

Agency Name	Revenue Administration
Audit Name	Financial Audit Report
Audit Period	Fiscal Year Ended June 30, 2022
Status Report Date	February 26, 2024

Summary of Audit Observations/Findings					
Number	Observation Title	Status (place X in status column)			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	Adhere To Risk Management Policies and Procedures			X	
2	Monthly Revenue Reconciliation Control Should be Strengthened				X
3	Fiscal Year-End Reporting Process Should be Improved				X
4	Policies and Procedures Supporting Department Operations Should Be Updated			X	
5	Controls Over Accounts Payable Processing Should Be Strengthened				X

Observation No. 1 - Adhere To Risk Management Policies And Procedures

Summary of Finding: In fiscal year 2020, the Department established a Risk Management Plan (Plan) to identify, assess and mitigate potential threats arising from all areas of the Department's operations. The Plan requires a Core Risk Management Team (Core Team) of Department personnel to meet annually to identify, assess and select risks for Project Teams to perform a comprehensive risk analysis, and create and implement a risk control plan for those risks exceeding the Department's risk tolerance.

The following instances of noncompliance with Plan requirements were noted:

- The Core Team did not identify risks for which the Project Teams would perform a comprehensive risk analysis.
- The risk assessment results for fiscal year 2022 were not documented in a risk management report for review by senior management.
- The Department was unable to provide documentation or details of 1) each quarterly meeting held and 2) the annual Plan for fiscal year 2022.

Current Status: With the Internal Auditor position not filled until April of 2023, the Risk Management Committee was unable to meet on a regular quarterly basis in FY23. The Committee has met regularly in FY24 and has identified risks that are currently being analyzed and slated for completion by end of April. The Risk Management Report will be prepared for senior management by end of FY24.

Observation No. 2 - Monthly Revenue Reconciliation Control Should Be Strengthened

Summary of Finding: The Department's monthly reconciliation of revenues recorded in the Revenue Information Management System (RIMS) to the State accounting system, NHFirst, is incomplete and lacks a formal review and approval.

Current Status: For fiscal year 2023 and forward, the Department developed a procedure to perform the monthly revenue reconciliation that includes a formal review and approval process via signature and date in the RIMS general ledger.

Observation No.3 - Fiscal Year-End Reporting Process Should Be Improved

Summary of Finding: The Department did not adequately review and approve significant year-end tax accounts receivable information provided to the Department of Administration (DAS) for inclusion in the State's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. Additionally, DAS inadvertently omitted from the ACFR the Department's corrections to the original submission.

Current Status: For fiscal year 2023 and forward, the Department developed and documented a procedure for calculating year end accruals, which includes a formal review and approval process via signature and date. Further, DAS updated the MOP 2400 Annual Closing Review to include a central financial reporting email address to submit fiscal year end exhibits. This will prevent email

communications from being missed during the financial closing period. The Department will also confirm receipt by DAS of year end accrual information, and any subsequent corrections.

Observation No.4 - Policies And Procedures Supporting Department Operations Should Be Updated

Summary of Finding: Policies and procedures supporting Department operations have not been kept current to assist staff and others in the performance of their job responsibilities.

- The Audit Division manual, intended to provide auditors with an understanding of their responsibilities in the conduct of audit assignments, was last substantially updated in 2015 with further partial revisions occurring in 2020 at the onset of the COVID-19 pandemic when the responsible employee for the update was reassigned to perform other duties.
- The Collections Division manual, intended to outline the authority and responsibilities of the Department to enforce the timely filing of tax returns and the timely payment and collection of unpaid taxes, interest, penalties, and related administrative expenses, was partially updated in 2019 but revision efforts were halted due to the implementation of the Revenue Information Management System (RIMS) which concluded in August 2021.
- The Taxpayer Services Division maintains policies and procedures intended to communicate acceptable practices for processing tax returns and related payments, maintaining and reconciling taxpayer accounts, and providing assistance to the public. The Division reported it was updating its policies during fiscal year 2022 as time permitted, including making policy changes for Coronavirus Aid, Relief, and Economic Security (CARES) Act recoupments relative to the Main Street Relief Fund and Self-Employed Livelihood Fund. Auditors note many of the Division's policies are not dated and, as a result, we were unable to determine if the policies were current.
- The Municipal and Property Division publishes an Equalization manual, intended to describe the annual equalization process for the statewide education property tax, and a Municipal Matters manual, intended to provide technical assistance for tax collectors in the state. The Equalization and Municipal Matters manuals used by the Department and posted on the Department's website during fiscal year 2022 were last updated by the Department in 2020 and 2019, respectively.

Current Status: The Assistant Commissioner began a thorough review of each division manual beginning in fiscal year 2023. Meetings occurred monthly starting at the end of fiscal year 2023 and through fiscal year 2024 to date. Manual reviews and updates are scheduled to be complete by the end of fiscal year 2024.

Observation No.5 - Controls Over Accounts Payable Processing Should Be Strengthened

Summary of Finding: The Department does not consistently record expenditures in the correct accounting period.

Current Status: The Department will encourage vendors to remit year-end invoices timely to allow the Business Office to code payments for the correct fiscal year. Starting in fiscal year 2023, DAS extended the 60-day accounts payable review to a 90-day accounts payable review. This extension reduces the risk of receiving an invoice after the accounts payable review has ended. The Assistant Commissioner reviews the Annual Closing Review issued by DAS with the Business Office to ensure all fiscal year end procedures are met.