

Agency Name	Revenue Administration
Audit Name	Financial Audit Report
Audit Period	Fiscal Year Ended June 30, 2014
Status Report Date	June 30, 2019

Summary of Audit Observations/Findings					
Number	Observation Title	Status [place X in status column]			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	<i>Establish Formal Risk Assessment Policies and Procedures</i>				X
2	Establish Disaster Recovery and Business Continuity Plans				X
3	Obtain and Evaluate Understanding of Relevant Controls at Service Provider				X
4	Planning for Acquisition of New Tax Information System Should Continue				X
5	Review of Accounts Payable Practices				X
6	Monitor Compliance with Filing of Statements of Financial Interests				X
7	Facilitate Compliance with Municipal Reporting Statute				X
8	Adopt Required Administrative Rules				X

EXAMPLE Observation 1: No Formal Risk Assessment over XYZ program

Summary of Finding: Agency has not performed a formal risk assessment. An effective assessment is the foundation for developing and implementing effective internal controls to eliminate, mitigate or otherwise manage identified risks.

Current Status: Substantially Resolved. Agency in connections with DAS, utilized the Internal Control Toolkit and performed a formal risk assessment. The next step is to implement new processes and controls to minimize the identified risks. Completion Date estimated: August 2019

Observation 1: Establish Formal Risk Assessment Policies and Procedures

Summary of Finding: The Department does not have formal risk assessment policies and procedures or described processes in place for recognizing and responding to risks potentially affecting the Department's operations.

Current Status:

- In FY16, the DRA composed a comprehensive "FY16 Risk Assessment Plan" to identify threats from areas to potential internal, external and informational risk with a Core Risk Assessment Team, led by the Assistant Commissioner. The Core Risk Assessment Team held regular quarterly meetings with members from each area of the DRA's operations to discuss identified areas of risk within the DRA as well as new issues with respect to DRA risk and security. The work of the Core Risk Assessment Team was guided by a "FY16 Risk Assessment Program" that incorporated the DRA's existing policies and procedures into a comprehensive plan addressing data security, employee training, security alerts, human resources security, physical security, and disaster recovery.
- The DRA continued to operate a risk assessment program under substantially similar iterations of the FY16 plan through FY19.
- For FY20, the DRA has established a new "FY20 Risk Management Plan" that retains the Core Risk Assessment Team format with the addition of new "Project Teams" that will select several risks each year to more comprehensively analyze and resolve with risk mitigation recommendations.

Observation 2: Establish Disaster Recovery and Business Continuity Plans

Summary of Finding: The Department did not have updated disaster recovery or business continuity plans in place during fiscal year 2014. The lack of effective plans increase the risk that the Department will not react timely or efficiently to foreseeable disruptions to its operations.

Current Status:

- DRA worked with the Homeland Security and Emergency Management Division of the Department of Safety to formalize DRA's Continuity of Operations Plan (COOP) in accordance with the State established standards
- DRA and DoIT actively worked together to establish a testing environment and schedules.

- The DRA's COOP continues to be updated as necessary to date.
- Several table top exercises and mock deployments of various COOP functions have occurred to ensure that mission critical functions could continue during an emergency event.

Observation 3: *Obtain and Evaluate Understanding of Relevant Controls at Service Provider*

Summary of Finding: The Department has not obtained reports regarding the design and operation of controls over tax return filing and tax receipt collection services provided by a primary services organization.

Current Status:

- The current, and any future, contract with the service provider requires that the service provider conduct a service organization control audit on a yearly basis and provide the DRA with a copy of the resulting SOC 1 Report.
- DRA evaluates the service provider's SOC 1 Report to ensure that effective controls are in place and will follow-up if DRA has any concerns with the service provider.

Observation 4: *Planning for Acquisition of New Tax Information System Should Continue*

Summary of Finding: The Department continues to report that limitations in its Tax Management Information System (TIMS) present substantial risks to the completeness, reliability, security, and safeguarding of the taxpayer data maintained by the Department.

Current Status:

- In FY17, the DRA sought and received a capital appropriation in an amount of \$30,160,000 to replace TIMS with a new Revenue Information Management System (RIMS).
- Over the course of FY18, a comprehensive RIMS request for proposal (RFP) was developed, two proposals were received, reviewed and scored, a vendor was selected and the contract was negotiated.
- A contract with Fast Enterprises, LLC was approved by the Executive Council on October 31, 2018 and the vendor began work almost immediately.
- The project to implement RIMS for all DRA tax types will occur in three rollouts over three years, with the first rollout scheduled for October, 2019.

Observation 5: *Review of Accounts Payable Practices*

Summary of Finding: A lack of policies and procedures for accruing accounts payable at June 30, 2014 contributed to the Department not reporting certain expenditures in the correct fiscal year.

Current Status:

- The Department has reviewed and modified its accounts payable practices to ensure that accounts payable are properly reported when they span more than one fiscal year.

- The Department has trained its Business Office staff on how to appropriately account for accounts payable in the correct fiscal year.

Observation 6: *Monitor Compliance with Filing of Statements of Financial Interests*

Summary of Finding: The Department has not routinely monitored members of administratively-attached boards of the Department for compliance with RSA 15-A requirements for filing statements of financial interests with the Secretary of State by January 17, 2014, we noted the following issues of noncompliance.

- Three of 14 members of the Current Use Advisory Board did not file timely.
- Three of 14 members of the Current Use Advisory Board did not file.
- Seven of 13 members of the Assessing Standards Board did not file.

The Department and the State relies upon the Current use Advisory Board and the Assessing Standards Board for property tax-related matters.

Current Status:

- Shortly after receiving the audit recommendations, the Commissioner attended meetings of the administratively attached boards and alerted the members of their obligation to annually file Statements of Financial Interests with the Secretary of State pursuant to RSA 15-A.
- The Department incorporated annual notification to the CUB and ASB in Department Policy #14-005 (Amended), "Filing RSA 15-A Statement of Financial Interests." Pursuant to this policy, the Department will annually notify each member of the CUB and ASB of their obligation to file a Statement of Financial Interests with the Secretary of State's Office and will provide each member with a copy of the form.
- The DRA has complied with Policy #14-005 since its enactment.

Observation 7: *Facilitate Compliance with Municipal Reporting Statute*

Summary of Finding: Each of the three municipalities reviewed for timely submission of annual reports submitted late reports. Each of the three reports were submitted approximately five months after the statutorily mandated due date of April 1, 2013. The Department reported the annual reports due by April 1, 2014 were submitted three months late.

Current Status:

- The Department has invested significant time and resources into developing a computerized submission and tracking system for use by local governments that eases the process of filing the required annual financial reports with the Department and that generates automatic notices to the municipalities of their noncompliant status.
- The Department has invested significant staff resources to train local governments in the proper use of this computerized municipal filing system.

- The Department has begun processing the annual financial reports using the new computerized system and is setting municipal tax rates earlier and more efficiently than in prior years.

Observation 8: Adopt Required Administrative Rules

Summary of Finding: The Department has not adopted, or kept current, administrative rules required by the following statutes:

Not Adopted:

- RSA 75:1-a, IX Residential Property Subject to Housing Covenant Under the Low-Income Housing Tax Credit program
- RSA 78:11 Tobacco Tax Metering Machines
- RSA 79-E:12 Community Revitalization Tax Relief Incentive
- RSA 84-D:4 Intermediate Care Facility Quality Assessment

Not Current:

- RSA 541-A:16, I Organization Rules: Filing Required

The Department reports that certain of the rules required in statute are not necessary because RSA 21-J:13-a exempts the Commissioner from “adopting, as rules pursuant to RSA 541-A, the requirements on all forms.” It is unclear that the administrative rules required by RSA 79-E:12 and RSA 84-D:4 are limited to the “requirement on all forms.”

Current Status:

- The Department has submitted proposed rules with respect to the rulemaking requirement contained within RSA 75:1-a, IX regarding the Low-Income Housing Tax Credit Program.
- The Department has updated its Organizational Rules in accordance with RSA 541-A:16, I.
- The Department has successfully sought legislation to either remove or make permissive the rulemaking requirements contained within RSA 78:11, 79-E:12, and 84-D:4 (Chapter 85, Laws of 2016).