court dismiss the case because any challenge to the costing and funding challenged in the Londonderry case, namely 2005 NH Laws Chapter 257 ("HB 616"), is moot as a result of the Legislature's enactment of 2008 Laws Chapter 173 ("SB 539").

On October 15, 2008, the Supreme Court issued a decision in the Londonderry case dismissing the case without prejudice as moot. On October 28, 2008, the appellees filed a renewed motion for attorney's fees. The state responded to the motion, agreeing that appellees have conferred a substantial benefit and that they are entitled to "reasonable" attorney's fees. The Court gave the parties until January 19, 2009, to come to an agreement with regard to attorney's fees. The state cannot predict the outcome of the fees issue at this time.

Review of NH's Bioterrorism and Emergency Preparedness Funds

By letter dated June 3, 2008, the New Hampshire Department of Health and Human Services ("DHHS") received a confidential draft report from the Office of Inspector General ("OIG") regarding an audit of DHHS' bioterrorism and emergency preparedness funds for the period of July 1, 2003 through June 30, 2007. The draft report found that $9.2 million in compensation costs was not allowable on grounds that the amount claimed was not supported by employee certifications and $114,135 constituted inappropriate charges due to clerical errors. The draft report recommended that a total of $9.3 million be refunded to the Federal Government. DHHS responded to the confidential draft report on July 23, 2008 stating its disagreement with the draft findings and recommendation. DHHS also indicated that the $114,135 had already been refunded. OIG issued a final audit report on September 24, 2008. DHHS responded to the final audit report stating its disagreement with the findings and recommendation. DHHS is currently working with the Centers for Disease Control and Prevention (CDC) to address issues raised in the report. At this time, it is not possible to predict whether or to what extent CDC will take action with regard to disallowance of any federal financial participation.

State of New Hampshire v. Philip Morris USA, RJ Reynolds, Inc. and Lorillard Tobacco Company

This case was initially filed as a Petition for a Declaratory Order seeking payment of funds withheld by the defendants under the Tobacco Master Settlement Agreement ("MSA"). The defendants are signatories to the MSA under which the defendants are required to make annual payments to all of the settling states, including the state of New Hampshire. The payment received in 2006 was approximately $5 million below the required payment amount. On June 5, 2006 the Superior Court ordered the case to arbitration under the terms of the MSA. The New Hampshire Supreme Court affirmed the ruling of the trial court on June 22, 2007. New Hampshire has joined with a group of states to negotiate the terms of an arbitration and to coordinate the presentation of the states' cases at arbitration. No date has been set for the initiation of the arbitration procedure, which is expected to last six months or more. The state is unable to predict the outcome at this time.

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

The state filed this claim for damages, injunctive relief and civil penalties against major oil companies as a result of statewide contamination of drinking water with the gasoline additive Methyl tertiary-butyl ether ("MTBE"). The defendants attempted to remove the case to federal court. The state was successful in its argument that the case should be heard in the state court and the case will be remanded for adjudication in the Merrimack County Superior Court. The case is still at its early stages and extensive discovery will likely occur before the case is tried. Although the state has not identified a specific dollar amount in its damage claims, successful adjudication or settlement of the state's claims would likely exceed $2 million. On September 17, 2008, the trial court granted the defendants' motion to dismiss as it related to the state's claim based on nuisance. The Court denied the defendants' motion to dismiss the other counts of the state's petition. On September 30, 2008, the trial court granted the state's motion to dismiss the defendants' counterclaims. At this time, it is not possible to predict the outcome of this matter or the amount, if any, that the state would recover through court judgment or settlement.

New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services ("NHAC I")

All of the state's ten Counties (the Plaintiff Counties) challenged the Department of Health and Human Services' (DHHS) decision holding them responsible for paying a share of the cost of Medicaid payments for clients receiving Old Age Assistance (OAA) or Aid to the Permanently and Totally Disabled (APTD). Under RSA 167:18-b, the counties are liable for one-half of the state's expenditures for OAA and APTD recipients who are "in nursing homes." DHHS believed that RSA 167:18-b also allowed it to bill the Plaintiff Counties for nursing services that are provided to recipients who are in institutions, such as rehabilitation hospitals, that are not licensed as "nursing homes" but are certified under Medicaid as nursing facilities authorized to provide nursing level care. DHHS has been billing the Plaintiff Counties for these services since at least 2002.

In addition, the Plaintiff Counties allege in their suit that DHHS exceeded the statutory cap on the total amount that the Plaintiff Counties can be billed under RSA 167:18-b in fiscal year 2004. RSA 167:18-b establishes a $60 million cap on the total liability for the Plaintiff Counties under this section of the statute. The legal dispute in this case involves whether that figure should be interpreted as a gross amount or a net amount. In 2004, the total amount of the bills sent to the Plaintiff Counties for their share of payments under RSA 167:18-b was approximately $62.1 million. However, DHHS gave the Plaintiff Counties approximately $2.1 million in statutory credits, thereby bringing the total owed to $60 million. The Plaintiff Counties refused to pay the total amount, claiming that the statute limits the total amount that can be "billed" to the Plaintiff Counties at $60 million, and therefore the credits should have been subtracted from the $60 million, thereby limiting their liability to $57.9 million.

The parties filed cross-motions for summary judgment and on October 27, 2006, the Merrimack County Superior Court granted summary judgment in favor of the Plaintiff Counties on both issues. DHHS filed a notice of appeal in November 2006.

On August 17, 2007 the Supreme Court issued an order in which it vacated the majority of the lower courts decision, affirmed it in part, and remanded it back to the lower court for additional factual findings. The Supreme Court held that the term "nursing home" in RSA 167-18-b means any institution certified by the federal Medicaid program to provide nursing facility services. The result is that the vast majority of bills which were submitted to the Plaintiff Counties were appropriate and legal, and therefore the Plaintiff Counties will not be entitled to any reimbursement from the state of those amounts paid. In addition, the state will be able to demand payment for certain bills which the Plaintiff Counties refuse to pay.

The Supreme Court also ruled that the cap provisions should be understood as limiting the Counties overall liability at $58 million. The Supreme Court held that since there was insufficient evidence in the record as to how much the Plaintiff Counties have reimbursed the state during the relevant period, the matter would need to be sent back to the trial court for further proceedings. The matter was remanded to the Merrimack County Superior Court. Discovery is ongoing and the parties have agreed to go forward on motions for summary judgment, which are due January 15, 2009 and a hearing is scheduled for June 2009.

It is not possible to calculate the likely fiscal impact to the state at this time. The most recent Supreme Court ruling means that the state will most likely not suffer any financial impact going forward (i.e. the state will not be required to expend any money to reimburse the Counties for moneys previously collected) from the Plaintiff Counties. The question that remains unanswered is the extent to which the state will be allowed to recover approximately $5 million, which was withheld by the Plaintiff Counties in prior fiscal years.

New Hampshire Association of Counties, et al. v. Commissioner of Department of Health and Human Services ("NHAC II")

The Plaintiff Counties have filed a second lawsuit in Merrimack County Superior Court challenging the manner in which the state assesses the counties a portion of the cost for long-term care. In this lawsuit, the Plaintiff Counties claim that the budget law, Chapter 262 of the laws of 2007, violates Article 28-a of the New Hampshire Constitution in that it constitutes an "unfunded mandate."

Chapter 262 sets out a multi-year approach to this problem. In the first year, it continues the existing relationship with the Counties with regard to the sharing of costs of long-term care. In the subsequent years, the new law changes the relationship between the Plaintiff Counties and the state, shifting certain costs onto the counties, but taking other responsibilities away from the Counties.

The Plaintiff Counties have filed a petition seeking a declaratory judgment and injunctive relief. They are seeking to be excused from having to contribute to the cost of long-term care for patients on Medicaid. The Plaintiff Counties currently pay approximately $70 million per year towards long-term care under Medicaid.

The parties filed cross-motions for summary judgment on November 7, 2007, and a hearing was held on February 13, 2008. The Department prevailed on summary judgment and the Plaintiff Counties appealed to the New Hampshire Supreme Court. The Department's brief was filed on September 15, 2008 and oral argument was held on November 12, 2008. No decision has been issued to date.

It is difficult to assess the likely fiscal impact to the state from this litigation. If the Plaintiff Counties were to prevail on appeal, it would result in a decrease in anticipated revenue for long-term care. This would result in the need to decrease the appropriation for long-term care, by reducing services, or increase revenue from some other source. Depending on the court's ruling, a change in the law may also be necessary.

Rates paid by the Division of Children, Youth and Families ("DCYF")

Two cases in the New Hampshire Supreme Court involved rates paid by the Division of Children, Youth and Families ("DCYF"). The first *Appeals of: Chase Home for the Children, Child and Family Services; Hannah House, NFI North, Odyssey Home, Orion Home, and Pine Haven Boys Center*, involves the fiscal year 2004-2005 rates paid to residential child care facilities. The Hearings Panel, established pursuant to RSA 170-G:4-a, ruled that DCYF should have set the rates in accord with certain administrative rules. The hearing officer ordered DCYF to pay the higher rates but determined that he had no authority to order DCYF to pay them retroactively. The facilities appealed the ruling regarding denial of the retroactive payments.

The second case is *Petition of the Division of Children, Youth and Families*, in which DCYF is challenging a decision by the Hearing Panel ruling that DCYF is required to pay 5% rate increase using the administrative rules rate as the base rate, retroactive to July 1, 2005. DCYF appealed so that the issues on appeal include whether the 5% rate increase should be calculated from the administrative rules rate as the base rate and whether the state may be required to pay retroactively. Both sides filed briefs and oral arguments occurred in April, 2007.

In the first case, *Appeals of: Chase Home, et al.*, the Supreme Court held on June 8, 2007, that the hearing officer had the authority to establish residential rates and determine when the rates become effective, but did not have the authority to order DHHS to make retroactive payments at the recalculated rate levels. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in Superior Court. No payment by the state was ordered.

In the second case, *Petition of the Division of Children, Youth and Families*, the Supreme Court held, on June 15, 2007, that the hearing officer's decision to establish the rate at the 2005 calculated rate plus 5%, and to set the effective date of the rate at July 1, 2005, was proper, but that the hearing officer's order requiring DCYF to render payment was beyond the scope of its authority and vacated that part of the decision. The Supreme Court declined to decide what further remedies are available to the facilities, such as whether the petitioners could obtain relief in a civil action in Superior Court, and no payment by the state was ordered.

These cases are now concluded and no payment was ordered. However, on November 7, 2007, the seven residential childcare providers initiated a new suit at Merrimack County Superior Court against DCYF, *Chase Home et al v. DCYF*. The claims include for 1) breach of contract, 2) breach of implied covenant of good faith and fair dealing, 3) unconstitutional taking, and 4) deprivation of rights under 42 U.S.C. §1983. The petitioners seek retroactive payment of more than $3 million as well as costs and attorneys' fees. The state has filed a motion for summary judgment on the grounds that DCYF does not have a contractual relationship with the providers, and that it has not engaged in any unconstitutional taking of property. The summary judgment motion is presently pending before the court. Mediation is scheduled for December 30, 2008. Trial is scheduled for the week of January 12, 2009. At this time, it is not possible to predict the outcome of these matters or the amount, if any, the DHHS will be required to pay.

Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments

By letter dated July 9, 2007, the New Hampshire Department of Health and Human Services ("DHHS") received a final report from the Office of Inspector General ("OIG") regarding an audit of DHHS's disproportionate share hospital ("DSH") payments during federal fiscal year 2004. The report found that $35 million federal share for federal fiscal year 2004 was unallowable on grounds that the state's cost to charge ratio was inflated. The report recommended that the federal share be refunded and that the state work with the Centers for Medicare and Medicaid Services ("CMS") to review DHS payments claimed after the audit period and refund any overpayments.

Based on the state's response to a previously transmitted draft report, the OIG reduced the amount it recommended for repayment in the July 9, 2007 final report by approximately $9 million. The draft report had recommended repayment of $44 million.

DHHS responded to CMS regarding the report on August 8, 2007. CMS has not responded to DHHS. At this time, it is not possible to predict whether or to what extent CMS will take action with regard to disallowance of any federal fiscal year 2004 federal financial participation. A similar situation may exist for federal fiscal years 2005 and 2006, although amounts, if any, have not been determined.

Review of NH's Medicaid Payments for Skilled Professional Medical Personnel

By letter dated July 22, 2008, the New Hampshire Department of Health and Human Services ("DHHS") received a confidential draft report from the Office of Inspector General ("OIG") regarding an audit of DHHS' Medicaid payments for skilled professional medical personnel at the enhanced rate for the period from October 1, 2004 through September 30, 2006. The draft report found that $1 million was unallowable on grounds that the state should have claimed these costs at the standard 50-percent rate rather than at the enhanced 75-percent rate. The draft report recommended that this amount be refunded to the Federal Government and that the state develop an approved methodology to allocate costs for personnel whose time and effort are split between different functions. DHHS responded to the confidential draft report on September 24, 2008 stating its disagreement with the draft findings and recommendation. At this time it is not possible to predict whether or to what extent the final audit report will contain these findings or recommendations.

OTHER LITIGATION

The state, its agencies and employees are defendants in numerous other lawsuits. Although the Attorney General is unable to predict the ultimate outcomes of these suits, in the opinion of the Attorney General and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the state, which would materially affect its financial position, is remote. Accordingly no provision for such ultimate liability, if any, has been made in the financial statements.

14. HIGHWAY

The highway fund is comprised of two accounts, an operating account and capital account. The capital account is comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment). The operating account represents the total highway fund less the capital account activities. Except for the betterment account, cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year costs. By law, the betterment account receives a cash transfer each month, representing 88% of 3 cents of the gasoline road toll tax. The unaudited unreserved surplus (deficit) for the capital and operating accounts and the total highway fund, at June 30, 2008 were as follows (expressed in millions):

	Capital Account	Operating Account	Total Highway Fund
Unreserved Surplus/(Deficit)	$ (38.1)	$ 10.6	$ (27.5)

The unaudited deficit in the capital account at June 30, 2008 exists primarily because funds are appropriated from the current year fund balance for multi-year highway construction projects. Although the state will receive reimbursements from federal and local sources in future years, after the actual cash disbursements have occurred, the total project cost is a charge against the fund balance at the time the project is approved.

The unaudited surplus in the operating account at June 30, 2008 was $10.6 million. Future projects, where no contract has been encumbered, are not yet a charge against surplus. The surplus balance therefore, remains in the operating account ready to be used when anticipated project plans are converted to specific contracts, which will be approved and appropriated in future fiscal years.

15. JOINT VENTURES-LOTTERY COMMISSION

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

In September 1985, Tri-State was established whereby the New Hampshire Lottery Commission (Lottery) entered into a joint venture with the lotteries of the states of Maine and Vermont to promulgate rules and regulations regarding the conduct of lottery games and the licensing of agents. In addition, each state contributes services towards the management and advisory functions. Each states share of revenues, expenses and interest income is based on their respective share of sales except for direct charges such as advertising, vendor fees and per-diem payments. Prizes awarded under Tri-State games are fully funded by deposit fund contracts and investments held by Tri-State. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. For the year ended June 30, 2008, the Lottery recognized $10.0 million of net income from Tri-State. In addition, Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The Lottery's share of deposits held as Tri-State prize reserves was $1.5 million at June 30, 2008.

In November 1995, the Lottery became a member of MUSL, which is currently comprised of 31 member state lotteries and administers the Multi-State Lottery Powerball and Hot Lotto 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, 2008, the Lottery recognized $22.0 million of net income from MUSL. In addition, MUSL has established a contingency reserve to protect MUSL and its members against unforeseen liabilities. The Lottery's share of deposits held as MUSL prize reserves was $2.3 million at June 30, 2008.

16. SUBSEQUENT EVENT

On November 4, 2008, the state issued $149.6 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4.0% to 5.0%, and the maturity dates range from 2010 through 2025.

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, 2008
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
REVENUES				
General Property Taxes	$ 320	$ 320	$ 232	$ (88)
Special Taxes	1,097,623	1,098,320	1,083,815	(14,505)
Personal Taxes	62,762	62,762	57,028	(5,734)
Business License Taxes	21,685	21,697	20,980	(717)
Non-Business License Taxes	104,385	104,403	96,902	(7,501)
Fees	181,981	183,638	134,242	(49,396)
Fines, Penalties and Interest	40,651	40,712	34,951	(5,761)
Grants from Federal Government	1,504,524	1,567,806	1,247,924	(319,882)
Grants from Private and Local Sources	144,284	154,469	132,761	(21,708)
Rents and Leases	11,612	11,613	11,122	(491)
Interest Premiums and Discounts	20,418	20,449	22,597	2,148
Sale of Commodities	8,534	8,654	10,747	2,093
Sale of Services	97,549	97,738	104,875	7,137
Assessments	68,852	69,092	61,372	(7,720)
Grants from Other Agencies	215,172	218,292	179,827	(38,465)
Miscellaneous	68,492	113,197	144,119	30,922
Total Revenue	3,648,844	3,773,162	3,343,494	(429,668)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative Branch	19,419	19,583	14,327	5,256
Executive	26,018	38,630	31,881	6,749
Information Technology	58,963	58,979	50,408	8,571
Administrative Services	104,494	109,678	87,692	21,986
Sec of State	35,346	35,178	10,332	24,846
Cultural Affairs	8,603	8,603	7,032	1,571
Revenue Administration	18,534	17,630	16,980	650
State Treasury	103,511	104,807	94,637	10,170
NH Retirement System	62,945	63,019	55,052	7,967
Boards and Commissions	2,995	3,097	2,663	434
Total	440,828	459,204	371,004	88,200
JUSTICE AND PUBLIC PROTECTION				
Judicial Branch	70,009	71,424	68,475	2,949
Adjutant General	21,658	21,619	15,005	6,614
Agriculture	7,662	8,022	5,798	2,224
Justice Department	27,232	34,155	24,239	9,916

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
JUSTICE AND PUBLIC PROTECTION-CONTINUED				
Bank Commission	6,488	6,488	4,038	2,450
Pari-Mutuel Commission	2,395	2,273	1,869	404
Highw ay Safety	3,363	3,370	2,083	1,287
Insurance	9,223	9,333	7,017	2,316
Labor	39,513	40,191	26,799	13,392
Public Utilities Commission	11,116	11,214	8,956	2,258
Safety	223,272	244,820	152,060	92,760
Corrections Department	107,007	108,690	104,176	4,514
Employment Security	64,239	64,600	30,283	34,317
Judicial Council	24,640	24,773	24,744	29
Human Rights Commission	750	755	600	155
Boards and Commissions	531	536	479	57
Total	619,098	652,263	476,621	175,642
RESOURCE PROTECTION AND DEVELOPMENT				
Resource and Economic Development	44,180	44,914	39,082	5,832
Pease Development Authority	8,845	8,851	538	8,313
Environmental Services	253,801	301,396	156,998	144,398
Development Finance Authority	185	182	182	-
Boards and Commissions	454	454	413	41
Total	307,465	355,797	197,213	158,584
TRANSPORTATION				
Transportation	6,959	17,735	11,319	6,416
Total	6,959	17,735	11,319	6,416
HEALTH AND SOCIAL SERVICES				
Health and Human Services Commissioner	683,278	689,422	664,825	24,597
Office of Health Management	107,908	116,709	98,333	18,376
Children and Youth	212,465	210,781	137,333	73,448
Transitional Assistance	93,067	92,836	82,058	10,778
Behavioral Health	114,924	113,946	109,011	4,935
Developmental Services	214,698	214,583	205,364	9,219
Developmental Disabilities Council	618	624	482	142
N H Hospital	69,862	67,893	62,367	5,526
Home for Elderly	12,712	12,480	11,923	557
N H Veterans Home	25,451	25,035	22,312	2,723
Veterans Council	401	414	405	9
Youth Development Services	27,776	27,728	24,310	3,418

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited) - continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(expressed in thousands)

	General Fund			
	Budgeted Amount			Variance with Final Budget-
	ORIGINAL	FINAL	ACTUAL (Budgetary Basis)	Positive (Negative)
Elderly and Adult Services	435,818	434,722	397,423	37,299
Admin and Support	856	870	711	159
Boards and Commissions	3,698	3,982	2,876	1,106
Total	2,003,532	2,012,025	1,819,733	192,292
EDUCATION				
Post Secondary Education Commission	5,139	5,097	4,723	374
Department of Education	348,873	350,475	272,175	78,300
NH Comm. Tech. College System	119,719	118,265	87,789	30,476
Planetarium	1,390	1,374	1,117	257
Police Standards and Training Council	7,293	7,602	3,154	4,448
University of New Hampshire	95,744	96,000	96,000	-
Total	578,158	578,813	464,958	113,855
Debt Service	92,906	92,906	89,843	3,063
Capital Outlays	36,853	36,853	36,853	0
Total	4,085,799	4,205,596	3,467,544	738,052
Excess (Deficiency) of Revenues Over (Under) Expenditures	(436,955)	(432,434)	(124,050)	308,384
Other Financing Sources (Uses)				
Transfers In	-	163,341	163,341	-
Transfers Out	-	(7,485)	(7,485)	-
Miscellaneous	-	(171)	(171)	-
Total Other Financing Sources Uses	-	155,685	155,685	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(436,955)	(276,749)	31,635	308,384
Fund Balance - July 1	443,439	443,439	443,439	-
Fund Balance - June 30	$ 6,484	$ 166,690	$ 475,074	$ 308,384

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
HIGHWAY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(expressed in thousands)

	Highway Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Business License Taxes	$ 152,640	$ 152,640	$ 151,321	$ (1,319)
Non-Business License Taxes	83,050	83,050	81,140	(1,910)
Fees	20,648	20,693	21,300	607
Fines, Penalties and Interest	892	892	752	(140)
Grants from Federal Government	308,750	308,750	151,029	(157,721)
Grants from Private and Local Sources	8,951	9,131	9,921	790
Rents and Leases	148	148	124	(24)
Interest Premiums and Discounts	2,500	2,500	848	(1,652)
Sale of Commodities	1,222	1,222	216	(1,006)
Sale of Services	18,453	21,682	19,277	(2,405)
Assessments	-	-	2	2
Grants from Other Agencies	2,988	2,988	1,908	(1,080)
Miscellaneous	(35,102)	(35,082)	14,624	49,706
Total Revenues	565,140	568,614	452,462	(116,152)
EXPENDITURES				
Justice and Public Protection	9,259	1,797	1,624	173
Transportation	391,966	398,530	287,279	111,251
Debt Service	7,567	7,567	7,568	(1)
Capital Outlays	162,882	162,882	162,882	
Total Expenditures	571,674	570,776	459,353	111,423
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,534)	(2,162)	(6,891)	(4,729)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	7,347	7,347	-
Transfers Out	-	(7,212)	(7,212)	-
Miscellaneous	-	(761)	(761)	-
Total Other Financing Sources (Uses)		(626)	(626)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(6,534)	(2,788)	(7,517)	(4,729)
Fund Balance - July 1	76,371	76,371	76,371	-
Fund Balance - June 30	$ 69,837	$ 73,583	$ 68,854	$ (4,729)

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

STATE OF NEW HAMPSHIRE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE (Unaudited)
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(expressed in thousands)

	Education Fund			
	Budgeted Amounts			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
General Property Taxes	$ 385,900	$ 385,900	$ 387,320	$ 1,420
Special Taxes	387,900	387,900	346,208	(41,692)
Personal Taxes	120,600	120,600	109,261	(11,339)
Miscellaneous	40,000	40,000	40,000	
Total Revenues	934,400	934,400	882,789	(51,611)
EXPENDITURES				
General Government	-	-		
Education	899,144	899,144	895,718	3,426
Total Expenditures	899,144	899,144	895,718	3,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,256	35,256	(12,929)	(48,185)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(40,581)	(40,581)	-
Total Other Financing Sources (Uses)		(40,581)	(40,581)	
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	35,256	(5,325)	(53,510)	(48,185)
Fund Balance - July 1	44,185	44,185	44,185	-
Fund Balance - June 30	$ 79,441	$ 38,860	$ (9,325)	$ (48,185)

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 and Actual – Non-GAAP budgetary statements are presented on a "budgetary basis" 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 or committed by contractual obligation (encumbrance), rather than when the obligation is incurred (GAAP). Revenues (Budgetary) are based on cash received plus estimated revenues related to the budgetary expenditures and contractual obligations (encumbrances). 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, 2008 (expressed in thousands).

	General Fund	Highway Fund	Education Fund
Excess(Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses (Budgetary Basis)	$ 31,635	$ (7,517)	$ (53,510)
Adjustments and Reclassifications:			
To record change in Accounts Payable and Accrued Payroll	11,580	25,578	(700)
To Record change in Encumbrances	40,010	(31,922)	
To Record change in Accounts Receivable	(29,527)	(7,630)	(77,010)
To Record Other Financing Sources(Uses)	(62,362)		132,912
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses*(GAAP Basis)	$ (8,664)	$ (21,491)	$ 1,692

*****Includes Change in Inventory reserves for General and Highway of $(106), $(761) respectively.

Required Supplementary Information (Unaudited)

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFITS

The following schedules present the State of New Hampshire's actuarially determined funding progress and required contributions for the State's Other Postemployment Benefits (using the projected unit credit actuarial cost method):

Schedule of Funding Progress by Valuation Date
(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/06	$ -	$ 2,559,477	$ 2,559,477	0%	$ 558,400	458.36%

INFORMATION ABOUT THE NEW HAMPSHIRE JUDICIAL RETIREMENT PLAN

The following schedules present the New Hampshire Retirement Plan's actuarially determined funding progress and required contributions for pension benefits (using the entry age normal actuarial cost method):

Schedule of Funding Progress by Valuation Date
(Expressed in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/06	$ 44,980	$ 47,153	$ 2,173	95%	$ 6,833	31.80%
01/01/05	$ 42,800	$ 43,670	$ 870	98%	$ 6,363	13.67%

Schedule of Employer Contributions
(Expressed in thousands)

Fiscal Year Ended December 31,	Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2007	$ 1,244	$ 1,244	100.00%
2006	$ 1,174	$ 1,174	100.00%
2005	$ 1,093	$ 1,093	100.00%

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New Hampshire (the State) as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 18, 2008. The State, in fiscal 2008, implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and No. 50, *Pension Disclosures.* Our report was modified to include a reference to the reports of 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. Other auditors audited the financial statements of the University System of New Hampshire, the Business Finance Authority, the Community Development Finance Authority, the Pease Development Authority, the Investment Trust Fund and the Judicial Retirement Plan 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.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters did not include the New Hampshire Turnpike System and the New Hampshire Retirement System. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grants, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described as Findings 2008-1 through 2008-5, in the accompanying schedule of current year findings and questioned costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Findings 2008-1 and 2008-2 in the accompanying schedule of current year findings and questioned costs to be material weaknesses.

Compliance and Other Matters

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

The State's responses to the findings identified in our audit are described in the accompanying schedule of current year findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the State in a separate letter dated December 18, 2008.

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

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

KPMG LLP

December 18, 2008

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Report on Compliance With Requirements Applicable to Each Major Program, Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the State of New Hampshire (State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of the University of New Hampshire (UNH), Pease Development Authority (PDA) and the Community Development Finance Authority (CDFA) that received federal awards during the year ended June 30, 2008. Our audit, described below, did not include the activities of UNH, PDA and CDFA because those component units engaged other auditors to perform audits in accordance with the OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements 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 opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in Findings 2008-7, 2008-15 and 2008-28 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding Allowability and Special Tests and Provisions that are applicable to its Medical Assistance program – CFDA #93.778 and as described in Finding 2008-28, the State did not comply with

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the requirements regarding Allowability that are applicable to its Child Support Enforcement program – CFDA #93.563, its Public Health Emergency Preparedness Program – CFDA #93.069, and its State Administrative Matching Grants for the Supplemental Nutrition Assistance (Food Stamp) program – CFDA #10.561. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

As described in Finding 2008-22 in the accompanying schedule of findings and questioned costs, the State did not comply with the requirements regarding Allowability that are applicable to its Public Health Emergency Preparedness program – CFDA #93.069, Immunization Grants program – CFDA #93.268, State Administrative Matching Grants for the Supplemental Nutrition Assistance (Food Stamp) program – CFDA #10.561 and Child Support Enforcement program – CFDA #93.563 in that semi-annual payroll certifications were not obtained. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

As described in Finding 2008-32 in the accompanying schedule of findings and questioned costs, the State did not comply with the requirement regarding Special Tests and Provisions – Control, Accountability and Safeguarding of Vaccines that is applicable to its Immunization Grants program – CFDA #93.268 in that vaccine inventory records were not validated. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

As described in Finding 2008-43, in the accompanying schedule of findings and questioned costs, the State did not comply with the Allowability and Eligibility requirements regarding the calculation of the cost of attendance which in part determines the students' financial need that are applicable to its Federal Family Education Loans program – CFDA #84.032, Federal Perkins Loan program- CFDA #84.038, Federal Pell Grant program – CFDA #84.063. Additionally, as described in Finding 2008-48, in the accompanying schedule of findings and questioned costs, the State did not comply with the requirements for Expanding Institutional Eligibility and Certification applicable to its Federal Supplemental Educational Opportunity Grants program – CFDA #84.007, Federal Family Education Loans – CFDA #84.032, Federal Work-Study program – CFDA #84.033, Federal Perkins Loan program – CFDA #84.038, Federal Pell Grant program, CFDA #84.063, and Academic Competitiveness Grants program – CFDA #84.375. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding four paragraphs, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2008- 8, 2008-9, 2008-12, 2008-13, 2008-16, 2008-21, 2008-23, 2008-24, 2008-25, 2008-26, 2008-29, 2008-30, 2008-33, 2008-35, 2008-36, 2008-38, 2008-39, 2008-40, 2008-41, 2008-42, 2008-44, 2008-45, 2008-46 and 2008-47.

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

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the State's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.
A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2008-6, 2008-8, 2008-9, 2008-10, 2008-11, 2008-13, 2008-14, 2008-15, 2008-16, 2008-17, 2008-18, 2008-19, 2008-20, 2008-21, 2008-23, 2008-25, 2008-26, 2008-27, 2008-31, 2008-34, 2008-37, 2008-38, 2008-43, 2008-46, 2008-47 and 2008-48 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-15, 2008-31, 2008-37, 2008-43 and 2008-48 to be material weaknesses.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses, and accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008. Our report was modified because of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45,

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

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and No. 50, *Pension Disclosures* and to include a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

March 9, 2009,
except for the schedule of expenditures of federal awards
which is as of December 18, 2008

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
1800	10.025	Plant And Animal Disease, Pest Control, And Animal Care			
		07-8233-0318	01/01/2007 - 12/31/2007	$47,754	0 %
		07-9633-0719CA	09/05/2007 - 12/31/2007	$1,394	0 %
		08-8233-0318	01/01/2008 - 12/31/2008	$46,253	0 %
		08-9633-0154CA	07/01/2007 - 12/31/2007	$12,193	0 %
		08-9633-0670CA	10/01/2007 - 06/29/2008	$880	0 %
		HPAI 07	01/01/2007 - 06/30/2008	$9,717	0 %
			CFDA Total:	$118,191	
7500	10.028	Wildlife Services			
		07-7100-0159CA	05/01/2007 - 06/30/2008	$37,279	0 %
		07-9633-0174 CA	08/01/2007 - 07/31/2008	$25,922	0 %
		07-9633-0174CA	08/01/2007 - 07/31/2008	$2,315	0 %
			CFDA Total:	$65,516	
7500	10.072	Wetlands Reserve Program			
		CT-13A-20080313	11/30/2007 - 11/30/2008	$68,292	0 %
		WRP	08/18/2004 - 12/31/2012	$11,307	0 %
			CFDA Total:	$79,599	
4400	10.108	Asbestos In Schools			
		K99144806-0	01/01/2005 - 12/31/2007	$25,000	0 %
		K99144807-2	10/01/2006 - 09/30/2008	$100,000	0 %
			CFDA Total:	$125,000	
1800	10.162	Inspection Grading And Standardization			
		12-25-A-4358	10/01/2006 - 09/30/2007	$17,987	0 %
			CFDA Total:	$17,987	
1800	10.304	Homeland Security - Agricultural			
		07-9633-0106CA	07/18/2007 - 12/31/2007	$2,743	0 %
			CFDA Total:	$2,743	
9500	10.479	Food Safety Cooperative Agreements			
		FSISC262005	09/30/2006 - 09/29/2007	$28,900	0 %
			CFDA Total:	$28,900	
1400	10.550	Food Donation (Note 3)			
		133 (Q1-Q4)	07/01/2007 - 06/30/2008	$3,768,518	100 %
			CFDA Total:	$3,768,518	
9500	**10.551**	**Food Stamps (Notes 3,7)**			

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		1F0403	**10/01/2006 - 09/30/2007**	**$15,800,818**	**0 %**
		1F0403	**10/01/2007 - 09/30/2008**	**$52,969,926**	**0 %**
			CFDA Total:	**$68,770,744**	
5600	**10.553**	**School Breakfast Program (Note 7)**			
		4NH300304	**10/01/2006 - 09/30/2007**	**$688,992**	**100 %**
		4NH300304	**10/01/2007 - 09/30/2008**	**$2,567,230**	**100 %**
			CFDA Total:	**$3,256,222**	
5600	**10.555**	**National School Lunch Program (Note 7)**			
		4NH300304	**10/01/2006 - 09/30/2007**	**$3,249,791**	**100 %**
		4NH300304	**10/01/2007 - 09/30/2008**	**$12,862,723**	**100 %**
			CFDA Total:	**$16,112,514**	
5600	**10.556**	**Special Milk Program For Children (Note 7)**			
		4NH300304	**10/01/2006 - 09/30/2007**	**$120,471**	**100 %**
		4NH300304	**10/01/2007 - 09/30/2008**	**$76,821**	**100 %**
			CFDA Total:	**$197,292**	
9500	**10.557**	**Special Supplemental Nutrition Program For Women, Infants And Children**			
		IW100344	**10/01/2006 - 09/30/2007**	**$13,911,383**	**0 %**
			CFDA Total:	**$13,911,383**	
1400 5600	10.558	Child And Adult Care Food Program (Note 3)			
		133 (Q1-Q4)	07/01/2007 - 06/30/2008	$91,351	100 %
		4NH300335	10/01/2006 - 09/30/2007	$954,943	100 %
		4NH300335	10/01/2007 - 09/30/2008	$32,007	0 %
		4NH300335	10/01/2007 - 09/30/2008	$2,247,789	100 %
			CFDA Total:	$3,326,090	
1400 5600	**10.559**	**Summer Food Service Program For Children (Note 7)**			
		133	**10/01/2007 - 09/30/2008**	**$4,020**	**100 %**
		4NH300304	**10/01/2006 - 09/30/2007**	**$26,804**	**0 %**
		4NH300304	**10/01/2006 - 09/30/2007**	**$623,795**	**99 %**
		4NH300304	**10/01/2007 - 09/30/2008**	**$3,767**	**0 %**
			CFDA Total:	**$658,386**	
1400 5600	10.560	State Administrative Expenses For Child Nutrition			
		13331	10/01/2005 - 09/30/2006	$27,000	0 %
		300317	10/01/2005 - 09/30/2006	$9,600	100 %
		300317	10/01/2006 - 09/30/2007	$43,697	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		300317	10/01/2007 - 09/30/2008	$37,874	100 %
		4NH300312	10/01/2005 - 09/30/2006	$14,503	0 %
		4NH300312	10/01/2006 - 09/30/2007	$176,930	0 %
		4NH300312	10/01/2007 - 09/30/2008	$206,449	0 %
			CFDA Total:	$516,053	
9500	**10.561**	**State Administrative Matching Grants For The Supplemental Nutrition Assistance Program (Note 7)**			
		7F1403	**10/01/2006 - 09/30/2007**	**$1,761,528**	**0 %**
		8F1403	**10/01/2007 - 09/30/2008**	**$4,307,925**	**0 %**
			CFDA Total:	**$6,069,453**	
9500	10.565	Commodity Supplemental Food Program (Note 3)			
		n/a	07/01/2007 - 06/30/2008	$1,402,067	100 %
			CFDA Total:	$1,402,067	
1400	10.568	Emergency Food Assistance Program (Administrative Costs) (Note 7)			
		810808	10/01/2006 - 09/30/2007	$52,876	100 %
		810808	10/01/2007 - 09/30/2008	$98,651	100 %
			CFDA Total:	$151,527	
1400	10.569	Emergency Food Assistance Program (Food Commodities) (Notes 3,7)			
		133	01/01/2007 - 12/31/2007	$351,837	100 %
		133	01/01/2008 - 12/31/2008	$347,425	100 %
			CFDA Total:	$699,262	
5600	10.579	Child Nutrition Discretionary Grants Limited Availability			
		CNCV-06-NH-01	05/01/2006 - 09/30/2008	$331,891	0 %
			CFDA Total:	$331,891	
3500	10.652	Forestry Research			
		06-DG-11244225-066	10/01/2005 - 09/30/2008	$83,330	0 %
			CFDA Total:	$83,330	
3500	10.664	Cooperative Forestry Assistance			
		04-DG-11244225-061	07/01/2004 - 09/30/2007	$26,896	0 %
		04-DG-11244225-061	07/20/2004 - 09/30/2006	$17,263	0 %
		04-DG-11244225-061	07/20/2004 - 09/30/2007	$265	0 %
		05-DG-11244225-019	04/01/2005 - 09/30/2007	$7,742	0 %
		05-DG-11244225-125	10/01/2004 - 09/30/2007	$45,339	0 %
		05-DG-11244225-125	10/01/2004 - 09/30/2007	$96,267	100 %
		05-DG-11244225-222	02/28/2005 - 02/28/2007	$2,412	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF AGRICULTURE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		05-DG11244225-230	10/01/2004 - 09/30/2007	$20,493	100 %
		05-DG-11244225-276	10/01/2004 - 09/30/2007	$25,593	0 %
		05-DG-11244225-300	08/01/2005 - 09/30/2007	$35,878	0 %
		05-DG-11244225-300	08/01/2005 - 09/30/2007	$21,949	100 %
		05-DG-11244225-374	08/10/2005 - 09/30/2007	$18,965	100 %
		06-DG-11244225-046	02/01/2006 - 09/30/2007	$5,803	0 %
		06-DG-11244225-047	02/01/2006 - 09/30/2008	$35,768	0 %
		06-DG-11244225-066	10/01/2005 - 09/30/2008	$273,425	0 %
		06-DG-11244225-066	10/01/2005 - 09/30/2008	$134,035	100 %
		06-DG-11244225-212	10/01/2005 - 09/30/2008	$22,087	0 %
		06-DG-11244225-212	10/01/2005 - 09/30/2008	$15,034	100 %
		07-DG-11420004-032	04/23/2007 - 09/30/2008	$24,240	0 %
		07-DG-11420004-035	05/07/2007 - 09/30/2008	$18,046	0 %
		07-DG-11420004-035	05/07/2007 - 09/30/2009	$71,235	0 %
			CFDA Total:	$918,735	
5600	10.665	Schools And Roads - Grants To States			
		RSA227H:21-23	09/04/1999 - 12/31/2009	$571,300	100 %
			CFDA Total:	$571,300	
7500	10.914	Wildlife Habitat Incentive Program			
		7214285A255	06/16/2005 - 09/30/2012	$436	0 %
			CFDA Total:	$436	
4400	10.916	Watershed Rehabilitation Program			
		6814280604	06/21/2006 - 03/31/2007	$7,769	0 %
			CFDA Total:	$7,769	
1800	10.917	Agricultural Management Assistance			
		12-25-A-4901	05/21/2008 - 06/30/2009	$1,411	0 %
		12-25-B-0629	10/31/2007 - 12/31/2008	$95,505	0 %
			CFDA Total:	$96,916	
1800	10.999	No Program Title			
		12-25-A-3342	10/01/2005 - 09/30/2007	$1,260	0 %
			CFDA Total:	$1,260	
			DEPARTMENT OF AGRICULTURE TOTAL:	**$121,289,084**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF COMMERCE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7500	11.407	Interjurisdictional Fisheries Act Of 1986			
		NA05NMF4071056	01/01/2006 - 12/31/2010	$3,951	0 %
			CFDA Total:	$3,951	
4400	11.417	Sea Grant Support			
		NA04OAR4170160	10/01/2004 - 05/31/2007	$145,838	0 %
			CFDA Total:	$145,838	
4400	11.419	Coastal Zone Management Administration Awards			
		NA04NOS4190047	07/01/2004 - 12/31/2007	$32,317	0 %
		NA05NOS4191072	07/01/2005 - 12/31/2007	$46,904	0 %
		NA06NOS4190194	07/01/2006 - 12/31/2007	$628,589	0 %
		NA07NOS4190081	07/01/2007 - 12/31/2008	$318,662	0 %
			CFDA Total:	$1,026,472	
7500	11.420	Coastal Zone Management Estuarine Research Reserves			
		NA05NOS4201084	07/01/2005 - 06/30/2008	$6,516	0 %
		NA06NOS4200128	07/01/2006 - 06/30/2008	$45,891	0 %
		NA07NOS4200109	07/01/2007 - 06/30/2008	$413,950	0 %
			CFDA Total:	$466,357	
4400	11.454	Unallied Management Projects			
		NA04NMF4540382	10/01/2004 - 09/30/2007	$7,173	0 %
			CFDA Total:	$7,173	
4400 7500	11.463	Habitat Conservation			
		NA03NMF4630308	09/01/2003 - 01/31/2008	$10,575	0 %
		NA05NOS4631109	09/01/2005 - 06/30/2009	$7,749	0 %
		NA17FZ2603	07/01/2002 - 09/30/2008	$107,928	0 %
			CFDA Total:	$126,252	
7500	11.472	Unallied Science Program			
		NA06NMF4720228	04/01/2007 - 03/31/2009	$6,294	0 %
			CFDA Total:	$6,294	
7500	11.474	Atlantic Coastal Fisheries Cooperative Management Act			
		NA05NMF4741119	07/01/2005 - 06/30/2010	$31,406	0 %
		NA05NMF4741164	01/01/2006 - 06/30/2007	$6,860	0 %
		NA05NMF4741209	04/01/2006 - 03/31/2011	$104,912	0 %
		NA06NMF4740116	07/01/2006 - 06/30/2008	$67,781	0 %
			CFDA Total:	$210,959	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF COMMERCE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	11.555	Public Safety Interoperable Communications Grant Program			
		2007GSH70057	10/01/2007 - 09/30/2010	$8,996	0 %
			CFDA Total:	$8,996	
7500	11.999	No Program Title			
		JEA	08/01/2007 - 07/31/2008	$302,480	0 %
			CFDA Total:	$302,480	
			DEPARTMENT OF COMMERCE TOTAL:	**$2,304,772**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF DEFENSE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3500	12.002	Procurement Technical Assistance For Business Firms			
		SP4800-03-2-0349	01/01/2007 - 12/31/2007	$260,299	0 %
			CFDA Total:	$260,299	
1200	12.400	Military Construction, National Guard			
		DAHA27-00-2-2002	12/15/1999 - 12/14/2012	$10,000	0 %
		DAHA27-03-2-2001	10/01/2004 - 12/14/2012	$2,027,618	0 %
			CFDA Total:	$2,037,618	
1200	**12.401**	**National Guard Military Operations And Maintenance (O&M Projects)**			
		W912TF-07-2-1007	**10/01/2006 - 09/30/2012**	**$1,175**	**0 %**
		W912TF-07-2-3062	**10/01/2007 - 09/30/2012**	**$225,000**	**0 %**
		W912TF-08-2-1001	**09/01/2007 - 08/30/2012**	**$28,977**	**0 %**
		W912TF-08-2-1001	**10/01/2007 - 09/30/2011**	**$167**	**0 %**
		W912TF-08-2-1001	**10/01/2007 - 08/30/2012**	**$41,300**	**0 %**
		W912TF-08-2-1001	**10/01/2007 - 09/30/2012**	**$4,530,724**	**0 %**
		W912TF-08-2-1002	**09/01/2007 - 09/30/2012**	**$476,203**	**0 %**
		W912TF-08-2-1002	**10/01/2007 - 09/30/2012**	**$74,245**	**0 %**
		W912TF-08-2-1003	**10/01/2007 - 09/30/2012**	**$746,244**	**0 %**
		W912TF-08-2-1004	**10/01/2007 - 09/30/2012**	**$146,843**	**0 %**
		W912TF-08-2-1007	**10/01/2007 - 09/30/2012**	**$23,117**	**0 %**
		W912TF-08-2-1014	**09/01/2007 - 09/30/2012**	**$47,476**	**0 %**
		W912TF-08-2-1014	**10/01/2007 - 09/30/2012**	**$2,906**	**0 %**
		W912TF-08-2-1015	**09/01/2007 - 08/30/2012**	**$2,243**	**0 %**
		W912TF-08-2-1015	**10/01/2007 - 08/30/2012**	**$101,166**	**0 %**
		W912TF-08-2-1021	**10/01/2007 - 08/30/2012**	**$1,644,937**	**0 %**
		W912TF-08-2-1021	**10/01/2007 - 09/30/2012**	**$1,087,395**	**0 %**
		W912TF-08-2-1023	**10/01/2007 - 09/30/2012**	**$419,271**	**0 %**
		W912TF-08-2-1024	**10/01/2007 - 09/30/2012**	**$2,723,660**	**0 %**
			CFDA Total:	**$12,323,049**	
1200	12.999	No Program Title			
			10/01/2008 - 09/30/2011	$29,273	0 %
			CFDA Total:	$29,273	
			DEPARTMENT OF DEFENSE TOTAL:	**$14,650,239**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	14.231	Emergency Shelter Grants Program			
		S-07-DC-33-0001	01/01/2007 - 12/31/2007	$479,996	97 %
		S-08-DC-33-0001	01/01/2008 - 12/31/2008	$39,834	38 %
			CFDA Total:	$519,830	
9500	14.235	Supportive Housing Program			
		NH01B200001	09/01/2004 - 06/30/2007	$9,458	100 %
		NH01B401003	01/01/2005 - 12/31/2007	$42,347	98 %
		NH01B500001	02/16/2007 - 02/15/2009	$20,490	78 %
		NH01B500002	07/01/2006 - 06/30/2007	$63,024	100 %
		NH01B500003	11/01/2006 - 10/31/2007	$58,791	97 %
		NH01B500012	07/01/2006 - 06/30/2007	$26,948	100 %
		NH01B500013	07/01/2006 - 06/30/2007	$9,748	100 %
		NH01B500015	07/01/2006 - 06/30/2007	$11,960	100 %
		NH01B500016	07/01/2006 - 06/30/2007	$20,115	100 %
		NH01B500018	08/01/2006 - 07/31/2007	$8,832	94 %
		NH01B501006	08/01/2006 - 07/31/2007	$5,922	94 %
		NH01B502002	07/01/2006 - 06/30/2007	$12,573	100 %
		NH01B502010	08/01/2006 - 07/31/2007	$1,427	94 %
		NH01B600002	07/01/2007 - 06/30/2008	$66,996	97 %
		NH01B600003	07/01/2007 - 06/30/2008	$111,749	98 %
		NH01B600005	07/01/2007 - 06/30/2008	$227,164	97 %
		NH01B600006	04/01/2007 - 03/31/2008	$88,497	98 %
		NH01B600007	11/01/2007 - 10/31/2008	$44,607	94 %
		NH01B600009	07/01/2007 - 06/30/2008	$291,257	94 %
		NH01B600011	07/01/2007 - 06/30/2008	$88,927	97 %
		NH01B600012	07/01/2007 - 06/30/2008	$73,325	97 %
		NH01B600013	07/01/2007 - 06/30/2008	$236,866	0 %
		NH01B600015	08/01/2007 - 07/31/2008	$65,953	97 %
		NH01B600016	07/01/2007 - 06/30/2008	$14,154	98 %
		NH01B600017	07/01/2007 - 06/30/2008	$42,097	98 %
		NH01B601004	08/01/2007 - 07/31/2008	$44,086	97 %
		NH01B602003	07/01/2007 - 06/30/2008	$179,396	97 %
		NH01B602011	08/01/2007 - 07/31/2008	$10,662	97 %
		NH01B700009	04/01/2008 - 03/31/2009	$2,107	0 %
		NH01B701005	01/01/2008 - 12/31/2008	$31,253	94 %
			CFDA Total:	$1,910,731	
9500	14.238	Shelter Plus Care			
		NH01C300001	01/12/2005 - 08/26/2009	$170,802	100 %
		NH01C400001	09/13/2006 - 06/30/2011	$128,594	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$299,396	
9500	14.241	Housing Opportunities For Persons With AIDS			
		NH-H05-0013	03/01/2006 - 02/28/2009	$241,716	94 %
		NH-H06-0037	03/01/2007 - 02/01/2810	$193,369	90 %
			CFDA Total:	$435,085	
3400 5800	14.246	Community Development Block Grants/Brownfields Economic Development Initiative			
		B-05-sp-nh-0171	11/01/2006 - 12/31/2009	$83,239	100 %
		B-06-SP-NH-0637	06/01/2006 - 09/30/2012	$5,059	0 %
		B-06-SP-NH-0640	11/01/2006 - 09/30/2012	$61,733	0 %
			CFDA Total:	$150,031	
		DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL:		**$3,315,073**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7500	**15.605**	**Sport Fish Restoration Program (Note 7)**			
		F100R24	**10/01/2006 - 09/30/2007**	**$3,750**	**0 %**
		F100R25M	**10/01/2007 - 09/30/2008**	**$392**	**0 %**
		F50R23F	**07/01/2006 - 06/30/2007**	**$40,711**	**0 %**
		F50R24F	**07/01/2007 - 06/30/2008**	**$376,668**	**0 %**
		F50R24M	**07/01/2007 - 06/30/2008**	**$67,639**	**0 %**
		F53E20A	**07/01/2006 - 06/30/2007**	**$25,969**	**0 %**
		F53E20S	**07/01/2006 - 06/30/2007**	**$2,885**	**0 %**
		F53E21A	**07/01/2007 - 06/30/2008**	**$214,107**	**0 %**
		F53E21S	**07/01/2007 - 06/30/2008**	**$23,790**	**0 %**
		F60D14F	**07/01/2006 - 06/30/2007**	**$58,026**	**0 %**
		F60D14M	**07/01/2006 - 06/30/2007**	**$586**	**0 %**
		F60D15F	**07/01/2007 - 06/30/2008**	**$1,496,268**	**0 %**
		F60D15M	**07/01/2007 - 06/30/2008**	**$62,335**	**0 %**
		F61R13	**01/01/2005 - 12/31/2008**	**$338,154**	**0 %**
		F63D1	**05/07/2007 - 06/30/2008**	**$739,264**	**0 %**
		FW17C32F	**07/01/2006 - 06/30/2007**	**$4,487**	**0 %**
		FW17C32M	**07/01/2006 - 06/30/2007**	**$1,477**	**0 %**
		FW17C33F	**07/01/2007 - 06/30/2008**	**$28,248**	**0 %**
		FW17C33M	**07/01/2007 - 06/30/2008**	**$9,453**	**0 %**
		FW23D17F	**07/01/2006 - 06/30/2007**	**$8,131**	**0 %**
		FW23D17M	**07/01/2006 - 06/30/2007**	**$218**	**0 %**
		FW25T13F	**07/01/2006 - 06/30/2007**	**$1,120**	**0 %**
		FW25T14F	**07/01/2007 - 06/30/2008**	**$27,191**	**0 %**
		FW28D12B	**07/01/2006 - 06/30/2007**	**$46,010**	**0 %**
		FW28D12X	**07/01/2006 - 06/30/2007**	**$(52)**	**0 %**
		FW28D13B	**07/01/2007 - 06/30/2008**	**$155,634**	**0 %**
		FW28D13F	**07/01/2007 - 06/30/2008**	**$8,820**	**0 %**
		FW28D13M	**07/01/2007 - 06/30/2008**	**$180**	**0 %**
		FW28D13X	**07/01/2007 - 06/30/2008**	**$1,870**	**0 %**
		FW30T9F	**07/01/2007 - 06/30/2008**	**$52,449**	**0 %**
		FW30T9M	**07/01/2007 - 06/30/2008**	**$5,828**	**0 %**
			CFDA Total:	**$3,801,608**	
3500	**15.611**	**Wildlife Restoration (Note 7)**			
7500		**FW17C32W**	**07/01/2006 - 06/30/2007**	**$2,049**	**0 %**
		FW17C33W	**07/01/2007 - 06/30/2008**	**$16,938**	**0 %**
		FW23D17W	**07/01/2006 - 06/30/2007**	**$9,396**	**0 %**
		FW25T13W	**07/01/2006 - 06/30/2007**	**$6,348**	**0 %**
		FW25T14W	**07/01/2007 - 06/30/2008**	**$154,084**	**0 %**
		FW30T9W	**07/01/2007 - 06/30/2008**	**$23,138**	**0 %**

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		MOA w /NRC	**05/18/2005 - 06/11/2011**	**$1,139**	**0 %**
		MOA w/NCR	**05/01/2005 - 07/30/2010**	**$887**	**0 %**
		MOA W/NRC	**04/01/1999 - 08/30/2008**	**$7,960**	**0 %**
		MOA W/NRC	**04/01/2004 - 09/30/2008**	**$12,135**	**0 %**
		MOA w/NRC	**06/01/2004 - 09/30/2010**	**$1,237**	**0 %**
		W11D66	**07/01/2006 - 06/30/2007**	**$5,486**	**0 %**
		W11D67	**07/01/2007 - 06/30/2008**	**$40,883**	**0 %**
		W11D67	**07/01/2007 - 06/30/2008**	**$126,613**	**47 %**
		W66S35H	**07/01/2006 - 06/30/2007**	**$52,182**	**0 %**
		W66S36H	**07/01/2007 - 06/30/2008**	**$202,955**	**0 %**
		W89R8	**07/01/2007 - 06/30/2008**	**$490,563**	**0 %**
			CFDA Total:	**$1,153,993**	
3500	15.615	Cooperative Endangered Species Conservation Fund			
7500		EP-1-17	05/07/2007 - 03/30/2008	$20,907	0 %
		EW-1-26	07/01/2007 - 06/30/2008	$35,892	0 %
			CFDA Total:	$56,799	
4400	15.616	Clean Vessel Act			
		V-4-1	07/01/2004 - 09/30/2008	$35,465	0 %
		V-4-2	11/18/2005 - 09/30/2007	$180,489	0 %
			CFDA Total:	$215,954	
7500	15.625	Wildlife Conservation And Restoration			
		R-3-1	09/01/2003 - 06/30/2009	$6,804	0 %
			CFDA Total:	$6,804	
7500	15.626	Hunter Education And Safety Program			
		W66S36J	07/01/2007 - 06/30/2008	$80,000	0 %
			CFDA Total:	$80,000	
7500	15.633	Landowner Incentive Program			
		I-1-4	07/01/2006 - 06/30/2011	$142,388	0 %
		I-2-L1	04/06/2007 - 06/30/2009	$209,578	0 %
			CFDA Total:	$351,966	
7500	15.634	State Wildlife Grants			
		T-1-1	01/08/2003 - 06/30/2009	$138,203	0 %
		T-2-4	07/01/2006 - 06/30/2008	$181,000	0 %
		T5R1	10/01/2005 - 12/31/2007	$78,035	0 %
		T-7R1	04/01/2007 - 03/31/2012	$186,139	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF THE INTERIOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		T-7-R1	04/01/2007 - 03/31/2012	$17,603	0 %
		T-8R1	09/01/2007 - 08/31/2009	$3,948	0 %
		T-9T1	01/15/2008 - 12/31/2012	$48,757	0 %
			CFDA Total:	$653,685	
4400	15.810	National Cooperative Geologic Mapping Program			
		06HQAG0050	09/15/2006 - 09/14/2007	$37,352	0 %
		07HQAG0111	09/15/2007 - 09/14/2008	$753	0 %
			CFDA Total:	$38,105	
3400	15.904	Historic Preservation Fund Grants-In-Aid			
		33-05-20431	10/01/2005 - 09/30/2006	$2,796	100 %
		33-06-21532	10/01/2005 - 09/30/2007	$47,106	100 %
		33-07-21633	10/01/2006 - 09/30/2008	$145,316	100 %
		33-08-xxxx	10/01/2007 - 09/30/2009	$264,755	100 %
			CFDA Total:	$459,973	
3500	15.916	Outdoor Recreation - Acquisition, Development And Planning			
		33-00630	06/09/2003 - 09/30/2007	$23,969	100 %
		33-00635	05/27/2003 - 12/31/2008	$407,815	0 %
		33-00640	07/10/2003 - 12/31/2006	$69,129	100 %
		33-00645	07/01/2004 - 12/31/2008	$74,586	100 %
		33-00658	09/06/2005 - 12/31/2009	$119,953	0 %
		33-00659	06/15/2006 - 12/31/2009	$18,200	100 %
		33-00663	09/07/2007 - 11/30/2007	$343,674	0 %
		33-00664	02/23/2007 - 06/30/2007	$27,085	100 %
			CFDA Total:	$1,084,411	
			DEPARTMENT OF THE INTERIOR TOTAL:	**$7,903,298**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2700 4600	16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)			
		2002-RE-CX-0025	07/01/2002 - 03/31/2010	$244,313	0 %
		2002-RE-CX-0025	12/11/2007 - 03/31/2009	$43,924	0 %
			CFDA Total:	$288,237	
9500	16.523	Juvenile Accountability Block Grants			
		06JBFX0029	06/01/2006 - 05/31/2009	$144,259	0 %
			CFDA Total:	$144,259	
2000	16.527	Supervised Visitation, Safe Havens For Children			
		2006CWAX0022	10/01/2006 - 09/30/2008	$13,776	0 %
		2006CWAX0022	10/01/2006 - 09/30/2008	$342,470	100 %
			CFDA Total:	$356,246	
9500	16.540	Juvenile Justice And Delinquency Prevention - Allocation To States			
		04JFFX0083	10/01/2004 - 09/30/2007	$111,000	0 %
		04JFFX0084	10/01/2004 - 09/30/2007	$174,893	0 %
		05JFFX0006	10/01/2004 - 09/30/2008	$369,486	0 %
		06JFFX0017	10/01/2005 - 09/30/2009	$21,931	0 %
			CFDA Total:	$677,310	
9500	16.541	Part E - Developing, Testing And Demonstrating Promising New Programs			
		06JLFX0263	10/01/2006 - 11/30/2008	$115,514	0 %
			CFDA Total:	$115,514	
2000	16.542	Part D - Research, Evaluation, Technical Assistance And Training			
		2005AHFX0034	06/01/2005 - 05/31/2008	$55,022	100 %
		2006AHFX0019	06/01/2006 - 05/31/2008	$1,961	0 %
		2006AHFX0019	01/01/2008 - 01/01/2008	$174,839	100 %
		2007AHFX0023	06/01/2007 - 03/31/2009	$7,127	100 %
		2007AHFX0023	06/01/2007 - 05/31/2009	$10,769	0 %
			CFDA Total:	$249,718	
9500	16.548	Title V - Delinquency Prevention Program			
		04JPFX0039	10/01/2003 - 09/30/2007	$37,675	0 %
		05JPFX0022	10/01/2004 - 09/30/2008	$45,072	0 %
			CFDA Total:	$82,747	
2000	16.550	State Justice Statistics Program For Statistical Analysis Centers			
		2006BJCXK022	10/01/2006 - 09/30/2007	$32,621	100 %
		2007BJCXK0056	10/01/2007 - 09/30/2008	$42,349	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$74,970	
2000 4600	16.554	National Criminal History Improvement Program (NCHIP)			
		2000RHCXK028	10/01/2000 - 12/31/2007	$127,806	100 %
		2004RUBXK013	10/01/2004 - 09/30/2007	$6,707	100 %
		2006SKBXK003	10/01/2006 - 09/30/2009	$43,072	100 %
			CFDA Total:	$177,585	
2000 2300	16.560	National Institute Of Justice Research, Evaluation, And Development Project Grants			
		2005DABXK068	10/01/2005 - 09/30/2007	$37,051	0 %
		2005DNBX0083	10/01/2005 - 09/30/2007	$16,431	100 %
		2005DNBX0083	10/01/2005 - 09/30/2008	$1,915	0 %
		2005DNBXK093	10/01/2005 - 06/30/2007	$21,552	0 %
		2006DNBX0080	10/01/2006 - 09/30/2008	$1,782	0 %
		2006DNBX0080	10/01/2006 - 09/30/2008	$43,488	83 %
		2006DNBXK080	10/01/2006 - 09/30/2007	$14,563	0 %
		2007CDBX0020	10/01/2007 - 09/30/2008	$6,518	100 %
		2007DNBXK016	10/01/2007 - 09/30/2008	$22,852	0 %
			CFDA Total:	$166,152	
2000 4600	16.575	Crime Victim Assistance			
		2004VAGX0062	10/01/2003 - 09/30/2008	$1,600	0 %
		2004VAGX0062	10/01/2003 - 09/30/2008	$95,391	100 %
		2005VAGX0007	10/01/2004 - 09/30/2008	$19,576	0 %
		2005VAGX0007	10/01/2004 - 09/30/2008	$375,028	100 %
		2005-VA-GX-0007	07/01/2007 - 06/30/2008	$105,665	100 %
		2006VAGX0001	10/01/2005 - 09/30/2009	$756,755	100 %
		2007VAGX0001	10/01/2006 - 09/30/2010	$901,133	100 %
			CFDA Total:	$2,255,148	
2000	16.576	Crime Victim Compensation			
		2006VCGX0007	10/01/2005 - 09/30/2009	$78,999	100 %
		2007VCGX0003	10/01/2006 - 09/30/2010	$80,000	100 %
			CFDA Total:	$158,999	
2000 4600	16.579	Edward Byrne Memorial Formula Grant Program			
		2002DBBX0033	12/01/2001 - 12/31/2007	$170,665	26 %
		2003DBBX0009	10/01/2002 - 09/30/2007	$469,856	99 %
		2003-DB-BX-0009	01/26/2005 - 09/30/2007	$375,524	100 %
		2004DBBX0032	10/01/2003 - 09/30/2007	$12,853	0 %
		2004DBBX0032	10/01/2003 - 09/30/2007	$126,559	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		2005DJBX0216	10/01/2004 - 09/30/2008	$50,898	0 %
		2005DJBX0216	10/01/2004 - 09/30/2008	$861,196	26 %
		2006DJBX0014	10/01/2005 - 09/30/2009	$199,447	100 %
		2007DJBX0097	10/01/2006 - 09/30/2010	$20,243	0 %
			CFDA Total:	$2,287,241	
2000 2300	16.580	Edward Byrne Memorial State And Local Law Enforcement Assistance Discretionary Grants Program			
		2004DDBX1363	10/01/2004 - 09/30/2006	$45,961	0 %
		2005DDBX1236	10/01/2004 - 09/30/2007	$304,231	0 %
		2005PMBX0002	06/01/2005 - 06/01/2008	$4,210	0 %
		2006DDBX0370	08/01/2006 - 07/31/2007	$50,248	0 %
		2006-DD-BX-0535	10/01/2005 - 03/31/2008	$333,835	0 %
		2006JLFX0169	10/01/2005 - 09/30/2007	$57,986	0 %
			CFDA Total:	$796,471	
2000	16.588	Violence Against Women Formula Grants			
		2005WFAX0048	06/01/2005 - 05/31/2008	$239,624	100 %
		2006WFAX0074	06/01/2006 - 05/31/2008	$75,252	0 %
		2006WFAX0074	06/01/2006 - 05/31/2008	$491,873	90 %
		2007WFAX0012	03/01/2007 - 02/28/2009	$179,450	86 %
		2007WFAX0074	03/01/2007 - 02/28/2009	$8,423	0 %
			CFDA Total:	$994,622	
2000	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, And Stalking Assistance Program			
		2004WRAX0067	01/01/2005 - 12/31/2008	$2,315	0 %
		2004WRAX0067	01/01/2005 - 12/31/2008	$207,244	100 %
			CFDA Total:	$209,559	
1000	16.590	Grants To Encourage Arrest Policies And Enforcement Of Protection Orders			
		2004-WE-AX-K035	09/01/2004 - 12/31/2007	$28,003	0 %
			CFDA Total:	$28,003	
2000	16.593	Residential Substance Abuse Treatment For State Prisoners			
		2003RTBX0005	10/01/2002 - 09/30/2007	$4,050	100 %
		2005RTBX0021	10/01/2004 - 09/30/2008	$153	0 %
		2005RTBX0021	10/01/2004 - 09/30/2008	$62,245	100 %
		2007RTBX0033	10/01/2006 - 09/30/2010	$29	0 %
			CFDA Total:	$66,477	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF JUSTICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4600	16.606	State Criminal Alien Assistance Program			
		2007-AP-BX-0796	07/01/2007 - 06/30/2008	$190,603	0 %
		2008-AP-BX-0216	08/01/2007 - 06/30/2008	$169,489	0 %
			CFDA Total:	$360,092	
2000	16.607	Bulletproof Vest Partnership Program			
		2006	10/01/2005 - 09/30/2007	$5,314	100 %
			CFDA Total:	$5,314	
2000	16.609	Community Prosecution And Project Safe Neighborhoods			
		2003GPCX0161	10/01/2002 - 09/30/2007	$798	0 %
		2003GPCX0161	10/01/2002 - 09/30/2008	$114,260	100 %
		2006PGBX0034	01/01/2006 - 12/31/2008	$9,613	0 %
		2006PGBX0034	01/01/2006 - 12/31/2008	$46,474	100 %
			CFDA Total:	$171,145	
2300 8700	16.710	Public Safety Partnership And Community Policing Grants			
		2002DDBX0047	09/02/2002 - 03/31/2006	$39	0 %
		2003CKWX0152	02/20/2003 - 12/30/2007	$18,498	0 %
		2004CKWX0124	01/23/2004 - 01/22/2007	$466,507	0 %
		2004CKWX0125	01/23/2004 - 01/22/2007	$21,539	0 %
		2005CKWX0203	12/08/2004 - 12/07/2007	$36,749	0 %
			CFDA Total:	$543,332	
4600	16.735	Protecting Inmates And Safeguarding Communities Discretionary Grant Program			
		2006-RP-BX-0041	06/01/2006 - 12/31/2009	$137,219	0 %
			CFDA Total:	$137,219	
2300	16.741	Forensic DNA Backlog Reduction Program			
		2006DNBXK138	10/01/2006 - 09/30/2008	$3,375	0 %
		2007DNBXK061	10/01/2007 - 09/30/2008	$82,819	0 %
			CFDA Total:	$86,194	
2300	16.999	No Program Title			
		2007-90	01/01/2007 - 12/31/2007	$19,980	0 %
		Federal Forfeiture	07/01/2007 - 06/30/2008	$490,366	0 %
			CFDA Total:	$510,346	
			DEPARTMENT OF JUSTICE TOTAL:	**$10,942,900**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2700	17.002	Labor Force Statistics			
		W9J78033	10/01/2006 - 09/30/2007	$175,579	0 %
		W9J88033	10/01/2007 - 09/30/2008	$590,325	0 %
			CFDA Total:	$765,904	
2700	17.207	Employment Service/Wagner - Peyser Funded Activities (Note 7)			
		ES-14879-05-55	10/01/2005 - 09/30/2006	$11,974	0 %
		ES-15710-06-55	07/01/2006 - 06/30/2007	$67,169	0 %
		ES-15710-06-55	10/01/2006 - 09/30/2007	$46,480	0 %
		ES-16227-07-55	07/01/2007 - 06/30/2008	$3,626,415	0 %
		ES-16227-07-55	10/01/2007 - 09/30/2008	$86,542	0 %
			CFDA Total:	$3,838,580	
2700	**17.225**	**Unemployment Insurance (Note 5)**			
		NONE	**10/01/2006 - 09/30/2008**	**$131,948**	**0 %**
		NONE	**07/01/2007 - 09/30/2007**	**$215,428**	**0 %**
		NONE	**07/01/2007 - 06/30/2008**	**$100,616,510**	**0 %**
		NONE	**10/01/2007 - 06/30/2008**	**$911,864**	**0 %**
		UI-14448-05-55	**10/01/2004 - 09/30/2007**	**$459,586**	**0 %**
		UI-15134-06-55	**10/01/2005 - 09/30/2008**	**$3,793**	**0 %**
		UI-15813-07-55	**10/01/2006 - 09/30/2007**	**$1,459,424**	**0 %**
		UI-15813-07-55	**10/01/2006 - 09/30/2009**	**$59,642**	**0 %**
		UI-16761-08-55	**10/01/2007 - 09/30/2008**	**$11,852,547**	**0 %**
			CFDA Total:	**$115,710,742**	
2600	17.235	Senior Community Service Employment Program			
		AD16147WT	07/01/2007 - 06/30/2008	$510,598	100 %
			CFDA Total:	$510,598	
2700	17.245	Trade Adjustment Assistance			
		TA-15316-06-55	10/01/2005 - 09/30/2008	$366,788	0 %
		TA-15903-07-55	10/01/2006 - 09/30/2009	$419,383	0 %
		TA-16813-08-55	10/01/2007 - 09/30/2010	$165,496	0 %
		UI-15813-07-55	07/01/2007 - 09/30/2007	$260,094	0 %
		UI-16761-08-55-A-33	10/01/2007 - 06/30/2008	$846,298	0 %
			CFDA Total:	$2,058,059	
2600 **2700**	**17.258**	**WIA Adult Program (Note 7)**			
		AA14689SS	**10/01/2005 - 06/30/2008**	**$174,892**	**100 %**
		AA-15493-06-55	**07/01/2006 - 06/30/2007**	**$167**	**0 %**
		AA15493VC	**06/15/2006 - 06/30/2007**	**$11,365**	**100 %**

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		AA15493WL	**06/15/2006 - 06/30/2007**	**$799,369**	**100 %**
		AA-16043-07-55	**07/01/2007 - 06/30/2008**	**$80,948**	**0 %**
		AA160432D	**07/01/2007 - 04/30/2009**	**$1,090,299**	**100 %**
		AA16043YE	**07/01/2007 - 04/30/2009**	**$341,592**	**100 %**
			CFDA Total:	**$2,498,632**	
2600 2700	**17.259**	**WIA Youth Activities (Note 7)**			
		AA14689QY	**04/01/2005 - 06/30/2008**	**$162,022**	**100 %**
		AA-15493-06-55	**07/01/2006 - 06/30/2007**	**$167**	**0 %**
		AA15493UT	**06/15/2006 - 06/30/2007**	**$465,741**	**100 %**
		AA-16043-07-55	**07/01/2007 - 06/30/2008**	**$80,948**	**0 %**
		AA16043XW	**07/01/2007 - 04/30/2009**	**$1,879,958**	**100 %**
			CFDA Total:	**$2,588,836**	
2600 2700	**17.260**	**WIA Dislocated Workers (Note 7)**			
		AA14689SU	**10/01/2005 - 06/30/2008**	**$251,584**	**100 %**
		AA-15493-06-55	**07/01/2006 - 06/30/2007**	**$167**	**0 %**
		AA15493VE	**06/15/2006 - 06/30/2007**	**$39,256**	**100 %**
		AA15493WN	**06/15/2006 - 06/30/2007**	**$535,130**	**100 %**
		AA-16043-07-55	**07/01/2007 - 06/30/2008**	**$80,948**	**0 %**
		AA16043YG	**07/01/2007 - 04/30/2009**	**$652,466**	**100 %**
		AA16043ZM	**07/01/2007 - 04/30/2009**	**$1,238,461**	**100 %**
		EM-16942-08-60-A-33	**02/01/2008 - 01/31/2009**	**$79,297**	**0 %**
		EM16942YW	**11/19/2007 - 12/03/2009**	**$211,067**	**100 %**
		EM17006YW	**12/17/2007 - 06/15/2009**	**$48,771**	**100 %**
			CFDA Total:	**$3,137,147**	
2600 5800	17.261	WIA Pilots, Demonstrations, And Research Projects			
		CB-15205-06-60	11/01/2005 - 10/31/2009	$587,472	0 %
		YF16113VU	11/19/2007 - 09/30/2008	$25,297	100 %
			CFDA Total:	$612,769	
2600	17.266	Work Incentives Grant			
		WI16090VN	05/01/2007 - 04/30/2009	$143,520	100 %
			CFDA Total:	$143,520	
4400	17.504	Consultation Agreements			
		E9F7-0913	10/01/2006 - 09/30/2007	$140,962	0 %
		E9F8-0913	10/01/2007 - 09/30/2008	$330,299	0 %
			CFDA Total:	$471,261	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF LABOR

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2600	17.600	Mine Health And Safety Grants			
		MS-17072-08-55-R-33	10/01/2007 - 09/30/2008	$2,928	0 %
			CFDA Total:	$2,928	
2700	17.801	Disabled Veterans' Outreach Program (DVOP) (Note 7)			
		E-9-5-7-5043	10/01/2006 - 09/30/2007	$113,248	0 %
		E-9-5-8-5043	10/01/2007 - 09/30/2008	$220,213	0 %
			CFDA Total:	$333,461	
2700	17.804	Local Veterans' Employment Representative Program (Note 7)			
		E-9-5-6-5043	10/01/2005 - 09/30/2006	$86	0 %
		E-9-5-7-5043	10/01/2006 - 09/30/2007	$120,156	0 %
		E-9-5-8-5043	10/01/2007 - 09/30/2008	$344,300	0 %
			CFDA Total:	$464,542	
2700	17.805	Homeless Veterans Reintegration Project			
		HV-16558-07-60-5-33	06/01/2007 - 11/15/2007	$2,941	0 %
			CFDA Total:	$2,941	
			DEPARTMENT OF LABOR TOTAL:	**$133,139,920**	

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State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9600	20.106	Airport Improvement Program			
		Various	07/01/2007 - 06/30/2008	$1,429,052	100 %
			CFDA Total:	$1,429,052	
9600	**20.205**	**Highway Planning And Construction**			
		Various	**07/01/2007 - 06/30/2008**	**$158,324,890**	**6 %**
			CFDA Total:	**$158,324,890**	
2300	20.218	National Motor Carrier Safety			
		BE-05-33-1	07/01/2005 - 09/30/2006	$189	0 %
		BE-06-33-1	10/01/2005 - 09/30/2007	$229,902	0 %
		BE-07-33-1	03/24/2007 - 09/30/2008	$442,892	0 %
		MC-06-33-1	10/01/2005 - 09/30/2006	$6,107	0 %
		MC-07-33-1	07/11/2007 - 09/30/2008	$362,804	0 %
		MC-07-33-1	10/01/2007 - 09/30/2008	$153,951	0 %
		MH-07-33-1	07/03/2007 - 09/30/2008	$13,745	0 %
		MN-07-33-1	10/01/2006 - 09/30/2008	$460,584	0 %
		MR-06-33-1	09/15/2006 - 03/30/2008	$2,893	0 %
			CFDA Total:	$1,673,067	
3500	20.219	Recreational Trails Program			
		NRT-00MH (004)	10/01/2004 - 09/30/2010	$101,552	0 %
		NRT-00NH	02/07/2007 - 02/07/2012	$580,428	0 %
		NRT-00NH (003)	10/01/2003 - 09/30/2009	$41,759	0 %
		NRT-00NH (005)	09/01/2005 - 09/30/2010	$61,529	0 %
		NRT-00NH (006)	10/01/2005 - 09/30/2009	$163,731	0 %
		NRT-00NH(000)	12/01/1999 - 09/30/2007	$2,894	0 %
		NRT-00NH(001)	10/01/2000 - 09/30/2008	$744	0 %
		NRT-00NH(002)	10/01/2002 - 09/30/2009	$3,563	0 %
			CFDA Total:	$956,200	
2300	20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort			
		TCP0001 (003)	10/01/2007 - 10/01/2009	$44,209	0 %
			CFDA Total:	$44,209	
9600	**20.500**	**Federal Transit - Capital Investment Grants (Note 7)**			
		Various	**07/01/2007 - 06/30/2008**	**$1,770,471**	**50 %**
			CFDA Total:	**$1,770,471**	
9600	20.505	Federal Transit - Metropolitan Planning Grants			
		Various	07/01/2007 - 06/30/2008	$221,723	100 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$221,723	
9600	**20.507**	**Federal Transit - Formula Grants (Note 7)**			
		Various	**07/01/2007 - 06/30/2008**	**$5,135,560**	**50 %**
			CFDA Total:	**$5,135,560**	
9600	20.509	Formula Grants For Other Than Urbanized Areas			
		Various	07/01/2007 - 06/30/2008	$2,967,265	85 %
			CFDA Total:	$2,967,265	
9600	20.513	Capital Assistance Program For Elderly Persons And Persons With Disabilities (Note 7)			
		Various	07/01/2007 - 06/30/2008	$94,921	90 %
			CFDA Total:	$94,921	
9600	20.515	State Planning And Research			
		Various	07/01/2006 - 06/30/2007	$10,562	100 %
			CFDA Total:	$10,562	
9600	20.516	Job Access - Reverse Commute (Note 7)			
		Various	07/01/2007 - 06/30/2008	$59,084	100 %
			CFDA Total:	$59,084	
2300	20.600	State And Community Highway Safety (Note 7)			
2500		310-06s-001	10/01/2007 - 09/30/2008	$30,517	0 %
		DTNH2203H77207	05/30/2003 - 05/30/2008	$21,700	0 %
		none	07/01/2007 - 09/30/2007	$13,637	0 %
		none	07/01/2007 - 09/30/2007	$261,951	86 %
		none	10/01/2007 - 09/30/2008	$81,798	0 %
		none	10/01/2007 - 09/30/2008	$908,955	61 %
			CFDA Total:	$1,318,558	
2500	20.601	Alcohol Traffic Safety And Drunk Driving Prevention Incentive Grants (Note 7)			
		none	07/01/2007 - 09/30/2007	$92,237	100 %
		none	10/01/2007 - 09/30/2008	$252,976	100 %
			CFDA Total:	$345,213	
8100	20.700	Pipeline Safety Program Base Grants			
		DOT-GB-70027	01/01/2007 - 12/31/2007	$163,536	0 %
		DOT-GB-80027	01/01/2008 - 12/31/2008	$114,067	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF TRANSPORTATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$277,603	
2300	20.703	Interagency Hazardous Materials Public Sector Training And Planning Grants			
		HMEMH7026150	10/01/2007 - 09/30/2008	$16,596	0 %
		HMENH6026140	09/30/2006 - 09/30/2007	$66,289	0 %
			CFDA Total:	$82,885	
2300 2500	20.999	No Program Title			
		H3DRH012410200	09/01/2003 - 08/31/2006	$6,392	0 %
		HMENNH30226110	04/01/1995 - 09/30/2006	$(67)	0 %
		none	07/01/2007 - 09/30/2007	$14,161	100 %
		none	10/01/2007 - 09/30/2008	$35,821	100 %
		TCP0001(002)	09/01/2005 - 09/30/2007	$108	0 %
			CFDA Total:	$56,415	
			DEPARTMENT OF TRANSPORTATION TOTAL:	**$174,767,678**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
7600	30.002	Employment Discrimination - State And Local Fair Employment Practices Agency Contracts			
		7FPSLP0122	10/01/2007 - 09/30/2008	$107,450	17 %
		7FPSLPO122	10/01/2007 - 09/30/2008	$909	17 %
			CFDA Total:	$108,359	
		EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL:		**$108,359**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

GENERAL SERVICES ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
1400	39.003	Donation Of Federal Surplus Personal Property (Note 3)			
		33	07/01/2007 - 06/30/2008	$468,953	100 %
			CFDA Total:	$468,953	
5800	39.999	No Program Title			
		GSA Cong add-on	07/08/2005 - 07/08/2010	$178,243	0 %
			CFDA Total:	$178,243	
			GENERAL SERVICES ADMINISTRATION TOTAL:	**$647,196**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

NATIONAL AERONUATICS AND SPACE ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
6100	43.999	No Program Title			
		NAG5-13578	09/01/2003 - 08/31/2008	$2,136,488	100 %
		NNK06EC95G	08/01/2006 - 07/31/2009	$256,772	100 %
			CFDA Total:	$2,393,260	
		NATIONAL AERONUATICS AND SPACE ADMINISTRATION TOTAL:		**$2,393,260**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3400	45.025	Promotion Of The Arts - Partnership Agreements			
		06-6100-2006	07/01/2006 - 09/30/2007	$53,410	100 %
		07-6100-2037	07/01/2007 - 09/30/2008	$564,693	100 %
			CFDA Total:	$618,103	
3400	45.026	Promotion Of The Arts - Leadership Initiatives			
		04-5500-3030	07/01/2004 - 05/31/2007	$1,851	100 %
			CFDA Total:	$1,851	
3400	45.310	Grants To States			
		ls-00-06-0030-06	10/01/2005 - 09/30/2007	$379,973	100 %
		LS-00-07-0030-07	10/01/2006 - 09/30/2008	$844,536	100 %
			CFDA Total:	$1,224,509	
		NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL:		**$1,844,463**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

NATIONAL SCIENCE FOUNDATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5800	47.041	Engineering Grants			
		EEC-0648161	03/01/2007 - 08/31/2009	$136,456	0 %
			CFDA Total:	$136,456	
5800	47.076	Education And Human Resources			
		DUE0324204	10/01/2003 - 05/31/2009	$3,125	0 %
		DUE0422467	09/22/2004 - 08/31/2008	$14,063	0 %
		DUE0501953	09/01/2005 - 08/31/2009	$641,077	42 %
		DUE0603277	07/01/2006 - 06/30/2009	$194,354	0 %
			CFDA Total:	$852,619	
			NATIONAL SCIENCE FOUNDATION TOTAL:	**$989,075**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF VETERANS AFFAIRS

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4300	64.005	Grants To States For Construction Of State Home Facilities			
		FAI33-006	07/01/2006 - 06/30/2009	$2,316,341	0 %
			CFDA Total:	$2,316,341	
4300	64.015	Veterans State Nursing Home Care			
		FAI33-005	07/01/2006 - 06/30/2009	$136,927	0 %
			CFDA Total:	$136,927	
1200	64.101	Burial Expenses Allowance For Veterans			
		None	10/01/2007 - 09/30/2012	$146,108	0 %
			CFDA Total:	$146,108	
5700	64.124	All-Volunteer Force Educational Assistance			
		V101(223B)P4786	10/01/2006 - 09/30/2007	$21,132	0 %
		V101(223B)P4886	10/01/2007 - 09/30/2008	$77,998	0 %
			CFDA Total:	$99,130	
			DEPARTMENT OF VETERANS AFFAIRS TOTAL:	**$2,698,506**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
4400	66.032	State Indoor Radon Grants			
		K100162317	07/01/2006 - 06/30/2007	$2,150	0 %
		K100162318	07/01/2007 - 06/30/2008	$95,827	0 %
			CFDA Total:	$97,977	
4400	66.034	Surveys Studies, Research, Investigations, Demonstrations, And Special Purpose Activities Relating To The Clean Air Act			
		HC97136001	10/01/2005 - 09/30/2007	$8,034	0 %
		PM99129402	04/17/2003 - 09/30/2007	$292,181	0 %
		XA83174601	06/18/2004 - 09/17/2007	$8,704	0 %
			CFDA Total:	$308,919	
4400	66.110	Healthy Communities Grant Program			
		HC97154901	01/01/2008 - 01/01/2008	$4,999	0 %
			CFDA Total:	$4,999	
4400	66.202	Congressionally Mandated Projects			
		EM97144601	04/15/2006 - 11/01/2010	$77,973	0 %
		EM97146601	04/15/2006 - 01/01/2011	$39,345	0 %
			CFDA Total:	$117,318	
4400	66.436	Surveys, Studies, Investigations, Demonstrations, And Training Grants And Cooperative Agreements - Section 104 (B)(3) Of The Clean Air Act			
		X797122101	01/21/2005 - 09/30/2008	$282	0 %
		X797128001	09/30/2005 - 09/30/2007	$24,217	0 %
		X797146301	04/10/2006 - 03/31/2008	$17,045	0 %
		X798176801	05/01/2003 - 09/30/2007	$3,497	0 %
			CFDA Total:	$45,041	
4400	66.454	Water Quality Management Planning			
		C600100205	10/01/2004 - 09/30/2007	$10,030	0 %
		C600100206	10/01/2005 - 09/30/2007	$24,253	0 %
		C600100207	10/01/2006 - 09/30/2009	$40,708	0 %
			CFDA Total:	$74,991	
4400	**66.458**	**Capitalization Grants For Clean Water State Revolving Funds**			
		CS33000103	**08/01/2003 - 08/01/2012**	**$547,743**	**0 %**
		CS33000103	**08/01/2003 - 08/01/2012**	**$5,071,401**	**100 %**
			CFDA Total:	**$5,619,144**	
4400	66.460	Nonpoint Source Implementation Grants			
		C998132403	09/15/2002 - 09/30/2007	$67,378	0 %

(Continued)

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ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		C998132404	09/30/2003 - 09/30/2008	$211,452	0 %
		C998132405	09/30/2004 - 09/30/2009	$116,075	0 %
		C998132406	09/30/2005 - 09/30/2010	$169,466	0 %
		C998132407	09/15/2006 - 09/30/2011	$201,194	0 %
		C998132408	07/01/2007 - 09/30/2012	$3	0 %
			CFDA Total:	$765,568	
4400	66.467	Wastewater Operator Training Grant Program (Technical Assistance)			
		T98170401	10/01/2002 - 09/30/2008	$32,607	0 %
			CFDA Total:	$32,607	
4400	**66.468**	**Capitalization Grants For Drinking Water State Revolving Fund**			
		FS99115004	**10/16/2003 - 10/01/2012**	**$6,313,531**	**0 %**
		FS99115005	**10/16/2005 - 10/01/2012**	**$1,138,863**	**0 %**
		FS99115005	**10/16/2005 - 10/01/2012**	**$500,684**	**15 %**
		FS99115006	**10/01/2006 - 10/01/2012**	**$1,508,343**	**4 %**
		FS99115007	**10/01/2007 - 10/01/2012**	**$976,792**	**0 %**
			CFDA Total:	**$10,438,213**	
4400	66.471	State Grants To Reimburse Operators Of Small Water Systems For Training And Certification Costs			
		CT-98149601	09/30/2002 - 09/30/2008	$146,590	0 %
			CFDA Total:	$146,590	
4400	66.472	Beach Monitoring And Notification Program Implementation Grants			
		CU97147901	09/30/2006 - 12/31/2007	$21,141	0 %
		CU98183401	09/30/2003 - 06/30/2007	$123,914	0 %
			CFDA Total:	$145,055	
4400	66.474	Water Protection Grants To The States			
		WP97172301	10/01/2007 - 06/23/2011	$32,776	0 %
		WP98167401	10/01/2002 - 06/30/2008	$63,749	0 %
		X698190201	11/01/2003 - 12/31/2008	$29,905	0 %
			CFDA Total:	$126,430	
4400	**66.605**	**Performance Partnership Grants**			
		BG99127301	**10/01/2000 - 09/30/2007**	**$8,753**	**0 %**
		BG99127303	**10/01/2002 - 09/30/2007**	**$26,436**	**0 %**
		BG99127303	**10/01/2002 - 09/30/2008**	**$403,470**	**0 %**
		BG99127304	**10/01/2004 - 09/30/2009**	**$333,667**	**0 %**
		BG99127307	**10/01/2006 - 09/30/2011**	**$4,377,206**	**0 %**

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$5,149,532**	
4400	66.608	Environmental Information Exchange Network Grant Program And Related Assistance			
		BN00033Y2008T	12/03/2007 - 02/18/2009	$2,149	0 %
		OS83260901	10/01/2005 - 09/30/2008	$37,661	0 %
		OS83307601	09/01/2006 - 08/31/2008	$10,676	0 %
		OS83348301	08/01/2007 - 07/31/2009	$347	0 %
			CFDA Total:	$50,833	
1800	66.700	Consolidated Pesticide Enforcement Cooperative Agreements			
		E-00146307-0	10/01/2007 - 09/30/2008	$134,036	0 %
		E00147907-0	10/01/2007 - 09/30/2008	$105,314	0 %
			CFDA Total:	$239,350	
9500	66.707	TSCA Title IV State Lead Grants Certification Of Lead - Based Paint Professionals			
		PB991512	10/01/2006 - 02/29/2008	$77,461	0 %
		PB991512	10/01/2007 - 12/31/2008	$48,779	0 %
			CFDA Total:	$126,240	
4400	66.708	Pollution Prevention Grants Program			
		NP83123901	10/01/2003 - 09/30/2007	$2,379	0 %
		NP97107701	10/01/2004 - 12/31/2007	$7,976	0 %
		NP97125801	10/01/2005 - 09/30/2008	$71,366	0 %
		NP97156801	10/01/2006 - 09/30/2008	$21,510	0 %
		NP97166301	07/01/2007 - 12/31/2008	$103,000	0 %
			CFDA Total:	$206,231	
4400	66.802	Superfund State, Political Subdivision, And Indian Tribe Site - Specific Cooperative Agreements			
		NH06-1	07/01/2006 - 06/30/2008	$176,398	0 %
		RP97151001	10/01/2006 - 09/30/2007	$447,299	0 %
		RP97178701	10/01/2007 - 09/30/2008	$750,595	0 %
		V97148901	08/10/2006 - 06/30/2008	$177,486	0 %
		V97150401	10/01/2006 - 09/30/2008	$203,270	0 %
		V97157901	07/01/2007 - 06/30/2010	$109,275	0 %
		V99130701	10/01/1995 - 06/30/2008	$543,525	0 %
		V99140501	03/23/1998 - 09/30/2007	$15,777	0 %
		V99159001	03/01/1999 - 02/28/2008	$120,518	0 %
		V99182301	10/01/1996 - 06/30/2007	$365	0 %
		VC00173318	09/01/2006 - 08/31/2007	$28,172	0 %

(Continued)

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ENVIRONMENTAL PROTECTION AGENCY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		VC00173319	09/01/2007 - 08/31/2008	$180,630	0 %
			CFDA Total:	$2,753,310	
4400	66.804	State And Tribal Underground Storage Tanks Program			
		L97171601	07/01/2007 - 09/30/2009	$99,354	0 %
			CFDA Total:	$99,354	
4400	66.805	Leaking Underground Storage Tank Trust Fund Program			
		LS98138003	04/01/2005 - 12/31/2007	$1,674	0 %
		LS98138004	04/01/2007 - 03/31/2009	$637,268	0 %
			CFDA Total:	$638,942	
4400	66.811	Brownfield Pilot Cooperative Agreements			
		BL98110601	10/01/1999 - 09/30/2006	$41,809	0 %
		BL98110601	10/01/1999 - 09/30/2006	$1,062,587	100 %
			CFDA Total:	$1,104,396	
4400	66.940	Environmental Policy And State Innovation Grants			
		E197146401	04/15/2006 - 09/30/2009	$60,909	0 %
			CFDA Total:	$60,909	
			ENVIRONMENTAL PROTECTION AGENCY TOTAL:	**$28,351,949**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF ENERGY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
0240	81.039	National Energy Information Center			
		DE-FC01-06EI38102	08/08/2006 - 08/07/2007	$3,819	0 %
		DE-FC01-06EI38102	08/08/2007 - 08/07/2008	$13,500	0 %
			CFDA Total:	$17,319	
0240	81.041	State Energy Program			
		DE-FG41-01R130471	07/01/2006 - 06/30/2007	$32,756	0 %
		DE-FG41-01R130472	07/01/2007 - 06/30/2008	$376,412	0 %
			CFDA Total:	$409,168	
0240	81.042	Weatherization Assistance For Low-Income Persons			
		DE-FG41-04R130436	04/01/2006 - 03/31/2007	$170	92 %
		DE-FG41-04R130436	04/01/2007 - 03/31/2008	$1,025,901	0 %
		DE-FG41-04R130436	04/01/2008 - 03/31/2009	$327,701	93 %
		DE-RF26-07NT43191	07/01/2007 - 09/30/2008	$6,429	98 %
			CFDA Total:	$1,360,201	
0240 4400	81.119	State Energy Program Special Projects			
		CC02-002	08/22/2007 - 12/31/2007	$11,930	0 %
		DE-FG26-07NT43335	10/01/2007 - 09/30/2009	$116,412	100 %
			CFDA Total:	$128,342	
			DEPARTMENT OF ENERGY TOTAL:	**$1,915,030**	

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State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.002	Adult Education - Basic Grants To States			
		V002A050029	07/01/2005 - 09/30/2006	$53,649	36 %
		V002A060029	07/01/2006 - 09/30/2007	$523,701	99 %
		V002A070029	07/01/2007 - 09/30/2008	$1,294,662	82 %
			CFDA Total:	$1,872,012	
5800	**84.007**	**Federal Supplemental Educational Opportunity Grants (Note 7)**			
		P007A062517	**07/01/2006 - 06/30/2007**	**$(150)**	**0 %**
		P007A062519	**07/01/2006 - 06/30/2007**	**$1,392**	**0 %**
		P007A072513	**07/01/2007 - 06/30/2008**	**$56,788**	**0 %**
		P007A072514	**07/01/2007 - 06/30/2008**	**$21,334**	**0 %**
		P007A072515	**07/01/2007 - 06/30/2008**	**$16,544**	**0 %**
		P007A072516	**07/01/2007 - 06/30/2008**	**$17,356**	**0 %**
		P007A072517	**07/01/2007 - 06/30/2008**	**$20,850**	**0 %**
		P007A072518	**07/01/2007 - 06/30/2008**	**$27,577**	**0 %**
		P007A072519	**07/01/2007 - 06/30/2008**	**$21,096**	**0 %**
			CFDA Total:	**$182,787**	
5600	**84.010**	**Title I Grants To Local Educational Agencies**			
		S010A050029	**07/01/2005 - 09/30/2006**	**$1,615,125**	**99 %**
		S010A060029	**07/01/2006 - 09/30/2007**	**$12,458,696**	**97 %**
		S010A070029	**07/01/2007 - 09/30/2008**	**$18,115,478**	**99 %**
			CFDA Total:	**$32,189,299**	
5600	84.011	Migrant Education - State Grant Program			
		S011A060029	07/01/2006 - 09/30/2007	$96,892	0 %
		S011A070029	07/01/2007 - 09/30/2008	$15,462	0 %
			CFDA Total:	$112,354	
5600	84.013	Title I Program For Neglected And Delinquent Children			
		S013A050029	07/01/2005 - 09/30/2006	$158,141	99 %
		S013A060029	07/01/2006 - 09/30/2007	$208,717	97 %
		S013A070029	07/01/2007 - 09/30/2008	$9,355	51 %
			CFDA Total:	$376,213	
5600	**84.027**	**Special Education - Grants To States (Note 7)**			
		H027A050103	**07/01/2005 - 09/30/2006**	**$272,504**	**100 %**
		H027A060103	**07/01/2006 - 09/30/2007**	**$15,230,531**	**96 %**
		H027A070103	**07/01/2007 - 09/30/2008**	**$118,883**	**0 %**
		H027A070103	**07/01/2007 - 09/30/2008**	**$28,466,989**	**96 %**

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$44,088,907**	
5800	84.031	Higher Education - Institutional Aid			
		P031A030345	10/01/2003 - 09/30/2008	$224,915	0 %
			CFDA Total:	$224,915	
5800	**84.032**	**Federal Family Education Loans (Notes 4,7)**			
		Sub,Unsub & Plus	**07/01/2007 - 06/30/2008**	**$26,038,985**	**0 %**
			CFDA Total:	**$26,038,985**	
5800	**84.033**	**Federal Work-Study Program (Note 7)**			
		P033A062514	**07/01/2006 - 06/30/2007**	**$1,313**	**0 %**
		P033A062515	**07/01/2006 - 06/30/2007**	**$2,405**	**0 %**
		P033A062517	**07/01/2006 - 06/30/2007**	**$3,866**	**0 %**
		P033A062518	**07/01/2006 - 06/30/2007**	**$3,607**	**0 %**
		P033A062519	**07/01/2006 - 06/30/2007**	**$3,714**	**0 %**
		P033A072513	**07/01/2007 - 06/30/2008**	**$81,911**	**0 %**
		P033A072514	**07/01/2007 - 06/30/2008**	**$27,500**	**0 %**
		P033A072515	**07/01/2007 - 06/30/2008**	**$15,904**	**0 %**
		P033A072516	**07/01/2007 - 06/30/2008**	**$23,918**	**0 %**
		P033A072517	**07/01/2007 - 06/30/2008**	**$25,206**	**0 %**
		P033A072518	**07/01/2007 - 06/30/2008**	**$21,103**	**0 %**
		P033A072519	**07/01/2007 - 06/30/2008**	**$30,051**	**0 %**
		P033A082513	**07/01/2008 - 06/30/2009**	**$3,717**	**0 %**
		P033A082516	**07/01/2008 - 06/30/2009**	**$1,170**	**0 %**
		P033A082517	**07/01/2008 - 06/30/2009**	**$3,310**	**0 %**
			CFDA Total:	**$248,695**	
5800	**84.038**	**Federal Perkins Loan Program - Federal Capital Contributions (Notes 4,7)**			
		orgn 9201	**07/01/2007 - 06/30/2008**	**$12,847**	**0 %**
		orgn 9202	**07/01/2007 - 06/30/2008**	**$1,810**	**0 %**
		orgn 9203	**07/01/2007 - 06/30/2008**	**$52,297**	**0 %**
		orgn 9204	**07/01/2006 - 06/30/2007**	**$31,473**	**0 %**
		orgn 9205	**07/01/2007 - 06/30/2008**	**$2,704**	**0 %**
		orgn 9206	**07/01/2007 - 06/30/2008**	**$2,320**	**0 %**
		orgn 9207	**07/01/2007 - 06/30/2008**	**$24,695**	**0 %**
			CFDA Total:	**$128,146**	
5800	84.042	TRIO - Student Support Services			
		P042A050349	09/01/2005 - 08/31/2008	$225,084	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$225,084	
4600 5600	84.048	**Career And Technical Education - Basic Grants To States**			
		V048A050029	07/01/2005 - 09/30/2006	$47,467	53 %
		V048A060029	07/01/2006 - 09/30/2007	$1,895,368	77 %
		V048A070029	07/01/2007 - 09/30/2008	$3,667,565	90 %
		V243A080029	12/15/2007 - 11/30/2008	$24,817	100 %
			CFDA Total:	**$5,635,217**	
5800	84.063	**Federal Pell Grant Program (Note 7)**			
		P063P061795	07/01/2006 - 06/30/2007	$(1,700)	0 %
		P063P061796	07/01/2006 - 06/30/2007	$(18,255)	0 %
		P063P063167	07/01/2006 - 06/30/2007	$(2,275)	0 %
		P063P065848	07/01/2006 - 06/30/2007	$(27,904)	0 %
		P063P065850	07/01/2006 - 06/30/2007	$(4,695)	0 %
		P063P071795	07/01/2007 - 06/30/2008	$1,478,907	0 %
		P063P071796	07/01/2007 - 06/30/2008	$1,034,872	0 %
		P063P072631	07/01/2007 - 06/30/2008	$709,173	0 %
		P063P073167	07/01/2007 - 06/30/2008	$790,762	0 %
		P063P075845	07/01/2007 - 06/30/2008	$652,173	0 %
		P063P075848	07/01/2007 - 06/30/2008	$640,282	0 %
		P063P075850	07/01/2007 - 06/30/2008	$580,943	0 %
		P063Q041796	07/01/2004 - 06/30/2005	$50	0 %
		P063Q043167	07/01/2004 - 06/30/2005	$15	0 %
		P063Q045848	07/01/2004 - 06/30/2005	$5	0 %
		P063Q051795	07/01/2005 - 06/30/2006	$85	0 %
		P063Q051796	07/01/2005 - 06/30/2006	$330	0 %
		P063Q052631	07/01/2005 - 06/30/2006	$280	0 %
		P063Q053167	07/01/2005 - 06/30/2006	$275	0 %
		P063Q055845	07/01/2005 - 06/30/2006	$50	0 %
		P063Q055848	07/01/2005 - 06/30/2006	$145	0 %
		P063Q061795	07/01/2006 - 06/30/2007	$1,815	0 %
		P063Q061796	07/01/2006 - 06/30/2007	$953	0 %
		P063Q062631	07/01/2006 - 06/30/2007	$584	0 %
		P063Q063167	07/01/2006 - 06/30/2007	$906	0 %
		P063Q065845	07/01/2006 - 06/30/2007	$672	0 %
		P063Q065848	07/01/2006 - 06/30/2007	$680	0 %
		P063Q065850	07/01/2006 - 06/30/2007	$487	0 %
		P063Q071795	07/01/2007 - 06/30/2008	$1,665	0 %
		P063Q071796	07/01/2007 - 06/30/2008	$1,096	0 %
		P063Q072631	07/01/2007 - 06/30/2008	$766	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		P063Q073167	**07/01/2007 - 06/30/2008**	**$850**	**0 %**
		P063Q075845	**07/01/2007 - 06/30/2008**	**$702**	**0 %**
		P063Q075848	**07/01/2007 - 06/30/2008**	**$705**	**0 %**
		P063Q075850	**07/01/2007 - 06/30/2008**	**$618**	**0 %**
			CFDA Total:	**$5,846,017**	
5700	84.069	Leveraging Educational Assistance Partnership			
		N069A070049	07/01/2007 - 06/30/2008	$104,810	0 %
		N069B070042	07/01/2007 - 06/30/2008	$138,213	0 %
			CFDA Total:	$243,023	
5800	84.116	Fund For The Improvement Of Postsecondary Education			
		P116B060322	10/01/2006 - 09/30/2008	$33,171	0 %
			CFDA Total:	$33,171	
5600	**84.126**	**Rehabilitation Services - Vocational Rehabilitation Grants To States**			
		H126A070042	**10/01/2006 - 09/30/2008**	**$5,277,608**	**0 %**
		H126A080042	**10/01/2007 - 09/30/2009**	**$5,003,301**	**0 %**
			CFDA Total:	**$10,280,909**	
5600	84.144	Migrant Education - Coordination Program			
		S144F060029	07/01/2006 - 09/30/2007	$78,038	0 %
		S144F070029	07/01/2007 - 09/30/2008	$23,897	0 %
			CFDA Total:	$101,935	
0205	84.161	Rehabilitation Services - Client Assistance Program			
		H161A070030	10/01/2006 - 09/30/2008	$83,661	0 %
		H161A080030	10/01/2007 - 09/30/2009	$77,278	0 %
			CFDA Total:	$160,939	
5600	84.169	Independent Living - State Grants			
		H169A070043	10/01/2006 - 09/30/2008	$184,295	0 %
		H169A080043	10/01/2007 - 09/30/2009	$102,861	0 %
			CFDA Total:	$287,156	
5600	**84.173**	**Special Education - Preschool Grants (Note 7)**			
		H173A050109	**07/01/2005 - 09/30/2006**	**$462,022**	**95 %**
		H173A060109	**07/01/2006 - 09/30/2007**	**$693,126**	**88 %**
		H173A070109	**07/01/2007 - 09/30/2008**	**$435,364**	**80 %**
			CFDA Total:	**$1,590,512**	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.177	Rehabilitation Services - Independent Living Services For Older Individuals Who Are Blind			
		H177B070029A	10/01/2006 - 09/30/2008	$72,362	0 %
		H177B080029	10/01/2007 - 09/30/2009	$167,437	0 %
			CFDA Total:	$239,799	
9500	84.181	Special Education - Grants For Infants And Families			
		H181A060127	07/01/2006 - 09/30/2007	$312,796	60 %
		H181A070127	07/01/2007 - 09/30/2008	$2,023,411	86 %
			CFDA Total:	$2,336,207	
5600	84.185	Byrd Honors Scholarships			
		P185A070031	07/01/2007 - 06/30/2008	$172,500	100 %
			CFDA Total:	$172,500	
5600 9500	84.186	Safe And Drug-Free Schools And Communities - State Grants			
		Q186A060030	07/01/2006 - 09/30/2007	$448,110	87 %
		Q186A070030	07/01/2007 - 09/30/2008	$490,357	100 %
		Q186B060031	07/01/2006 - 09/30/2007	$188,367	0 %
		Q186B070031	07/01/2007 - 09/30/2008	$140,989	0 %
		S186A050030	07/01/2005 - 09/30/2006	$336,280	99 %
			CFDA Total:	$1,604,103	
5600	84.187	Supported Employment Services For Individuals With Significant Disabilities			
		H187A070043	10/01/2006 - 09/30/2008	$145,786	0 %
		H187A080043	10/01/2007 - 09/30/2009	$146,670	0 %
			CFDA Total:	$292,456	
5600	84.196	Education For Homeless Children And Youth			
		S196A050030	07/01/2005 - 09/30/2006	$30,759	0 %
		S196A060030	07/01/2006 - 09/30/2007	$83,251	85 %
		S196A070030	07/01/2007 - 09/30/2008	$35,174	0 %
		S196A070030	07/01/2007 - 09/30/2008	$10,593	99 %
			CFDA Total:	$159,777	
5600	84.213	Even Start - State Educational Agencies			
		S213C050030	07/01/2005 - 09/30/2006	$121,668	99 %
		S213C060030	07/01/2006 - 09/30/2007	$200,704	99 %
		S213C070030	07/01/2007 - 09/30/2008	$188,854	99 %
			CFDA Total:	$511,226	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	84.243	Tech-Prep Education			
		V243A050029	07/01/2005 - 09/30/2006	$1,437	19 %
		V243A060029	07/01/2006 - 09/30/2007	$130,637	87 %
		V243A070029	07/01/2007 - 09/30/2008	$322,110	99 %
			CFDA Total:	$454,184	
5600	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training			
		H265A050108-06	10/01/2006 - 09/30/2007	$7,253	0 %
		H265A050108-07	10/01/2007 - 09/30/2008	$10,484	0 %
			CFDA Total:	$17,737	
5600	84.282	Charter Schools			
		U282A030005-04	10/01/2003 - 09/30/2004	$99	0 %
		U282A030005-04	10/01/2004 - 09/30/2005	$62,511	68 %
		U282A030005-05	10/01/2005 - 09/30/2006	$1,075,653	99 %
			CFDA Total:	$1,138,263	
5600	**84.287**	**Twenty-First Century Community Learning Centers**			
		S287C050029	**07/01/2005 - 09/30/2006**	**$85,616**	**82 %**
		S287C060029	**07/01/2006 - 09/30/2007**	**$22,599**	**0 %**
		S287C060029	**07/01/2006 - 09/30/2007**	**$2,260,691**	**98 %**
		S287C070029	**07/01/2007 - 09/30/2008**	**$7,757**	**0 %**
		S287C070029	**07/01/2007 - 09/30/2008**	**$2,581,164**	**96 %**
			CFDA Total:	**$4,957,827**	
5600	84.298	State Grants For Innovative Programs			
		S298A050029	07/01/2005 - 09/30/2006	$10,875	0 %
		S298A050029	07/01/2005 - 09/30/2006	$222,336	99 %
		S298A060029	07/01/2006 - 09/30/2007	$12,341	0 %
		S298A060029	07/01/2006 - 09/30/2007	$164,760	88 %
		S298A070029	07/01/2007 - 09/30/2008	$76,793	93 %
			CFDA Total:	$487,105	
5600	84.318	Education Technology State Grants			
		S318X050029	07/01/2005 - 09/30/2006	$623,379	99 %
		S318X060029	07/01/2006 - 09/30/2007	$829,370	98 %
		S318X070029	07/01/2007 - 09/30/2008	$381,787	85 %
			CFDA Total:	$1,834,536	
5600	84.323	Special Education - State Personnel Development			
		H323A040018	09/01/2004 - 08/31/2005	$38,092	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		H323A040018	09/01/2006 - 08/31/2008	$172,665	14 %
		H323A04001806	09/01/2006 - 08/31/2008	$34,069	0 %
		H323A040018-06	09/01/2005 - 08/31/2006	$762,261	8 %
		H323A070028	09/01/2007 - 08/31/2008	$160,574	63 %
			CFDA Total:	$1,167,661	
5600	84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)			
		S330B060013	05/15/2006 - 01/31/2009	$1,822	0 %
		U330B030025	10/01/2003 - 09/30/2004	$1,518	0 %
		U330B030025-04	10/01/2004 - 09/30/2005	$5,720	0 %
		U330B030025-05	10/01/2005 - 09/30/2006	$5,144	0 %
			CFDA Total:	$14,204	
5600	84.332	Comprehensive School Reform Demonstration			
		S332A050030	07/01/2005 - 09/30/2006	$65,356	85 %
			CFDA Total:	$65,356	
5600	84.336	Teacher Quality Enhancement Grants			
		P336A030009	10/01/2003 - 09/30/2004	$43,158	39 %
		P336A03000904	10/01/2004 - 09/30/2005	$338,620	99 %
		P336A03000905	10/01/2005 - 09/30/2007	$350,000	0 %
		P336A03000905	10/01/2005 - 09/30/2007	$618,456	11 %
			CFDA Total:	$1,350,234	
5600	84.357	Reading First State Grants			
		S357A050030	07/01/2005 - 09/30/2006	$538,839	98 %
		S357A060030	07/01/2006 - 09/30/2007	$15,099	0 %
		S357A060030	07/01/2006 - 09/30/2007	$1,515,586	83 %
		S357A070030	07/01/2006 - 09/30/2008	$28,979	0 %
		S357A070030	07/01/2007 - 09/30/2008	$379,250	58 %
			CFDA Total:	$2,477,753	
5600	84.358	Rural Education			
		S358B050029	07/01/2005 - 09/30/2006	$104,845	99 %
		S358B060029	07/01/2006 - 09/30/2007	$233,183	99 %
		S358B070029	07/01/2007 - 09/30/2007	$265,799	99 %
		S358B070029	07/01/2007 - 09/30/2008	$38,398	0 %
			CFDA Total:	$642,225	
5600	84.360	School Dropout Prevention Programs			
		V360A050017	10/01/2005 - 09/30/2008	$460,245	74 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$460,245	
5600	84.365	English Language Acquisition Grants			
		T365A050029	07/01/2005 - 09/30/2006	$115,868	78 %
		T365A060029	07/01/2006 - 09/30/2007	$575,903	93 %
		T365A070029	07/01/2007 - 09/30/2008	$182,822	35 %
			CFDA Total:	$874,593	
5600	84.366	Mathematics And Science Partnerships			
		S366B050030	07/01/2005 - 09/30/2006	$572,453	28 %
		S366B060030	07/01/2006 - 09/30/2007	$407,157	62 %
		S366B070030	07/01/2007 - 09/30/2008	$87,780	33 %
			CFDA Total:	$1,067,390	
5600	**84.367**	**Improving Teacher Quality State Grants**			
		S367A050028	**07/01/2005 - 09/30/2006**	**$15,353**	**0 %**
		S367A060026	**07/01/2006 - 09/30/2007**	**$5,010,834**	**97 %**
		S367A060028	**07/01/2006 - 09/29/2007**	**$18,126**	**0 %**
		S367A060028	**07/01/2006 - 09/30/2007**	**$12,492**	**0 %**
		S367A060028	**07/01/2006 - 09/30/2007**	**$169,952**	**100 %**
		S367A070028	**07/01/2007 - 09/30/2008**	**$35,242**	**0 %**
		S367A070028	**07/01/2007 - 09/30/2008**	**$6,288,845**	**99 %**
		S367B050026	**07/01/2005 - 09/30/2006**	**$820,957**	**84 %**
		S367B070026	**07/01/2007 - 09/30/2008**	**$331,938**	**100 %**
			CFDA Total:	**$12,703,739**	
5600	84.368	Grants For Enhanced Assessment Instruments			
		S368A040004	10/01/2004 - 05/31/2006	$39,582	0 %
			CFDA Total:	$39,582	
5600	**84.369**	**Grants For State Assessments And Related Activities**			
		S369A050030	**07/01/2005 - 09/30/2006**	**$202,273**	**0 %**
		S369A060030	**07/01/2006 - 09/30/2007**	**$24,890**	**0 %**
		S369A060030	**07/01/2006 - 09/30/2007**	**$1,670,179**	**1 %**
		S369A070030	**07/01/2007 - 09/30/2008**	**$3,450,843**	**0 %**
			CFDA Total:	**$5,348,185**	
5600	84.372	Statewide Data Systems			
		R372A070019	07/01/2007 - 09/30/2008	$155,098	0 %
			CFDA Total:	$155,098	
5800	**84.375**	**Academic Competitiveness Grants (Note 7)**			

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF EDUCATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		P375A065848	**07/01/2006 - 06/30/2007**	**$(375)**	**0 %**
		P375A071795	**07/01/2007 - 06/30/2008**	**$42,425**	**0 %**
		P375A071796	**07/01/2007 - 06/30/2008**	**$7,908**	**0 %**
		P375A072631	**07/01/2007 - 06/30/2008**	**$7,475**	**0 %**
		P375A073167	**07/01/2007 - 06/30/2008**	**$9,625**	**0 %**
		P375A075845	**07/01/2007 - 06/30/2008**	**$8,858**	**0 %**
		P375A075848	**07/01/2007 - 06/30/2008**	**$7,675**	**0 %**
		P375A075850	**07/01/2007 - 06/30/2008**	**$1,775**	**0 %**
			CFDA Total:	**$85,366**	
5600	84.999	No Program Title			
		ED-03-CO-0067	01/22/2008 - 09/30/2008	$18,292	0 %
			CFDA Total:	$18,292	
			DEPARTMENT OF EDUCATION TOTAL:	**$170,541,919**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	89.999	No Program Title			
		ED-03-CO-0067	01/22/2008 - 09/30/2008	$105,559	0 %
			CFDA Total:	$105,559	
		NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL:		**$105,559**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

ELECTION ASSISTANCE COMMISSION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
3200	90.401	Help America Vote Act Requirements Payments (Note 6)			
		Title II, 251	07/01/2006 - 06/30/2007	$987,963	0 %
			CFDA Total:	$987,963	
			ELECTION ASSISTANCE COMMISSION TOTAL:	**$987,963**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.000	Interim Assistance			
			10/01/2006 - 09/30/2007	$67,631	0 %
			10/01/2007 - 09/30/2008	$202,894	0 %
			CFDA Total:	$270,525	
9500	93.006	State And Territorial And Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program			
		STTMP051012	09/01/2006 - 08/31/2007	$47,417	0 %
		STTMP051012	09/01/2007 - 08/31/2008	$63,773	0 %
			CFDA Total:	$111,190	
9500	93.041	Special Programs For The Aging - Title VII, Chapter 3, Programs For Prevention Of Elder Abuse, Neglect, And Exploitation			
		01-07-AA-NH-T7SP	10/01/2006 - 09/30/2007	$22,502	0 %
		01-08-AA-NH-T7SP	10/01/2007 - 09/30/2008	$25,028	0 %
			CFDA Total:	$47,530	
9500	93.042	Special Programs For The Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services For Older Individuls			
		01-07-AA-NH-T7SP	10/01/2006 - 09/30/2007	$35,202	0 %
		01-08-AA-NH-T7SP	10/01/2007 - 09/30/2008	$29,367	0 %
			CFDA Total:	$64,569	
9500	93.043	Special Programs For The Aging - Title III, Part D - Disease Prevention And Health Promotion Services			
		01-07-AA-NH-TS3P	10/01/2006 - 09/30/2007	$64,740	0 %
		01-08-AA-NH-TS3P	10/01/2007 - 09/30/2008	$46,440	0 %
			CFDA Total:	$111,180	
9500	**93.044**	**Special Programs For The Aging - Title III, Part B - Grants For Supportive Services And Senior Centers (Note 7)**			
		01-07-AA-NH-T3SP	**10/01/2006 - 09/30/2007**	**$559,260**	**0 %**
		01-08-AA-NH-T3SP	**10/01/2007 - 09/30/2008**	**$1,648,725**	**0 %**
			CFDA Total:	**$2,207,985**	
9500	**93.045**	**Special Programs For The Aging - Title III, Part C - Nutrition Services (Note 7)**			
		01-07-AA-NH-T3SP	**10/01/2006 - 09/30/2007**	**$202,176**	**0 %**
		01-08-AA-NH-T3SP	**10/01/2007 - 09/30/2008**	**$2,268,968**	**0 %**
			CFDA Total:	**$2,471,144**	
9500	93.048	Special Programs For The Aging - Title IV - And Title II - Discretionary Projects			
		90AM2844/01	09/30/2007 - 09/29/2008	$24,330	0 %

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		90AM3067/01	06/01/2006 - 05/31/2007	$66,821	0 %
		90AM3067/02	06/01/2007 - 05/31/2008	$170,000	0 %
		90AM3067/03	06/01/2008 - 05/31/2009	$1,911	0 %
		90AM3165/01	09/30/2007 - 03/31/2009	$49,820	0 %
		90AM3168/01	09/30/2007 - 09/29/2008	$17,638	0 %
			CFDA Total:	$330,520	
9500	93.052	National Family Caregiver Support, Title III, Part E			
		01-06-AA-NH-T3SP	10/01/2005 - 09/30/2006	$47,549	0 %
		01-07-AA-NH-T3SP	10/01/2006 - 09/30/2007	$608,561	0 %
			CFDA Total:	$656,110	
9500	**93.053**	**Nutrition Services Incentive Program (Note 7)**			
		07-AA-NH-NSIP	**10/01/2006 - 09/30/2007**	**$353,652**	**100 %**
		08-AA-NH-NSIP	**10/01/2007 - 09/30/2008**	**$546,756**	**100 %**
			CFDA Total:	**$900,408**	
9500	**93.069**	**Public Health Emergency Preparedness**			
		9-117011BIOT	**08/31/2001 - 08/30/2003**	**$1,318,127**	**0 %**
		9-117011BIOT	**08/31/2006 - 08/30/2007**	**$724,049**	**0 %**
		CCU117011	**08/31/2005 - 08/30/2006**	**$165,746**	**0 %**
		CCU117011	**08/31/2006 - 08/30/2007**	**$510,054**	**0 %**
		TP117011BIOT	**08/31/2007 - 08/09/2008**	**$4,332,110**	**0 %**
			CFDA Total:	**$7,050,086**	
4600	93.086	Healthy Marriage Promotion And Responsible Fatherhood Grants			
		90-FR-0077/01	09/30/2006 - 09/29/2011	$21,494	100 %
			CFDA Total:	$21,494	
9500	93.110	Maternal And Child Health Federal Consolidated Programs			
		H18MC00033	12/01/2006 - 11/30/2007	$39,875	0 %
		H18MC00033	12/01/2007 - 11/30/2008	$55,496	0 %
		H25MC00249	09/01/2007 - 08/31/2008	$115,085	0 %
		H25MC00249B0	09/01/2006 - 08/31/2007	$24,233	0 %
			CFDA Total:	$234,689	
9500	93.116	Project Grants And Cooperative Agreements For Tuberculosis Control Program			
		CCU107868	01/01/2007 - 12/31/2007	$189,863	0 %
		CCU107868	01/01/2008 - 12/31/2008	$101,333	0 %
			CFDA Total:	$291,196	

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
9500	93.130	Primary Care Services - Resource Coordination And Development			
		U68CS00200	04/01/2007 - 03/31/2008	$104,216	0 %
		U68CS00200	04/01/2008 - 03/31/2009	$9,844	0 %
			CFDA Total:	$114,060	
9500	93.136	Injury Prevention And Control Research And State And Community Based Program			
		VCE001133	10/01/2006 - 10/31/2007	$84,586	0 %
		VCE001133	11/01/2007 - 10/31/2008	$81,372	0 %
			CFDA Total:	$165,958	
9500	93.150	Projects For Assistance In Transition From Homelessness (PATH)			
		2X06SM060030-07	07/01/2007 - 06/30/2008	$299,205	96 %
			CFDA Total:	$299,205	
9500	93.165	Grants For State Loan Repayment Program			
		H56CS00098	09/01/2006 - 08/31/2007	$25,328	0 %
			CFDA Total:	$25,328	
9500	93.197	Childhood Lead Poisoning Prevention Projects - State And Local Childhood Lead Poisoning Prevention And Surveillance Of Blood Lead Levels In Children			
		211-2006-M-17800	08/02/2006 - 10/31/2007	$11,060	0 %
		211-2007-M-21692	07/11/2007 - 10/31/2008	$10,243	0 %
		HEH000136	07/01/2006 - 06/30/2007	$13,808	0 %
		HEH000136	07/01/2007 - 06/30/2008	$324,838	0 %
			CFDA Total:	$359,949	
4400	93.206	Human Health Studies - Applied Research And Development			
		U61/ATU175209-03	04/01/2007 - 03/31/2008	$245,458	0 %
		U61/ATU175209-04	04/01/2008 - 09/30/2009	$61,728	0 %
			CFDA Total:	$307,186	
9500	93.217	Family Planning - Services			
		01H000036	01/01/2007 - 12/31/2007	$833,757	0 %
		01H000036	12/31/2007 - 12/30/2008	$721,706	0 %
			CFDA Total:	$1,555,463	
9500	93.234	Traumatic Brain Injury - State Demonstration Grant Program			
		H21 MC 06762	04/01/2006 - 03/31/2009	$99,099	100 %
			CFDA Total:	$99,099	
9500	93.235	Abstinence Education Program			

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		01NHAEGP	10/01/2005 - 09/30/2007	$23,726	0 %
		01NHAEGP	10/01/2006 - 12/31/2007	$1,487	0 %
		01NHAEGP	10/01/2007 - 06/30/2008	$43,054	0 %
			CFDA Total:	$68,267	
9500	93.241	State Rural Hospital Flexibility Program			
		H54RH00022	09/01/2006 - 08/31/2007	$119,736	0 %
		H54RH00022	09/01/2007 - 08/31/2008	$191,531	0 %
			CFDA Total:	$311,267	
9500	93.242	Mental Health Research Grants			
		5R34 MH074786	09/30/2005 - 08/31/2008	$230,573	100 %
			CFDA Total:	$230,573	
9500	93.243	Substance Abuse And Mental Health Services - Projects Of Regional And National Significance			
		HR1 SM56638	09/30/2004 - 09/29/2008	$313,738	100 %
		HR1SM058105	09/30/2007 - 09/29/2010	$1,136	0 %
		U79SP11217	09/30/2006 - 09/30/2007	$719,499	0 %
		U79SP11217	09/30/2007 - 09/29/2008	$525,392	0 %
			CFDA Total:	$1,559,765	
9500	93.251	Universal Newborn Hearing Screening			
		H61MC00034	07/01/2006 - 06/30/2007	$10,141	0 %
		H61MC00034	04/01/2007 - 03/31/2008	$86,611	0 %
		H61MC00034	04/01/2008 - 03/31/2009	$34,823	0 %
			CFDA Total:	$131,575	
9500	**93.268**	**Immunization Grants (Note 3)**			
		CCH122555	**01/01/2007 - 12/31/2007**	**$729,735**	**0 %**
		CCH122555	**01/01/2008 - 12/31/2008**	**$695,072**	**0 %**
		n/a	**07/01/2007 - 06/30/2008**	**$9,063,564**	**100 %**
			CFDA Total:	**$10,488,371**	
9500	**93.283**	**Centers For Disease Control And Prevention - Investigations And Technical Assistance**			
		CCU121912	**06/30/2006 - 06/30/2008**	**$296,803**	**0 %**
		CCU122787	**06/30/2007 - 06/29/2008**	**$1,556,949**	**0 %**
		CCU124193	**09/01/2006 - 08/31/2007**	**$168,711**	**0 %**
		CCU124193	**09/01/2007 - 08/31/2008**	**$218,398**	**0 %**
		CCU124788	**07/01/2006 - 06/30/2007**	**$17,258**	**0 %**
		CCU124788	**07/01/2007 - 06/30/2008**	**$135,734**	**0 %**

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		CI000498	**01/01/2007 - 12/31/2007**	**$402,776**	**0 %**
		CI000498	**01/01/2008 - 12/31/2008**	**$357,602**	**0 %**
		DP000798	**06/30/2007 - 06/29/2008**	**$2,145,568**	**0 %**
		EH000174	**08/02/2006 - 08/01/2007**	**$45,694**	**0 %**
		EH000174	**08/02/2007 - 08/01/2008**	**$541,227**	**0 %**
		UEH000116A	**07/01/2006 - 06/30/2007**	**$15,498**	**0 %**
		UEH000116A	**07/01/2007 - 06/30/2008**	**$98,254**	**0 %**
		UPS000887A	**11/01/2007 - 10/31/2008**	**$58,584**	**0 %**
			CFDA Total:	**$6,059,056**	
9500	93.301	Small Rural Hospital Improvement Grant Program			
		H3HRH00028	09/01/2006 - 08/31/2007	$112,582	0 %
		H3HRH00028	09/01/2007 - 08/31/2008	$19,621	0 %
			CFDA Total:	$132,203	
9500	93.447	State Health Fraud Task Force Grants			
		FD-R-002629	09/30/2006 - 09/29/2007	$1,168	0 %
			CFDA Total:	$1,168	
9500	93.448	Food Safety And Security Monitoring Project			
		FD003164	09/30/2006 - 06/30/2007	$2,142	0 %
		FD003164	07/01/2007 - 06/30/2008	$290,985	0 %
			CFDA Total:	$293,127	
9500	93.556	Promoting Safe And Stable Families			
		0601NH00FP	10/01/2005 - 09/30/2007	$7,663	0 %
		0601NHOOFP	10/01/2005 - 09/30/2007	$226,890	0 %
		0701NH00FP	10/01/2006 - 09/30/2008	$22,988	0 %
		0701NHOOFP	10/01/2006 - 09/30/2008	$680,669	0 %
			CFDA Total:	$938,210	
9500	**93.558**	**Temporary Assistance For Needy Families (TANF)**			
			10/01/2004 - 09/30/2005	**$(1,955)**	**0 %**
			10/01/2005 - 09/30/2006	**$(5,008)**	**0 %**
		01nhTANF	**10/01/2006 - 09/30/2007**	**$626,805**	**0 %**
		0401NHTANF	**10/01/2003 - 09/30/2004**	**$3,782,887**	**0 %**
		0501NHTANF	**10/01/2004 - 09/30/2005**	**$6,882,217**	**0 %**
		0601NHTANF	**10/01/2005 - 09/30/2007**	**$2,578,074**	**0 %**
		0701NHTANF	**10/01/2006 - 09/30/2007**	**$5,398,639**	**0 %**
		0701NHTANF	**10/01/2006 - 09/30/2008**	**$7,734,222**	**0 %**
		0801NHTANF	**10/01/2007 - 09/30/2008**	**$10,141,852**	**0 %**

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	**$37,137,733**	
2700 9500	**93.563**	**Child Support Enforcement**			
		0704NH4004	**10/01/2006 - 09/30/2007**	**$2,809,263**	**0 %**
		0804NH4004	**10/01/2007 - 09/30/2008**	**$8,372,774**	**0 %**
		NONE	**07/01/2007 - 06/30/2008**	**$3,713**	**0 %**
			CFDA Total:	**$11,185,750**	
0240 9500	93.566	Refugee And Entrant Assistance - State Administered Program			
		G-07AANH1100	10/01/2006 - 09/30/2007	$98,093	3 %
		G-07AANH1110	10/01/2006 - 09/30/2007	$215,836	100 %
		G-08AANH1100	10/01/2007 - 09/30/2009	$176,328	0 %
		G-08AANH1110	10/01/2007 - 09/30/2008	$248,046	100 %
			CFDA Total:	$738,303	
0240	**93.568**	**Low-Income Home Energy Assistance**			
		G-06B1NHLIEA	**10/01/2005 - 09/30/2007**	**$864,808**	**99 %**
		G-07B1NHLIEA	**10/01/2006 - 09/30/2008**	**$4,898,180**	**100 %**
		G-08B1NHLIEA	**10/01/2007 - 09/30/2009**	**$20,046,474**	**100 %**
			CFDA Total:	**$25,809,462**	
9500	93.569	Community Services Block Grant			
		04B1NHCOSR	10/01/2003 - 09/30/2005	$1,466,695	0 %
		05B1NHCOSR	10/01/2004 - 09/30/2006	$1,787,808	0 %
			CFDA Total:	$3,254,503	
0240	93.576	Refugee And Entrant Assistance - Discretionary Grants			
		90RL0104/02	09/30/2006 - 09/29/2007	$20,742	100 %
		90RX0159/01	07/01/2006 - 06/30/2007	$11,641	100 %
		90RX0159/02	07/01/2007 - 06/30/2008	$76,781	100 %
		90ZE0090/02	08/15/2006 - 08/14/2007	$70,370	100 %
		90ZE0090/03	08/15/2007 - 08/14/2008	$87,338	100 %
			CFDA Total:	$266,872	
1000	93.586	State Court Improvement Program			
		2005G996437	07/01/2005 - 09/30/2007	$29,236	0 %
		2006G991512	10/01/2006 - 09/30/2008	$3,690	0 %
		2006G991513	10/01/2006 - 09/30/2008	$82,093	0 %
		2006G996437	10/01/2006 - 09/30/2008	$94,151	0 %
		2007G996437	10/01/2007 - 09/30/2009	$2,529	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$211,699	
9500	**93.596**	**Child Care Mandatory And Matching Funds Of The Child Care And Development Fund**			
		0601NHCCDF	**10/01/2005 - 09/30/2007**	**$5,672,113**	**0 %**
		0701NHCCDF	**10/01/2006 - 09/30/2007**	**$275,443**	**0 %**
		0701NHCCDF	**10/01/2006 - 09/30/2008**	**$17,016,339**	**0 %**
		0801NHCCDF	**10/01/2007 - 09/30/2008**	**$826,329**	**0 %**
			CFDA Total:	**$23,790,224**	
9500	93.597	Grants To States For Access And Visitation Programs			
		0601NHSAVP	10/01/2005 - 09/30/2007	$27,323	0 %
		0701NHSAVP	10/01/2006 - 09/30/2008	$81,969	0 %
			CFDA Total:	$109,292	
9500	93.599	Chafee Education And Training Vouchers Program (ETV)			
		0601NHCETV	10/01/2005 - 09/30/2007	$27,020	0 %
		0701NHCETV	10/01/2006 - 09/30/2008	$81,059	0 %
			CFDA Total:	$108,079	
9500	93.600	Head Start			
		01CD000018/01	07/01/2006 - 06/30/2011	$31,027	0 %
		01CD000018/02	07/01/2007 - 06/30/2012	$93,080	0 %
			CFDA Total:	$124,107	
9500	93.603	Adoption Incentive Payments			
		0601NHAIPP	10/01/2005 - 09/30/2007	$5,430	0 %
			CFDA Total:	$5,430	
9700	93.630	Developmental Disabilities Basic Support And Advocacy Grants			
		G994902	10/01/2007 - 09/30/2008	$472,108	0 %
			CFDA Total:	$472,108	
2000	93.643	Children's Justice Grants To States			
		G0501NHCJA1	10/01/2004 - 09/30/2007	$9,665	0 %
		G0601NHCJA1	10/01/2005 - 09/30/2008	$110,498	0 %
			CFDA Total:	$120,163	
9500	93.645	Child Welfare Services - State Grants			
		0601NH1400	10/01/2005 - 09/30/2007	$265,601	0 %
		0701NH1400	10/01/2006 - 09/30/2007	$5,488	0 %
		0701NH1400	10/01/2006 - 09/30/2008	$796,802	0 %

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		0801NH1400	10/01/2007 - 09/30/2008	$63,360	0 %
			CFDA Total:	$1,131,251	
9500	**93.658**	**Foster Care - Title IV-E**			
		0601NH1401	**10/01/2005 - 09/30/2007**	**$2,590,987**	**0 %**
		0701NH1401	**10/01/2006 - 09/30/2007**	**$1,156,352**	**0 %**
		0701NH1401	**10/01/2006 - 09/30/2008**	**$7,772,962**	**0 %**
		0801NH1401	**10/01/2007 - 09/30/2008**	**$3,774,591**	**0 %**
			CFDA Total:	**$15,294,892**	
9500	93.659	Adoption Assistance			
		0601NH1407	10/01/2005 - 09/30/2007	$977,870	0 %
		0701NH1407	10/01/2006 - 09/30/2007	$(3,937)	0 %
		0701NH1407	10/01/2006 - 09/30/2008	$2,933,612	0 %
		0801NH1407	10/01/2007 - 09/30/2008	$3,942	0 %
			CFDA Total:	$3,911,487	
9500	**93.667**	**Social Services Block Grant**			
		0601NHSOSR	**10/01/2005 - 09/30/2007**	**$1,279,684**	**0 %**
		0701NHSOSR	**10/01/2006 - 09/30/2008**	**$2,232,216**	**0 %**
		0701NHSOSR	**10/01/2006 - 09/30/2008**	**$884,728**	**100 %**
		071NHSOSR	**10/01/2006 - 09/30/2007**	**$811,963**	**0 %**
		081NHSOSR	**10/01/2007 - 09/30/2008**	**$2,435,888**	**0 %**
		G-0701NHSOSR	**10/01/2006 - 09/30/2007**	**$23,091**	**0 %**
		G-0801NHSOSR	**10/01/2007 - 09/30/2008**	**$65,273**	**0 %**
			CFDA Total:	**$7,732,843**	
9500	93.669	Child Abuse And Neglect State Grants			
		0501NHCA01	10/01/2004 - 09/30/2009	$70,069	0 %
		0601NHCA01	10/01/2005 - 09/30/2010	$210,206	0 %
			CFDA Total:	$280,275	
9500	93.671	Family Violence Prevention And Services / Grants For Battered Women's Shelters - Grants To States And Indian Tribes			
		0601NHFVPS	10/01/2005 - 09/30/2007	$224,794	0 %
		0701NHFVPS	10/01/2006 - 09/30/2008	$674,380	0 %
			CFDA Total:	$899,174	
9500	93.674	Chafee Foster Care Independent Program			
		0601NH1420	10/01/2005 - 09/30/2007	$148,399	0 %
		0701NH1420	10/01/2006 - 09/30/2008	$445,196	0 %

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STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
			CFDA Total:	$593,595	
9500	**93.767**	**State Children's Insurance Program**			
		0605NH5021	**10/01/2005 - 09/30/2008**	**$2,346,509**	**0 %**
		0705NH5021	**10/01/2006 - 09/30/2009**	**$7,006,239**	**0 %**
			CFDA Total:	**$9,352,748**	
9500	93.768	Medicaid Infrastructure Grants To Support The Competitive Employment Of People With Disabilities			
		1QACMS300123	01/01/2007 - 12/31/2010	$792,055	88 %
			CFDA Total:	$792,055	
2000	**93.775**	**State Medicaid Fraud Control Units (Note 7)**			
		0801NH5050	**10/01/2007 - 09/30/2008**	**$533,906**	**0 %**
			CFDA Total:	**$533,906**	
9500	**93.777**	**State Survey And Certification Of Health Care Providers And Suppliers (Note 7)**			
		0705NH5001	**10/01/2006 - 09/30/2007**	**$153,350**	**0 %**
		0705NH5002	**10/01/2006 - 09/30/2007**	**$286,477**	**0 %**
		0805NH5001	**10/01/2007 - 09/30/2008**	**$460,051**	**0 %**
		0805NH5002	**10/01/2007 - 09/30/2008**	**$859,430**	**0 %**
			CFDA Total:	**$1,759,308**	
9500	**93.778**	**Medical Assistance Program (Note 7)**			
		0505NH5028	**10/01/2004 - 09/30/2005**	**$4,781,446**	**0 %**
		05NH5048	**10/01/2006 - 09/30/2006**	**$122,447**	**0 %**
		0605NH5028	**10/01/2005 - 09/30/2007**	**$14,344,338**	**0 %**
		0705NH5028	**10/01/2006 - 09/30/2007**	**$95,885,159**	**0 %**
		0705NH5028	**10/01/2007 - 09/30/2008**	**$19,390,606**	**0 %**
		0705NH5048	**10/01/2006 - 09/30/2007**	**$9,953,229**	**0 %**
		0706NH5028	**10/01/2006 - 09/30/2007**	**$915,769**	**0 %**
		0706NH5048	**10/01/2006 - 09/30/2007**	**$44,428,882**	**0 %**
		0805NH5028	**10/01/2007 - 09/30/2008**	**$302,931,524**	**0 %**
		0805NH5048	**10/01/2007 - 09/30/2008**	**$29,083,956**	**0 %**
		0806NH5028	**10/01/2007 - 09/30/2008**	**$2,747,307**	**0 %**
		0806NH5048	**10/01/2007 - 09/30/2008**	**$133,286,647**	**0 %**
			CFDA Total:	**$657,871,310**	
9500	93.779	Centers For Medicare And Medicaid Services (CMS) Research, Demonstrations And Evaluations			
		11-P-20220/1-14	04/01/2006 - 03/31/2007	$17,883	0 %

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		11-P-20220/1-15	04/01/2007 - 03/31/2008	$151,283	0 %
		1LICMS300148/01	01/01/2007 - 09/30/2011	$16,454	0 %
		1LICMS300148/01	10/01/2007 - 09/30/2011	$267,799	0 %
		1LQCMS300010/01	09/30/2005 - 09/29/2010	$251,268	0 %
			CFDA Total:	$704,687	
9500	93.889	National Bioterrorism Hospital Preparedness Program			
		01NHBTHP	09/01/2007 - 08/08/2009	$1,109,685	0 %
		03NHBTHP	09/01/2004 - 08/31/2006	$182,690	0 %
		03NHBTHP	09/01/2006 - 08/31/2008	$892,711	0 %
			CFDA Total:	$2,185,086	
9500	93.913	Grants To States For Operation Of Offices Of Rural Health			
		H95RH00149	07/01/2006 - 06/30/2007	$51,078	0 %
		H95RH00149	07/01/2007 - 06/30/2008	$92,228	0 %
			CFDA Total:	$143,306	
9500	93.917	HIV Care Formula Grants			
		HAX070003	04/01/2006 - 03/31/2007	$490,448	0 %
		HAX070003	04/01/2007 - 03/31/2008	$1,208,027	0 %
		HAX070003	04/01/2008 - 03/31/2009	$198,954	0 %
			CFDA Total:	$1,897,429	
5600	93.938	Cooperative Agreements To Support Comprehensive School Health Programs To Prevent The Spread Of HIV And Other Important Health Problems			
		1U87DP001217-01	01/01/2008 - 02/28/2009	$39,028	0 %
		U87/CCU122611-05	03/01/2007 - 02/28/2008	$124,684	0 %
			CFDA Total:	$163,712	
9500	93.940	HIV Prevention Activities - Health Department Based			
		CCU123494	01/01/2007 - 12/31/2007	$793,957	0 %
		CCU123494	01/01/2008 - 12/31/2008	$661,844	0 %
			CFDA Total:	$1,455,801	
9500	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance			
		CCU123553	01/01/2006 - 12/31/2007	$46,858	0 %
		UPS001029A	01/01/2008 - 12/31/2008	$40,705	0 %
			CFDA Total:	$87,563	
9500	93.958	Block Grants For Community Mental Health Services			

(Continued)

The accompanying notes are an integral part of this schedule.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
		3B09SM010035-07S3	10/01/2006 - 09/30/2008	$1,349,068	98 %
		3B09SM010035-08S3	10/01/2007 - 09/30/2009	$137,456	59 %
		None	10/01/2003 - 09/30/2009	$14,440	100 %
			CFDA Total:	$1,500,964	
9500	**93.959**	**Block Grants For Prevention And Treatment Of Substance Abuse**			
		B1NHSAPT	**10/01/2006 - 09/30/2008**	**$5,285,849**	**0 %**
			CFDA Total:	**$5,285,849**	
9500	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants			
		CCH104314	01/01/2007 - 12/31/2007	$187,442	0 %
		CCH104314	01/01/2008 - 12/31/2008	$127,343	0 %
			CFDA Total:	$314,785	
9500	93.988	Cooperative Agreements For State-Based Diabetes Control Programs And Evaluation Of Surveillance Systems			
		CCU122741	03/31/2007 - 03/29/2009	$318,614	0 %
			CFDA Total:	$318,614	
9500	93.991	Preventive Health And Health Services Block Grant			
		B1NHPRVS	10/01/2006 - 09/30/2008	$862,542	0 %
		B1NHPRVS	10/01/2007 - 09/30/2009	$285,860	0 %
			CFDA Total:	$1,148,402	
9500	93.994	Maternal And Child Health Services Block Grant To The States			
		B1NHMCHS	10/01/2005 - 09/30/2007	$341,170	0 %
		B1NHMCHS	10/01/2006 - 09/30/2008	$1,370,854	0 %
		B1NHMCHS	10/01/2007 - 09/30/2009	$816,990	0 %
			CFDA Total:	$2,529,014	
			DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL:	**$859,130,237**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	94.004	Learn And Serve America - School And Community Based Programs			
		03KSANH-001	07/01/2005 - 08/31/2006	$23,448	0 %
		06KSANH001	09/30/2006 - 09/29/2009	$23,629	0 %
		06KSANH001	09/01/2007 - 08/31/2009	$11,561	0 %
			CFDA Total:	$58,638	
		CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL:		**$58,638**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

SOCIAL SECURITY ADMINISTRATION

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
5600	**96.001**	**Social Security - Disability Insurance**			
		010-056-4050	**01/01/1995 - 12/01/2009**	**$118,136**	**0 %**
		04-0504NHD100	**10/01/2004 - 09/30/2005**	**$(185)**	**0 %**
		04-0604NHD100	**10/01/2005 - 09/30/2006**	**$3,356**	**0 %**
		04-0704NHD100	**10/01/2006 - 09/30/2007**	**$1,590,755**	**0 %**
		04-0804NHD100	**10/01/2007 - 09/30/2008**	**$3,430,528**	**0 %**
			CFDA Total:	**$5,142,590**	
			SOCIAL SECURITY ADMINISTRATION TOTAL:	**$5,142,590**	

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF HOMELAND SECURITY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	97.004	State Domestic Preparedness Equipment Support Program			
		2003MUT30040	05/01/2003 - 10/31/2005	$(53,464)	80 %
		2005GET50054	10/01/2004 - 03/31/2008	$2,854,599	80 %
		2006GET60056	07/01/2006 - 06/30/2008	$1,866,187	80 %
		2007GET70058	07/01/2007 - 06/30/2010	$15,428	80 %
			CFDA Total:	$4,682,750	
2300	97.012	Boating Safety Financial Assistance			
		17.01.33	07/01/2007 - 06/30/2008	$1,528,855	0 %
			CFDA Total:	$1,528,855	
2300	97.017	Pre-Disaster Mitigation (PDM) Competitive Grants			
		EMB2005PC0006	08/01/2005 - 07/31/2008	$205,749	0 %
			CFDA Total:	$205,749	
0240	97.023	Community Assistance Program - State Support Services Element (CAP-SSSE)			
		EMB-2006-GR-0852	10/01/2006 - 09/30/2007	$46,962	0 %
		EMB-2008-GR-0877	10/01/2007 - 09/30/2008	$68,737	0 %
			CFDA Total:	$115,699	
0240	97.029	Flood Mitigation Assistance			
		EMB-2006-FM-E004	10/01/2006 - 09/30/2007	$6,434	0 %
		EMB-2006-FM-E006	10/01/2005 - 09/30/2007	$3,539	0 %
		EMB-2007-FM-E001	10/01/2007 - 09/30/2008	$10,728	0 %
		EMB-2007-FM-E005	10/01/2006 - 09/30/2008	$582	0 %
			CFDA Total:	$21,283	
2700	97.034	Disaster Unemployment Assistance			
		UI-15134-06-55	10/01/2005 - 05/31/2006	$5	0 %
		UI-15813-07-55	04/27/2007 - 10/31/2007	$1,250	0 %
		UI-15813-07-55	07/01/2007 - 09/30/2007	$3,564	0 %
		UI-16761-08-55-A-33	10/01/2007 - 06/30/2008	$1,152	0 %
			CFDA Total:	$5,971	
2300	**97.036**	**Disaster Grants - Public Assistance (Presidentially Declared Disasters)**			
		DR 1695	**04/27/2007 - 04/27/2011**	**$19,886,351**	**100 %**
		DRNH1643PA	**05/31/2006 - 05/31/2010**	**$1,482,048**	**100 %**
		FEMA-Oct Floods	**10/07/2005 - 10/07/2009**	**$358,220**	**100 %**
		FEMA-Oct Floods	**07/01/2007 - 06/30/2008**	**$512,004**	**100 %**
			CFDA Total:	**$22,238,623**	

(Continued)

The accompanying notes are an integral part of this schedule.

State Of New Hampshire
Schedule Of Expenditures Of Federal Awards
For The Fiscal Year Ended June 30, 2008

DEPARTMENT OF HOMELAND SECURITY

STATE AGENCY	CFDA NUMBER	PROGRAM TITLE/STATE CONTRACT NUMBER	CONTRACT PERIOD	EXPENDITURES	PASS THRU PERCENT
2300	97.039	Hazard Mitigation Grant			
		May 06 Floods	07/01/2007 - 06/30/2008	$755,808	100 %
			CFDA Total:	$755,808	
4400	97.041	National Dam Safety Program			
		EMW-2007-GR-0761	09/29/2007 - 09/28/2009	$48,186	0 %
			CFDA Total:	$48,186	
2300	97.042	Emergency Management Performance Grants			
		2007EME70040	10/01/2006 - 09/30/2008	$2,330,266	0 %
		EME-2006-GR-0250	09/10/2006 - 09/30/2007	$376	0 %
			CFDA Total:	$2,330,642	
2300	97.043	State Fire Training Systems Grants			
		EME2007GR0226	09/15/2007 - 09/14/2008	$20,170	0 %
			CFDA Total:	$20,170	
2300	97.052	Emergency Operations Centers			
		EMB2003GR0779	07/01/2006 - 06/30/2008	$687	0 %
			CFDA Total:	$687	
0240	97.070	Map Modernization Management Support			
		EMB-2006-CA-0843	10/01/2006 - 09/30/2007	$74,321	57 %
		EMB-2006-GR-0856	10/01/2006 - 09/30/2007	$35,192	85 %
		EMB-2007-CA-0872	10/01/2007 - 09/30/2008	$47,804	39 %
			CFDA Total:	$157,317	
2300	97.078	Buffer Zone Protection Program (BZPP)			
		2006BZT60005	10/01/2007 - 09/30/2008	$2,893	0 %
			CFDA Total:	$2,893	
			DEPARTMENT OF HOMELAND SECURITY TOTAL:	**$32,114,633**	
			Grand Total of All Federal Assistance:	**$1,575,342,341**	

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – PURPOSE OF SCHEDULE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose Of Schedule

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the State's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the U.S. Office of Management and Budget (OMB), Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

B. Reporting Entity

The reporting entity is defined in the Notes to the basic financial statements of the State of New Hampshire, which are presented in Section C of this report. The accompanying Schedule of Expenditures of Federal Awards includes all federal financial assistance programs of the State of New Hampshire reporting entity for the year ended June 30, 2008, with the exception of the following component units identified in Note 1 of the basic financial statements. The Pease Development Authority, the University System of New Hampshire, and the Community Development Finance Authority component units have separate Single Audits of their federal financial assistance programs. Accordingly, the accompanying Schedule and Schedule of Current Year Findings and Questioned Costs exclude these three component units.

C. Basis Of Presentation

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

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

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

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

C. Basis of Presentation (Continued)

c. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining for the State of New Hampshire Type A and Type B federal financial assistance programs. Type A programs are those programs and clusters of programs that equal or exceed $4,726,027 in federal expenditures, distributions, or issuances for the year ended June 30, 2008. Type A programs are in bold print in the accompanying Schedule.

d. *Pass Thru Percent* – The amount of federal funds, expressed as a percentage of expenditures, passed through by State agencies to various non-state subrecipients.

D. Basis Of Accounting

Expenditures for all programs are presented in the Schedule on the cash basis of accounting. Expenditures are recorded when paid rather than when the obligation is incurred. The Schedule reflects federal expenditures for all individual grants, which were active during the fiscal year and are net of program refunds applicable to a program.

NOTE 2 - CATEGORIZATION OF EXPENDITURES

The categorization of expenditures by program included in the Schedule is based upon the Catalog of Federal Domestic Assistance (CFDA) as required by OMB Circular A-133. Changes in the categorization of expenditures occur based upon revisions to the CFDA, which is issued in June and December of each year. The Schedule reflects CFDA changes issued through June 2008. 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 for the legend of State agency identification numbers.

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE

Food Stamps – Expenditures of $68,770,744 reported in the Schedule under CFDA No. 10.551, Food Stamps, 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, 2008.

Donated Foods – The State distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures are reported in the Schedule at the federally assigned value of the product distributed under the following U.S. Department of Agriculture federal programs:

NOTE 3 - NONMONETARY FEDERAL FINANCIAL ASSISTANCE (CONTINUED)

CFDA #	Federal Program	Amount
10.550	Food Donation	$ 3,768,518
10.558	Child and Adult Care Food Program	3,326,090
10.565	Commodity Supplemental Food Program	1,402,067
10.569	Emergency Food Assistance Program (Food Commodities)	699,262
	Total	$ 9,195,937

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 $468,953 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 Center for Disease Control. The vaccines are distributed to children through free clinics, local hospitals, and doctors' offices. Expenditures of $9,063,564 included on the Schedule for CFDA No. 93.268, Immunization Grants, represent the federal value assigned to the vaccines distributed.

NOTE 4 - FEDERAL STUDENT LOAN PROGRAMS

The total expenditures shown for the Federal Family Education Loans (CFDA No. 84.032) and the Federal Perkins Loan Program (CFDA No. 84.038) represent the total amount of loans made to students during State fiscal year 2008. Total loans outstanding as of June 30, 2008 for the Perkins Loan Program equaled $1,313,762. Administrative costs for the Perkins Loan Program were not material in 2008. During State fiscal year 2008, the N.H. Department of Regional Community-Technical Colleges processed the following amounts of new loans under the Federal Family Education Loans (FFEL) program. The total loans outstanding under the FFEL are not readily available.

Stafford Subsidized	$ 14,529,998
Stafford Unsubsidized	10,096,508
Parents' Loan for Undergraduate Students	1,412,479
Total	$ 26,038,985

NOTE 5 - UNEMPLOYMENT INSURANCE

The New Hampshire Department of Employment Security administers the Unemployment Insurance Program (CFDA No. 17.225). The reported expenditures are comprised of the following:

Unemployment Insurance - State Contribution	$ 100,616,510
Unemployment Insurance - Administrative Grant	13,966,940
Federal TEUC	(37,985)
Unemployment Compensation for Ex-servicemen	726,285
Unemployment Compensation for Federal Employees	438,992
Total	$ 115,710,742

NOTE 6 - STATE ELECTION FUND

The State of New Hampshire received $5,000,000 from the United States General Services Administration in fiscal year 2003 and an additional $11,596,000 as part of the Help America Vote Act of 2002. The funds are to be used for establishing minimum election administration standards for states and local governments with the responsibility for the administration of federal elections. Expenditures for this program (CFDA # 90.401) totaled $987,963 in fiscal year 2008. As of June 30, 2008, the State had expended a cumulative total of $2,604,195 of the $16,596,000 Election Reform payments received, leaving a remaining balance of $13,991,805.

NOTE 7 - CLUSTERED PROGRAMS

OMB Circular A-133 defines a "cluster" as "a grouping of closely related programs that share common compliance requirements." The table below details the federal programs included in the Schedule that are required by OMB Circular A-133 to be "clustered" for purposes of testing federal compliance requirements and identifying Type A programs.

CFDA #	Program Title	Expenditures
Food Stamp Cluster		
10.551	Food Stamps	$ 68,770,744
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	6,069,453
	Food Stamp Cluster Total	$ 74,840,197
Child Nutrition Cluster		
10.553	School Breakfast Program	$ 3,256,222
10.555	National School Lunch Program	16,112,514
10.556	Special Milk Program for Children	197,292
10.559	Summer Food Service Program for Children	658,386
	Child Nutrition Cluster Total	$ 20,224,414
Emergency Food Assistance Cluster		
10.568	Emergency Food Assistance Program (Administrative Costs)	$ 151,527
10.569	Emergency Food Assistance Program (Food Commodities)	699,262
	Emergency Food Assistance Cluster Total	$ 850,789
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	$ 3,801,608
15.611	Wildlife Restoration	1,153,993
	Fish and Wildlife Cluster Total	$ 4,955,601
Employment Services Cluster		
17.207	Employment Service/Wagner – Peyser Funded Activities	$ 3,838,580
17.801	Disabled Veterans' Outreach Program (DVOP)	333,461
17.804	Local Veterans' Employment Representative Program	464,542
	Employment Services Cluster Total	$ 4,636,583

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Workforce Investment Act (WIA) Cluster		
17.258	WIA Adult Program	$ 2,498,632
17.259	WIA Youth Activities	2,588,836
17.260	WIA Dislocated Workers	3,137,147
	WIA Cluster Total	$ 8,224,615
Federal Transit Cluster		
20.500	Federal Transit - Capital Investment Grants	$ 1,770,471
20.507	Federal Transit – Formula Grants	5,135,560
	Federal Transit Cluster Total	$ 6,906,031
Transit Services Programs Cluster		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	$ 94,921
20.516	Job Access – Reverse Commute Program	59,084
	Transit Services Programs Cluster Total	$ 154,005
Highway Safety Cluster		
20.600	State and Community Highway Safety	$ 1,318,558
20.601	Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants	345,213
	Highway Safety Cluster Total	$ 1,663,771

NOTE 7 – CLUSTERED PROGRAMS (CONTINUED)

CFDA #	Program Title	Expenditures
Student Financial Aid Cluster		
84.007	Federal Supplemental Educational Opportunity Grants	$ 182,787
84.032	Federal Family Education Loans	26,038,985
84.033	Federal Work-Study Program	248,695
84.038	Federal Perkins Loans – Federal Capital Contributions	128,146
84.063	Federal Pell Grant Program	5,846,017
84.375	Academic Competitiveness Grant	85,366
	Student Financial Aid Cluster Total	$ 32,529,996
Special Education Cluster		
84.027	Special Education-Grants to States	$ 44,088,907
84.173	Special Education-Preschool Grants	1,590,512
	Special Education Cluster Total	$ 45,679,419
Aging Cluster		
93.044	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	$ 2,207,985
93.045	Special Programs for the Aging-Title III, Part C-Nutrition Services	2,471,144
93.053	Nutrition Services Incentive Program	900,408
	Aging Cluster Total	$ 5,579,537
Medicaid Cluster		
93.775	State Medicaid Fraud Control Units	$ 533,906
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,759,308
93.778	Medical Assistance Program	657,871,310
	Medicaid Cluster Total	$ 660,164,524

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Part I - Summary Of Auditors' Results

Financial Statements

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

Federal Awards:

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

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

Public Health Emergency Preparedness- **Qualified**
Immunization Grants- **Qualified**
Food Stamp Cluster- **Qualified**
Child Support Enforcement- **Qualified**
Medicaid Cluster – **Qualified**
Student Financial Aid Cluster- **Qualified**
All Other Major Programs - **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133.

X yes _____ no

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Identification Of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Food Stamps	
10.551	Food Stamps
10.561	State Administrative Matching Grant for Food Stamp Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
Fish and Wildlife Cluster	
15.605	Sport Fish Recreation
15.611	Wildlife Restoration
Employment Service Cluster	
17.207	Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veteran's Outreach
17.804	Local Veteran's employment Representative Program
Federal Transit Cluster	
20.500	Federal Transit Capital Improvements Grants
20.507	Federal Transit Formula Grants
Student Financial Aid Cluster	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program-Federal Capital
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
Medicaid Cluster	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medicaid Assistance Program

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Identification Of Major Programs

CFDA Number	*NAME OF FEDERAL PROGRAM OR CLUSTER*
Other Programs	
17.225	Unemployment Insurance
66.605	Performance Partnership Grants
84.010	Title I
84.048	Vocational Education
84.126	Vocational Rehabilitation
84.369	State Assessment Grants
93.069	Public Health Emergency Preparedness
93.268	Immunization Grants
93.563	Child Support Enforcement
93.767	State Children's Insurance Program

Dollar threshold used to distinguish between
Type A and Type B Programs:
$4,726,027

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

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Part II - Financial Statement Findings

Findings 2008-1 through 2008-5 were identified as significant deficiencies relating to the State's basic financial statements and are required to be reported in accordance with *Government Auditing Standards* in this section. Findings 2008-1 and 2008-2 are considered to be material weaknesses.

Part III – Schedule Of Current Year Findings And Questioned Costs

All findings and questioned costs related to Federal assistance programs are presented beginning on page F-14.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

PART II

FINANCIAL STATEMENT FINDINGS

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Transportation	***Finding 2008-1***

Material Weakness: Accounting and Financial Reporting for Capital Assets

The Department of Transportation (the Department) does not have sufficient systems, processes, and controls to ensure the accurate and complete reporting of the State's non-turnpike infrastructure assets. During the 2008 audit, the Department recognized it had previously understated by approximately $50 million the cost of its non-turnpike infrastructure assets. This understatement reflected errors in the valuation of its non-turnpike infrastructure assets that occurred in prior fiscal years. These assets consisted of a variety of projects including new construction, replacement construction, and capacity improvement construction on the State's non-turnpike highway system.

This understatement was originally detected during fiscal 2007 when the Department performed a more robust review of its capital assets. This review resulted in the discovery of approximately $10 million of non-turnpike capital assets that should have been recorded on the State's books in prior fiscal years. However, at the time these projects were identified and recorded on the State's books, the full costs associated with these projects were not identified due to an improper analysis of the Department's project expenditure database.

This error, stemming from inadequate systems, processes, and controls over the tracking and recording of non-turnpike infrastructure assets, has been recognized in past audits and resulted in the reporting of material weaknesses in prior audit reports. The Department's information systems were not designed to track this information. The Department has established manual processes to capture all projects and costs associated with these projects, but as noted in fiscal years 2007 and 2008, these manual processes are also prone to error.

The Department is responsible for managing over $2.8 billion in infrastructure assets. As of June 30, 2008, those assets have a net book value of over $1 billion.

Similar material weaknesses have been reported in prior management letters.

We recommend that the Department re-evaluate the way in which it tracks non-turnpike infrastructure assets. The Department should continue to plan for the replacement of its information systems.

Management's Response:

We concur. While we have improved over the last couple of years with recording fixed assets, the process is very manual and there are still many opportunities for error. The Department has instituted a quarterly review with a senior engineer from the Bureau of Design to verify fixed asset projects are properly identified. The Department will perform a review of capital spending through the end of

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Transportation	***Finding 2008-1 (continued)***

February 2009 to make sure projects have been properly classified. Based on this review, quarterly reviews will be implemented and formal procedures will be documented to allow for a better reporting of assets.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Administrative Services	*Finding 2008-2*

***Material Weakness*: Statewide Succession Planning Process**

The State is currently experiencing an outflow of personnel who have decades of institutional experience and are skilled in the financial and non-financial processes around the State. The result of this "brain drain", if not mitigated, will be a lack of critical human resources needed for continued controlled State operations. The state will be required to immediately implement an appropriate personnel succession plan throughout the State to counter the effects of that loss of human resources. Such a plan will help ensure that adequate resources, in both financial and operational areas, are available in the future to adequately meet the ever increasing financial, operational and accountability demands being placed on the State. Such a plan needs to ensure that all key departmental roles are identified and reviewed to determine how best to plan for personnel replacements.

As an example, the Comptroller position has been vacant for nearly two years as of the date of this letter. The State Comptroller is an integral part of the State's overall control environment and is responsible for the preparation of the Comprehensive Annual Financial Report. The Comptroller is also a main player in the implementation of major new accounting systems, such as NH First, the State's Enterprise Resource Planning (ERP) system.

While this vacancy was not the cause of many of the States problems, the vacancy certainly has exacerbated certain situations, such as untimely financial reporting in prior years and the delayed implementation of NH First. The lack of a Comptroller has resulted in an understaffed Bureau of Financial Reporting, a lack of outreach for financial expertise to State agencies, a limited critical review process over financial information, and an increased risk for the occurrence of undetected errors.

An entity that is both large and complex can not afford to let this position go vacant for a long period of time, especially when the go-live date of NH First is around the corner. We understand the State is in the process of filling this vacancy, therefore, we recommend the State continue its efforts to find the right person to fill the job.
A comment similar to this comment was reported in connection with the 2006 and 2007 audits.

Management's Response:

On January 18, 2008, the Division of Personnel hired an employee into the newly created position of Workforce Development Coordinator. Since filling this position a number of workforce development initiatives have taken place. Beginning February 2008, a thirteen member workforce development committee representing seven of the larger state agencies was established. The workforce development committee developed two surveys for top executives throughout the state system as well as an employee survey. 373 administrators responded and 3093 employees responded to the survey. The responses to both surveys are being used as part of the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis for the workforce development strategic plan developed by the workforce development committee. The survey information is being used for the Gap Analysis portion of the plan. The committee has also reached out to stakeholders in other ways including presenting information at

meetings with the Governor and his Council, Governor's Advisory Group, 3 House Committees, Senate Finance Committee, Labor Relations Committee, Commissioners, and added the vice-president of the largest union to the committee membership. The workforce development committee has planned a Workforce Development Strategic Initiatives Summit or April 17, 2009 at which they will share with stakeholders 7 workforce planning models designed to help all state agencies develop and implement workforce development programs. These models include:

1. Workforce Development Planning Model
2. Individual Development Plans for Career Ladders, Career Paths, and Organizational Enhancement Model
3. Mentor Program Model
4. Executive & Critical/Difficult to fill Positions Candidate Development Model [Succession Planning Model]
5. Knowledge Management & Transfer Model
6. Strategic Planning Model
7. How to Measure Customer Satisfaction in New Hampshire State Government Model

The workforce development committee strategic plan is a 10 year plan including 3 major goals with 23 objectives. Some objectives have been accomplished while others [part of the longer plan] are being reviewed and, where appropriate, modified to be consistent with the SWOT analysis. Part of the plan includes seeking an Executive Order from the Governor to implement workforce development on a statewide basis. The Governor has indicated his support for the order pending the results of legislative action for workforce development sought by the workforce development committee. At this time, there is discussion of possible legislation to address statewide workforce development needs and initiatives. Regardless of the outcome of the proposed workforce development budget the workforce development committee plans to push forward with the workforce agenda and plan.

Specific to the Comptroller position, on March 4, 2009, Governor and Council approved an executive search service contract with Snowden Associates. With this contract now in place, the State intends to move aggressively in filling this position.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Administrative Services ***Finding 2008-3***
NH Treasury

***Significant Deficiency*: Unknown Cash Accounts**

During an audit of the Board of Tax and Land Appeals (the Board) by the Office of Legislative Budget Assistant – Audit Division (LBA), it was discovered the Board had over $7 million of cash accounts previously unrecorded on the State's Comprehensive Annual Financial Report. These accounts are assets held by the State in escrow for other entities and were ultimately recorded as an Agency Fund.

The accounts consist of a checking and savings account maintained by the Board to hold and pay out amounts held in escrow related to contested eminent domain property takings. During fiscal year 2008, approximately $8.5 million were deposited into the accounts and $4 million were paid from the accounts. As of June 30, 2008, the balance of the two accounts was approximately $7.2 million.

It appears the Department of Administrative Services and the Treasury Department were unaware of the magnitude of the financial activity the Board was responsible for in the multimillion-dollar cash account operating outside of the State's central control and accounting systems.

We recommend the State determine whether other departments, boards or offices maintain or use cash accounts outside the control of the Treasury Department. Further, if the funds remain in the control of the Board, we recommend the Board and the Treasury Department work together to ensure the proper control structure is in place

Management's Response:

We concur. The Treasury has taken a number of actions to correct this deficiency. Treasury met with the Board and its staff on February 2 to understand and evaluate the Board's business needs and the control structure in place. As a result of the meeting, the Board will be seeking Governor and Council approval to maintain its own bank account and the Treasury will participate in periodic monitoring of banking and accounting services the Board receives.

In addition to the actions taken specific to the Board of Tax and Land Appeals, Treasury is in the second phase of a project to identify the business needs and associated risks with all bank accounts held under the State's tax identification number that are not in the custody of the Treasurer. We have identified all such accounts held by our three largest banking partners and, as a result, some of those accounts are being closed. In the second phase, we are seeking similar information from every bank doing business in the State. If necessary, Treasury will share the results of its work with the Department of Administrative Services.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Administrative Services ***Finding 2008-4***

Significant Deficiency: ***Preparation of Accounts Receivable Estimates***

During preparation of the State's Comprehensive Annual Financial Report, the Department of Administrative Services (DAS), using various inputs from the Department of Revenue Administration (DRA), estimates the amount of revenue to record for business taxes and interest and dividend taxes from taxes receivable as of June 30.

During the audit of the Department of Revenue Administration, LBA auditors noted the methodology used by DAS would have resulted in the overstatement of receivables as of June 30, 2008 of approximately $31 million. The methodology was based on a forecasted increase in revenues even though, due to the economic slow down, the fiscal year 2008 budget projections were not met and the fiscal year 2009 budget projections are not expected to be met. The inputs used by DAS were inappropriate in the current environment and revised projections were used to calculate the receivable.

Additionally, the State's estimate of uncollectible accounts is based on historical data where, in the current environment, historical collection rates may not be indicative of future collection rates.

Given the current environment, it appears the methodologies used by the State to estimate its receivables and uncollectible accounts need to be re-visited. Further, we note that DRA is in the best position to estimate collections and uncollectible accounts given their knowledge and exposure, yet DAS developed the methodology and does not review the calculation with the DRA for concurrence on assumptions and trend information that may impact the accuracy of it. We recommend the State take a clean look at how it prepares these estimates and, given the DRA's knowledge of the State's taxes and tax trends, fully involve the DRA on a yearly basis to determine the annual estimates.

Management's Response:

We concur. DRA and DAS Bureau of Financial Reporting (BFR) have met to review BFR's closing process, receivable calculations and growth assumptions used in 2008 year end accounts receivables. Going forward, DRA and BFR will develop and implement reallocation of responsibilities for determining and reporting accounts receivables for revenues collected by DRA.

COMPLIANCE AND INTERNAL CONTROL FINDINGS-
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-5***

Significant Deficiency: No Service Organization Audit – SAS No. 70 – performed for Medicaid Pharmaceutical Claims Processor

During fiscal 2008, the State paid over $75 million of Medicaid pharmaceutical claims. These claims are paid after they have been processed for accuracy and propriety by the State's vendor, First Health. Despite the use of a vendor to process the claims, the State Department of Health and Human Services chose not to require First Health to get an audit of the procedures and policies and controls over the processing of these claims – commonly referred to as a SAS No. 70 report.

The decision to not require a SAS No. 70 audit exposes the State to the risk that First Health's controls, policies and procedures were not working properly and may have resulted in the State paying claims for inaccurate amounts or for ineligible individuals.

We recommend the State require that First Health and all other service organizations used by the State provide Type II SAS No. 70 reports and that the appropriate State agency review the results of the report to determine whether adequate controls are in place to ensure that information processed by service organizations is reliable.

Management's Response:

Department of Health and Human Services

Concur. The State of NH Department of Health and Human Services, Office of Medicaid Business and Policy has contracts with First Health Services for Pharmacy Benefits management. The first SAS70 audit was done for SFY04 and there was one finding for visitors to sign a confidentiality statement for HIPAA. Management took corrective action and subsequent SAS70 audits indicated no weaknesses. Due to budget constraints and results of prior audits, the Commissioner's office decided to forgo an audit for 2008. The department did receive written assurance from the contractor that the internal controls had not changed since the last SAS70 audit. The current contract requires a SAS 70 audit, performed for SFY 2009 and in future contracts, we will be requiring SAS 70 audits annually.

PART III

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-6***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: ***Incomplete Review of Disproportionate Share Hospital Information Submitted by General Hospitals***

Criteria:

Pursuant to the approved Medicaid State Plan (Plan) Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The Plan specifically defines a disproportionate share hospital and the method of calculating the rate for these hospitals.

Condition:

The N.H. Department of Health and Human Services (Department) performs a limited review of information submitted by general hospitals for purposes of performing the annual disproportionate share (DSH) calculation, which annually totals approximately $220 million.

Under State statute, the State assesses a 6% (5.5% effective January 1, 2008) tax on the hospitals' gross patient service revenue. The hospital is then reimbursed for the lesser of the tax or uncompensated care, which is defined in the Plan, for which the Department requests 50% reimbursement under the Medicaid grant. A non-profit organization, the New Hampshire Hospital Association (NHHA), assists the State's general hospitals in submitting their annual tax return and uncompensated care calculations. During our review of the annual tax return worksheets, we noted that much of the information submitted by the hospitals could not be substantiated to audited financial statements.

The Department performs a limited review of the information submitted for purposes of the DSH calculation. We noted that the Department did not obtain audited financial statements or any other source of external verification for three of the largest hospitals. Additionally, variances between the information reported to the Department and the audited financial statements were not investigated or resolved.

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

Cause:

The Department does not perform reviews of information submitted by all of the hospitals for purposes of the DSH calculation.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-6 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Effect:

The lack of review can result in over or under reimbursement from the Federal government, and has in the past.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department implement policies and procedures to perform reviews of information submitted by all of the hospitals. The reviews should, at a minimum, include a comparison of information submitted to the hospitals' annual financial statements with any variances reviewed and documented.

Auditee Corrective Action Plan:

Do not concur, with respect to the audit recommendation that "the Department implement policies and procedures to perform reviews of information submitted by the hospitals." The Department maintains its position that the Department of Revenue Administration (DRA) is solely responsible for implementing, directing and enforcing tax policy in the State of New Hampshire. The tax is written into legislation in RSA84-A:9 which states that the commissioner of DRA shall adopt rules relative to the administration of the Medicaid enhancement tax; and the recovery of any tax, interest on tax, or penalties imposed by this chapter or by RSA 21-J. DHHS does have an obligation to cooperate with DRA in this process.

Contact Person: James Fredyma, Controller

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-7***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: DSH Calculation Methodology Noncompliant with Federal and State Requirements

Criteria:

In accordance with Section 1923 of the Social Security Act, as amended, the New Hampshire Department of Health and Human Services (the "Department") must calculate Medicaid disproportionate share hospital (DSH) payments to hospitals that serve disproportionately large numbers of low-income patients. The methodology for calculating DSH payments must follow the requirements as set forth by the Omnibus Budget Reconciliation Act of 1993, Centers for Medicare and Medicaid Services (CMS), and the State Plan.

According to the State plan, hospitals receive DSH payments for the lesser of their calculated DSH limit or 6% (5.5% effective January 1, 2008) of "gross patient services [revenue]." The New Hampshire Department of Revenue Administration imposes a 6% (5.5% effective January 1, 2008) Medicaid Enhancement Tax on the gross patient services revenue of each DSH (New Hampshire State Statute, Title V, Chapter 84-A).

Condition:

The Department underwent a review by the Office of Inspector General (OIG), with the objective of determining whether the DSH payments that the State agency claimed for Federal fiscal year 2004 complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan. The OIG issued a report in July of 2007 entitled "Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments During Federal Fiscal Year 2004", which noted the following:

The State agency claimed DSH payments for Federal fiscal year 2004 that did not comply with the hospital-specific DSH limits imposed by Federal requirements and the State plan. Of the $194,145,507 that the State agency claimed, $123,494,571 was allowable. However, the remaining $70,650,936 ($35,325,468 Federal share) was unallowable. The State agency did not comply with the hospital-specific DSH limits for 24 of the 28 DSHs because it did not properly determine the hospitals' allowable costs in accordance with the Medicare principles of cost reimbursement, as CMS guidance requires. Specifically, the cost-to-charge ratios that the State agency used in determining allowable costs were inflated because they (1) overstated costs by including unallowable costs and (2) understated charges by using net, rather than gross, patient services revenue.

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-7 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Cause:

The report stated that the excess DSH payments were attributed to the State agency's lack of policies and procedures to ensure that its methodology for developing the cost-to-charge ratios used to calculate hospital-specific DSH limits complied with Federal requirements and the State plan.

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

$35,328,468

Recommendation:

We recommend the Department continue to work with DHHS-CMS to resolve whether the DSH payments that the State claimed complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan.

Auditee Corrective Action Plan:

Do Not Concur with OIG findings, but do concur with single audit recommendation.

The State believes the OIG auditors made incorrect findings using procedures not formally adopted in law or administrative rule, misapplied Medicare principles to the Medicaid program, and ignored long standing federal Centers for Medicare and Medicaid Services guidance to the State on how the program should be administered and payments calculated. The OIG report is a review with findings and recommendations. Remedial action, if any, is left to the federal Centers for Medicare and Medicaid Services through its action official to determine and implement in conjunction with the State. We are waiting for CMS to open discussions on this matter.

Contact Person: James Fredyma, Controller

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-8***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Noncompliant Participant Eligibility Files

Criteria:

The State Plan and the New Hampshire Department of Health and Human Services (Department) internal policy manuals require clients to disclose demographic, resource, income, other insurance coverage, medical necessity and other information in order to become and remain eligible for coverage under the Medicaid program. Information provided by clients is verified and documented by a family services specialist at the district office level.

Condition:

The Department maintains a paper file for each Medicaid client to document the client's eligibility for the program. The file is established upon the client first seeking participation in the Medicaid or other State assistance programs administered by the Department and is updated at regular intervals with redeterminations of continued or changed eligibility status. Information necessary to establish initial and continued client eligibility is documented in the file including client family census, resources, insurance coverage, etc. Information from the files is keyed into the Department's New Heights computer system, which is used by the many sections of the Department to access client eligibility information and to provide client eligibility information to the Department's claims payment system. The paper eligibility files in conjunction with the data maintained in the New Heights system provide the primary documentation of client eligibility criteria including income, resources, insurance etc.

Audit tests included a review of a sample of 40 client eligibility files. In 7 of the files selected for review (17.5%) we noted instances where the Department failed to comply with its Medicaid program requirements:

- The Department has a control in place that redetermination forms must be signed by the recipients, acknowledging that the information submitted is accurate and complete and that they are aware of their rights and responsibilities. We noted 3 instances of 40 (7.5%) where the redetermination form was not signed by the Medicaid recipient.

- The New Heights system, in conjunction with the paper files, is relied upon by the Department to obtain the most up-to-date and accurate information to determine recipient eligibility. We noted 1 instance of 40 (2.5%) where a recipient submitted proof of income that was included in the file, but was not properly updated in New Heights.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-8 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

- The Department is required to obtain information about third party insurance held by recipients. We noted 2 instances of 40 (5%) where third party insurance information was noted in the recipient file, but was not properly input and verified in New Heights.

- The Department is required to perform eligibility re-determinations on an annual basis. We noted 1 instance of 40 (2.5%) where the re-determination was not performed within the 12 month time limit.

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

Cause:

Breakdown in controls over compliance with Federal requirements.

Effect:

If the initial eligibility or the re-determination of eligibility is based on incomplete or inaccurate information, it is possible that client eligibility determinations may be made in error.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department review and enforce its policies and procedures to ensure that all control and compliance requirements are met. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Resolved. Regional meetings were held in the month of February 2008 and the results and recommendations of the SFY07 audit were reviewed and discussed with supervisors. Supervisors were to then go back and review the results with their staff. The Supervisor reviews with staff took place during the month of March 2008.

Contact Person: Melody Braley, Field Operations Administrator

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-9***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Provider Eligibility/Licensing Documentation Not Kept Current

Criteria:

Pursuant to 42 CFR 431.107 and 447.10, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations in order to participate in the Medicaid program.

Condition:

During our testwork, we noted that the N.H. Department of Health and Human Services (Department) does not require up-to-date copies of documentation establishing provider eligibility, including copies of current licenses, to be on file prior to paying providers for services rendered to eligible Medicaid recipients.

We noted that 3 of 40 (7.5%) providers tested did not have a current license on file at the Department. Through alternative procedures, however, we were able to verify that the providers in question were in fact licensed.

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

Cause:

Breakdown in internal control procedures.

Effect:

Increased risk of unlicensed providers participating in the Medicaid program.

Questioned Costs:

Not able to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-9 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Recommendation:

The risk of unlicensed providers providing services to eligible Medicaid recipients exists. Therefore, we recommend that the Department amend their file maintenance procedures to ensure that provider eligibility is properly documented, including obtaining a copy of a current license. Additionally, we recommend that the Department work with other State agencies, or offices within the Department, to determine if there is a more efficient method of obtaining timely updates of provider licenses. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur. Contact has been made with several of the licensing boards and a process has been developed to obtain hard copy evidence of licensure directly from the board rather than rely solely on provider responses to requests. This is still a manual process as many of the boards cannot produce an electronic copy. The recent National Provider Identifier (NPI) project required staff to focus on collecting the NPI numeration. This allowed for verification that the providers, who required an NPI numeration, had their license questioned at the same time.

Contact Person: Nita E Tomaszewski, Information Representative

Anticipated Completion Date: January 1, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-10***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Ineffective Reconciliation Procedures Between NHAIM and FirstHealth

Criteria:

The Department of Health and Human Services contracts with FirstHealth to process and pay all pharmaceutical claims for the Medicaid program. FirstHealth receives feeds of eligible providers from the Department to ensure only claims for eligible providers are paid.

Condition:

A provider notified the Department that it took over an existing pharmacy, and that the pharmacy's previous eligibility should be terminated and replaced with the new provider. The Department terminated the old provider's eligibility and replaced it with the current provider information in its system, and notified FirstHealth to do the same. Discrepancies were noted in the information provided for the new provider but neither the Department nor FirstHealth followed up on the discrepancy, and the FirstHealth system continued to have a terminated provider listed as eligible. Medicaid claims were recorded under the terminated provider's information in FirstHealth.

Cause:

The issues above were attributed to the Department's lack of formal policies and procedures to ensure that discrepancies are properly and timely resolved.

Effect:

Breakdown in internal control procedures.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend the Department implement formal policies and procedures to investigate and resolve discrepancies in a timely manner.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-10 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Auditee Corrective Action Plan:

Concur.
This error occurred during the installation of the new Pharmacy Benefit Manager (PBM), First Health. There was a weakness in verifying the transfer of information between the PBM and NHAIM, the system of record for enrollment for Medicaid providers and information. This condition has been corrected by having the provider information transmitted to First Health via a feed of current providers and a daily email of any changes. This has been refined over the course of the contract with First Health and has greatly reduced the chance of an error occurring.

First Health System will reverse all claims that have been identified with the terminated provider number and will reprocess them so that the correct provider number will be attached to them. This will correct the NHAIM claims information, as well as, all systems that it feeds to.

Contact Person: Nita Tomaszewski, Information Representative

Anticipated Completion Date: January 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-11***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Expired Administrative Rules Governing Residential Care and Home Health Care Facilities

Criteria:

The federal and state governments jointly finance the Medicaid program. Within broad federal rules, the State is authorized to establish detailed and more restrictive program requirements. The legal basis for the establishment of the Medicaid program in New Hampshire is codified in state statutes. The Commissioner of Health and Human Services is required to adopt, per state statute RSA 151:9 and 9-a, administrative rules necessary for the administration of the Medicaid program.

Condition:

A number of administrative rules related to licensing and classifying residential care and health facilities including home health care providers have expired and have not been formally readopted by the Department. These rules (Chapter He-P 801 – 829) expired in 1999 and 2000. The rules detailed the regulations for licensure of various types of providers of medical services. Therefore, with the expiration of the aforementioned rules, the Department does not have a legal basis with which to enforce these requirements. This finding has been noted in the State's Single Audit Report since 1999.

Cause:

Unknown.

Effect:

The State may have difficulty enforcing administrative rules that have expired.

Questioned Costs:

Not able to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-11 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Recommendation:

We recommend that the Department update the administrative rules over the Medicaid program to properly reflect the requirements and current practices of the program. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur. The Department has been methodically working on development of rules. The following rules were recently implemented:

- He-P 804, Assisted Living Residence, residential Care, eff. 4/3/08
- He-P 805, Assisted Living Residence-Supported Residential Health Care Licensing, eff 10/25/06
- He-P 808, Laboratories Laboratory Services, eff 8/19/06 and readopted with amendments eff 3/24/07
- He-P 810, Birthing Centers, eff. 7/27/07
- He-P 813, Adult Family Care Residences, eff 4/1/07
- He-P 814, Licensed Community Residences, eff 10/3/08
- He-P 816, Educational Health Centers, eff 6/26/08
- He-P 817, Collection Stations, eff 8/19/06 and readopted with amendments eff. 3/24/07
- He-P 818, Adult Day Care, eff. 3/18/08
- He-P 823, Home Hospice, eff 10/3/08
- He-P 824, Hospice House, eff. 11/8/08

Currently In Process are:

- He-P 802,General Hospitals
- He-P 825 Special Hospitals-Substance Abuse
- He-P 826 Special Hospitals-Psychiatric
- He-P 827 Special Hospitals-Rehabilitation
- He-P 828 Freestanding Hospital Emergency Facilities

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-11 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

The five hospital rules listed above are being consolidated into one rule under He-P 802. A draft of this consolidated rule is. Some final formatting changes are being made to the draft rule. It is anticipated that the draft rule will be ready to send to the hospitals and the New Hampshire Hospital Association for comment by the week of December 22, 2008. Once the hospitals and the Association have had a chance to review the draft rule, at least one public forum will take place before the draft is finalized and sent to the Office of Legislative Services.

- He-P 809, Home Health Care Providers. A draft of this rule was completed in October 2008. Since that time five meetings have taken place with the Home Health care Association. The first of these took place on October 28, 2008. Many changes were made to the draft rule as a result of those meetings. On December 8, 2008 the draft rule was sent out to all home health care providers for comment. A public forum on the rule is scheduled to take place on Monday, December 22, 2008. Final changes to the draft will be made based upon comments received at the public forum and the FIS will be completed. The rule will then be submitted to the Office of Legislative Services.

- He-P 821, Equipment Management. The determination has been made that this rule is no longer necessary and it will not be readopted.

- He-P 815, ICF/MR. The determination has been made that this rule is no longer necessary and it will not be readopted.

- He-P 801, General Requirements for All Facilities. The language of this rule is being merged into each licensing rule as they are being readopted. The rule will be phased out and obsolete once all of the rules in the He-P 800 series have been readopted.

The Rule Plan for 2009 includes the following rules:

- He-P 806, Outpatient Clinics
- He-P 812 Ambulatory Surgical Centers
- He-P 819, Case Management Organizations
- He-P 822, Homemakers/Personal Care Attendants

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-11 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

It is anticipated that by the end of 2009 20 rules in the He-P 800 series will have been adopted. In addition, three rules will be phased out. That will leave five rules for 2010:

- He-P 802, Nursing Homes
- He-P 807, Residential Treatment and Rehabilitation Facilities
- He-P 811, End Stage Renal Dialysis Centers
- He-P 829, Health Promotion, Disease Prevention and Screening Clinics
- He-P 830, Acute Psychiatric Residential Treatment Programs

By the end of 2010, all of the rules in the He-P 800 series will have been adopted.

The process being used by HFA-L to readopt the rules is designed to maximize the amount of provider/stakeholder input in the process including visiting programs and holding Public Forums. This is not required under the formal process for adopting administrative rules; however, the Department believes that these efforts are helpful. The process will continue until all rules have been readopted.

Contact Person: John B. Martin, Manager, Bureau of Licensing and Certification

Anticipated Completion Date: Before the end of 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-12***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Noncompliance with Medicaid Long Term Care Facility Audit Requirement

Criteria:

According to the Medicaid State Plan Title XIX Attachment 4.19-D, section 9999.3(s), "a field audit shall be conducted as part of the review of the annual cost report in accordance with MAM 9999.6 [of the State Plan] if the NF [nursing facility] meets one or more of the following conditions:

(1) The NF has been newly constructed or has had major capital improvements in the past year;

(2) There are items on the annual cost report which need further clarification or investigation as determined by the department; or

(3) A field audit has not been conducted on the NF for more than 3 years from the submitted report..

N.H. Admin. Rule He-E 806.02(s)(3) mirrors the three conditions in the State Plan prompting an audit. The administrative rule was effective January 24, 2006.

According to the Medicaid State Plan Title XIX Attachment 4.19-D, section 9999.6(a) and (b), the Bureau shall "conduct on-site audits of the financial and statistical records of participating NF's"… "to ascertain whether the cost report submitted by the NF provider meets the requirements as outlined in MAM 9999 [of the State Plan]."

Condition:

As of June 30, 2008, the Bureau of Elderly and Adult Services was not in compliance with the Medicaid Long Term Care Facility audit requirement in the November 2006 State Plan amendment and N.H. Admin Rule, as 27 (34%) of the 80 nursing facilities subject to the field audit requirement had not been field audited by the Bureau within the prior three years. One additional nursing facility had no record of an audit.

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

Cause:

Resources of Rate Setting and Audit Unit not assigned to nursing facility audits.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-12 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Effect:

Nursing home rates could be inaccurate if based on incomplete or incorrect data provided by the nursing facilities in the cost reports. Homes could be paid rates that include costs for activities that are not allowed or otherwise violate allowable cost principles and for costs related to ineligible patients. Facilities could be including inaccurate or inappropriate cost information on cost reports that may not be detected by the Bureau's Rate Setting and Audit Unit on a desk review, but would be picked up on a field audit. Facilities could be reporting inaccurate census data that could also affect rate setting.

Questioned Costs:

None

Recommendation:

The Bureau should perform field audits in accordance with the State Plan and Administrative Rule.

Auditee Corrective Action Plan:

Resolved. The Department has allocated additional personnel from the Bureau of Improvement & Integrity to assist the unit in completing field audits in a more timely manner. The outstanding field audits have been completed.

Contact Person: Jonathan McCosh, Business Administrator IV, BEAS

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-13***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Client Liability For Home-Based HCBC-ECI Clients Not Collected

Criteria:

Federal administrative law 42 CFR 435.735 (a) requires the Bureau to reduce its payment under the HCBC-ECI waiver by the amount that remains after deducting certain specified amounts from the individual client's income. The Bureau's process for determining a client's cost share is included in N.H. Admin. Rule He-E 801.06.

Condition:

The Bureau did not require home-based clients receiving services under the Home and Community-Based Care – Elderly and Chronically Ill (HCBC-ECI) waiver to contribute toward their cost of care during fiscal year 2008, contrary to waiver requirements.

According to the Bureau, during fiscal year 2008 it did not have current policies and procedures or systems in place to collect a home-based client's required contribution toward cost of care. While the Bureau's plan included billing and collecting a home-based HCBC-ECI client's cost of care liability, the Bureau reported it had not collected on a home-based client's cost of care liability since January 2004.

According to the Bureau, payments for HCBC-ECI clients living in a residential setting are reduced according to the federal program and administrative rule requirement.

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

Cause:

While the Bureau was aware that it was not complying with this requirement during fiscal year 2008, it did not take action to resolve the noncompliance until the issue was raised with the auditors.

Effect:

Medicaid payments in excess of the State Plan were expended.

Questioned Costs:

Not able to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-13 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Recommendation:

The Bureau should adhere to the Federal HCBC-ECI waiver requirements and reduce payments for services by the amount of the client's cost of care liability.

The Bureau should develop and implement a system supported by appropriate policies and procedures that will allow and promote the accurate collection of a home-based HCBC-ECI client's cost of care liability.

The Bureau should review why senior staff did not react sooner to this known issue of noncompliance. Failure to act in a timely manner to known noncompliance issues portends a weakness in the Bureau's control environment that should be addressed.

Auditee Corrective Action Plan:

Concur. BEAS worked with DFA to develop a plan and make the required rule and process changes. These changes were implemented by December 8, 2008. Fully automated implementation of the process can only be realized with the new MMIS system.

Contact Person: Susan Lombard, BEAS Director of Medicare &Medicaid Operations

Anticipated Completion Date: MMIS implementation in 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-14***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Evidence Of Medical Eligibility Determination Not Consistently Retained

Criteria:

RSA 151-E:3 provides that, "A person is medicaid eligible for nursing facility services if the person is: (a) Clinically eligible for nursing facility care because the person requires 24-hour care for one or more of the following purposes, as determined by registered nurses employed by state or county government using an assessment tool:"

The Bureau of Elderly and Adult Services uses a multi-page medical eligibility determination form (MED) as an assessment tool to document the medical eligibility determination for nursing facility patients.

According to the Bureau, an annual MED has not been required for typical patients who have been determined eligible for nursing facility care on a long-term basis due to the presumed irreversibility of their chronic ailments. A new MED is prepared for an ongoing care patient only if the nursing facility requests the patient be reclassified as needing a different level of care such as a higher, atypical level care.

Condition:

The Bureau only updates a nursing facility patient's MED only upon a change in patient classification which resulted in the Bureau not maintaining an MED to support the medical eligibility determination of certain nursing facility patients.

Because the Bureau does not require an annual MED or other regular update to the medical eligibility files for nursing facility patients considered to be long-term patients, years may go by without file updates.

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-14 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Cause:

Lack of attention to detail. The Bureau reported it was unaware that its current practices of not preparing regular MEDs resulted in instances where the Bureau retained no medical eligibility files for certain long-term patients.

Effect:

Situations were noted where the Bureau did not retain evidence of having performed an MED for certain current patients.

Questioned Costs:

None.

Recommendation:

The Bureau should retain a current medical eligibility file, including a current, compliant MED, for each Medicaid patient receiving services in a nursing facility.

The Bureau should establish policies and procedures to ensure that a current MED is retained to support the Medicaid services provided. Included in those policies and procedures should be criteria to define what constitutes a current MED.

Auditee Corrective Action Plan:

Concur. The DHHS record maintenance/archiving procedure was adopted on June 1, 2008.

Contact Person: Donna Mombourquette, Administrator, BEAS Long-Term Care Unit

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-15***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Provider Disclosures Are Not Obtained From All Required Providers

Criteria:

The Federal Medicaid Program rules require that payments cannot be made to providers who have been suspended or excluded from Program participation.

Federal administrative rules 42 CFR 445.104 through 42 CFR 445.106 provide requirements for provider disclosure of ownership and control information to ensure that state Medicaid agencies are aware of provider identity for consideration of continued eligibility.

While the Department's State Plan is in accordance with Medicaid Program (Program) disclosure requirement, Department practices do not include activities to ensure that State Plan provisions required by 42 CFR 445.104 through 42 CFR 445.106 are met.

Condition:

The Department cannot ensure that certain of its enrolled Medicaid providers are, and remain, eligible for participation in the Program.

The Department uses the provider enrollment process to collect required disclosure information for providers not subject to the Department's survey process. Because the Department does not require enrolled Medicaid providers to re-enroll after their initial application, the enrollment of some providers occurred years ago, prior to the disclosure requirement. As a result, the enrollment applications for some providers do not include the ownership and control disclosures. For example, one provider selected as a sample test item had an enrollment application that was completed in 1985.

While the Department's current provider enrollment application requires disclosure of information pertaining to ownership or control interests, adverse legal actions against the provider, and disclosure of ownership of subcontractors with whom the provider had done business with, the Department has not taken any steps to obtain the required disclosures from the providers that continue to operate without having made the required disclosures.

According to the Department, all providers will need to re-enroll and required disclosures will be obtained when the State implements its new MMIS system.

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-15 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Cause:

Department has not required regular reenrollment of all providers and has not obtained disclosures from providers that were not required to make disclosures upon enrollment.

Effect:

The Department is not able to use the disclosure information in its fraud detection and investigation program as intended by the federal administrative law.

The Department cannot be certain it is preventing individuals that are suspended or excluded from participating in the Program.

Questioned Costs:

Not able to determine

Recommendation:

The Department should implement practices that promote the timely receipt and consideration of provider ownership, control, and other information necessary to ensure enrolled providers remain eligible for continued Program participation.

Auditee Corrective Action Plan:

Concur. BEAS has incorporated enrollment validation procedures to monitor each provider's license status. SURS monitors CMS and licensing notifications regarding vendor status and provides internal notifications. The issue will be resolved with the implementation of the new Medicaid Management Information System scheduled to go into use calendar 2009.

Contact Person: Kerri Coons, BEAS, Business Systems Analyst

Anticipated Completion Date: With the new MMIS, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-16***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: ***HCBS Waiver Financial Income Standards and Eligibility Determination Processes Not in Accordance with Federal requirements, the State Plan, and Approved Waivers***

Criteria:

In accordance with Federal requirements, the State Plan, and Approved Waiver documents, the State must ensure compliance with statutory and regulatory requirements when providing waiver services.

Condition:

The Department underwent a review by CMS, with the objective of determining whether the State was operating the HCBS waivers in accordance with Federal statutory and regulatory requirements. CMS sent correspondence to the State in December of 2007, February of 2008, and June of 2008, which noted the following issues:

1. The State treats medically needy individuals with spend-down the same as individuals eligible under the optional categorically needy Medicaid eligibility group, which has the effect of disadvantaging medically needy individuals with a spend-down.

2. The State uses a different special income level for HCBS waiver applicants and participants than for non-waiver Medicaid recipients.

3. The State incorrectly implements the regulatory requirements for HCBS waiver participant cost share liability by requiring participants to pay the cost share directly to the State instead of the service provider, which raises questions about the appropriateness of the State's claims for Federal matching funds.

Cause:

The issues above were attributed to the State agency's lack of policies and procedures to ensure that it complied with Federal requirements, the State Plan, and waiver documents.

Effect:

Non-compliance with Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-16 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Questioned Costs:

Not able to determine.

Recommendation:

We recommend the Department continue to work with CMS to resolve the issues noted above.

Auditee Corrective Action Plan:

Concur. BEAS worked with DFA to make the required rule and process changes. These changes were implemented by December 8, 2008.

Contact Person: Susan Lombard, BEAS, Director of Medicare & Medicaid Operations

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-17***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: No Evidence of Preparer Signoff

Criteria:

Pursuant to 42CFR447, the State is required to perform inpatient and long-term care facility audits. As part of performing these audits, the State is required to establish internal controls to ensure compliance with this requirement.

Condition:

During our testwork, we noted that 1 of 15 (6.7%) desk reviews did not contain evidence of preparer sign off. The State established internal control procedures that the preparer signs off to signify that the desk review is complete and all issues have been resolved.

Cause:

Breakdown in internal control procedures.

Effect:

Increased risk of noncompliance with Federal requirements.

Questioned Costs:

None.

Recommendation:

The risk of internal control failure of performing complete desk reviews of inpatient and long-term care facilities exists. Therefore, we recommend that the Department enhance its desk review procedures to ensure that all desk reviews are properly signed off upon completion. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur. Internal procedures have been reiterated to all auditors and supervisors will be more diligent in checking to ensure that section of the report requiring it has the appropriate signatures.

Contact Person: Jonathan McCosh, Business Administrator IV, BEAS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-17 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-18***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Monitoring of Quality Improvement Organization Reviews Not Performed

Criteria:

Pursuant to 42CFR456, the State is required to 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.

The State has chosen to contract with a Quality Improvement Organization (QIO) to perform inpatient claims reviews. The State has implemented internal control procedures to monitor the QIO and ensure that the reviews are being performed in accordance with the contract, which includes monitoring that the total required amount of reviews were met.

Condition:

During our testwork, we noted that the State receives quarterly reports from the QIO documenting the cases reviewed. Additionally, the State receives letters from the QIO when recoupments for inpatient claims are warranted.

However, we noted that the State was not monitoring the QIO to ensure that the required number of reviews were completed for the fiscal year in accordance with the contract.

Cause:

Breakdown in internal control procedures.

Effect:

Increased risk of noncompliance with Federal requirements.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-18 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Recommendation:

The risk of internal control failure of monitoring the QIO contract exists. Therefore, we recommend that the Department enhance its monitoring procedures to ensure that the QIO performs the required number of inpatient claims reviews. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur: The SURS state staff had a meeting with the QIO on December 2, 2008, and this was one of the issues discussed. There are two factors as to why there appears to be a shortfall in reviews performed during SFY 08; the first being the delay in the start of the contract. The second is that the language in the contract states that inpatient claims will be 'selected' from July 1, 2007 through June 30, 2009 which allows for the total number of reviews to be completed by the end of the two year contract period without a requirement that half of the reviews to be completed in each fiscal year. The total number of required reviews will be performed during the contract period with more being done in the second year. The Department is currently drafting the QIO RFP to bid the next contract period allowing more time for the bidding and contracting to enable timely transition into the next contract period, with no break between the two. This will prevent a delay in the start of a new contract, with no "overlapping" time periods for completion of reviews.

Contact Person: Sherry Bozaoian, OII, SURS Administrator

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-19***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Lack of Sampling Plan for Utilization Reviews

Criteria:

Pursuant to 42CFR456, the State is required to establish and use written criteria for evaluating the appropriateness and quality of Medicaid services, including establishing and following a sampling plan to select claims for review.

The State performs internal reviews of providers and recipients, as well as contracts with a Quality Improvement Organization (QIO) to perform inpatient claims reviews.

Condition:

During our testwork, we noted that the State does not follow a properly designed and executed sampling plan to select claims for review. Additionally, it appears that the number of reviews specified in the contract between the State and the QIO is calculated on a cost per review basis, instead of an appropriately designed sampling plan aimed at achieving a desired coverage of claims.

Cause:

The Department has not established written sampling procedures to ensure proper review of claims.

Effect:

Increased risk of noncompliance with Federal requirements.

Questioned Costs:

Not able to be determined.

Recommendation:

The risk of noncompliance with the Federal requirement to adequately review claims exists. Therefore, we recommend that the Department formalize and enhance its sampling procedures to ensure that an adequate amount of reviews are performed. This will ensure that the Department remains in compliance with the Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-19 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Auditee Corrective Action Plan:

Concur. For the Quality Improvement Organization (QIO) contract, the reviews to be completed have already been determined within the contract. The sampling includes those DRG's where the greatest potential of abuse may occur. A specific percentage of the known problem DRG's are required to be reviewed. This sampling plan was developed after working with this specific QIO over the years and reviewing the areas of potential fraud. Also built into the contract is a requirement to do a specific percentage of "random sampling" cases. This random sampling fulfills two requirements; 1) it gives us an area of leeway to adjust the number of claims to be reviewed based on funds available for the contract, and 2) it allows the state to randomly sample and review cases outside of the designated DRGs to ensure that we are not "missing" other areas of potential abuse.

For SURS claims review, we currently have the Medstat SURS system, which is not conducive to use by the SURS staff. Because this system is not "user-friendly" we are unable to utilize a true sampling plan for our current reviews. With the planned implementation of a new SURS system in 2009, this system will allow us to develop a true Sampling plan, both for providers and recipients, as well as a sampling of claims. Specific reports have been designed into the new SURS system the will allow us to develop a sampling plan that will keep us in compliance with Federal regulations.

Contact Person: Sherry Bozaoian, OII, SURS Administrator

Anticipated Completion Date: 2009 with implementation of MMIS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-20***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: SURS Case Tracking Mechanism Discrepancies

Criteria:

Pursuant to 42 CFR parts 455, 456, and 1002, the State is required to provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. As part of performing these audits, the State is required to establish internal controls to ensure compliance with this requirement.

Condition:

During our testwork, we noted that 6 of 30 (20%) recipients/providers reviewed had discrepancies between the case file documentation and the case tracking mechanism used by the State. The status of the case (i.e. open or closed) was not properly entered into the tracking system.

Cause:

Breakdown in internal control procedures.

Effect:

Increased risk of noncompliance with Federal requirements. If cases are not properly entered into the tracking system, the State cannot effectively manage the review process to ensure that all cases are appropriately resolved in a timely manner.

Questioned Costs:

None.

Recommendation:

The risk of internal control failure of performing utilization reviews exists. Therefore, we recommend that the Department enhance its case tracking procedures to ensure that all cases are updated in the tracking mechanism in a timely manner and proper steps are taken to track and resolve cases. This will ensure that the Department remains in compliance with the Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-20 (continued)***
US Department of Health and Human Services

CFDA # 93.778 Medical Assistance Program

Auditee Corrective Action Plan:

Concur. During the review period, there was a turnover of staff that had the responsibility of performing the case tracking process. This resulted in a period of training, where some of the cases may not have been timely entered. The new staff person has learned the case tracking system and has enhanced the amount/type of case information being tracked. We are now tracking all level of referrals as they come into the unit, (the source, and who they are assigned to), any program integrity efforts that do not result in an actual case are tracked on a designated spreadsheet, preliminary investigations are identified separately from full investigations, are just an example of some of the enhancements to our current case tracking. This was confirmed by a recently completed CMS Program Integrity review.

With the implementation of the new MMIS and SURS system planned for 2009, we will also be implementing a new SURS specific designed Case tracking system. SURS staff worked with the contractors to design this tracking system for the needs of the New Hampshire SURS unit. The system is much more flexible, allows for a detailed narrative, and the attachment of files and reports. With this new Case tracking system, the tracking and resolution of all cases will be more closely monitored and will be in full compliance with Federal requirements.

Contact Person: Sherry Bozaoian, OII, SURS Administrator

Anticipated Completion Date: 2009 with implementation of MMIS

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-21***
US Department of Health and Human Services-

CFDA # 93.778 Medical Assistance Program

Grant Award and Year: 0805NH5028, 0805NH5048 2008

Finding: Insufficient Amount of Medical Eligibility Quality Control Reviews Performed

Criteria:

As noted in the letter issued to the New Hampshire Department of Health and Human Services (Department) by the Centers for Medicare & Medicaid Services (CMS) dated February 10, 2004, CMS granted approval of the Department's request to replace the traditional Medicaid Eligibility Quality Control (MEQC) process with a Medicaid Pilot Project. As noted in that letter, CMS requested that the Department provide it with the sample size to be reviewed each month under the Pilot Project. In a letter dated February 26, 2004 from the Department to CMS, the Department represented it would review approximately 50-75 cases per month.

Condition:

During our testing of the reviews performed during the current fiscal year, we noted that 317 cases were reviewed during the first three quarters of the State fiscal year, which is a shortfall of 133 cases for the first three quarters. This amount is insufficient, as it is not comparable to the amount the Department represented it would be reviewing to CMS as part of its approval of the Medicaid Pilot Project.

The State obtained approval from CMS to commence a new pilot project effective for the last quarter of the current State fiscal year. The State complied with the required number of reviews for the last quarter under the new pilot.

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

Cause:

High turnover within the Quality Assurance department.

Effect:

Violation of the agreement with CMS.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-21 (continued)***
US Department of Health and Human Services-

CFDA # 93.778 Medical Assistance Program

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department implement procedures to ensure that the minimum amount of reviews that are required to be performed each month are completed. This will ensure that the Department remains in compliance with the Medicaid Pilot Project approval requirement.

Auditee Corrective Action Plan:

Resolved. Subsequent to the audit finding of SFY07, the number of nursing home reviews was increased significantly, but did not meet the 50 to 75 cases per month specified in the original proposal of 2003. A new pilot program was implemented in April 2008 targeting completion of 100 reviews for each review month. This level is being consistently achieved.

Contact Person: Jody Hamilton

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-22***
US Department of Health and Human Services

CFDA # 10.561 State Administrative Matching Grant for Supplemental Nutrition Assistance Program
CFDA # 93.069 Public Health Emergency Preparedness
CFDA # 93.268 Immunization Grants
CFDA # 93.563 Child Support Enforcement

Grant Award and Year: 4NH400403 2008
9-117011BIOT, TP117011BIOT 2007, 2008
2-H23IP122555-06, 5H23IP22555-05 2008, 2007
75-X-1501 2008

Finding: Failure to Perform Payroll Certifications

Criteria:

In accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3), "where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Condition:

During our testing of the payroll certification requirement, we noted that the Department of Health and Human Services did not perform payroll certifications for employees charging time to Federal awards. Additionally, we noted that the Bioterrorism Grants were used to compensate employees at the Department of Safety and the Department of Environmental Services for their time spent on the program, where payroll certifications were also not performed.

Cause:

The Departments was not aware of the payroll certification requirement.

Effect:

Refund of Federal awards may be requested due to noncompliance with the requirement.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-22 (continued)***
US Department of Health and Human Services

CFDA # 10.561 State Administrative Matching Grant for Supplemental Nutrition Assistance Program
CFDA # 93.069 Public Health Emergency Preparedness
CFDA # 93.268 Immunization Grants
CFDA # 93.563 Child Support Enforcement

Recommendation:

We recommend that the Departments implement procedures to perform certifications for employees working on Federal awards on at least a semi-annual basis. This will ensure that the Departments remain in compliance with the Federal requirement.

Auditee Corrective Action Plan:

DHHS established a formal attestation process January, 2009, effective January 1, 2008, requiring that every DHHS employee that is charged directly to a program/grant must have on file a signed attestation certifying that the person worked solely on that program during the previous six month time period.

Contact Person: Adrian Wayland, Administrator III

Anticipated Completion Date: Complete January 31, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Employment Security ***Finding 2008-23***

CFDA # 17.225 Unemployment Insurance
CFDA # 17.207 Employment Services Cluster

Grant Award and Year: ***UI-16761-08-55-A-33 2008***
ES-16227-07-55-A-33 2008

Finding: ***Suspension/Debarment Certifications not obtained***

Criteria:

45 CFR 620 stipulates that Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Procurement contracts for goods or services equal to or in excess of $25,000 are considered covered transactions. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.

Non-Federal entities may perform a verification check to determine whether an entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Condition:

During our audit, we noted that New Hampshire Employment Security (NHES) did not determine if the contractors were suspended or debarred prior to granting them federal funds. Although the State has formal procurement policies in place, suspension and debarment certificates are not collected and no formal evidence exists that the EPLS system had been checked. However, during our test work, we noted that the contractors tested were neither suspended nor debarred.

Cause:

NHES did not comply with State policy.

Effect:

There is the potential for suspended or debarred parties to be hired by the State.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Employment Security ***Finding 2008-23 (continued)***

CFDA # 17.225 Unemployment Insurance
CFDA # 17.207 Employment Services Cluster

Recommendation:

We recommend that the Department implement policies and procedures to ensure that contractors are not suspended or debarred prior to disbursement of federal funds. This can include obtaining suspension and debarment certifications or performing a verification check using the *Excluded Parties List System* maintained by the General Services Administration and maintaining documentation that this procedure was performed.

Corrective Action Plan:

NHES incorporates a statement in our Requests for Proposals (RFPs) whereby vendors certify they are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal department of agency when they submit their bid. As noted previously, NHES periodically reviews the on-line system (www.epls.gov) to ensure our contracted vendors do not appear on the listing of excluded parties.

Per the auditors' suggestion and to satisfy any concerns, NHES will incorporate the following language in exhibit C of all future contracts:

> *Certification Regarding Debarment, Suspension and Other Responsibility Matters Primary Covered Transactions*
>
> *This is to certify that the primary participant, and its principals, to the best of its knowledge and belief, are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any Federal department of agency. It is the Contractor's responsibility to inform N.H. Employment Security of any changes in the status regarding this statement.*

Contact Person: Jill Revels, Business Administrator

Anticipated Completion Date: SFY 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-24***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Federal Award Number:	***Grant 03-0018***	***Award Year:***	***2004***
	Grant 03-0019		***2005***
	Grant 03-0022		***2005***
	Grant 90-X116		***2005***
	Grant 90-X121		***2005***
	Grant 90-X001		***2006***

Finding: Federal approval was not received and a cost or price analysis was not performed for procurements when only one bid was received.

Criteria:

Pursuant to 49 CFR §18.36(f)(1), grantees must perform a cost or price analysis in connection with every procurement action. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals. A cost analysis is necessary when adequate price competition is lacking, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or based on prices set by law or regulation.

Additionally, per 49 CFR §18.36(d)(4), a cost analysis must be performed if a number of sources are solicited, but competition is determined to be inadequate.

Condition:

We examined the procurement procedures performed for four of the major contracts held by the Bureau of Rail and Transit (BRT) at the New Hampshire Department of Transportation (DOT). We noted that the BRT could not provide cost analyses to substantiate the agreed price for the contracts with Motor Coach Industries, the provider of fifteen coach busses during FY2008, and Boston Express, a bus operating service that operates two routes under two separate contracts. In each case, it appears the contractors noted above were the only bidders. Additionally, written federal approval over the awarding of the contracts to the sole bidders was not received. Further, with regard to the operating service contract, the Department does not have documented procurement policies and procedures in place to ensure that the procurement practices used are in accordance with federal and state regulations.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-24 (continued)***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Cause:

A lack of understanding regarding the requirements related to procurement.

Effect:

Increased risk of paying too much money for equipment and services and not procuring contracts in accordance with Federal and State policies and procedures.

Questioned Costs:

Unable to Determine

Recommendation:

The BRT is at risk of paying too much for capital assets and operating services. We recommend that the BRT formalize their procurement procedures to ensure that policies are thoroughly documented in accordance with federal and state regulations.

Additionally, we recommend that the BRT enhance the existing review process for procurements over $100,000. A DOT employee at the management level who is well-versed in procurement requirements should review all procurements over $100,000 to ensure that a proper cost analysis was performed and documented. The reviewer should also ensure that a competitive bidding process was carried out or, if the bidding process results in only one bidder, that documentation of proper federal approval was obtained. This reviewer should sign off on the procurement file to indicate that the procurement meets FTA and state guidelines. Appropriate and auditable documentation of the procurement process and relevant approvals should be maintained by the BRT.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-24 (continued)***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Auditee Corrective Action Plan:

For the MCI procurement, a price analysis was performed but not documented. In the future the Bureau will document cost or price analysis for procurements in which only one bid is received and maintain this information in project files. For one Boston Express contract, the Bureau initially received three proposals that included detailed budgets, and analyzed the Boston Express cost relative to the other proposals. In the second contract, the cost was compared to other intercity and commuter bus costs on a per-mile basis and found to be comparable. In the future, such cost analyses will be documented and maintained in project files. The Bureau has been advised verbally by FTA that its approval is not required in such procurements, but it will request written clarification and will comply with FTA's instructions.

Contact Person: Michelle Winters, Public Transportation Administrator, Bureau of Rail and Transit

Anticipated Completion Date: March 2009 (all future procurements)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-25***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Federal Award Number:	***Grant 03-0012***	***Award Year:***	***2002***
	Grant 03-0015		***2001***
	Grant 03-0018		***2004***
	Grant 03-0019		***2005***
	Grant 03-0022		***2005***
	Grant 90-X116		***2005***
	Grant 90-X121		***2005***
	Grant 90-X001		***2006***

Finding: ***Reports were not filed with the Federal Transit Administration (FTA) on a timely or regular basis and certain financial information reported on the Financial Status Reports did not agree to support.***

Criteria:

Pursuant to 49 CFR §18.41(b), the award recipient is required to submit Financial Status Reports (FSR) on a basis determined by the awarding agency, no more than quarterly and no less than annually. If the reports are submitted on a quarterly basis, they are due within 30 days of quarter-end. If they are submitted on an annual basis, they are due within 90 days of year-end. Additionally, a final report is required within 90 days of expiration or termination of grant support.

Condition:

We evaluated reports for each of the eight grants used under programs 20.500 and 20.507. KPMG noted that reports were only submitted annually, not quarterly. Additionally, we noted that the report for grant 90-X121 did not agree to supporting information. The Federal Share of Outlays for this period in the Financial Status Report did not agree to the detail of expenditures obtained from the Office of Finance and Contracts at the Department of Transportation. The Cumulative Federal Share of Outlays did not agree to the Bureau of Rail and Transit's Expense Report dated June 2008.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-25 (continued)***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Cause:

Breakdown in internal controls.

Effect:

Non-compliance with FTA reporting requirements.

Questioned Costs:

None

Recommendation:

We recommend that the BRT revise their internal control procedures to ensure that reporting is performed as required by FTA guidelines. Additionally, we suggest that management review and sign off on the financial and non-financial information entered into the report prior to submission to the FTA.

Auditee Corrective Action Plan:

In an effort to improve our compliance with FTA reporting requirements we have scheduled reminders in Outlook that notify the Grants Coordinator position of upcoming quarterly and annual reporting deadlines. These reminders are scheduled to notify/remind, 15 days before the actual due date.

Along with the reminders from Outlook we have posted the reporting table that FTA provided which indicates each sections quarterly or annual reporting requirements. A file has been created that contains detailed FTA reporting guidelines.

Federal Transit Cluster:

Our intention is to move towards “monthly” reporting to provide consistency and a routine that will prevent future delays in meeting FTA’s requirements.

Contact Person:

Michelle Winters, Public Transportation Administrator, Bureau of Rail and Transit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-25 (continued)***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Anticipated Completion Date:

December 2008

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-26***

Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Federal Award Number: ***Grant 03-0019*** ***Award Year:*** ***2005***

Name of Pass-through Entity: Bureau of Rail and Transit

Name of Sub-Recipient: Advance Transit, Inc.

Finding: ***Sufficient sub-recipient monitoring procedures for sub-recipients who received more than $500,000 in federal funds were not performed.***

Criteria:

Pursuant to OMB Circular A-133 Subpart D §___.400(d)(4), pass-through entities must ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

Condition:

During our testwork, we noted that management at the BRT was unaware that a single audit was required for Advance Transit, Inc., a sub-recipient. Additionally, we noted that the BRT had not received and reviewed the results of the single audit that was performed at Advance Transit in a timely basis.

Cause:

Lack of understanding of the compliance requirement.

Effect:

Increased risk of passing money to entities that do not follow guidelines for the use of federal funds.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-26 (continued)***
Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Recommendation:

The BRT should revise its internal control procedures to ensure that sub-recipient monitoring procedures are in place and are in compliance with federal regulations. There should be a process of review by BRT management to ensure that the procedures are performed appropriately and that enough monitoring evidence is received. Documentation obtained as part of the monitoring process should be reviewed by an appropriate level of management at the BRT. Appropriate and auditable records of the documentation obtained and reviewed should be maintained.

Auditee Corrective Action Plan:

The Bureau staff is aware of this requirement, and at the time of the audit, the Advance Transit audit was being reviewed by the Department's internal auditor. The internal auditor found the audit to be acceptable. The Bureau will create a checklist to ensure that all required audit reports are received and filed.

Contact Person: Michelle Winters, Public Transportation Administrator, Bureau of Rail and Transit

Anticipated Completion Date: March 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-27***
Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Federal Award Number:	***Grant 90-X116***	***Award Year:***	***2005***
	Grant 90-X121		***2005***

Finding: ***The Bureau of Rail and Transit (BRT) did not monitor spending of the 5307 funds to ensure expenditures related to public transportation security projects were incurred.***

Criteria:

Pursuant to 49 USC 5307 (d)(1)(J)(i), one percent of 5307 program funds apportioned to urbanized areas with a population of at least 200,000 shall be expended for public transportation security projects. These projects may include increased lighting in or adjacent to a public transportation system (including bus stops, subway stations, parking lots, and garages), increased camera surveillance of an area in or adjacent to that system, providing an emergency telephone line to contact law enforcement or security personnel in an area in or adjacent to that system, and any other project intended to increase the security and safety of an existing or planned public transportation system. The recipient may certify that the expenditure for security projects is not necessary and then one percent expenditure will not be required.

Condition:

At the time of the audit, the Bureau of Rail and Transit did not monitor that one percent of the 5307 funds were spent on items related to security projects throughout the year.

Cause:

Lack of understanding of the compliance requirement.

Effect:

Risk of non-compliance with federal regulations regarding expenditures related to safety and security projects.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Transit Cluster ***Finding 2008-27 (continued)***
Federal Transit Administration, Department of Transportation

CFDA #20.500 Federal Transit Capital Investment Grants
CFDA #20.507 Federal Transit Formula Grants

Recommendation:

We recommend that the BRT revise their internal control procedures to ensure that expenditures are performed in compliance with the earmarking provisions in federal regulations. Additionally, we suggest that a member of management who is knowledgeable about federal earmarking provisions review the tracking and appropriateness of the expenditures made on an ongoing basis to ensure compliance with earmarking requirements. Appropriate and auditable evidence of the on-going expenditure tracking and monthly management review should be maintained.

Auditee Corrective Action Plan:

The grant document provided by the Bureau indicates funds programmed for security-related expenses. The Bureau was not asked to provide information specific to actual expenditures for the 1% set-aside. This information was subsequently provided based on cost information from MCI relative to vehicle costs. In the future, the Bureau will document actual expenditures to meet the 1% security requirement and will maintain this information in project files.

Contact Person: Michelle Winters, Public Transportation Administrator, Bureau of Rail and Transit

Anticipated Completion Date: March 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-28***
US Department of Health and Human Services

CFDA # 10.561 State Administrative Matching Grants For The Supplemental Nutrition Assistance Program
CFDA # 93.563 Child Support Enforcement
CFDA # 93.778 Medical Assistance Program
CFDA # 93.069 Public Health Emergency Preparedness

Grant Award and Year: 4NH400403 2008
75-X-1501 2008
0805NH5028, 0805NH5048 2008
9-117011BIOT, TP 1107011BIOT 2007, 2008

Finding: Public Assistance Cost Allocation Plan Needs Updating

Criteria:

Under federal requirements, New Hampshire Department of Health and Human Services (the Department) is considered a public assistance agency. As such, it must prepare and negotiate a Public Assistance Cost Allocation Plan (PACAP). A PACAP describes the procedures used to identify, measure, and allocate all costs to each of the programs administered by the Department. According to Title 45 of the *Code of Federal Regulations*, Part 95.509(a), " the State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA" (Division of Cost Allocation of the U.S. Department of Health and Human Service) "if …the following … occur(s): … The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures."

Condition:

The Department has not updated its Public Assistance Cost Allocation Plan since June 2003. Subsequent to that time there have been organizational and allocation methodology changes. The most notable change occurred in state fiscal year 2004 when the Department's Office of Information Systems began merging with other information technology units within the State and became a part of the new Office of Information Technology (OIT), a separate department not under the Department of Health and Human Services. The Department's PACAP has not been updated for these changes. Costs from the PACAP are used to charge Department administrative costs to federal programs. This was the same finding included in the 2007 Single Audit report.

Cause:

Not known.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-28 (continued)***
US Department of Health and Human Services

CFDA # 10.561 State Administrative Matching Grants For The Supplemental Nutrition Assistance Program
CFDA # 93.563 Child Support Enforcement
CFDA # 93.778 Medical Assistance Program
CFDA # 93.069 Public Health Emergency Preparedness

Effect:

A delay in amending the cost allocation plan on a timely basis could result in disallowed costs.

In addition to amending the PACAP to reflect organizational changes, there are some other areas that should be modified to further clarify and enhance the description of the PACAP as follows:

- The PACAP does not currently describe the timekeeping methods for all employees. Timekeeping and allocations are described for those in the time studies as well as those who fill out personal activity reports. Time recording for individuals in administrative functions who sign in and out on an office log in accordance with state policies and procedures are not described in the PACAP.

- The Department makes roughly 45 routine adjusting entries each month. Only a few of those entries, such as depreciation, are described in the PACAP. The PACAP should include a description of each of the routine adjusting entries.

- Finally, methods for allocating costs to each job number are described in the PACAP. Those methods are subsequently coded alpha-numerically. Since coding does not appear in the plan document, it was difficult to identify and test whether the method used to allocate a specific job number was in accordance with the approved cost allocation plan. In order to accomplish testing, the Department provided other guidance and an intermediary worksheet consisting of 247 "allocation measurables". The current Appendix to the PACAP provides users with a listing of job numbers, the name of the allocation method used for each job number, and a reference to the PACAP Section where the executive, programmatic, administrative or support unit is discussed. The PACAP Section narrative indicates the allocation method(s) that apply to the job numbers that fall under its control. There is no presentation showing the specific alpha-numeric code of the allocation method which should be used for each job number. That information should be added to the Appendix.

The impact on federal programs can only be determined when the PACAP is amended.

Questioned Costs:

Unable to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-28 (continued)***
US Department of Health and Human Services

CFDA # 10.561 State Administrative Matching Grants For The Supplemental Nutrition Assistance Program
CFDA # 93.563 Child Support Enforcement
CFDA # 93.778 Medical Assistance Program
CFDA # 93.069 Public Health Emergency Preparedness

Recommendation:

The Department should develop procedures to submit amendments to the Public Assistance Cost Allocation Plan on a timely basis. In addition, modification should be made to the PACAP to fully describe the actual processes in place.

Auditee Corrective Action Plan:

The Department of Health and Human Services, Reporting and Analysis Services Unit will complete the updated PACAP for submittal to the division of Cost Allocation by February 27, 2009.

Contact Person: Adrian Wayland, Administrator III, Reporting and Analysis Services

Anticipated Completion Date: February 27, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-29***
US Department of Health and Human Services

CFDA # 93.563 Child Support Enforcement

Grant Award and Year: 75-X-1501 2008

Finding: ***Information incorrectly recorded in the New England Child Support Enforcement System (NECSES) regarding Paternity and Enforcement Support Orders, and Medical Support orders not being enforced.***

Criteria:

The State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid. If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage and/or cash medical support in all new or modified orders for support be provided by either or both parents. The agency is also required to establish written criteria to identify cases not included above, where there is a high potential for obtaining medical support based on: (a) available evidence that health insurance may be available to either or both parents at reasonable cost, and (b) facts (as defined by the State) which are sufficient to warrant modification of an existing support order to include health insurance coverage for a dependent child(ren). For cases meeting the established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage and/or payment for medical expenses incurred on behalf of the child (45 CFR sections 303.31(b)(1)-(4) and DRA, Section 7307).

For non-TANF cases, the agency shall petition for medical support when the eligible individual is a Medicaid recipient or with consent of the individual if not a Medicaid recipient (45 CFR section 303.31(c)).

In cases where medical support is ordered, the agency is required to verify that it was obtained. If it was not obtained, the agency should take steps to enforce the health insurance coverage required by the support order, unless it determines that health insurance was not available to either or both parents at reasonable cost (45 CFR section 303.31(b)(7) and DRA, Section 7307).

The agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order (45 CFR sections 303.31(b)(5) and (6)).

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-29 (continued)***
US Department of Health and Human Services

CFDA # 93.563 Child Support Enforcement

Condition:

Information incorrectly recorded in the NECSES system regarding Paternity and Enforcement Support:

We noted one file out of thirty selections that were not properly recorded in the NECSES system. In this instance the court order requested all "out-of-pocket" medical expenses to be split by both mother and father. The information entered into NECSES was different from the court order.

Medical Support Order Not Enforced:

We noted one case out of thirty, where a medical support order was in place but was not being properly enforced in accordance with 45 CFR 303.31(b)(7). In this instance a court order requested all "out-of-pocket" medical expenses to be split by both mother and father. Since this information was not correctly entered into NECSES there is a high probability it was not being correctly enforced. There were also notes in the file where the case worker expressed confusion regarding the court order.

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding the need to update the NECSES system regarding paternity and support orders. Also there appears to be a lack of understanding of the requirements regarding subsequent follow-up for medical support orders.

Effect:

NECSES not containing accurate information, and the possibility that "out-of-pocket" expenses not being evenly shared by the case parents as ordered by the courts.

Questioned Costs:

None

Recommendation:

We recommend that the Departments strengthen procedures in regards to updating NECSES case information to ensure compliance requirements are not overlooked or misunderstood by case-workers regarding medical support orders. This will ensure that the Departments remain in compliance with the Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-29 (continued)***
US Department of Health and Human Services

CFDA # 93.563 Child Support Enforcement

Contact Person: Ed Lovejoy, Business Administrator

Auditee Response:

DCSS agrees with the finding and will perform a review of the process regarding medical support order coding in the NECSES system. Additionally they will perform trainings with case workers as needed.

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-30***
US Department of Health and Human Services

CFDA # 95.563 Child Support Enforcement
Grant Award and Year: 75-X-1501 2008

Finding: Interstate Case Activities Not Performed Within Required Timeframes

Criteria:

The State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7(a) and 303.7(b)(2), (4), (5) and (6), respectively (45 CFR sections 302.36 and 303.7).

Condition:

We noted that the State did not perform all required interstate case activities within the timeframes specified in 45 CFR 303.7. We noted 2 instances out of thirty where the case was not referred to the initiating State's interstate central registry within the twenty calendar day timeframe.

Cause:

Misunderstanding by case-workers regarding expectations of the federal requirements regarding timing of activities.

Effect:

An increased difficulty on the part of another States Child Support Enforcement to correctly and efficiently perform its operations regarding a case that initiated in the State of NH in a timely manner.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-30 (continued)***
US Department of Health and Human Services

CFDA # 95.563 Child Support Enforcement

Recommendation:

We recommend that the Department strengthen procedures regarding interstate cases to reinforce compliance requirements such as documentation and timeliness requirements, so they are not overlooked or misunderstood by case-workers. This will ensure that the Department remains in compliance with the Federal requirement.

Auditee Corrective Action Plan:

DCSS agrees with one of the two instances. In the other instance they believe they did not meet the aforementioned twenty-one day deadline due to a lack of communication on part of the Responding State.

DCSS will reinforce with case supervisors the importance of meeting deadlines regarding interstate cases.

Contact Person: Ed Lovejoy, Business Administrator

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-31***
US Department of Health and Human Services

CFDA # 93.268 Immunization Grants

Grant Award and Year: 2H23IP122555-06 2008
5H23IP122555-05 2007

Finding: Reconciliation of Vaccine Records Not Performed

Criteria:

In instances where detailed transaction records reside in a database other than the accounting system used to prepare the Schedule of Expenditures of Federal Awards (SEFA), it is considered sound internal control to ensure that the detailed transaction records are reconciled to the accounting system.

Condition:

Effective March 24, 2008, the State of New Hampshire Department of Health and Human Services (the Department) transitioned to a third party distribution system developed by Centers of Disease Control and Prevention (CDC). The Department is no longer responsible for warehousing and distributing vaccines. Instead, vaccines ordered by the Department for vaccinating providers are shipped directly to the providers. The Department now receives monthly, quarterly and year-to-date order based monitoring reports from CDC which are used to prepare the Schedule of Expenditures of Federal Awards.

During our review of the Department's vaccine recording procedures, we noted that the Department did not properly record and track vaccine transactions including order, receipt, and usage of vaccine, or perform reconciliations of vaccine transactions to CDC's monitoring reports from March 24, 2008 to June 30, 2008.

Cause:

No procedures in place to ensure proper recording, tracking, and reconciliation of vaccine transactions.

Effect:

Vaccine may be under- or over- ordered. Value of vaccine reported on the SEFA may be misstated.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-31 (continued)***
US Department of Health and Human Services

CFDA # 93.268 Immunization Grants

Recommendation:

We recommend that the Department maintain a formal vaccine transactions ledger to record and track order, receipt, and usage of vaccine. The Department should be able to reconcile vaccine orders and shipments to CDC's monitoring reports, and to roll forward ending inventory based on beginning inventory, order/shipment, and usage of vaccine during the period. The Department should also develop and implement procedures to ensure that vaccinating providers are ordering reasonable amounts of vaccine. These will prevent and detect under- or over- ordering, and ensure completeness and accuracy of value of vaccine reported on the Schedule of Expenditures of Federal Awards.

Auditee Corrective Action Plan:

As of July 25, 2008, a new position exists at the NH Immunization Program that was created to track vaccine as recommended above. The Vaccine Accountability Coordinator, in conjunction with the Program Manager, CDC Program Advisor, CDC Project Officer and "Vaccine Management Business Improvement Project' (VMBIP/CDC) will lay out a plan to correct the condition outlined above.

The Correction Plan contains the following:

- By 1/2/09 the Vaccine Accountability Coordinator will update the written vaccine accountability policies, procedures and protocols.
  - Gather all material related to vaccine accountability, distribution, audit requirements, IPOM
  - Create outline of requirements
  - Draft policy for vaccine accountability
  - Submit policies and procedures to DPHAS Director for approval

- By 9/2/8, the Vaccine Accountability Coordinator will review monthly monitoring reports generated by CDC/NIPVAC/VACMAN/VMBIP
  - On August 6, 2008, NH has been invited to participate in an ongoing Reports Review initiative as a CDC Continuous Quality Improvement effort. At that time, we will review all reports generated by CDC and their integrity in meeting needs of Grantees.

- The NHIP will continue to develop an Excel Spreadsheet ledger to track vaccine due to the inability of the CDC provided VACMAN to provide accurate, real time data for purposes of tracking provider orders, orders placed through VACMAN, orders distributed from McKesson and orders received by providers.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-31 (continued)***
US Department of Health and Human Services

CFDA # 93.268 Immunization Grants

- To ensure that vaccine providers are ordering a reasonable amount of vaccines, the vaccine distribution staff will monitor all vaccine orders against reports of vaccine doses administered and vaccine doses on hand.

Contact Person: Marcella Bobinsky, Immunization Program Manager

Anticipated Completion Date: February 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-32***
US Department of Health and Human Services

CFDA # 93.268 Immunization Grants

Grant Award and Year: 2H23IP122555-06 2008
5H23IP122555-05 2007

Finding: Noncompliance with Control, Accountability, and Safeguarding of Vaccine Requirement

Criteria:

Pursuant to the A-102 Common Rule section _.20, the grantee must provide oversight of vaccinating providers to ensure proper control, accountability, and safeguarding of vaccine, including sampling the providers' inventory records to ensure proper recording of receipt, transfer, and usage of vaccine, and reviewing the providers' storage of vaccine for proper safeguarding.

Condition:

During our testwork, we noted that the State of New Hampshire Department of Health and Human Services (the Department) did not follow the Federal requirements to sample the providers' inventory records, and did not maintain written procedures to do so.

Cause:

No written procedures in place for overseeing vaccinating providers that provide for sampling of provider's inventory records.

Effect:

Receipt, transfer, and usage of vaccine may not be properly recorded.

Questioned Costs:

None

Recommendation:

We recommend that the Department develop and implement procedures for overseeing vaccinating providers for proper control, accountability, and safeguarding of vaccine. The department should sample the provider's inventory records on a regular basis to ensure that receipt, transfer, and usage of vaccine have been properly recorded by the provider and reported to the Department. These will ensure that the Department remains in compliance with the Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

NH Department of Health and Human Services ***Finding 2008-32 (continued)***
US Department of Health and Human Services

CFDA # 93.268 Immunization Grants

Auditee Corrective Action Plan:

Every time a vaccine provider submits a vaccine order through NH Immunization Program, they submit the order form, a copy of the doses on hand report and a copy of the doses administered report.

This Grantee will review the procedures other Grantees have in place to test the accuracy of submitted data. After reviewing these options, procedures will be put in place to sample the providers' inventory records to ensure proper recording of receipt, transfer, and usage of vaccine, and reviewing the providers' storage of vaccine for proper safeguarding.

Contact Person: Marcella Bobinsky, Immunization Program Manager

Anticipated Completion Date: February 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Environmental Protection Agency ***Finding 2008-33***
Department of Environmental Services

Performance Partnership Grant 66.605

Federal Award Number:	***BG99127303***	***Award Year:***	***2003***
	BG99127303		***2004***
	BG99127304		***2005***
	BG99127304		***2006***
	BG99127307		***2007***
	BG99127307		***2008***

Finding: Administrative and Direct Program Cost Drawdowns are not in accordance with the Treasury-State Agreement

Criteria:

The Secretary of the Treasury, United States Department of the Treasury and the State enter into a Treasury-State Agreement (Agreement) in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended. The Agreement documents the accepted funding techniques and methods for calculating interest and identifies the Federal assistance programs governed by this subpart A. In the event of any of any inconsistency between the Agreement and Subpart A, 31 CFR Part 205, the regulations shall govern. The authority of the Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 192 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

The Authorized Official(s) for the State shall be the State Treasurer in all matters concerning the Agreement. The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of Treasury, shall act as the Secretary's representative in all matters concerning the Agreement.

The Agreement may be amended at any time by written, mutual consent of the State and the FMS. The Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify FMS in writing within 30 days of the time the State becomes aware of a change that involves additions or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns.

Condition:

The Department performs cash draw downs on a semi-monthly basis for both administrative and direct program costs. During our audit, we noted that the Agreement stated that for payments for administrative costs and direct program costs the State must drawdown funds from the United States Treasury using the payment technique as defined in the Agreement.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Environmental Protection Agency ***Finding 2008-33 (continued)***
Department of Environmental Services

Performance Partnership Grant 66.605

The technique is defined such that the State shall request funds for direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in the Agreement. The amount of the funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds. This funding technique is interest neutral. The U.S. Environmental Protection Agency's (Agency) cut-off time is four days as included in the Agreement.

The technique is defined such that the State shall request funds for direct program costs such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance with the appropriate Federal Agency cut-off time specified in the Agreement. The amount of the request shall be for the exact amount of the disbursement. This funding technique is interest neutral. The Agency's cut-off time is five days.

Our audit procedures noted that the drawdown process used by the Department to draw down funds were not consistent with techniques prescribed by the Agreement.

Cause:

No policies and procedures in place to ensure that the Treasury-State agreement agrees with actual drawdown methods used.

Effect:

Based on the above, the Department was not fully in compliance with the above stated requirement.

Questioned Costs:

None

Recommendation:

We recommend that the Office of the Treasurer working with the Department establish polices and procedures to ensure that the Treasury-State agreement drawdown techniques agree with the actual methods used to drawdown Federal funds.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Environmental Protection Agency ***Finding 2008-33 (continued)***
Department of Environmental Services

Performance Partnership Grant 66.605

Auditee Corrective Action Plan:

Treasury agrees and will work with the agency to better understand current processes and collaborate on establishing procedures to ensure that appropriate funding techniques are identified and utilized. Environmental Services agrees and will work with Treasury to ensure that appropriate funding techniques are identified and utilized.

Contact Person: Susan Carlson, Department of Environmental Services, Chief Operating Officer
Rachel Miller, Chief Deputy State Treasurer

Anticipated Completion Date: June 30, 2009.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-34***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: ***5/7/07-12/31/2008 F63D1***
7/1/07 – 6/30/2008 F50R24

Finding: Volunteer In-Kind Contributions (control)

Criteria:

OMB Circular A-87 Subpart C - (d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

Condition:

A suggested audit procedure of the OMB Circular A-133 is to "test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with the OMB cost principles circulars, the A-102 Common Rule, OMB Circular A-110, program regulations, and the terms of the award". The number of hours volunteered has a direct impact on the overall value placed on the in-kind contribution. All volunteers are required to sign a Volunteer Instructor Activity Timesheet to attest that the hours volunteered are truly stated and the Program Coordinator is required to approve the timesheet via signature. During our testwork of a sample of 30, we noticed that 6 timesheets were not signed by the program coordinator. Through further inquiry it became apparent the control is systematically not being adhered to or enforced.

Cause:

The Program Coordinators may not be aware of the implications to the control environment that transpire by not adhering to the volunteer time attestation.

Effect:

The State match of Federal Aid (25%) may not be being met if in-kind contribution matches are not fairly stated.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-34 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Questioned Costs:

None

Recommendation:

We recommend that the Department implement procedures to better enforce the control requirement of having volunteers sign the Volunteer Instructor Activity Timesheet. This will ensure that the Department remains in compliance with the Federal requirement regarding in-kind contributions.

Auditee Corrective Action Plan:

The Department will ensure that program coordinators and project leaders are informed about the need to adhere to volunteer time attestation requirements. The Department will establish a policy that any time that is submitted without proper signatures will not be used for the purpose of in-kind match.

Contact Person: Kathy LaBonte, Business Administrator

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-35***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: 7/01/2007-6/30/2008 – F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13, FW30T9, W11D67, W66S36, W89R8
5/7/2007 – 12/31/2008 – F63D1

Finding: Suspension & Debarment Not Monitored

Criteria:

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. §__.220 of the governmentwide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§__.300).

Condition:

During our testing of procurement requirements it was determined that the Department does not comply with requirements for suspension and debarment provision on contracts over $25,000. The Department indicated that they have placed into effect (after the grant-year) a new procurement contract which includes a certification of suspension and debarment for contractors.

Cause:

A lack of understanding on part of the Department regarding requirements related to suspension and debarment.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-35 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Effect:

The Department may inappropriately use Federal Program Assistance to do business with contractors who have been suspended or debarred from working on projects paid for with Federal Aid.

Questioned Costs:

None

Recommendation:

The Authority should ensure that all federally funded procurements equal to or in excess of $25,000 regardless of bidding requirements are monitored for suspension and debarment.

Auditee Corrective Action Plan:

The Department, on its own, recognized this deficiency during state fiscal year 2009. The Department began using language for certification of suspension and debarment in all of its contracts with vendors prior to execution of those contracts and will continue to do so.

Contact Person: Kathy LaBonte, Business Administrator

Anticipated Completion Date: December 31, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-36***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: ***5/7/07-12/31/2008 F63D1***
7/1/07 – 6/30/2008 F50R24

Finding: Volunteer In-Kind Contributions

Criteria:

OMB Circular A-87 Subpart C - (d) Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for volunteer services shall be consistent with those paid for similar work in the recipient's organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.

Condition:

A suggested audit procedure of the OMB Circular A-133 is to "test records to corroborate that the values placed on in-kind contributions (including third party in-kind contributions) are in accordance with the OMB cost principles circulars, the A-102 Common Rule, OMB Circular A-110, program regulations, and the terms of the award". Currently, the Fish and Wildlife Department does not have a system in place where the amounts calculated by the Department's Federal Aid Accountant can be re-produced in a timely manner. It is difficult to audit whether or not the amount of volunteer time being used as match is fairly stated. Volunteer hours are claimed in large batches comprised of dozens of volunteer time sheets. There is no way to specifically tie back to an individual time sheet within the batch. The only way to test the accuracy of the batch total is to re-calculate every time sheet.

Cause:

Limited resources exist (staffing) to create a system to track volunteer time in a transparent manner.

Effect:

The State match of Federal Aid (25%) may not be being met if in-kind contribution matches are not fairly stated.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-36 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Questioned Costs:

None

Recommendation:

We recommend that the Department implement an automated system to track in a transparent manner all in-kind contributions stemming from volunteer services, thereby allowing for an audit of these costs to occur. This will ensure that the Department remains in compliance with the Federal requirement regarding in-kind contributions.

Auditee Corrective Action Plan:

Currently, each division using in-kind volunteer hours as state share put a group of volunteer timesheets together into a batch. Most of them attach a cover sheet spelling out the number of hours completed by those volunteers whose sheets are attached. The cover sheets include total hours grouped by activity; rate used, and total value of the time in dollars. The Federal Aid Accountant then reviews all sheets for proper grant segment, totals the hours and confirms or corrects the totals on the cover sheets. These totals are then entered as revenue in the Quickbooks program which is used to track grant costs. All batches can be confirmed as to proper totals by adding up the sheets attached to each batch and checking them against the cover sheet.

Management will notify all project leaders to attach a cover sheet to volunteer timesheets to verify the totals. These cover sheets will include total hours, approved federal rate used, and total dollars. The Federal Aid Accountant will ensure all timesheets have been signed by both the volunteer and the project leader, as well as continuing to check appropriate grant segment, total hours, and total dollars as is the procedure now.

Contact Person: *Kathy LaBonte, Business Administrator*

Anticipated Completion Date: February 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-37***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: ***7/01/2007-6/30/2008–F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13, FW30T9, W11D67, W66S36, W89R8***

5/7/2007 – 12/31/2008 – F63D1

Finding: No Reconciliation of Department and State Accounting Systems

Criteria:

Federal regulations (43 C.F.R 12.60 Standards for Financial Management Systems) require each State's accounting procedures to allow for sufficient preparation of grant reports and for the tracing of funds to a level of expenditure adequate to demonstrate compliance with grant provisions. Additionally C.F.R 225 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments) specifies that allowable costs under federal awards must be necessary and reasonable, be allocable and authorized, and be adequately documented.

Condition:

The State's accounting system is unable to provide the detail required for grant reporting purposes. The current process in place is dependent on a manual operation that one person controls in software (QuickBooks), that is not linked nor reconciled to the State of New Hampshire's financial management system. Without the ability to reconcile the two systems; the Department cannot assure that it is not claiming duplicate costs.

Cause:

The Departments utilizes accounting software (QuickBooks) that is autonomous from the State of New Hampshire financial management system and the Department does not attempt to reconcile the two systems.

Effect:

Without reconciling the two systems, the Department cannot assure that it is not claiming duplicate costs.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-37 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Recommendation:

The Department must implement a process where records of Federal Expenditures and Revenues maintained in their autonomous accounting system (QuickBooks) are reconciled in a timely manner to the State of New Hampshire's financial management system. Without such implementation it will be difficult to distinguish if the Department is claiming duplicate costs. We also recommend that the Department institute all of the corrective actions steps outlined by the U.S Department of the Interior in their audit report dated March, 2008.

Auditee Corrective Action Plan:

The Department, upon implementation of the State's new ERP system, will have an accounting system that is capable of reconciling labor costs on Federal Assistance grants to the State's new system or eliminates the need for a separate accounting system for Federal Assistance program grants. In addition, the Department will provide the Fish and Wildlife Service with periodic updates on the implementation of the State's new Enterprise Resource Planning (ERP) system.

Contact Person: *Kathy LaBonte, Business Administrator*

Anticipated Completion Date: The target date for completion is June 30, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-38***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: ***7/01/2007-6/30/2008 –*** ***F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13, FW30T9,W11D67, W66S36, W89R8***

5/7/2007 – 12/31/2008 – ***F63D1***

Finding: Inadequate Controls over Real Property

Criteria:

Under 50 C.F.R 80.19 each State must maintain current and complete property records in accordance with the requirements contained in the FWS Manual (522 FW 1.16) which requires each State to be responsible for the accountability and control of all assets acquired with Federal Assistance Program grant funds to assure that they are used for the purpose for which they were acquired throughout their useful life. Finally, C.F.R 80.4 extends the same accountability and control requirements to those assets acquired with license revenues.

Condition:

Federal regulations require States to maintain control over land purchased with Federal Assistance Program funds and license revenues. To help maintain control over the use of its land, the Departments Land Resources Bureau uses a database to maintain all of its land records. Within the database the Department does not indicate whether or not purchases are funded with Federal Aid. Therefore it is difficult for the Department to determine over a historical period what land purchases have been made with federal funds. As a consequence, it is difficult for the Department to determine what funds may be owed to the government when income is generated through the sale of land held by the Department. Based on this information the Departments current system is not adequate to assure effective control over lands acquired with Federal Assistance Program grant funds and with license revenues.

Cause:

The Departments computer database lacks information on the source of funding for land purchases. This is central to maintaining a current complete property record in compliance with Federal requirements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-38 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Effect:

The Department is unable to identify real property purchases made with Federal Aid Assistance.

Questioned Costs:

None

Recommendation:

We recommend that the Department institute a process for tracking and recording land purchased with federal funds in order to meet the requirements of the U.S Fish and Wildlife Service. Additionally, we recommend the Department review its entire land inventory and determine what items were purchased using Federal Aid Assistance and institute all of the corrective actions steps outlined by the U.S Department of the Interior in their audit report dated March, 2008.

Auditee Corrective Action Plan:

The Department has agreed to a Corrective Action Plan with the U.S. Fish and Wildlife Service (Service), Division of Wildlife and Sport Fish Restoration, and is working to complete the corrective action steps outlined in the audit report dated March 2008. The Department will submit a current updated land inventory with identified funding source to the Service for review. The Department will reconcile its land records with those of the Service and submit the reconciled land inventory to the Service for review.

Contact Person: Kathy LaBonte, Business Administrator

Anticipated Completion Date: December 31, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-39***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Grant Year and Award: 7/01/2007-6/30/2008 – F50R24, F53E21, F60D15, FW17C33, FW25T14, FW28D13, FW30T9, W11D67, W66S36, W89R8

5/7/2007 – 12/31/2008 – F63D1

Finding: Assent Legislation

Criteria:

The Code of Federal Regulations (50 C.F.R 80.3) requires States to pass legislation assenting to the provisions in the Acts before the State can participate in the Federal Assistance Program.

Condition:

The current assent legislation for fish restoration did not include wildlife restoration.

Cause:

The Department was unaware that the assent legislation in place was inadequate to cover all of their programs.

Effect:

Unless the Department passes adequate legislation for wildlife restoration, the State could be ineligible to participate in the grant program, resulting in an estimated loss of $3.4M in funding.

Questioned Costs:

None

Recommendation:

We recommend that the Department works with the State legislature during the 2009 legislative session to pass legislation that assents to the Pittman-Robertson Wildlife Restoration Act. Additionally we recommend the Department institute all of the corrective actions steps outlined by the U.S Department of the Interior in their audit report dated March, 2008.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Fish and Wildlife Service ***Finding 2008-39 (continued)***
NH Department of Fish and Game

CFDA #15.605 & 15.611

Auditee Corrective Action Plan:

The Department will work with the State legislature during the 2009 legislative session to pass legislation that assents to the Pittman-Robertson Wildlife Restoration Act. At this time, HB 182, which would correct this situation, has been introduced and was voted "ought to pass" by the House Fish and Game Committee.

Contact Person: *Kathy LaBonte, Business Administrator*

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Department of Education ***Finding 2008-40***
Department of Education

CFDA #84.010, 84.027, 84,048, 84.126, & 84.369

Federal Award: **Title I – Grants to Local Educational Agencies**
Special Education – Grants to States
Vocational Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Grants for State Assessments and Related Activities

Finding: ***Administrative Cost Drawdowns not in accordance with the Treasury-State Agreement***

Criteria:

The Secretary of the Treasury, United States Department of the Treasury and the State enter into a Treasury-State Agreement (Agreement) in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended. The Agreements documents the accepted funding techniques and methods for calculating interest and identifies the Federal assistance programs governed by this subpart A. In the event of any of any inconsistency between the Agreement and Subpart A, 31 CFR Part 205, the regulations shall govern. The authority of the Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 192 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

The Authorized Official(s) for the State shall be the State Treasurer in all matters concerning the Agreement. The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of Treasury, shall act as the Secretary's representative in all matters concerning the Agreement.

The Agreement may be amended at any time by written, mutual consent of the State and the FMS. The Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify FMS in writing within 30 days of the time the State becomes aware of a change that involves additional or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns.

Condition:

The Department performs cash draw downs on a semi-monthly basis for administrative costs. During our audit, we noted that the Agreement stated that for payments for administrative costs the State must drawdown funds from the United States Treasury using the payment technique as defined in the Agreement.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Department of Education ***Finding 2008-40 (continued)***
Department of Education

CFDA #84.010, 84.027, 84.048, 84.126 & 84.369
Federal Award: **Title I – Grants to Local Educational Agencies**
Special Education – Grants to States
Vocational Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Grants for State Assessments and Related Activities

The technique is defined such that the State shall request funds for all direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in the Agreement. The amount of the funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds. This funding technique is interest neutral. The U.S. Department of Education's cut-off time is four days as included in the Agreement.

Our audit procedures noted that the drawdown process used by the Department to drawdown program funds were not consistent with techniques prescribed by the Agreement.

Cause:

No policies and procedures in place to ensure that the Treasury-State agreement agrees with actual drawdown methods used.

Effect:

Based on the above, the Department was not fully in compliance with the stated requirement.

Questioned Costs:

None

Recommendation:

We recommend that the Office of the Treasurer working with the Department establish polices and procedures to ensure that the Treasury-State agreement drawdown techniques agree with the actual methods used to drawdown Federal funds.

Questioned Costs

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Department of Education ***Finding 2008-40 (continued)***
Department of Education
CFDA #84.010, 84.027, 84.048, 84.126 & 84.369

Federal Award: **Title I – Grants to Local Educational Agencies**
Special Education – Grants to States
Vocational Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Grants for State Assessments and Related Activities

Auditee Corrective Action Plan:

We concur. The New Hampshire Department of Education will work with the Treasury Department to align payment draw downs with the "Agreement" in force between the US Department of Treasury and the New Hampshire State Treasurer.

Treasury agrees and will work with the agency to better understand current processes and collaborate on establishing procedures to ensure that appropriate funding techniques are identified and utilized.

Contact Person: Michael Bieniek, Department of Education
Rachel Miller, Chief Deputy Treasurer

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Department of Education ***Finding 2008-41***
Department of Education
CFDA #84.126

Federal Award: **Rehabilitation Services – Vocational Rehabilitation Grants to States**

Finding: Direct Program Cost Drawdowns not in accordance with the Treasury-State Agreement

Criteria:

The Secretary of the Treasury, United States Department of the Treasury and the State enter into a Treasury-State Agreement (the "Agreement") in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended. The Agreements documents the accepted funding techniques and methods for calculating interest and identifies the Federal assistance programs governed by this subpart A. In the event of any of any inconsistency between the Agreement and Subpart A, 31 CFR Part 205, the regulations shall govern. The authority of the Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 192 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

The Authorized Official(s) for the State shall be the State Treasurer in all matters concerning the Agreement. The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of Treasury, shall act as the Secretary's representative in all matters concerning the Agreement.

The Agreement may be amended at any time by written, mutual consent of the State and the FMS. The Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify FMS in writing within 30 days of the time the State becomes aware of a change that involves additional or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns.

Condition:

The Department performs cash draw downs using the State's CMIA system for direct program costs (payments to subrecipients or other vendors). The CMIA system establishes the technique in which the Department draws federal funding. During our audit, we noted that the Agreement stated that for payments for direct costs, the State must drawdown funds from the United States Treasury using the payment technique as defined in the Agreement.

The technique is defined such that the State shall request funds for direct program costs such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance with the appropriate Federal Agency cut-off time specified in the Agreement. The amount of the request shall be for the exact amount of the disbursement. This funding technique is interest neutral. The U.S. Department of Education's cut-off time is four days.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

U.S. Department of Education ***Finding 2008-41 (continued)***
Department of Education

CFDA #84.126

Our audit procedures noted that the CMIA system used by the Department to draw down direct program funds were not consistent with techniques prescribed by the Agreement. The CMIA system included a clearance pattern of fives days.

Cause:

No policies and procedures in place to ensure that the Treasury-State agreement agrees with actual drawdown methods used.

Effect:

Based on the above, the Department was not fully in compliance with the stated requirement.

Questioned Costs:

None

Recommendation:

We recommend that the Office of the Treasurer working with the Department establish polices and procedures to ensure that the Treasury-State agreement drawdown techniques agree with the actual methods used to drawdown Federal funds.

Questioned Costs

None

Auditee Corrective Action Plan:

We concur. The New Hampshire Department of Education will work with the Treasury Department to align payment draw downs with the "Agreement" in force between the US Department of Treasury and the New Hampshire State Treasurer.

Treasury agrees and will work with the agency to better understand current processes and collaborate on establishing procedures to ensure that appropriate funding techniques are identified and utilized.

Contact Person: Michael Bieniek, Department of Education
Rachel Miller, Chief Deputy Treasurer

Anticipated Completion Date: June 30, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-42***
U.S. Department of Education

Federal Family Education Loans, CFDA # 84.032

Federal Pell Grant Program, CFDA No. 84.063,
Award No. P063P072631, Federal Award Year July 1, 2007 to June 30, 2008

Finding: ***Satisfactory Academic Progress Policies And Procedures Should Be Adhered To***

Criteria:

Title 34 of the Code of Federal Regulations requires institutions to periodically review financial aid recipients to ensure that they are making academic progress towards the completion of their program of study.

Pursuant to 34 CFR 668.16, "To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution…(e) for purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program."

It is further stated that the Secretary considers an institution's standards to be reasonable if they provide that a student's academic performance is reviewed at regular increments, defined by the institution's policies, and not to exceed the lesser of one academic year or one half the published length of the program.

The CCSNH policies regarding the review of a student's Satisfactory Academic Progress (SAP) define the SAP review increment as follows: "the qualitative and quantitative components of the SAP policy will be reviewed at the end of each semester within the regular academic year of the student's program of study."

Condition:

During our testing, we noted that, for 2 of 60 students tested, the student's SAP was not reviewed by the Community College System of New Hampshire (CCSNH) at the end of the review increment established by their policy. In one instance at the Berlin campus, the student failed to meet SAP requirements for the Spring and Fall 2007 semesters but was not placed on financial aid probation and notified by the CCSNH until the Spring 2008 semester, which was one semester late. Similarly, the student was not suspended from financial aid eligibility until the end of the Spring 2008 semester rather than the Fall 2007 semester, which was one semester late. The untimely probation and suspension process resulted in the student receiving a $1,077 Pell grant during the Spring 2008 semester when the student was not eligible to receive financial aid.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-42 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA # 84.032

Federal Pell Grant Program, CFDA No. 84.063

In one instance at the Laconia campus, the student failed to meet SAP requirements for the Fall 2007 semester and re-established their SAP in the following semester. This averted a similar situation of an ineligible student being awarded SFA funds, however, the CCSNH was unable to provide evidence that the student was notified of their SAP failure.

Cause:

Prior to the 2007-2008 aid year, the CCSNH SAP policy stated that the qualitative aspect of SAP "will be reviewed at the end of each semester within the regular academic year of the student's program of study by the Financial Aid Director." The CCSNH prior year policy also stated that the quantitative aspect of SAP would be "evaluated at least half-way through the program".

The CCSNH changed this policy for the 2007-2008 aid year to state that, "the qualitative and quantitative components of the SAP policy will be reviewed at the end of each semester within the regular academic year of the student's program of study."

Based on our finding and discussions with the CCSNH financial aid personnel, it appears that the Laconia and Berlin campuses failed to incorporate the System-wide 2007-2008 SAP policy revisions into their own policies and procedures for the 2007-2008 aid year.

Effect:

The Laconia and Berlin campuses were not in compliance with the System-wide 2007-2008 SAP policy. One student at the Berlin campus who was not eligible to receive financial aid received a Pell grant. No financial aid was disbursed in error to the student at the Laconia campus.

Questioned Costs:

$1,077 representing the amount of Pell grant funds awarded to an ineligible student during the Spring 2008 semester.

Recommendation:

The Department should improve its information and communication efforts to ensure compliance with federal regulations for SAP requirements. The Department should formalize its communication of policies and procedures to increase the likelihood that the policies and procedures will be effectively communicated, understood, and implemented. Policies and procedures and changes to policies and procedures should be communicated in writing directly to the responsible employees. The responsible employees should be required to verify that directives for changes have been received, understood, and implemented.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-42 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA # 84.032

Federal Pell Grant Program, CFDA No. 84.063

The Department should improve its control monitoring efforts to increase the likelihood that it will become more aware of the operating effectiveness of its policies and procedures, including the failure of those policies and procedures. Directives for policy and procedure changes should include turn-around documents requiring certification that directed changes have been satisfactorily tested and implemented.

Auditee Corrective Action Plan:

We concur. The SAP policy change for the 2007-2008 award year had been discussed within our System FAUG (Financial Aid User Group) meetings and communicated in writing via email. We will introduce a new system that requires written verification of changes in policies/procedures to ensure they have been received, understood, and implemented.

Contact Person: Susan Proulx, CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: April 1, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-43***
U.S. Department of Education

Federal Family Education Loans, CFDA No. 84.032
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063

Campuses Affected: Concord, Manchester, Nashua, Stratham, Laconia, Claremont, and Berlin

Finding: ***Cost of Attendance Should Be Applied In Accordance With Federal Regulations***

Criteria:

A student's eligibility to receive federal financial aid awards for an academic year is based upon their financial need. The student's financial need is defined as the difference between the student's cost of attendance (COA) and their expected family contribution (EFC), less any other financial aid (i.e., state aid or scholarships). The EFC is computed by the U.S. Department of Education (DE), and is based upon information derived from the student's Free Application for Federal Student Aid (FAFSA).

The COA is determined by the institution and is based on the provisions of the Higher Education Act of 1965, Sec. 472. The Act specifically states that, "for the purpose of this title, the term "cost of attendance" means - tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study".

The Act further states that the COA should contain a specific allowance for room and board costs incurred by students based upon three separate categories of students. The categories are defined as students without dependents residing at home with parents, students without dependents residing in institutionally owned or operated housing, and all other students. In addition, the Act states that, for less than half-time students, the COA consists of tuition and fees and an allowance for only books, supplies, transportation, and dependent care expenses.

Condition:

The Community College System of NH (CCSNH) utilizes standard budgets in determining a student's COA. The standard budgets used correlate to specific groups of students in like-programs and represent the COA for a student enrolled at a less than half-time level and a full-time level. Two campuses within the CCSNH utilize a mixed budget for students enrolled more than ½ time but less than full-time.

In applying the standard budgets to student accounts, we noted that the CCSNH does not pro-rate the budgets to reflect the actual COA for students carrying a lesser academic workload than that of a full-time student. The CCSNH applies the full-time budget to all students enrolled at ¾ or ½ time levels. The CCSNH applied a full-time budget to 12 students attending ¾ time and 17 students attending ½ time out of our sample of 60 students tested. In addition, for one of the 60 students tested, we noted that a full-time budget was applied to determine the student's financial need even though the student attended less than half-time.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-43 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA No. 84.032
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063

Campuses Affected: Concord, Manchester, Nashua, Stratham, Laconia, Claremont, and Berlin

We also noted that the CCSNH applies a room and board component to the student budgets based on "on campus" or "off campus" housing costs only and does not apply a separate category for students without dependents living at home with their parents. Our sample of 60 students included 22 students who lived off campus with their parents. We found the financial need of these 22 students to be overstated because the CCSNH did not properly reflect, in the student budget, a reduction in the students' housing costs to properly reflect the lower cost of living at home with parents.

Cause:

Management's failure to properly interpret and apply the COA requirements of the Higher Education Act. In addition, in years prior to fiscal year 2007, all CCSNH campuses utilized a mixed budget to determine a student's COA. However, in the early part of calendar year 2007, the CCSNH discontinued the use of a mixed budget pursuant to a directive by the former Director of Financial Aid Compliance.

Effect:

The effect of deriving a cost of attendance from a standard budget based on full-time enrollment that is not adjusted to reflect the student's housing arrangement or actual academic workload is that students were awarded aid based on an overstated financial need. Our testing revealed that 46 of 60 students tested (77%) were awarded aid based on an overstated amount of financial need; however, of these 46 students, five were actually awarded federal aid that exceeded their financial need.

Questioned Costs:

We were unable to determine the amount of questioned costs present in the total population of students who received financial aid for the 2007-2008 aid year.

Recommendation:

The CCSNH should comply with federal regulations by implementing policies and procedures to ensure that students are awarded financial aid based on a cost of attendance that accurately reflects the student's academic workload and living arrangements.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-43 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA No. 84.032
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063

Campuses Affected: Concord, Manchester, Nashua, Stratham, Laconia, Claremont, and Berlin

Auditee Corrective Action Plan:

We concur. CCSNH is rebuilding the cost of attendance (COA) budgets to implement for the 2009-2010 award year. The standard budgets will include these categories:

1) Academic workload/enrollment (which will be designated when students' credits are locked after the add/drop period):
    - Full time
    - Mixed (½ time up to full time)
    - Less than ½ time

2) Living arrangements/housing (which will be assigned according to data on the students' FAFSA, then adjusted if necessary when updated information is received for students selected for verification by the US Department of Education or by an individual college):
    - Dependent living at home with parent
    - Student without dependent residing in institutionally owned housing
    - All others

There will be no room and board component within the cost of attendance budget for a student attending less than ½ time. Additional budgets will be developed for specialized programs with unique costs. Professional judgment may also be applied for a student with special circumstances, resulting in a unique cost of attendance budget for that student.

We will develop and implement policies and procedures to require an annual review of cost of attendance budgets and associated documentation. Each budget component will be substantiated by supporting calculations and data. Prior to implementation, each CCSNH college's annual cost of attendance budget collection will be approved by the CCSNH Director of Financial Aid Compliance.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-43 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA No. 84.032
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063

Campuses Affected: Concord, Manchester, Nashua, Stratham, Laconia, Claremont, and Berlin

Contact Person: Susan Proulx**,** CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: July 1, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-44***
U.S. Department of Education

Federal Pell Grant Program, CFDA No. 84.063, Award No. P063P072631, P063P075845, and P063P075850

Federal Award Year: July 1, 2007 to June 30, 2008

Finding: ***Pell Grant Awards Should Be Properly Calculated***

Criteria:

Pursuant to 34 CFR 690.63 (b), Pell Grant awards for students participating in programs using standard terms with at least 30 weeks of instructional time are calculated by first determining the enrollment status for the student's term. The enrollment status is then utilized in conjunction with a published Pell Payment schedule to determine the student's annual award. The annual award is defined in the Federal Student Aid Handbook as "the maximum amount a student would receive during a full academic year for a given enrollment status, EFC (expected family contribution), and COA (cost of attendance)."

In accordance with the federal regulation, the annual award as determined by the Pell Payment schedule is then divided by either two (Fall and Spring terms) or the number of terms over which the institution chooses to distribute the student's annual award (i.e. divided by three if the institution plans on disbursing funds for Summer, Fall, and Spring terms) to determine the appropriate disbursement for the specific semester.

Condition:

For three of 60 Pell Grant disbursements tested (5%), we noted that in situations where students attended Summer, Fall, and Spring semesters without reaching full time status for the aid year (24 credits), Pell Grant funds were disbursed in all three semesters in the same manner that they would have been disbursed had the student only attended two semesters. The annual Pell Grant award was divided by two instead of three and disbursed up to the amount due a full time student regardless of the student's actual enrollment level being less than full time. We noted one error each at the Laconia, Claremont, and Berlin campuses.

Cause:

The errors are a result of management's improper interpretation of the regulations over awarding of Pell Grant funds.

Effect:

This resulted in students attending less than full time (3/4 , ½, or less than ½ time) over the course of three terms (Summer 2007, Fall 2007, and Spring 2008) being over-awarded Pell Grant funds.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-44 (continued)***
U.S. Department of Education

Federal Pell Grant Program, CFDA No. 84.063, Award No. P063P072631, P063P075845, and P063P075850

Federal Award Year: July 1, 2007 to June 30, 2008

Questioned Costs:

$1,139 representing amount of Pell Grants awarded to three students in excess of the annual maximums based upon the students' enrollment levels and cost of attendance.

Recommendation:

The Community College System of New Hampshire should conduct System level training for all campus Financial Aid personnel to clarify the proper calculation of Pell Grant awards to students. In addition to System level training, CCSNH should establish controls within the Banner System to prevent the improper awarding and disbursement of Pell Grant funds. Monitoring controls should also be established to review and, if necessary, correct any improperly awarded Pell Grants.

Auditee Corrective Action Plan:

We do not concur. In the 2007-2008 Student Financial Aid Handbook, Chapter 3, Page 3-39, a Pell payment example discusses a student who has been paid for two semesters (half of the Annual Award based on their enrollment for each semester). The student proceeds to attend a third semester within the same award year; the Handbook states the student may be paid an additional amount as applicable to that semester's enrollment up to their Scheduled Award for the year. The Handbook does not specify that the student had to have reached full time status to be awarded the additional payment.

Additionally, CCSNH contacted two resources for verification of these calculations. A US Department of Education contact agreed in writing with our interpretation. The detailed student information for the 3 students was also submitted to the Associate Director for Professional Assessment, Training, & Regulatory Assistance at the National Association of Student Financial Aid Administrators (NASFAA). NASFAA works closely with the US Department of Education and provides training and regulatory support to higher education institutions nationwide. The Associate Director responded in writing that in her opinion the auditor was misinterpreting the regulation and that the CCSNH calculations were accurate. The NASFAA Associate Director referenced 'Calculation of a Federal Pell Grant for a Payment Period' in 34 CFR 690.63. She stated that Pell Grant amounts are calculated based on hours of enrollment for each payment period. Furthermore within each of the formulas in the regulation, it is reiterated that the calculation is for a payment period.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-44 (continued)***
U.S. Department of Education

Federal Pell Grant Program, CFDA No. 84.063, Award No. P063P072631, P063P075845, and P063P075850

KPMG Rejoinder:

After reviewing the response provided by the CCSNH, we maintain our position that the CCSNH did not properly calculate the Pell Grant awards for the students in question. Federal regulation 34 CFR 690.63 (b) (2) states that, based upon a student's enrollment status, the annual Pell Grant award is determined from the federal Pell Payment Schedule for full-time students or the Disbursement Schedule for three-quarter-time, half-time, or less-than-half-time students. It should be emphasized that, to determine a student's annual award, the regulation requires use of the federal Pell **"Payment"** schedule for full-time students and the federal **"Disbursement"** schedule for students attending less than full-time.

The example provided by the CCSNH from the 2007-2008 Student Financial Aid Handbook (Handbook) appears contradictory to 34 CFR 690.63 (b) and the Chapter 3 lead-in language from the Handbook on page 3-25. In the example provided, a ¾ time student is awarded the entire "*Scheduled Award*" amount using the federal Pell "**Payment**" schedule which is "the maximum amount the student can receive during the award year, **if he or she attends *full-time* for a *full* academic year**" (source:2007-2008 Student Financial Aid Handbook, Chapter 3, Page 3-25). None of the three students cited in the finding attended ***full-time* for a *full* academic year** and, therefore, they should not have been awarded the "*Scheduled Award*" amount based upon our interpretation of the federal regulation. In the Handbook example, it is unclear if the student's enrolled credits for the summer term bumped the student into full-time status for the academic year.

We recommend the CCSNH obtain a final audit determination from the DE on the appropriateness of the Colleges' calculation of federal Pell Grant awards in situations where students attended the Summer, Fall, and Spring semesters without reaching full-time status for the aid year.

Contact Person: Susan Proulx**,** CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: Not Applicable

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-45***
U.S. Department of Education

Federal Pell Grant Program, CFDA No. 84.063

Federal Award Year: July 1, 2007 to June 30, 2008

Finding: ***Pell Grant Disbursement Data Should Be Reported To The U.S. Department Of Education's Common Origination And Disbursement System Within 30 Days Of The Pell Grant Disbursement***

Criteria:

Institutions must submit certain Pell payment data to the U.S. Department of Education (ED) through the Common Origination and Disbursement (COD) system within 30 calendar days after the institution makes a payment to a student. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly, or may set up their own system to ensure that changes are reported in a timely manner (34 CFR 690.83).

This is further reinforced in the Community College System of New Hampshire's (CCSNH) own 2007-2008 Financial Aid Policy Manual which states, "Each NHCTCS college submits a report to COD electronically at least every 30 days. These monthly reports are mandated by federal regulation".

Condition:

During our testing, we noted that Pell Grant payments for four of 60 students tested (7%) were reported to the ED outside of the 30-day timeframe established for the federal student aid program. Instances of untimely reporting were noted at three of the seven Colleges tested (Nashua, Claremont, and Berlin). The delays noted ranged from 46 to 70 days late.

We also noted that, for three of six students receiving Pell Grants at the Claremont campus, the Pell Grant origination and/or disbursement information in the Banner Financial Aid system was either not complete or did not agree to same information in the ED's COD system. Discrepant information was noted for disbursement dates and incomplete information was noted for origination and disbursement dates as well as disbursement amounts.

Cause:

The cause of the noncompliance reported by the Colleges included staff turnover (Nashua), employee oversight (Berlin), and technical difficulties with information technology (IT) requiring employees to manually enter Pell Grant origination and disbursement information into the Banner Financial Aid system and the ED's COD system which resulted in incomplete data entry and data entry errors (Claremont).

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-45 (continued)***
U.S. Department of Education

Federal Pell Grant Program, CFDA No. 84.063

Effect:

In addition to being out of compliance with federal program regulations, late reporting of Pell Grant payment data also delays federal reimbursements as federal funds cannot be drawn until the Colleges have completed the reporting of Pell Grant payment data to the DE. Incomplete, incorrect, and otherwise unreliable data may be used to make important management decisions, which could ultimately impair the institution's ability to comply with federal regulations and achieve other goals and objectives.

Questioned Costs:

None

Recommendation:

The CCSNH should review with the Colleges the need to report Pell Grant payment information to the ED's COD system in accordance with federal program and CCSNH requirements. The CCSNH should also determine the likely causes of the IT difficulties experienced at the Claremont campus as well as the delays in reporting experienced by the three Colleges in order to establish appropriate additional policies and procedures and training to promote timely reporting by the Colleges.

The CCSNH should, as part of its internal control, implement effective monitoring of these policies to promote the detection and correction of any future instances where the Colleges do not remain in compliance with federal program regulations and CCSNH policies.

Auditee Corrective Action Plan:

We concur. CCSNH has reviewed the Pell Grant reporting regulations with the Colleges.

The two delays in Nashua resulted from the departure of a Financial Aid Director, which resulted in a COD system access issue with the interim replacement. The employee oversight in Berlin and the IT difficulties in Claremont have been evaluated as well.

We have implemented a COD reporting reconciliation process at the college level. We will be establishing a CCSNH System Financial Aid Compliance testing protocol to promote the identification and correction of future occurrences of Pell Grant reporting that are approaching non-compliance with US Department of Education regulations.

Contact Person: Susan Proulx, CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: April 1, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-46***
U.S. Department of Education

Federal Family Education Loans, CFDA # 84.032
Federal Perkins Loan Program, CFDA # 84.038

Federal Award Year: July 1, 2007 to June 30, 2008

Finding: ***Sufficient, Verifiable Audit Evidence Should Be Maintained For Loan Disbursement Notifications***

Criteria:

If an institution credits a student's account at the institution with loan funds, the institution must notify the student or parent, no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution of: (1) the date and amount of the disbursement, and (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan (34 CFR 668.165). In accordance with federal regulations, the records shall be kept for three years after the end of the award year for which the aid was awarded and disbursed (34 CFR 668.24).

Condition:

During the course of fieldwork, we determined that the Community College System of NH (CCSNH) was not able to provide loan disbursement notification letters for 68 of 132 loan disbursements selected for testing (52%), as the CCSNH did not retain copies of the notification letters or maintain sufficient, verifiable evidence of the required loan disbursement notification information electronically.

Cause:

The CCSNH reported that it is attempting to reduce reliance on paper by retaining required information through electronic means. There was a lack of sufficient, verifiable electronic audit evidence available to document that the required loan disbursement notifications were issued.

Effect:

The CCSNH is unable to provide a sufficient, verifiable audit trail to evidence that they are in compliance with federal regulations.

Questioned Costs:

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-46 (continued)***
U.S. Department of Education

Federal Family Education Loans, CFDA # 84.032
Federal Perkins Loan Program, CFDA # 84.038

Recommendation:

We recommend that the CCSNH review its current policies and procedures to ensure that sufficient, verifiable audit evidence is maintained to support loan disbursement notifications as required by the U.S. Department of Education.

Auditee Corrective Action Plan:

CCSNH does notify the student or parent of loan fund disbursements in accordance with US Department of Education regulations. Some of the colleges had interpreted the notification regulations to indicate that the GUIMAIL screen of our BANNER student IT system was sufficient evidence of the notification.

As recommended, CCSNH will be implementing a paper or electronic retention process to support the required loan disbursement notification audit trail.

Contact Person: Susan Proulx, CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: March 1, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-47***
U.S. Department of Education

Federal Supplemental Educational Opportunity Grants, CFDA No. 84.007
Federal Work-Study Program, CFDA No. 84.033
Federal Perkins Loan Program, CFDA No. 84.038

Federal Award Year: July 1, 2007 to June 30, 2008

Finding: ***Inaccurate Federal Reporting***

Criteria:

Each year Title IV-eligible schools must report to the U.S. Department of Education (ED) the fiscal year's final campus-based aid disbursed by fund type, as well as the number of students receiving such aid. This reporting is done through the Fiscal Operations Report and Application to Participate (FISAP). The Fiscal Operations Report portion of the FISAP reports activities of the Federal Perkins Loans, Federal Work Study, and Federal Supplemental Educational Opportunity Grants campus-based programs for the previous award year and the Application to Participate portion of the FISAP is used to apply for program participation in the following year.

Condition:

While the Community College System of New Hampshire (CCSNH) has introduced System-wide FISAP policies and procedures, the policies and procedures in effect during the audit did not ensure the timely detection and correction of errors in the Colleges' FISAP reports. The Colleges did not appear to be sufficiently reviewing the FISAP reports prior to their submissions resulting in revisions and the FISAPs having to be re-opened and corrected after the December 15 deadline for at least three of the seven Colleges. In our review of the December 15, 2008 versions of the FISAPs, we noted instances at six of the seven Colleges where reported information did not agree with supporting documentation. The largest variance noted between the FISAP reported amount and supporting documentation was $75,297 for the Berlin campus. We did not note any errors with the final FISAP completed by the Concord campus.

Cause:

The errors in FISAP reporting are the results of ineffective policies and procedures and insufficient review prior to report submission.

Effect:

Inaccurate reporting of program data.

Questioned Costs:

Not able to determine.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-47 (continued)***
U.S. Department of Education

Federal Supplemental Educational Opportunity Grants, CFDA No. 84.007
Federal Work-Study Program, CFDA No. 84.033
Federal Perkins Loan Program, CFDA No. 84.038

Federal Award Year: July 1, 2007 to June 30, 2008

Recommendation:

The CCSNH should implement comprehensive polices and procedures regarding the Colleges' completion of FISAP reports. The policies and procedures should be sufficiently detailed to ensure that accurate information is sufficiently reported.

The CCSNH Financial Aid Compliance personnel should work closer with the Colleges in an effort to sufficiently review FISAP reports prior to submission deadline dates.

Management should also establish the expectation that the Colleges prepare accurate FISAP reports in time for the October 1 deadline.

Auditee Corrective Action Plan:

We concur.

There was a significant improvement in the FISAP policies, procedures and accuracy of the FISAP compared to the prior year. A noteworthy event during the 2007-2008 award year was the April 1, 2008 Perkins Loan Servicer conversion from ACS to ECSI. This servicer exchange initiated considerable reporting issues that spanned several months, into the FISAP reporting period. These reporting issues needed to be resolved prior to finalizing the FISAP. Compared to the total amount of data that is reported on a College FISAP, the number of issues identified was minimal.

CCSNH Financial Aid Compliance will more clearly specify supporting documentation expectations and work more closely with the Colleges to adequately review the FISAP reports prior to submission. The necessary FISAP corrections will be made promptly.

Contact Person: Susan Proulx, CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: September 1, 2009

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-48***
U.S. Department of Education

Federal Supplemental Educational Opportunity Grants, CFDA No. 84.007
Federal Family Education Loans, CFDA No. 84.032
Federal Work-Study Program, CFDA No. 84.033
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063
Academic Competitiveness Grants, CFDA No. 84.375

Campus Affected: Claremont

Finding: The CCSNH Should Comply With Federal Requirements For Expanding Institutional Eligibility And Certification

Criteria:

The institutional eligibility requirements of the Higher Education Act (HEA) of 1965 state that an institution must report promptly to the U.S. Department of Education certain changes and actions that affect the institution's participation approval, including additions and/or closures of non-main campus locations that offer at least 50 percent of an educational program. (34 CFR 600.20)

Condition:

During our testwork, we noted that the Community College System of New Hampshire (CCSNH) offers more than 50 percent of the courses required for an Associates degree in Nursing at the Claremont campus' satellite location in Keene, NH. However, the CCSNH has not submitted an application to expand the scope of its eligibility and certification with the U.S. Department of Education for the Keene location. The Eligibility and Certification Approval Report (ECAR) for the Claremont campus covering the 2007-2008 Federal financial aid year did not identify the Keene campus as an additional location.

Cause:

Management was not aware that the Keene satellite location was not listed on the ECAR.

Effect:

CCSNH is not in compliance with the procedures for expanding institutional eligibility and certification requirements for the Keene location. As a result, the Keene location may not be eligible to participate in the Title IV, HEA programs.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Community College System of New Hampshire ***Finding 2008-48 (continued)***
U.S. Department of Education

Federal Supplemental Educational Opportunity Grants, CFDA No. 84.007
Federal Family Education Loans, CFDA No. 84.032
Federal Work-Study Program, CFDA No. 84.033
Federal Perkins Loan Program, CFDA No. 84.038
Federal Pell Grant Program, CFDA No. 84.063
Academic Competitiveness Grants, CFDA No. 84.375

Campus Affected: Claremont

Questioned Costs:

$1,009,328 ($604,158 representing total financial aid paid to students attending Claremont campus' satellite location in Keene, NH during the 2007-2008 Federal financial aid year plus $405,170 paid to students attending the Keene location during the 2006-2007 Federal financial aid year).

Recommendation:

The CCSNH should become more familiar with the federal requirements for establishing, reestablishing, maintaining, or expanding institutional eligibility and certification for continued participation in the Title IV, HEA programs.

Auditee Corrective Action Plan:

River Valley (Claremont) Community College's Keene Academic Center was a US Department of Education approved location (as OPE ID 00923607) when Claremont was joined with Nashua as the New Hampshire Technical College at Nashua/Claremont (OPE ID 00923600). Our New Hampshire Technical College System (now Community College System of New Hampshire) uncoupled the Nashua and Claremont colleges in 2006.

The Keene site continued after the uncoupling with more than 50 percent of the Nursing program being offered. We do have copies of Claremont PPA reapplication documents that include the Keene site as OPE ID 00756002 after Claremont became a stand-alone college (OPE ID 00756000) in 2006. For a reason we can account for solely as an administrative omission, the Keene location did not appear on the subsequent Program Participation Agreement (PPA) or Eligibility and Certification Approval Report (ECAR).

The current PPA expires 3/31/2009. In December 2008, we submitted the recertification application to the US Department of Education with the Keene location included. In January 2009, we also submitted a change to the existing PPA which included the Keene location.

Contact Person: Susan Proulx**,** CCSNH Director of Financial Aid Compliance

Anticipated Completion Date: As of 2/1/2009 – pending approval from the US Department of Education.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS					
2007-9	*NH Department of Safety*	97.052	Suspension/Debarment Requirements	Not able to determine	*Resolved*
2007-10	*NH Department of Transportation*	20.205	Davis-Bacon Requirements	Not able to determine	*Resolved*
2007-11	*NH Department of Transportation*	20.205	Special Tests and Provisions- Contractor Recoveries	Not able to determine	*Resolved*
2007-12	*NH Department of Health and Human Services*	93.268	Special Tests and Provisions – Vaccine Inventory	Not able to determine	*Partially Resolved*. See G-6 and related finding 2008-31 on F-70
2007-13	*NH Department of Health and Human Services*	93.563	Enforcement of support Obligations Activities Not Performed Within Required Timeframes	Not able to determine	*Resolved*
2007-14	*NH Department of Health and Human Services*	93.563	Documentation of Custodial Parent's Health Insurance Not Obtained	Not able to determine	*Resolved*
2007-15	*NH Department of Health and Human Services*	93.563	Medical Support Order Not Enforced	Not able to determine	*Resolved*
2007-16	*NH Department of Health and Human Services*	93.563	Failure to Communicate Insurance Information to Custodial Parent	Not able to determine	*Resolved*
2007-17	*NH Department of Health and Human Services*	93.563	Interstate Case Activities not Performed Within Required Timeframes	Not able to determine	*Resolved*
2007-18	*NH Department of Health and Human Services*	93.778	No Review of DSH Information Submitted by General Hospitals	Not able to determine	*Partially Resolved* See G-8 and finding 2008-6 on F-14

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2007-19	*NH Department of Health and Human Services*	93.778	DSH Calculation Methodology noncompliant with Federal and State Requirements	$35,325,468	*Unresolved.* See G-13 and same finding 2008-7 on F-16
2007-20	*NH Department of Health and Human Services*	93.778	No Independent Review of Service Organization Computer System Control and Security	Not able to determine	*Resolved*
2007-21	*NH Department of Health and Human Services*	93.778	Insufficient Amount of Medicaid Eligibility Quality Control Reviews Performed	Not able to determine	*Unresolved.* See G-16 and finding 2008-21 on F-46
2007-22	*NH Department of Health and Human Services*	93.778	No Supervisory Review of Medical Eligibility Quality Control Reviews	Not able to determine	*Resolved*
2007-23	*NH Department of Health and Human Services*	93.778	Noncompliant Participant Eligibility Files	Not able to determine	*Unresolved.* See G-18 and finding 2008-8 on F-18
2007-24	*NH Department of Health and Human Services*	93.778	Earmarking Requirements Exceeded	Not able to determine	*Resolved*
2007-25	*NH Department of Health and Human Services*	93.778	Provider Eligibility/Licensing Documentation Not Kept Current	Not able to determine	*Unresolved.* See G-21 and finding 2008-9 on F-20
2007-26	*NH Department of Health and Human Services*	93.778	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	Not able to determine	*Partially Resolved.* See G-23 and finding 2008-11 on F-24
2007-27	*NH Department of Environmental Services*	66.605	Matching Requirement	Not able to determine	*Resolved*

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2007-28	*NH Department of Environmental Services*	66.605	Allocation and Classification of Indirect Costs	Not able to determine	*Unresolved.* See status of finding at G-27
2007-29	*NH Department of Administrative Services*	Various	Errors Noted in the Calculation of the 2007 Cost Allocation Plan	$218,530	Partially Resolved See status of finding at G-29
2007-30	*NH Department of Administrative Services*	Various	Internal Control over the Statewide Cost Allocation Plan needs Improvement	Not able to determine	Partially Resolved See status of finding at G-33
2007-31	*NH Department of Health and Human Services*	Various	Public Assistance Cost Allocation Plan Needs Updating	Not able to determine	*Unresolved* See G-36 and finding 2008-28 on F-62
2007-32	*NH Community Technical College System*	84.007 84.032 84.033 84.038 84.063	Inaccurate Federal Reporting	Not able to determine	Partially Resolved See G-39 and finding 2008-47 on F-109
2007-33	*NH Community Technical College System*	84.007 84.032 84.033 84.038 84.063	Student Data Verification Process	Not able to determine	Resolved
2007-34	*NH Department of Health and Human Services*	93.778	Noncompliance with Medicaid Long Term Care Facility Audit Requirement	None	Resolved
2007-35	*NH Department of Health and Human Services*	93.778	Client Liability for Home-Based HCBC-ECI Clients Not Collected	$19,000	Partially Resolved. See status of finding on G-42

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2007-36	*NH Department of Health and Human Services*	93.778	Evidence of Medical Eligibility Determination not Consistently Retained	None	Unresolved. See G-45 and finding 2008-14 on F-32
2007-37	*NH Department of Health and Human Services*	93.778	Provider Disclosures are Not Obtained from all Required Providers	Not able to determine	Unresolved. See G-48 and finding 2008-15 on F-34
2007-38	*NH Department of Health and Human Services*	93.044 93.045 93.053	Lack of Formal Policies and Procedures for Administering Title III and Title XX Programs	Not able to determine	Partially Resolved. See status of finding on G-51
2006-14	*NH Department of Health and Human Services*	*93.563*	Interstate Case Activities Not Performed Within Required Timeframes	None	*Resolved*
2006-24	*NH Department of Health and Human Services*	*None*	Public Assistance Cost Allocation Plan Needs Updating	None	*Unresolved* See G-54 and finding 2008-28 on F-62
2006-25	*NH Department of Health and Human Services*	*None*	Internal Controls Over Time Studies Needs Improvement	Not able to determine	*Resolved*
2005-8	*NH Community Technical College System*	*Various (SFA)*	Lack of Documented Verification of Applicants' Information	$116,402	*Resolved*
2005-12	*NH Department of Health and Human Services*	*93.778*	No Review of DSH Information Submitted by General Hospitals	None	*Partially Resolved* See G-58 and finding 2008-7 on F-16
2005-21	*NH Department of Health and Human Services*	*93.767*	Income Not Properly Verified	$1,242	*Partially Resolved*. See status of finding at G-59

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

FINDING NUMBER	STATE AGENCY	CFDA NUMBER	DESCRIPTION	QUESTIONED COSTS	CURRENT STATUS
2005-23	*NH Department of Health and Human Services*	*93.778*	Expired Administrative Rules Governing Residential Care and Home Health Care Facilities	None	*Partially Resolved* See G-60 and finding 2008-11 on F-24
TOTAL UNRESOLVED QUESTIONED COSTS AS OF FEBRUARY 12, 2009:				**$35,564,240**	

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-12***

CFDA # 93.268 Immunization Grant

Finding: ***Special Tests and Provisions – Vaccine Inventory***

Criteria

Effective control and accountability must be maintained for all vaccine. Vaccine must be safeguarded and used solely for authorized purposes (A-102 Common Rule Sec. 20).

Condition:

Of the 30 vaccine records selected for recount, KPMG noted 10 discrepancies between the count and the Inventory on Hand Report.

Cause:

Control weakness over inventory counts and tracking.

Effect:

Federally funded vaccines may be lost, missing or stolen.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that controls over inventory be reviewed and more rigorously adhered to in order to ensure vaccines are appropriately safeguarded.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-12 (continued)***

Auditee Corrective Action Plan:

Concur.

Staff turnover has been high in this part time position. On January 29, 2008 the current staff member will be re-trained on the picking procedure by her supervisor. On January 31, 2008, the Program Manager will watch the procedure to see if the picking and re-counting process is being followed.

As of March 24, 2008, this program will transition to the federally centralized warehouse system established by CDC and McKesson. At that time, VFC vaccine inventory will not be held at this site.

Contact Person: Marcella J. Bobinsky, Immunization Program Manager

Anticipated Completion Date: January 31, 2008

Status as of February 12, 2009:

A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-31.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-18***

CFDA # 93.778 Medical Assistance Program

Finding: ***No Review of DSH Information Submitted by General Hospitals***

Criteria:

Pursuant to the approved Medicaid State Plan (Plan) Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The Plan specifically defines a disproportionate share hospital and the method of calculating the rate for these hospitals.

Condition:

The N.H. Department of Health and Human Services (Department) does not perform a review of information submitted by general hospitals for purposes of performing the annual disproportionate share (DSH) calculation, which annually totals approximately $200 million.

Under State statute, the State assesses a 6% tax on the hospitals' gross patient service revenue. The hospital is then reimbursed for the lesser of the 6% tax or uncompensated care, which is defined in the Plan, for which the Department requests 50% reimbursement under the Medicaid grant. A non-profit organization, the New Hampshire Hospital Association (NHHA), assists the State's general hospitals in submitting their annual tax returns and uncompensated care calculations. During our review of the annual tax return worksheets, we noted that much of the information submitted by the hospitals could not be substantiated to audited financial statements.

Cause:

The Department does not perform a review of the information submitted for purposes of the DSH calculation.

Effect:

The lack of review can result in over or under reimbursement from the Federal government, and has in the past.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-18 (continued)***

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department implement policies and procedures to perform reviews of information submitted by the hospitals. The reviews should, at a minimum, include a comparison of information submitted to the hospitals' annual financial statements with any variances reviewed and documented.

Auditee Corrective Action Plan:

Concur.

This finding was included in the prior year and we concurred that review processes should be enhanced. It is apparent that review functions between the Department, the New Hampshire Hospital Association, and the Department of Revenue Administration should be clarified and a review process implemented. As noted in prior years, the Department had been awaiting resolution on two issues: OIG audit of the New Hampshire Disproportionate Share Program for FFY2004 and CMS rules regulating the reporting of DSH payments since resolution of these two issues could have significant impact on the structure of the program.

The OIG audit was completed and on July 9, 2007, OIG issued its audit report and asserted that the State methodology did not properly determine the hospitals' allowable costs in accordance with Medicare principles of cost reimbursement, as CMS guidance requires. The State disagrees with the OIG interpretation in several areas and these findings are now under discussion.

With respect to CMS rules regulating DSH reporting, in 2005, CMS proposed new rules to be effective retroactive to federal fiscal year 2005, for the reporting of information on DSH programs. Among other requirements, the rules would require independent audits of hospital uncompensated care data. The new rules require states to have their DSH payment programs independently audited and to submit an independent certified audit annually to the Secretary.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services ***Finding 2007-18 (continued)***
US Department of Health and Human Services

The certified independent audit must verify five items that require verification by an independent audit. Collectively, these five items, CMS contends, will provide independent verification that State Medicaid DSH payments comply with the hospital-specific DSH limit in section 1923(g) of the Act, and that such limits are accurately computed. Several states have contested implementation of these rules and Congress postponed the implementation date.

The five items are as follows:

- Verification 1: The extent to which hospitals in the State have reduced their uncompensated care costs to reflect the total amount of claimed expenditures made under section 1923 of the Act.

- Verification 2: DSH payments to hospitals comply with the hospital-specific DSH limit. Require that the audit verify whether claimed DSH expenditures for each eligible hospital are less than or equal to the hospital's UCC.

- Verification 3: Only uncompensated care costs of providing inpatient and outpatient hospital services to Medicaid eligible individuals and uninsured individuals are included in the hospital-specific DSH payment limit. The independent audit must verify whether the hospital-specific DSH limits calculated by the State include only costs incurred for inpatient hospital and outpatient hospital services furnished to Medicaid eligible individuals and to individuals with no source of third party coverage for the inpatient hospital and outpatient hospital services they receive.

- Verification 4: The State included all payments under this title, including supplemental payments, in the calculation of hospital-specific DSH payment limits. This provision requires the audit to verify that all sources of Medicaid payments received by a hospital are fully counted in the State's calculation of the hospital-specific DSH limits.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-18 (continued)***

- Verification 5: The State has separately documented and retained a record of all its costs under this Medicaid program, claimed expenditures under this Medicaid program, uninsured costs in determining payment adjustments under this section, and any payments made on behalf of the uninsured from payment adjustments under this section.

  The new rules also impose new reporting requirements on each hospital annually to include the following.

  1. Hospital name.

  2. Medicare and Medicaid provider numbers.

  3. Type of hospital.

  4. Type of hospital ownership.

  5. Medicaid inpatient utilization rate.

  6. Low income utilization rate.

  7. Annual DSH payments made to the hospital.

  8. Regular Medicaid rate payments. This is presumed to be the aggregate payments made on behalf of Medicaid from all sources.

  9. Medicaid managed care payments. Presumably document by source, rather than an aggregate amount.

  10. Supplemental/enhanced Medicaid payments. Presumably document by source, rather than an aggregate amount.

  11. Indigent care revenue. Presumably document by source, rather than an aggregate amount.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-18 (continued)***

12. Amount of funds transferred by the hospital to any government entity as a condition of receiving any Medicaid payment or DSH payment. This is presumed to require detailed reporting of not only taxes but all state administered license fees for all aspects of hospital management and operations.

13. Total cost of care for inpatient and outpatient services provided to Medicaid individuals.

14. Total cost of care for inpatient and outpatient services provided to individuals with no source of third party coverage (the uninsured).

15. Uncompensated care costs for Medicaid individuals.

16. Uncompensated care costs for individuals with no third party coverage.

17. An unduplicated list of Medicaid eligibles and uninsured individuals. This is presumed to mean a detailed, client-specific list with supporting documentation of the actual cost of providing services to each individual client, not charges, and not an aggregate amount for all clients in total.

When these issues are resolved, we will work with the Department of Revenue Administration to review the methodology for receiving, verifying, and utilizing information from the hospitals for use in the disproportionate share calculations and payments.

Contact Person: James Fredyma, Controller

Anticipated Completion Date: State fiscal year ending June 30, 2009

Status as of February 12, 2009:

A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-6.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-19***

CFDA # 93.778 Medical Assistance Program

Finding: ***DSH Calculation Methodology Noncompliant with Federal and State Requirements***

Criteria:

In accordance with Section 1923 of the Social Security Act, as amended, the New Hampshire Department of Health and Human Services (Department) must calculate Medicaid disproportionate share hospital (DSH) payments to hospitals that serve disproportionately large numbers of low-income patients. The methodology for calculating DSH payments must follow the requirements as set forth by the Omnibus Budget Reconciliation Act of 1993, Centers for Medicare and Medicaid Services (CMS), and the State Plan.

According to the State plan, hospitals receive DSH payments for the lesser of their calculated DSH limit or 6 percent of "gross patient services [revenue]." The New Hampshire Department of Revenue Administration imposes a 6-percent Medicaid Enhancement Tax on the gross patient services revenue of each DSH (New Hampshire State Statute, Title V, Chapter 84-A).

Condition:

The Department underwent a review by the Office of Inspector General (OIG), with the objective of determining whether the DSH payments that the State agency claimed for Federal fiscal year 2004 complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan. The OIG issued a report in July of 2007 entitled "Review of New Hampshire's Medicaid Disproportionate Share Hospital Payments during Federal Fiscal Year 2004", which noted the following:

The State agency claimed DSH payments for Federal fiscal year 2004 that did not comply with the hospital-specific DSH limits imposed by Federal requirements and the State plan. Of the $194,145,507 that the State agency claimed, $123,494,571 was allowable. However, the remaining $70,650,936 ($35,325,468 Federal share) was unallowable. The State agency did not comply with the hospital-specific DSH limits for 24 of the 28 DSHs because it did not properly determine the hospitals' allowable costs in accordance with the Medicare principles.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-19 (continued)***

of cost reimbursement, as CMS guidance requires. Specifically, the cost-to-charge ratios that the State agency used in determining allowable costs were inflated because they (1) overstated costs by including unallowable costs and (2) understated charges by using net, rather than gross, patient services revenue.

Condition:

The excess DSH payments were attributed to the State agency's lack of policies and procedures to ensure that its methodology for developing the cost-to-charge ratios used to calculate hospital-specific DSH limits complied with Federal requirements and the State plan.

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

$35,325,468

Recommendation:

We recommend the Department continue to work with DHHS-CMS to resolve whether the DSH payments that the State claimed complied with the hospital-specific DSH limits imposed by Federal requirements and the State plan.

Auditee Corrective Action Plan:

We concur.

The Department submitted additional information to the CMS action official on August 8, 2007.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-19 (continued)***

CFDA # 93.778 Medical Assistance Program

Contact Person:

James P. Fredyma, Controller

Anticipated Completion Date:

December 31, 2008

Status as of February 12, 2009: The same finding was included in the 2008 single audit report. See finding and corrective action plan at 2008-7.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-21***

CFDA # 93.778 Medical Assistance Program

Finding: ***Insufficient Amount of Medical Eligibility Quality Control Reviews Performed***

Criteria:

As noted in the letter issued to the New Hampshire Department of Health and Human Services (Department) by the Centers for Medicare & Medicaid Services (cMS) dated February 10, 2004, CMS granted approval of the Department's request to replace the traditional Medicaid Eligibility Quality Control (MEQC) process with a Medicaid Pilot Project. As noted in that letter, CMS requested that the Department provide it with the sample size to be reviewed each month under the Pilot Project. In a letter dated February 26, 2004 from the Department to CMS, the Department represented it would review approximately 50-75 cases per month.

Condition:

During our testing of the reviews performed during the current fiscal year, we noted that approximately 100 cases were reviewed during the entire year, with 70 case reviews outstanding at year end. This amount is insufficient, as it is not comparable to the amount the Department represented it would be reviewing to CMS as part of its approval of the Medicaid Pilot Project.

Cause:

Unable to determine.

Effect:

Violation of the agreement with CMS.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-21 (continued)***

Recommendation:

We recommend that the Department increase the number of reviews performed each month or resubmit its application to CMS to reflect the actual number of reviews that are performed each month. This will ensure that the Department remains in compliance with the Medicaid Pilot Project approval requirement.

Auditee Corrective Action Plan:

Concur

Although the Quality Assurance Unit's initial intent was to review between 50 to 75 Nursing Home cases per month, this ambitious number turned out to be unachievable due to the complexity of the cases, decrease in available staff due to loss of QC Reviewer positions, and fifty percent turnover in remaining QC Reviewers within the FY reviewed by the auditors.

Quality Assurance (QA) has increased the numbers of Nursing Home Reviews effective with the October 07 review month for the review period October 07 through March 08. However, in order to meet the quota, QA will be requesting additional part-time positions to meet the goal.

Report of review results to CMS for October 07 to March 08 reporting period is due July 2009.

QA has also submitted a new Medicaid Pilot Proposal to CMS for the April 08 – September 08 review period.

Contact Person: Jody Hamilton, Quality Assurance

Anticipated Completion Date: SFY09

Status as of February 12, 2009:

A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-21.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-23***

CFDA # 93.778 Medical Assistance Program

Finding: ***Noncompliant Participant Eligibility Files***

Criteria:

The State Plan and the New Hampshire Department of Health and Human Services (Department) internal policy manuals require clients to disclose demographic, resource, income, other insurance coverage, medical necessity and other information in order to become and remain eligible for coverage under the Medicaid program. Information provided by clients is verified and documented by a family services specialist at the district office level.

Condition:

The Department maintains a paper file for each Medicaid client to document the client's eligibility for the program. The file is established upon the client first seeking participation in the Medicaid or other State assistance programs administered by the Department and is updated at regular intervals with redeterminations of continued or changed eligibility status. Information necessary to establish initial and continued client eligibility is documented in the file including client family census, resources, insurance coverage, etc. Information from the files is keyed into the Department's New Heights computer system, which is used by the many sections of the Department to access client eligibility information and to provide client eligibility information to the Department's claims payment system. The paper eligibility files in conjunction with the data maintained in the New Heights system provide the primary documentation of client eligibility criteria including income, resources, insurance etc.

Audit tests included a review of a sample of 50 client eligibility files. In 9 of the files selected for review (18%) we noted instances where the Department failed to comply with its Medicaid program requirements:

- The Department has a control in place that redetermination forms must be signed by the recipients, acknowledging that the information submitted is accurate and complete and that they are aware of their rights and responsibilities. KPMG noted 2 instances of 50 (4%) where the redetermination form was not signed by the Medicaid recipient.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-23 (continued)***

- The New Heights system, in conjunction with the paper files, is relied upon by the Department to obtain the most up-to-date and accurate information to determine recipient eligibility. KPMG noted 5 instances of 50 (10%) where information in New Heights was not properly supported by evidence in the recipient's file : (1) one redetermination was noted as being performed in New Heights, but evidence of the redetermination was not maintained in the recipient file; (2) one recipient's self employment income was calculated in the file incorrectly and input into New Heights incorrectly; (3) 1 file did not contain evidence of date of birth; (4) one recipient's resource amounts were input into New Heights in improper amounts; and (5) one file had more recent pay information in the file than was updated in New Heights.

- The Department is required to obtain information about third party insurance held by recipients. KPMG noted 2 instances of 50 (4%) where third party insurance information was noted in the recipient file, but was not properly input and verified in New Heights.

Cause:

Breakdown in controls over compliance with Federal requirements.

Effect:

If the initial eligibility or the re-determination of eligibility is made on incomplete information, it is possible that client eligibility determinations may be made in error.

Questioned Costs:

Not able to determine.

Recommendation:

We recommend that the Department review and enforce its policies and procedures to ensure that all control and compliance requirements are met. This will ensure that the Department remains in compliance with the Federal requirements.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-23 (continued)***

Auditee Corrective Action Plan:

Concur.

The agency currently has in place a number of ongoing practices to determine if policy and procedures are being followed and to measure staff performance. The agency will discuss the findings of the Audit with both Administrative and Line Supervisors at the February 2008 Regional Meetings and supervisors will be instructed to review and reinforce these findings with their eligibility staff. Supervisors will be instructed to remind staff of and continue to enforce current policy and procedures by taking the following actions:

- hold workers responsible for all records in their caseload, and reinforce the need to review and ensure that redetermination forms are signed by the recipients, acknowledging that the information submitted is accurate and complete and that they are aware of their rights and responsibilities,

- continue to conduct reviews of Medicaid cases as part of ongoing performance and annual evaluation of staff, in order to identify and address deficiencies, and

- conduct individual training sessions or require attendance at formal refresher trainings.

During FFY 2007, for the categories of assistance of this Medicaid Audit, supervisory staff reviewed 5,595 Medicaid cases. Supervisory reviews will continue to focus on accurate eligibility decisions, complete case documentation of all factors-- especially income, third party insurance, and resources, ensure that all information is timely entered and supported by what is in New Heights, organized case files, and complete forms, especially mail-in redeterminations. With current caseloads at 472 per worker, or 598 per fulltime equivalent (which takes into account the worker's experience level), and a worker to supervisory ratio of 7:1, it is not possible to review every case action.

Contact Person: Melody Braley, Field Operations Administrator

Anticipated Completion Date:

All 3 Regional Meetings with Supervisors will be held by February 29, 2008

Status as of February 12, 2009:

A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-8.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-25***

CFDA # 93.778 Medical Assistance Program

Finding: ***Provider Eligibility/Licensing Documentation Not Kept Current***

Criteria:

Pursuant to 42 CFR 431.107 and 447.10, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations in order to participate in the Medicaid program.

Condition:

During our testwork, we noted that the N.H. Department of Health and Human Services (Department) does not require up-to-date copies of documentation establishing provider eligibility, including copies of current licenses, to be on file prior to paying providers for services rendered to eligible Medicaid recipients.

We noted that 8 of 50 (16%) providers tested did not have a current license on file at the Department. Through alternative procedures, however, we were able to verify that the providers in question were in fact licensed.

Cause:

Breakdown in internal control procedures.

Effect:

Increased risk of unlicensed providers participating in the Medicaid program.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-25 (continued)***

Recommendation:

The risk of unlicensed providers providing services to eligible Medicaid recipients exists. Therefore, we recommend that the Department amend their file maintenance procedures to ensure that provider eligibility is properly documented, including obtaining a copy of a current license. Additionally, we recommend that the Department work with other State agencies, or offices within the Department, to determine if there is a more efficient method of obtaining timely updates of provider licenses. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur.

Providers do not get enrolled unless they provide the required documentation and the Department does monitor licensure information and works with Health Facilities Licensing and the professional licensing boards to obtain the updated information. Letters and reminders are sent to providers that the licensure information is required. As part of the National Provider Identifier (NPI) process, we are currently contacting all providers that have not provided their NPI and at the same time verifying Tax ID information. No medical provider will be mapped to the old provider number with out a NPI.

There is currently no mechanism, however, to terminate providers or stop payment to a provider who does not provide the requested updated license. This will be included in the development of the new MMIS system scheduled for implementation January 1, 2009.

Contact Person: Nita Tomaszewski, Information Representative

Anticipated Completion Date: January 1, 2009

Status as of February 12, 2009:

A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-9.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-26***

CFDA # 93.778 Medical Assistance Program

Finding: ***Expired Administrative Rules Governing Residential Care and Home Health Care Facilities***

Criteria:

The federal and state governments jointly finance the Medicaid program. Within broad federal rules, the State is authorized to establish detailed and more restrictive program requirements. The legal basis for the establishment of the Medicaid program in New Hampshire is codified in state statutes. The Commissioner of Health and Human Services is required to adopt, per state statute RSA 151:9 and 9-a, administrative rules necessary for the administration of the Medicaid program.

Condition:

A number of administrative rules related to licensing and classifying residential care and health facilities including home health care providers have expired and have not been formally readopted by the Department. These rules (chapter He-P 801 – 829) expired in 1999 and 2000. The rules detailed the regulations for licensure of various types of providers of medical services. Therefore, with the expiration of the aforementioned rules, the Department does not have a legal basis with which to enforce these requirements. This finding has been noted in the State's Single Audit Report since 1999.

Cause:

Unknown.

Effect:

The State may have difficulty enforcing administrative rules that have expired.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-26 (continued)***

Recommendation:

We recommend that the Department update the administrative rules over the Medicaid program to properly reflect the requirements and current practices of the program. This will ensure that the Department remains in compliance with the Federal requirements.

Auditee Corrective Action Plan:

Concur.

Prior to 1992 there were nine sets of licensing rules promulgated under RSA 151. It was recognized that these nine rules had not kept pace with changes that were occurring in the health care system. Consequently, the decision was made to develop a set of rules that would more accurately reflect the diversification that was occurring in the health care industry. Between 1992-1995 nineteen new rules were adopted for a total of 28 sets of rules.

In the late 1990s, HFA-L began revising He-P 801 "General Requirements for all Facilities." This rule contained the administrative requirements common to all facilities and entities including the application process and other pre-licensure requirements. That rule was set to expire in 2000. The plan was to have all of the administrative requirements common to the various facilities and entities licensed under RSA 151 contained within 801. The remaining sets of rules would contain only those licensing requirements that were unique to each facility and entity falling under each rule. The drafting of He-P 801 proved to be extremely difficult and it was the subject of considerable public debate and controversy. The problem centered around the difficulty in drafting one rule that was general enough to apply to all of the diverse facilities and entities licensed under RSA 151. In April 2001 the rule came before the Joint Legislative Committee on Administrative Rules (JLCAR), which voted to support a Joint Resolution. Over the course of the next year HFA-L worked on redrafting the rule, and in September 2002 a revised rule was submitted to JLCAR. Concerns remained and ultimately HFA-L made the decision to withdraw the rule. Ultimately, the decision was made to abandon the attempt to readopt He-P 801. Rather, the decision was made to merge the requirements set forth in He-P 801 into each of the other rules in the He-P 800 series as those rules were readopted. By the time that decision was made all of the rules in the He-P 800 series had expired.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-26 (continued)***

HFA-L continues to use all of the expired rules in the He-P 800 series. It is able to do this as it has specific statutory authority under RSA 151 for its licensing and oversight authority. For several reasons, however, it is essential that the rules be redrafted and readopted and the Department has been working toward that end. The following rules were implemented:

- He-P 805, Assisted Living Residence-Supported Residential Health Care Licensing, eff 10/25/06
- He-P 808, Laboratories and Laboratory Services, eff 8/19/06 and readopted with amendments eff. 3/24/07
- He-P 810, Birthing Centers, eff. 7/27/07
- He-P 813, Adult Family Care Residences, eff 4/1/06 (in process of being repealed and reserved b/c program is being reassigned to He-E under BEAS)
- He-P 817, Collection Stations, eff 8/19/06 and readopted with amendments eff. 3/24/07

Currently In Process are:

- He-P 804, Assisted Living Residences which was submitted to the Office of Legislative Services in October 2007. A hearing before JLCAR is scheduled for February 15, 2008. It is anticipated that the rule will be formally adopted or conditionally approved on that date. Either way, it should be finalized by the end of February of this year.
- He-P 818, Adult Day Programs was submitted to OLS in October 2007. It is currently pending before JLCAR and should be by JLCAR on February 15, 2008. It is anticipated that the rule will be formally adopted or conditionally approved on that date. Either way, it should be finalized by the end of February of this year.
- He-P 816, Educational Health Centers- An Initial Proposal is ready for submission to OLS. As soon as the Fiscal Impact Statement is completed, the rule can be submitted. It is hoped that the FIS will be completed by the end of January. It is also hoped that the rule will be formally adopted by May 2008.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-26 (continued)***

Several rules are expected to be formally adopted by the end of 2008. These include:

He-P 823, He-P 824, He-P 809, He-P 822, He-P 811, He-P 802, He-P 807, He-P 825.

The process being used by HFA-L to readopt the rules is designed to maximize the amount of provider/stakeholder input in the process including visiting programs and holding Public Forums. While this is not required under the formal process for adopting administrative rules, the Department believes that these efforts are helpful. The process will continue until all rules have been reestablished.

Contact Person: John B. Martin, Manager of the Bureau of Licensing and Certification

Anticipated Completion Date: Ongoing.

Status as of February 12, 2009:

Partially Resolved. A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-11.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Environmental Services
US Environmental Protection Agency ***Finding 2007-28***

CFDA # 66.605 Performance Partnership Grant

Finding: ***Allocation and Classification of Indirect Costs***

Criteria:

The New Hampshire Department of Environmental Services (DES) has a fixed indirect cost rate that is negotiated annually with the United States Environmental Protection Agency (EPA). This indirect cost rate is then allocated to the DES grants based on total payroll. DES submits an annual indirect cost allocation plan to EPA; however it is not clear which costs are included as indirect.

Condition:

During our testwork of the Performance Partnership Grant, we determined that costs which appear to meet the definition of indirect costs are charged directly to the grant and are not included in this indirect cost rate. Specifically, DES receives monthly invoices from the Office of Information Technology for computer maintenance and support. These invoices allow for the costs to be classified as direct or allocated costs. However, DES classifies these costs as direct in their accounting system. Per review of the allocated costs, it appears that some of these costs should be considered indirect, such as the Chief Information Officer's salary. Additionally, DES summarizes its central service functions, such as accounting and human resources, and allocates these costs to each grant as direct costs. It appears that these costs may also meet the definition of an indirect cost.

Cause:

Breakdown in controls over identification and charging of costs as either direct or indirect.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Environmental Services
US Environmental Protection Agency ***Finding 2007-28 (continued)***

Recommendation:

We recommend that DES review and contact the U.S EPA to determine if they are in agreement with its classification of costs as direct and indirect. This will help ensure that only allowable indirect costs are being charged back to the federal government.

Auditee Corrective Action Plan:

The Department has been in contact with EPA Region 1 to determine whether these OIT costs are within the classification of costs as either direct or indirect. We are still awaiting a response from EPA Region 1.

Contact Person: Susan Carlson, Department of Environmental Services

Anticipated Completion Date: June 30, 2008.

Status as of February 12, 2009:

The Department of Environmental Services has contacted the EPA regarding this finding but is still awaiting a response.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-29***

CFDA # Various

Finding: ***Errors Noted in the Calculation of the 2007 Cost Allocation Plan***

Criteria:

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* as stated in the Appendix C to Title 2 of the Code of Federal Regulations Part 225 states that "most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

Condition:

The NH Department of Administrative Services (the Department) is responsible for preparing the State's central service or Statewide Cost Allocation Plan (Plan), which is certified as complying with OMB Circular A-87 by the Department's Commissioner. The Plan contains two sections. Section I of the Plan identifies certain departments known as Central Service Agencies (cSA), which provide administrative services on behalf of other departments. The allowable costs of these CSAs are computed and allocated on a variety of equitable bases to user departments. The total of the applicable approved CSA allocations, which approximated $14.2 million for the 2007 Plan, can be incorporated into a department's indirect cost rate proposal or cost allocation plan, used to charge Federal programs for administrative costs. Section II of the Plan lists those fringe benefits and other services that are directly billed by seller departments to user departments based on either actual or estimated costs for those services. The US Department of Health and Human Services, Division of Cost Allocation (DCA) negotiates and approves the Plan for use.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-29 (continued)***

Costs as shown in the State's accounting system allocable to CSAs and/or seller departments in accordance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* were used to prepare the 2007 Plan based on 2005 actual costs, which was prepared in 2006. During the audit of the 2007 Plan, the following was noted:

- Revenue of $184,864 should have been deducted against expense in computing the allowable costs for two central services agencies ($178,560 for the Attorney General's Office and $6,304 for Archives.) This is a questioned cost.

- There was $247,712 in costs that were incorrectly distributed between twenty-three departments due to a misposting of the units used to allocate Accounting's services. In addition, errors were made in computing the percentage of services Accounting performed for two other departments, resulting in $2,830 of excess costs. The total of $250,542 in over and undercharge errors related to 25 departments, some of which administered federal awards. This is a questioned cost for some departments and an under recovery for others. There was no change to the approved costs of the Plan.

- The State's policy is to compute building use allowance only on the capital improvements made to a facility. The use allowance becomes part of the occupancy costs billed to departments for rent. In seven (7) of 14 instances a building use allowance was not added to occupancy costs. For seven (7) other facilities the use allowances were added but computed incorrectly. Two of the seven computations resulted in under recoveries of $24,493 and the rest resulted in over recoveries of $193,833. This resulted in a net over charge of $169,340 for building use allowances. A further comparison was made of the rent collected versus occupancy costs after recomputing building use allowances. In 10 of the instances rent was under charged by $249,530. In three additional instances rent was over charges by $283,196. The occupancy cost for one building could not readily be determined since it was part total General Services costs allocated in Section I. The net over recovery for 13 buildings resulted in an overcharge of $33,666 for rent. This is a questioned cost.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-29 (continued)***

- Costs for the Office of Information Technology (OIT) were not presented in accordance with ASMB-C10, *Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*, the implementation guide (Guide) for Circular A-87. That Guide specifies certain minimum documentation in Sections 4.5.2 that must be prepared for internal service funds and other Section II billed services, which are charged to federal awards with an operating budget in excess of $5 million. It could not be readily determined whether the costs for OIT excluded depreciable assets or systems development as defined by OMB Circular A-87. Also, OIT's billing methodology shown in the Plan is in draft format and has not been finalized or formally approved by DCA as is required by Section III Condition D of the Plan agreement with DCA. During fiscal year 2005 OIT collected approximately $38 million in revenue, 91% of which was received from central service agencies or those departments directly administering federal awards.

Cause:

Failure to adhere to federal cost allocation requirements.

Effect:

Non-compliance with federal requirements and identification of questioned costs.

Questioned Cost:

$218,530

Recommendation:

The Department of Administrative Services should carefully review all Statewide Cost Allocation Plans to ensure costs are complete, accurate and net of applicable credits prior to submission. In addition, the Plan should explain how any variances from the over or under charging of Section II costs will be handled in the future. Presentation of financial data for the Office of Information Technology should comply with OMB Circular A-87 and the Guide. Lastly, OIT should be instructed to finalize its cost allocation methodology and separately submit it to the Division of Cost Allocation for formal approval.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-29 (continued)***

Corrective Action Plan:

We concur.

We agree that certain errors have occurred in the calculations that have resulted in questioned costs, however we feel that materiality should also have been addressed by the auditor. These costs in question, after distribution to agencies and departments, and further allocation to federal awards, may not make a material difference to the amounts billed to the federal government under any given program or award. We shall specifically state on our next SWCAP submission, the amounts and reasons for any adjustments originating in a prior year. Department of Administrative Services will provide guidance to OIT in the presentation of the Plan.

Contact person:

Tim Hartshorn, Dept. of Administrative Services

Anticipated Completion Date:

March, 2009

Status as of February 12, 2009:

The Department of Administrative Services recently filled the position of Program Specialist IV, which had been vacant for several months. The Program Specialist has corrected some of the questioned costs within the most recent plan submission, and is currently reviewing the plan to correct the remaining questioned costs. Any necessary adjustments will be included in the next plan submission.

Contact Person: Karen Hammond, Program Specialist IV

Anticipated Completion Date: December 2009

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-30***

CFDA # Various

Finding: ***Internal Control over the Statewide Cost Allocation Plan Needs Improvement***

Criteria:

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* as stated in the Appendix C to Title 2 of the Code of Federal Regulations Part 225 states that "most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefited activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards."

Condition:

The NH Department of Administrative Services (the Department) is responsible for preparing the Statewide Cost Allocation Plan (Plan), which is certified as complying with OMB Circular A-87, by the Department's Commissioner. The Plan contains two sections. Section I of the Plan identifies certain departments known as Central Service Agencies (cSA), which provide administrative services on behalf of other departments. The total of the applicable approved CSA allocations, which approximated $14.2 million for the 2007 Plan, can be incorporated into a department's indirect cost rate proposal or cost allocation plan, used to charge Federal programs for administrative costs. Section II of the Plan lists those fringe benefits and other services that are directly billed by seller departments to user departments based on either actual or estimated costs for those services. These costs can be directly billed to federal programs.

During the audit, we noted the following:

- Periodic reconciliations have not been made between the Real Property Summary schedule and the information used to compute building use allowances.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-30 (continued)***

- The State's handling of building use allowances was inconsistent in determining the amount of rent charged to state agencies. Occupancy costs for some buildings included a use allowance, while others did not.

- The presentation of some Section II information, such as for the Office of Information Technology, is not in accordance with OMB Circular A-87 and ASMB-C10, *Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*, the implementation guide (Guide) for Circular A-87.

Cause:

The Department has assigned one individual the responsibility for preparing and negotiating the Plan. Formal training in Plan preparation was not provided. In addition, policies and procedures have not been established to ensure a supervisor becomes familiar with the requirements of OMB Circular A-87 and performs a through review prior to Plan submission.

Effect:

Non-compliance with Federal requirements.

Questioned Costs:

Not able to determine.

Recommendation:

The Department of Administrative Services should establish policies and procedures to ensure staff preparing the Plan and the supervisor responsible for reviewing it are formally trained in the requirements of Circular A-87. The supervisor should be allowed sufficient time to perform an adequate review of the Plan prior to submission.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Administrative Services
US Department of Health and Human Services ***Finding 2007-30 (continued)***

Corrective Action Plan:

We concur.

The position of Program Specialist IV was established in 2006 in order to concentrate the activities of preparation and review of the Plan within the Bureau of Accounting, Division of Accounting Services. Prior to this, the task was administered by the Business Office, Dept. of Administrative Services by one individual in the position of Accountant IV. The vision for the future of this new position includes establishment of Policies and Procedures based on OMB A-87, training of associate staff and supervisors and review of the Plan by the appropriate Administrative Services personnel.

Contact person:

Tim Hartshorn, Dept. of Administrative Services

Anticipated Completion Date:

March, 2009

Status as of February 12, 2009:

The Department of Administrative Services recently filled the position of Program Specialist IV, which had been vacant for several months. The Program Specialist will prepare, review and administer the SWCAP plan. A Policies and Procedures manual will be established and maintained, therefore, errors in the future should be minimized.

Contact Person: Karen Hammond, Program Specialist IV

Anticipated Completion Date: December 2009

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-31***

CFDA # 93.563 Child Support Enforcement

Finding: Public Assistance Cost Allocation Plan Needs Updating

Criteria:

Under federal requirements, New Hampshire Department of Health and Human Services (Department) is considered a public assistance agency. As such, it must prepare and negotiate a Public Assistance Cost Allocation Plan (PACAP). A PACAP describes the procedures used to identify, measure, and allocate all costs to each of the programs administered by the Department. According to Title 45 of the *Code of Federal Regulations*, Part 95.509(a), " the State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA" (Division of Cost Allocation of the U.S. Department of Health and Human Services) "if …the following … occur(s): … The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures."

Condition:

The Department has not updated its Public Assistance Cost Allocation Plan since June 2003. Subsequent to that time there have been organizational and allocation methodology changes. The most notable change occurred in state fiscal year 2004 when the Department's Office of Information Systems began merging with other information technology units within the State and became a part of the new Office of Information Technology (OIT), a separate department not under the Department of Health and Human Services. The Department's PACAP has not been updated for these changes. Costs from the PACAP are used to charge Department administrative costs to federal programs.

A similar finding was noted in the prior year as 2006-24.

Cause:

Not known.

Effect:

A delay in amending the cost allocation plan on a timely basis could result in disallowed costs. The Department has been working on an amendment.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-31 (continued)***

In addition to amending the PACAP to reflect organizational changes, there are some other areas that should be modified to further clarify and enhance the description of the PACAP as follows:

- The PACAP does not currently describe the timekeeping methods for all employees. Timekeeping and allocations are described for those in the time studies as well as those who fill out personal activity reports. Time recording for individuals in administrative functions who sign in and out on an office log in accordance with state policies and procedures are not described in the PACAP.

- The Department makes roughly 45 routine adjusting entries each month. Only a few of those entries, such as depreciation, are described in the PACAP. The PACAP should include a description of each of the routine adjusting entries.

- Finally, methods for allocating costs to each job number are described in the PACAP. Those methods are subsequently coded alpha-numerically. Since coding does not appear in the plan document, it was difficult to identify and test whether the method used to allocate a specific job number was in accordance with the approved cost allocation plan. In order to accomplish testing, the Department provided other guidance and an intermediary worksheet consisting of 247 "allocation measurables". The current Appendix to the PACAP provides users with a listing of job numbers, the name of the allocation method used for each job number, and a reference to the PACAP Section where the executive, programmatic, administrative or support unit is discussed. The PACAP Section narrative indicates the allocation method(s) that apply to the job numbers that fall under its control. There is no presentation showing the specific alpha-numeric code of the allocation method which should be used for each job number. That information should be added to the Appendix.

The impact on federal programs can only be determined when the PACAP is amended.

Questioned Costs:

Not able to determine.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-31 (continued)***

Recommendation:

The Department should develop procedures to submit amendments to the Public Assistance Cost Allocation Plan on a timely basis. In addition, modification should be made to the PACAP to fully describe the actual processes in place.

Auditee Corrective Action Plan:

Concur.

This finding was noted in the prior year. The Department reassigned staff to prepare the updated and expanded PACAP. It is anticipated that the new document will be completed by the end of SFY 2008.

Contact Person: Adrian Henderson, Administrator III, Reporting and Analysis Services

Anticipated Completion Date: End of SFY 2008

Status as of February 12, 2009:

The Department of Health and Human Services, Reporting and Analysis Services unit, will complete an updated PACAP for submittal to the Division of Cost Allocation by February 27, 2009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Community Technical College System
US Department of Education ***Finding 2007-32***

CFDA # 84.007 ***Student Financial Aid Cluster***
CFDA # 84.032
CFDA # 84.033
CFDA # 84.038
CFDA # 84.063

Finding: Inaccurate Federal Reporting

Criteria:

Each year Title IV-eligible schools must report to the federal Department of Education (ED) the fiscal year's final campus-based aid disbursed by fund type, as well as the number of students receiving such aid. This reporting is done through the Fiscal Operations Report and Application to Participate or FISAP. The Fiscal Operations Report portion of the FISAP reports activities of the Federal Perkins Loans, Federal Work Study, and Federal Supplemental Educational Opportunity Grants campus-based programs for the previous award year and the Application to Participate portion of the FISAP is used to apply for program participation in the following year.

Condition:

Problems noted in the Community Technical College System's (Department) completion of FISAP reports, initially due on October 1, 2007, indicate that the Department needs to better coordinate and control this federal reporting activity.

The Colleges were not consistent in their completion of the FISAPs and did not sufficiently review the FISAPs prior to their submissions resulting in revisions and the FISAPs having to be resubmitted. In our review of the October 1, 2007 versions of the FISAPs, we noted instances where reported information did not agree with supporting documentation and where the Colleges were inconsistent in the sources of data used to complete the FISAPs. According to the Department, it is not clear that all of these sources had been vetted to ensure the reported information was correct. Errors were also noted in the revised December 15 FISAPs submitted by the Colleges to edit and correct the previously submitted October 1 versions of the FISAPs.

Cause:

The Department does not have adequate policies and procedures in place to ensure that the Colleges' FISAPs are accurate, complete, and present information in a consistent manner among the Colleges.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Community Technical College System
US Department of Education ***Finding 2007-32 (continued)***

Effect:

Inconsistent and inaccurate reporting of program data.

Questioned Costs:

Not able to determine.

Recommendation:

The Department should take responsibility for ensuring that the Colleges prepare the required FISAP reporting in an accurate, timely, and consistent manner that will ensure that the Colleges receive proper consideration by the ED in determining program operations and calculating the Colleges' allocations for the following program year.

The Department should establish comprehensive policies and procedures for the Colleges timely completion of the FISAP. The Department should establish the expectation that the Colleges prepare accurate FISAPs in time for the October 1 deadline. The Colleges should not operate with the expectation that incomplete or inaccurate reporting at October 1 is acceptable if corrected by December 1. The policies and procedures should be sufficiently detailed to ensure that accurate information is efficiently reported. Department-wide policies and procedures will promote the consistent determination of information among the Colleges allowing for greater efficiency in the preparation and review of accurate reports, and the Department's review and evaluation of the operation of the Colleges.

Auditee Corrective Action Plan:

During the review of the October 1, 2007 versions of the FISAP reports, the auditors noted inconsistent document sources have been employed by some of our colleges.

Data to fulfill FISAP reporting requirements is available from multiple sources. Some of those sources produce results that are immaterially variant. The Community College System of New Hampshire has relied on a review of these data sources for reasonableness.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Community Technical College System
US Department of Education ***Finding 2007-32 (continued)***

We agree that the October 1st FISAP submission should be rigorously and comprehensively prepared and reviewed prior to submission. It should be noted, however, that the required data systems/sources are not always fully reconciled/available to allow for completion by October 1st.

Nevertheless, we do agree that comprehensive policies and procedures for the timely completion of the FISAP must be established. We have created a new position within the Community College System's Financial Aid Compliance Department – Financial Aid Programs and Compliance Specialist. Working with the Director of Financial Aid Compliance and the seven College Financial Aid Directors, the individual in this position will be charged with reviewing and analyzing data sources, creating procedures for FISAP preparation, and coordinating the implementation of the procedures.

These procedures will include the use of consistent data sources for all seven colleges. Additionally, an independent review will be performed prior to the October 1st and December 15th FISAP submissions.

Contact Person:

Susan Proulx, Director of Financial Aid Compliance

Anticipated Completion Date:

The new position is expected to be filled by March 1, 2008. The new policies and procedures will be developed for implementation with the October 1, 2008 FISAP submissions.

Status as of February 12, 2009:

Partially Resolved. A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-47.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-35***

CFDA # 93.778 Medical Assistance Program

Finding: Client Liability For Home-Based HCBC-ECI Clients Not Collected

Criteria:

Federal administrative law 42 CFR 435.735 (a) requires the Bureau to reduce its payment under the HCBC-ECI waiver by the amount that remains after deducting certain specified amounts from the individual client's income. The Bureau's process for determining a client's cost share is included in N.H. Admin. Rule He-E 801.06.

Condition:

The Bureau did not require home-based clients receiving services under the Home and Community-Based Care – Elderly and Chronically Ill (HCBC-ECI) waiver to contribute toward their cost of care during fiscal year 2007, contrary to waiver requirements.

According to the Bureau, during fiscal year 2007 it did not have current policies and procedures or systems in place to collect a home-based client's required contribution toward cost of care. While the Bureau's plan included billing and collecting a home-based HCBC-ECI client's cost of care liability, the Bureau reported it had not collected on a home-based client's cost of care liability since January 2004. The Bureau estimates that it did not collect $38,000 during fiscal year 2007.

According to the Bureau, payments for HCBC-ECI clients living in a residential setting are reduced according to the federal program and administrative rule requirement.

Cause:

While the Bureau was aware that it was not complying with this requirement during fiscal year 2007, it did not take action to resolve the noncompliance until the issue was raised with the auditors.

Effect:

Medicaid payments in excess of the State Plan were expended.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-35 (continued)***

Questioned Costs:

$19,000

Recommendation:

The Bureau should adhere to the federal HCBC-ECI waiver requirements and reduce payments for services by the amount of the client's cost of care liability.

The Bureau should develop and implement a system supported by appropriate policies and procedures that will allow and promote the accurate collection of a home-based HCBC-ECI client's cost of care liability.

The Bureau should review why senior staff did not react sooner to this known issue of noncompliance. Failure to act in a timely manner to known noncompliance issues portends a weakness in the Bureau's control environment that should be addressed.

Auditee Corrective Action Plan:

We concur. In July 2004, the Bureau of Elderly and Adult Services (BEAS) was reorganized under the Division of Community Based Care Services and a new Bureau Administrator was recruited. Senior staff developed a corrective action plan that corresponds with the recommendations cited above in September 2007. Due to the sensitive nature of implementing a collection process, the initial step was to seek legal consultation to ensure that all necessary steps would be included in the process and that BEAS would follow the most appropriate timing. BEAS trained case managers and staff prior to implementation. A new process for calculating and collecting client contribution toward their cost of care was implemented on October 1, 2007.

BEAS will maintain the current process of the calculation and collection of cost share liability that is consistent with CMS requirements, section 1902 (a)(19). These procedures will be incorporated into a procedures manual to promote the accurate collection of a client's cost of care liability on a consistent and on-going basis.

BEAS has requested resource assistance from the Division of Community Based Care Services to assist in the development of policies and procedures regarding client cost of care. BEAS will incorporate defined measures within the context of these policies to address timely reaction to noncompliance issues.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-35 (continued)***

Note: It should be noted that the estimate of $38,000 of contribution potentially not received is a gross figure. When additional costs of administering the program are accounted for, there will be little or no net cost reduction to the program.

Contact Person:

Donna M. Mombourquette, Administrator, BEAS Long Term Care Unit, 603-271-0541

Anticipated Completion Date:

The plan was completed with its implementation, with written procedures to be developed by November 30, 2008

Status as of February 12, 2009:

Due to the number and complexity of BEAS rules to be written and approved, a new manager has been assigned to overhaul the BEAS rules unit. The rule referred to in this finding will be part of that process. Full implementation of the process can only be realized with the new MMIS system in 2009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-36***

CFDA # 93.778 Medical Assistance Program

Finding: Evidence Of Medical Eligibility Determination Not Consistently Retained

Criteria:

RSA 151-E:3 provides that, "A person is medicaid eligible for nursing facility services if the person is: (a) Clinically eligible for nursing facility care because the person requires 24-hour care for one or more of the following purposes, as determined by registered nurses employed by state or county government using an assessment tool:"

The Bureau of Elderly and Adult Services uses a multi-page medical eligibility determination form (MED) as an assessment tool to document the medical eligibility determination for nursing facility patients.

According to the Bureau, an annual MED has not been required for typical patients who have been determined eligible for nursing facility care on a long-term basis due to the presumed irreversibility of their chronic ailments. A new MED is prepared for an ongoing care patient only if the nursing facility requests the patient be reclassified as needing a different level of care such as a higher, atypical level care.

Condition:

The Bureau only updates a nursing facility patient's MED only upon a change in patient classification which resulted in the Bureau not maintaining an MED to support the medical eligibility determination of certain nursing facility patients.

Because the Bureau does not require an annual MED or other regular update to the medical eligibility files for nursing facility patients considered to be long-term patients, years may go by without file updates. In some instances noted during the audit, the medical eligibility files for certain patients currently in nursing facilities had been destroyed in accordance with the Bureau's seven-year file retention/destruction policy.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-36 (continued)***

The MED for three out of a sample of 63 (4.8%) nursing facility patients tested were not signed to evidence that the MED had been completed by a registered nurse (RN).

Cause:

Lack of attention to detail. The Bureau reported it was unaware that its current practices of not preparing regular MEDs resulted in instances where the Bureau retained no medical eligibility files for certain long-term patients.

The lack of a signature on competed MEDs could be due to the relatively inconspicuous placement of the form's signature block.

Effect:

Situations were noted where the Bureau did not retain evidence of having performed an MED for certain current patients.

Questioned Costs:

None.

Recommendation:

The Bureau should retain a current medical eligibility file, including a current, compliant MED, for each Medicaid patient receiving services in a nursing facility.

The Bureau should establish policies and procedures to ensure that a current MED is retained to support the Medicaid services provided. Included in those policies and procedures should be criteria to define what constitutes a current MED.

The Bureau should consider relocating the signature block on the MED to better highlight the requirement for an authorizing signature. MED's that do not include the signature of an RN should not be considered sufficiently complete to support a medical eligibility determination.

Auditee Corrective Action Plan:

We concur. As cited in the criteria section above, an annual MED is not required for typical patients who have been determined eligible for nursing facility care on a long-term basis due to the presumed irreversibility of their

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-36 (continued)***

chronic ailments. A new MED is prepared for an ongoing care patient only if the nursing facility requests the patient be reclassified as needing a different level of care such as a higher, atypical level care.

We concur with the "Recommendations", as follows:
The Long Term Care Unit, under the direction of the Long Term Care Administrator, will keep and maintain the files of people currently receiving Medicaid covered long term care services in a nursing facility. This file will contain the complete initial or most recent medical eligibility determination (MED) documentation.

The Bureau will establish record archiving policies and procedures to ensure that the eligibility determination documentation is retained to support current Medicaid clients receiving services. Criteria constituting medical eligibility as defined by RSA 151- E:3 will be included in said policies.

The Bureau will highlight the requirement for an authorizing signature on the MED algorithm tool, which serves as the completion of the eligibility assessment process. Additionally, the RN and the applicant will sign the support plan recommendations, which supports the client-centered process.

Contact Person:

Donna M. Mombourquette, Administrator, BEAS Long Term Care Unit, 603-271-0541

Anticipated Completion Date:

June 1, 2008

Status as of February 12, 2009:

The Long Term Care Unit, under the direction of the Long Term Care Administrator, will keep and maintain the files of people currently receiving Medicaid covered long term care services in a nursing facility. This file will contain the complete initial or most recent medical eligibility determination (MED) documentation. The Bureau will establish record archiving policies and procedures to ensure that the eligibility determination documentation is retained to support current Medicaid clients receiving services. Criteria constituting medical eligibility as defined by RSA 151- E:3 will be included in said policies. The Bureau will highlight the requirement for an authorizing signature on the MED algorithm tool, which serves as the completion of the eligibility assessment process. Additionally, the RN and the applicant will sign the support plan recommendations, which supports the client-centered process.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-37***

CFDA # 93.778 Medical Assistance Program

Finding: Provider Disclosures Are Not Obtained From All Required Providers

Criteria:

The Federal Medicaid Program rules require that payments cannot be made to providers who have been suspended or excluded from Program participation.

Federal administrative rules 42 CFR 445.104 through 42 CFR 445.106 provide requirements for provider disclosure of ownership and control information to ensure that state Medicaid agencies are aware of provider identity for consideration of continued eligibility.

While the Department's State Plan is in accordance with Medicaid Program (Program) disclosure requirement, Department practices do not include activities to ensure that State Plan provisions required by 42 CFR 445.104 through 42 CFR 445.106 are met.

Condition:

The Department cannot ensure that certain of its enrolled Medicaid providers are, and remain, eligible for participation in the Program.

The Department uses the provider enrollment process to collect required disclosure information for providers not subject to the Department's survey process. Because the Department does not require enrolled Medicaid providers to re-enroll after their initial application, the enrollment of some providers occurred years ago, prior to the disclosure requirement. As a result, the enrollment applications for some providers do not include the ownership and control disclosures. For example, one provider selected as a sample test item had an enrollment application that was completed in 1985.

While the Department's current provider enrollment application requires disclosure of information pertaining to ownership or control interests, adverse legal actions against the provider, and disclosure of ownership of subcontractors with whom the provider had done business with, the Department has not taken any steps to obtain the required disclosures from the providers that continue to operate without having made the required disclosures.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-37 (continued)***

According to the Department, all providers will need to re-enroll and required disclosures will be obtained when the State implements its new MMIS system.

Cause:

Department has not required regular reenrollment of all providers and has not obtained disclosures from providers that were not required to make disclosures upon enrollment.

Effect:

The Department is not able to use the disclosure information in its fraud detection and investigation program as intended by the federal administrative law.

The Department cannot be certain it is preventing individuals that are suspended or excluded from participating in the Program.

Questioned Costs:

Not able to determine

Recommendation:

The Department should implement practices that promote the timely receipt and consideration of provider ownership, control, and other information necessary to ensure enrolled providers remain eligible for continued Program participation.

Auditee Corrective Action Plan:

We concur.
Providers do not get enrolled unless they provide the required documentation and the Department does monitor licensure information and works with Health Facilities Licensing and the professional licensing boards to obtain the updated information. Letters and reminders are sent to providers that the licensure information is required.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-37 (continued)***

As part of the National Provider Identifier (NPI) process, we are currently contacting all providers that have not provided their NPI and at the same time verifying Tax ID information. No medical provider will be mapped to the old provider number with out a NPI.
There is currently no mechanism, however, to terminate providers or stop payment to a provider who does not provide the requested updated license. This will be included in the development of the new MMIS system scheduled for implementation January 1, 2009.

As part of the Medicaid Management Information System (MMIS) Implementation project, a provider re-enrollment process will be implemented through which all Medicaid providers will need to submit a current NH Medicaid provider application and all required supporting documentation.

As part of the enrollment validation process, the provider will be checked against the Medicare Exclusion database as one validity check.

Following re-enrollment, the system will monitor each licensed provider's license expiration date and will generate letters to the provider to remind the provider of the upcoming license expiration date and to encourage a renewal of the license. If a license date expires and the provider has not renewed the license, claims for dates of service after the expiration date will be set to suspend for a period of time, to allow Department staff to outreach to that provider to review the license status.

The fiscal agent will conduct Direct Source validation with the licensing entities to validate that the provider's license has been extended.

The SURS unit will continue to monitor CMS correspondence regarding any action taken against NH Medicaid providers based on Medicare exclusion activity and will continue to advise the fiscal agent on steps that need to be taken on the provider's enrollment record.

Contact Person:

Kerri L. Coons, Business Systems Analyst II, BEAS Business Systems Unit Manager, 603-271-8362

Anticipated Completion Date:

January 1, 2009

Status as of February 12, 2009:

BEAS has incorporated enrollment validation procedures to monitor each provider's license status. SURS monitors CMS and licensing notifications regarding vendor status and provides internal notifications. The issue will be resolved with the implementation of the new Medicaid Management Information System scheduled to go into use calendar 2009.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-38***

CFDA # 93.044 Special Programs for the Aging – Title III, Part B ***Aging Cluster***
CFDA # 93.045 Special Programs for the Aging – Title III, Part C
CFDA # 93.053 Nutrition Services Incentive Program

Finding: Lack Of Formal Policies And Procedures For Administering Title III and Title XX Programs

Criteria:

Federal administrative law, 45 CFR 1321.11 states, "The State agency on aging shall develop policies governing all aspects of programs operated under this part, including the ombudsman program whether operated directly by the State agency or under contract. These policies shall be developed in consultation with other appropriate parties in the State. The State agency is responsible for enforcement of these policies."

The Bureau of Elderly and Adult Services should not be dependent upon the continued performance of key employees for Title III, Aging Grants, and Title XX, Community Services Block Grant, federal fund compliance. Formal policies and procedures should be developed to reduce the risk of noncompliance due to staff unfamiliarity with undocumented policies and procedures due to employee turnover or other reasons.

Condition:

The Bureau does not maintain written policies and procedures to ensure continued compliance with certain Title III Aging Grants requirements including Cash Management, Maintenance of Effort, Reporting, and Subrecipient Monitoring. BEAS is dependent on the experience of key personnel to maintain federal fund compliance.

Cause:

Resources of the Bureau not applied to preparing policies and procedures.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-38 (continued)***

Effect:

The Bureau is at increased risk for Title III and Title XX federal fund non-compliance due to lack of written policies and reliance on key personnel. The Bureau is dependent on key personnel to execute routine monthly transactions, ensure matching and maintenance of effort requirements are met, prepare annual and semi-annual reports, and respond effectively to on-site review findings.

Questioned Costs:

Not able to Determine

Recommendation:

The Bureau should establish policies and procedures for the administration of the Title III and Title XX programs. The policies and procedures should be sufficiently comprehensive to allow for the continued controlled operation of the programs without overreliance on incumbent, key employees. Compliance requirements and activities for these programs should be documented and communicated to personnel responsible for their execution. The policies and procedures should include monitoring activities to ensure that the compliance activities operate as intended.

Auditee Corrective Action Plan:

We concur. BEAS's policies and procedures for both Title III and Title XX services were developed long ago. They have been incorporated over time into contracts from which the majority of services under Title III and Title XX are delivered and paid. It is the Bureau's intention during the next year to review and develop written comprehensive policies and procedures for both Title III and Title XX services.

BEAS has maintained compliance with Title III requirements including Cash Management, Maintenance of Effort, Reporting and Sub Recipient Monitoring. BEAS does concur that the documentation should be sufficiently comprehensive as to allow for the continued controlled operations of the program without over reliance on incumbent or key employees. In SFY 2007, the Bureau conducted on-site reviews at 10 agencies for sub recipient monitoring. For SFY 2008, BEAS, with assistance from the Bureau of Improvement and Integrity, will be conducting 10 additional on-site reviews. The Bureau is currently undertaking a pro-active approach in cross-training individuals on the grant requirements of Title III and Title XX service programs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department of Health and Human Services
US Department of Health and Human Services ***Finding 2007-38 (continued)***

The Bureau is also seeking resource assistance from the Division of Community Based Care Services for the development of written policies and procedures for the Title III and Title XX services.

Contact Person:

Richard St. Onge, BEAS Financial Manager, 603-271-2989

Anticipated Completion Date:

April 30, 2008 for all reporting functions and November 30, 2008 for final written administrative policies and procedures.

Status as of February 12, 2009:

BEAS has recently hired a policy and procedures writer. This individual started work in November 2008 and has begun working on the policies and procedures referred to in these findings.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2006-24***

CFDA # None ***All Programs Administered By The Department***

Finding: ***Public Assistance Cost Allocation Plan Needs Updating***

The New Hampshire Department of Health and Human Services (the Department) has not updated its Public Assistance Cost Allocation Plan since June 2003. Subsequent to that time there have been organizational and allocation methodology changes. The most notable change occurred in state fiscal year 2004 when the Department's Office of Information Systems began merging with other information technology units within the state and became a part of the new Office of Information Technology (OIT), a separate department not under the Department of Health and Human Services. The Department's Public Assistance Cost Allocation Plan (PACAP) has not been updated for these changes. Costs from the PACAP are used to charge Department administrative costs to federal programs.

Under federal requirements, the Department is considered a public assistance agency. As such, it must prepare and negotiate a PACAP. A PACAP describes the procedures used to identify, measure, and allocate all costs to each of the programs administered by the Department. According to Title 45 of the *Code of Federal Regulations*, Part 95.509(a), " the State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA" (Division of Cost Allocation of the U.S. Department of Health and Human Service) "if …the following … occur(s): … The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures." A delay in amending the cost allocation plan on a timely basis could result in disallowed costs. The Department has been working on an amendment.

In addition to amending the PACAP to reflect organizational changes, there are some other areas that should be modified to further clarify and enhance the description of the PACAP as follows:

- The PACAP does not currently describe the timekeeping methods for all employees. Timekeeping and allocations are described for those in the time studies as well as those who fill out personal activity reports. Time recording for individuals in administrative functions who sign in and out on an office log in accordance with state policies and procedures are not described in the PACAP.

- The Department makes roughly 45 routine adjusting entries each month. Only a few of those entries, such as depreciation, are described in the PACAP. The PACAP should include a description of each of the routine adjusting entries.

- Finally, methods for allocating costs to each job number are described in the PACAP. Those methods are subsequently coded alpha-numerically. Since coding does not appear in the plan document, it was difficult to identify and test whether the method used to allocate a specific job number was in accordance with the approved cost allocation plan. In order to accomplish testing, the Department provided other guidance and an intermediary worksheet consisting of 247 "allocation measurables".

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2006-24 (continued)***

CFDA # None ***All Programs Administered By The Department***

The current Appendix to the PACAP provides users with a listing of job numbers, the name of the allocation method used for each job number, and a reference to the PACAP Section where the executive, programmatic, administrative or support unit is discussed. The PACAP Section narrative indicates the allocation method(s) that apply to the job numbers that fall under its control. There is no presentation showing the specific alpha-numeric code of the allocation method which should be used for each job number. That information should be added to the Appendix.

The exact impact on federal programs can only be determined when the PACAP is amended.

Questioned Costs:

Not Determinable

Recommendation:

The Department should develop procedures to submit amendments to the Public Assistance Cost Allocation Plan on a timely basis. In addition, modification should be made to the PACAP to fully describe the actual processes in place.

Auditee Corrective Action Plan:

The New Hampshire Department of Health and Human Services (DHHS) has been engaged in a series of organizational changes that commenced at the end of State Fiscal Year (SFY) 2004 with the Governor's centralization of State technical staff into a new State department called Office of Information Technology (OIT). DHHS staff from the Reporting and Analysis Services unit (RAS), the unit responsible for cost allocation and the preparation of the Department's Public Assistance Cost Allocation Plan, worked with DHHS and OIT management during the formation of OIT to assist OIT with the development of methodologies to allocate its costs to the individual State departments/agencies it serves, and to ensure that the DHHS allocation methods would continue to be utilized for allocating the costs of information technology, even with the additional step of OIT "invoicing" the DHHS for costs incurred. Thus, DHHS ensured the continuing integrity of the established allocation methodologies, approved by DCA, for allocating the DHHS technical costs.

Similarly, other internal departmental reorganization did not result in new allocation methodologies, but rather in updates to the specific pools used in the methods. For this reason, delays in the preparation of a new PACAP, caused by key staff vacancies, are ameliorated by the fact that the procedures (reference below) and methodologies used remained unchanged.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2006-24 (continued)***

CFDA # None ***All Programs Administered By The Department***

According to Title 45 of the *Code of Federal Regulations*, Part 95.509(a), " the State shall promptly amend the cost allocation plan and submit the amended plan to the Director, DCA" (Division of Cost Allocation of the U.S. Department of Health and Human Service) "if …the following … occur(s): … The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes in Federal law or regulations, or significant changes in program levels, affecting the validity of the approved cost allocation procedures."

Furthermore, Part 95.509(b) states,

> *If a State has not submitted a plan or plan amendment during a given State fiscal year, an annual statement shall be submitted to the Director, DCA certifying that its approved cost allocation plan is not outdated. The statement shall be submitted within 60 days after the end of that fiscal year.*

It was believed that per Part 95.509(b) the previous Administrator of the RAS unit had submitted annual statements but, unable to locate copies of such documents, the current Administrator submitted a letter dated March 23, 2006 to Robert Aaronson of DCA to provide that documentation; a copy of this letter was provided during the audit.

The DHHS acknowledges that an updated PACAP is overdue and is currently engaged in a rewrite to include the formation of OIT and other reorganization-related changes. Furthermore, the DHHS will develop internal procedures to ensure that amendments to the PACAP are submitted in a more timely way.

The DHHS agrees to include more detailed timekeeping information in the new PACAP.

The DHHS will add an exhibit to the PACAP to describe the current routine ("recurring") monthly adjustments made through its cost allocation process.

The DHHS will include in the new PACAP additional documentation to provide easier cross-reference of allocation methods to the applicable PACAP sections and an additional exhibit of descriptions for the approximately 247 measurables.

Contact Person:

Adrian Henderson, Administrator III, Reporting and Analysis Services

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2006-24 (continued)***

CFDA # None ***All Programs Administered By The Department***

Status as of February 12, 2009:

Unresolved. A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-28.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2005-12***

CFDA # 93.778 ***Medical Assistance Program***

Reportable Condition: ***No Review Of DSH Information Submitted By General Hospitals***

The N.H. Department of Health and Human Services (the Department) does not perform a review of information submitted by general hospitals for purposes of performing the annual disproportionate share (DSH) calculation, which annually totals approximately $100 million.

Pursuant to the approved Medicaid State Plan (the Plan) Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The Plan specifically defines a disproportionate share hospital and the method of calculating the rate for these hospitals. Under State statute, the State assesses a 6% tax on the hospitals net patient service revenue (gross patient service revenue beginning on 7/1/05). The hospital is then reimbursed for the lesser of the 6% tax or uncompensated care, which is defined in the Plan, for which the Department requests 50% reimbursement under the Medicaid grant.

A non-profit organization, the New Hampshire Hospital Association (NHHA), assists the State's general hospitals in submitting their annual tax return and uncompensated care calculation. During our review of the annual tax return worksheets, we noted that much of the information submitted by the hospitals could not be substantiated to audited financial statements. In addition, it appears that the Department does not perform a review of the information submitted for purposes of the DSH calculation. The lack of review can result in over or under-reimbursement from the Federal government, and has in the past.

Questioned Costs:

None

Recommendation:

We recommend that the Department implement policies and procedures to perform reviews of information submitted by the hospitals. The reviews should, at a minimum, include a comparison of information submitted to the hospitals annual financial statements with any variances reviewed and documented.

Status as of February 12, 2009:

Partially Resolved. A similar finding was identified in the 2008 single audit report. See finding and corrective action plan at 2008-7.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2005-21***

CFDA # 93.767 ***State Children's Health Insurance Program***

Reportable Condition: ***Income Not Properly Verified***

States have flexibility in determining eligibility levels for beneficiaries of the State Children's Health Insurance Program (SCHIP), which is documented in the approved State Plan. Per the State Plan section 4.1.3, in order to be eligible for SCHIP "family income must be greater than 185% and equal to or less than 300% of the federal poverty level". In order to verify the income reported, per section 4.1.3, the documentation obtained should include paycheck stubs, W-2s, income tax returns and letters from employers on company letterhead.

During our testwork, we noted one instance of 30 (3%) that there was no verification of the income on file, and thus, we were unable to determine if the beneficiary was eligible for benefits. We will question all costs paid for this beneficiary during the fiscal year, totaling $1,242.

Questioned Costs:

$1,242

Recommendation:

We recommend that the Department of Health and Human Services (the Department) implement policies and procedures that would ensure that every beneficiary's income is properly verified prior to enrollment in SCHIP.

Status as of February 12, 2009:

Partially resolved. The State implemented and completed corrective action, however, the federal awarding agency has not made a management decision regarding the questioned costs.

SUMMARY STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FISCAL YEARS 2007, 2006, AND 2005

NH Department Of Health And Human Services
US Department Of Health And Human Services ***Finding 2005-23***

CFDA # 93.778 ***Medical Assistance Program***

Finding: ***Expired Administrative Rules Governing Residential Care And Home Health Care Facilities***

The federal and state governments jointly finance the Medicaid program. Within broad federal rules, the State is authorized to establish detailed and more restrictive program requirements. The legal basis for the establishment of the Medicaid program in New Hampshire is codified in state statutes. The Commissioner of Health and Human Services is required to adopt, per state statute RSA 151:9 and 9-a, administrative rules necessary for the administration of the Medicaid program.

A number of administrative rules related to licensing and classifying residential care and health facilities including home health care providers have expired and have not been readopted by the Department. These rules (chapter He-P 801 – 829) expired in 1999 and 2000. The rules detailed the regulations for licensure of various types of providers of medical services. Therefore, with the expiration of the aforementioned rules, the Department does not have a legal basis with which to enforce these requirements. This finding has been noted in the State's Single Audit Report since 1999.

Questioned Costs:

None

Recommendation:

We recommend that the Department update the administrative rules over the Medicaid program to properly reflect the requirements and current practices of the program.

Status as of February 12, 2009:

Partially resolved. A similar finding was included in the 2008 single audit report. See finding and corrective action plan at 2008-11.

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State Agency Listing In Numerical Order

Appendix A-1

AGENCY NUMBER	AGENCY NAME
0205	Governor's Commission on Disability
0240	Governor's Office of Energy and Planning
0300	Information Technology, Office of
0400	Legislative Branch
0700	Judicial Council
1000	Judicial Branch
1200	Adjutant General
1300	Pease Development Authority
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
2000	Justice, Department of
2300	Safety, Department of
2400	Insurance Department
2500	Highway Safety Agency
2600	Labor, Department of
2700	Employment Security, Department of
2800	Real Estate Commission
3100	Joint Board of Licensure
3200	Secretary of State
3400	Cultural Resources, Department of
3500	Resources and Economic Development, Department of
3600	Ports and Harbors, NH Division of
3700	Community Development Finance Authority
3800	State Treasury
4300	Veterans Home
4400	Environmental Services, Department of
4600	Corrections, Department of
5000	University of New Hampshire
5100	Accountancy, Board of
5600	Education, Department of
5700	Postsecondary Education Commission
5800	Regional Community-Technical Colleges, Department of
5900	Retirement System
6100	Christa McAuliffe Planetarium
6400	Boards and Commissions, Various
6600	Veterans Council
6800	Electricians, Board of
7200	Bank Commission

STATE AGENCY LISTING IN NUMERICAL ORDER

APPENDIX A-1 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
7300	Public Employees Labor Relations Board
7400	Administrative Attached Boards
7500	Fish and Game, Department of
7600	Human Rights Commission
7700	Liquor Commission
8100	Public Utilities Commission
8300	Lottery Commission
8400	Revenue Administration, Department of
8500	State Council on Aging
8600	Pari-Mutuel Commission
8700	Police Standards and Training Council
8900	Tax and Land Appeals, Board of
9500	Health and Human Services, Department of (all divisions combined)
9600	Transportation, Department of
9700	Developmental Disabilities Council

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2

AGENCY NUMBER	AGENCY NAME
5100	Accountancy, Board of
1200	Adjutant General
7400	Administrative Attached Boards
1400	Administrative Services, Department of
1800	Agriculture, Markets and Food, Department of
7200	Bank Commission
6400	Boards and Commissions, Various
6100	Christa McAuliffe Planetarium
3700	Community Development Finance Authority
4600	Corrections, Department of
3400	Cultural Resources, Department of
9700	Developmental Disabilities Council
5600	Education, Department of
6800	Electricians, Board of
2700	Employment Security, Department of
4400	Environmental Services, Department of
7500	Fish and Game, Department of
0205	Governor's Commission on Disability
0240	Governor's Office of Energy and Planning
9500	Health and Human Services, Department of (all divisions combined)
2500	Highway Safety Agency
7600	Human Rights Commission
0300	Information Technology, Office of
2400	Insurance Department
3100	Joint Board of Licensure
1000	Judicial Branch
0700	Judicial Council
2000	Justice, Department of
2600	Labor, Department of
0400	Legislative Branch
7700	Liquor Commission
8300	Lottery Commission
8600	Pari-Mutuel Commission
1300	Pease Development Authority
8700	Police Standards and Training Council
3600	Ports and Harbors, NH Division of
5700	Postsecondary Education Commission
7300	Public Employees Labor Relations Board

STATE AGENCY LISTING IN ALPHABETICAL ORDER

APPENDIX A-2 (CONTINUED)

AGENCY NUMBER	AGENCY NAME
8100	Public Utilities Commission
2800	Real Estate Commission
5800	Regional Community-Technical Colleges, Department of
3500	Resources and Economic Development, Department of
5900	Retirement System
8400	Revenue Administration, Department of
2300	Safety, Department of
3200	Secretary of State
8500	State Council on Aging
3800	State Treasury
8900	Tax and Land Appeals, Board of
9600	Transportation, Department of
5000	University of New Hampshire
6600	Veterans Council
4300	Veterans Home