

STATE OF NEW HAMPSHIRE
Department of Environmental Services
Water Division – SRF Financial Audit Management Letter
Audit Report Date: July 2016
AUDIT FINDING Corrective Action Plan FINAL

Completion Status:

- Open** •
- Partially Resolved** ••
- Substantially Resolved** •••
- Fully Resolved** ••••

Status as of January 1, 2019

Obs #	Observation Title	Recommendation	Action Item	Due Date	Completion Status	Comments
1	<i>Establish Policies and Procedures to support all significant operational & financial accounting and reporting activities</i>	Management of the SRF should establish policies and procedures to support all significant operational and financial accounting and reporting activities. Coordination with the Department of Administrative Services and the State Treasury. Regular training, including cross training, should occur so the SRF can operate in a controlled and efficient environment and manner, even when there is turnover in key employee positions.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
2	<i>Establish policies and procedures for timely posting of financial transactions</i>	The SRF should establish policies and procedures for recording transactions in the Project Manager system, including adjusting and other correcting entries, that ensures transactions are posted timely and a complete historical accounting record is preserved.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
3	<i>Establish policies and procedures for regular reconciliation of information systems</i>	The SRF should establish policies and procedures for the regular reconciliation of the common data in its Project Manager and NHFirst information systems.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	

4	<i>Establish policies and procedures to account for and report state match transactions</i>	The SRF should establish policies and procedures to account for and report State match transactions funded from bond proceeds. The SRF should coordinate its policies and procedures with the Department of Administrative Services and the State Treasury to ensure that they align with and support the State's policies and procedures for recording and reporting similar financial activity.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	●●●●	
5	<i>Establish policies and procedures for a formal bank reconciliation</i>	The SRF should establish policies and procedures for a formal bank reconciliation process that includes full documentation of reconciliations by both the preparer of the reconciliation and a reviewer and approver of the reconciliation. The SRF should request the State Treasury to establish a separate bank account for management fees. A separate bank account will allow for a reconciliation of the entire SRF cash bank balance to the Project Manager cash accounts and improve the reliability of the financial statements.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	●●●●	
6	<i>Establish a formal risk assessment process</i>	The Department and SRF program should establish a formal risk assessment process supported by policies and procedures for recognizing, evaluating, and responding to risks that could affect their ability to reach their objectives.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	●●●●	
7	<i>Continue with rewrite of continuity of operations plan</i>	The Department should continue with the rewrite of their	All policies and procedures have been	Completed	●●●●	

		COOP/Disaster Recovery Plan to ensure the plan addresses the objectives of both a continuity of operations and a disaster recovery plan, and the plan is suitable for its purpose.	updated to incorporate audit recommendations.			
8	<i>Establish policies and procedures for investment of excess SRF funds</i>	The SRF should take increased responsibility for managing the investment of excess SRF funds to ensure an optimal return on the investment of its excess cash.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
9	<i>Reassign Incompatible responsibilities</i>	The SRF should review and reassign as practical the incompatible responsibilities currently assigned to this employee	Incompatible responsibilities have been reassigned.	Completed	••••	
10	<i>Establish appropriate policies and procedures for determining and reporting accounts receivable</i>	The SRF should consider seeking assistance from the Department of Administrative Services, Bureau of Financial Reporting, if necessary to ensure that the policies and procedures establishing the basis of SRF's financial accounting and reporting are compliant with generally accepted accounting principles.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
11	<i>Institute controls to ensure charge rates are accurately determined</i>	The SRF should review the cause of the above noted errors and institute controls to ensure charge rates as outlined in the SRF program administrative rules are accurately determined and consistently applied.	New controls have been instituted to ensure charge rates are accurate.	Completed	••••	
12	<i>Implement policies and procedures to ensure access to the project manager system is appropriate based on employee job responsibilities</i>	The SRF should implement policies and procedures to ensure access to the Project Manager system is appropriate based on the employee's job responsibilities. Access should be periodically reviewed to ensure that access	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	

		levels continue to remain appropriate, and that only current SRF employees maintain access.				
13	<i>Draw federal funds at the earliest date allowed</i>	The SRF should draw federal funds at the earliest date allowed by the federal program or regulations. The SRF should review the TSA with the State Treasury and the federal agencies to ensure that a correct understanding exists of the TSA conditions.	DES has worked with Treasury to ensure that all parties understand the proper timing of draws as delineated in the TSA.	Completed	••••	
14	<i>Establish policies and procedures to encourage timely repayments</i>	The SRF should establish policies and procedures encouraging borrowers to make timely repayments on outstanding loans. The SRF should consider charging late payment fees when allowed by rule and contract.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
15	<i>Principal forgiveness should be recorded in accordance with SLAs and be subject to review and approval</i>	The SRF should review, evaluate, and document its current practices to determine and record loan repayment schedules to improve initial and continued compliance with the loan agreements.	Procedures have been revised to insure current practices are in accordance with loan agreements.	Completed	••••	
16	<i>Implement policies and procedures to record revenue in the audit fund set-aside account</i>	The SRF should implement policies and procedures to ensure that the appropriate amount of revenue is recorded in the audit fund set-aside account, as required by RSA 124:16, and the <i>Statewide Indirect Cost Allocation Plan</i> .	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
	FEDERAL COMPLIANCE					
1	<i>Noncompliance with applicable funding technique over administrative costs in the treasury-state agreement</i>	DES should review the TSA prior to requesting funds, to ensure the approved clearance patterns for administrative costs are met. DES should establish procedures to ensure drawdowns are performed quarterly, as prescribed in the	DES in conjunction with Treasury have reviewed and updated the TSA for administrative draws.	Completed	••••	

		TSA.				
2	<i>Lack of appropriate system access permission controls</i>	DES should implement policies and procedures to ensure access to the Project Manager system is appropriate based on the employee's job responsibilities.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
3	<i>Noncompliance with annual and final federal financial reports (FFR) SF-425</i>	The DES should make it a priority to file timely annual FFR's for any grant open during the fiscal year, and file final FFRs, as required	FFRs are now being filed on a timely basis.	Completed	••••	
4	<i>Noncompliance with requirements over period of performance for the DWSRF program</i>	DES should establish controls, including written policies and procedures, related to period of performance requirements to ensure draws are drawn within a grant's period of performance	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	
5	<i>Noncompliance and control failure over monitoring of subrecipient audits</i>	DES should maintain necessary staff levels to conduct ordinary business and review controls to ensure they are designed, implemented, and operating effectively.	DES staffing levels have been increased to ensure we are meeting federal review compliance requirements.	Completed	••••	
6	<i>Noncompliance with setting of principal and interest repayment due dates</i>	DES should establish policies and procedures, including documented review and approval controls, over loan repayments to ensure that the federal compliance requirements are met.	All policies and procedures have been updated to incorporate audit recommendations.	Completed	••••	