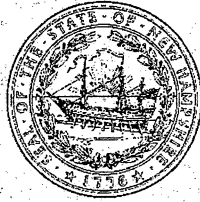


NEW HAMPSHIRE
DEPARTMENT OF STATE



David M. Scanlan
Secretary of State

Patricia T. Lovejoy
Senior Deputy Secretary of State

Erin Hennessey
Deputy Secretary of State

September 1, 2022

Office of Legislative Budget Assistant

Fiscal Committee of the General Court

This is an updated response to the August 9, 2021 Management letter issued in conjunction with the Audit of the financial statement of the New Hampshire Department of State for the year ended June 30, 2020.

MATERIAL WEAKNESSES

Observation No. 1: Establish a Formal Risk Assessment Process

The Department's Financial Management Policy has been updated to include

- Documented reconciliations between NHFirst and the Quick Start and Star subsystems.
- Year-end review of the State's closing procedures with particular emphasis on proper recording of unearned income and prepaid expenses with all division heads.
- All report submissions required by RSAs are reviewed, and such review evidences, by the appropriate supervisor.
- Bi-annual review of all sources of revenue and expenses with all department heads to ensure all items are properly accounted.
- Payroll process

The Department is currently developing its Continuity of Operations Plan (COOP). In conjunction with the development of this plan, the Department is developing and documenting its formal risk assessment process over financial accounting and reporting, including information technology. The documentation of the risk assessment process will tie with internal controls already in place as well as additional controls identified in the risk assessment process. Once formalized, both the risk assessment and the COOP plan will be routinely monitored and updated as needed. The expected completion date is October 15, 2022.

IT Risk Assessment:

The Department has put in place a rigorous analysis of all current IT systems with special attention to updating warranties for critical components, inventory controls, and potential cloud migration of non-election data. The initial analysis revealed shortcomings with the previous vendor and we have successfully transitioned to a new vendor for the Star System and Quick Start system in the second quarter of 2022. A tracking system prioritizing the backlog of programming requests has been implemented.

We have successfully replaced the problem vendor which maintained our legacy statewide voter registration (ElectionNet) program and have awarded a contract to build a new replacement statewide voter registration system. The projected completion date of the new system is slated for 2023. The Department continues to maintain its long-standing protocol of using an independent network structure for our election's operation.

SIGNIFICANT DEFICIENCIES

Observation No. 3: Financial Accounting and Reporting Process Should Be Improved

All issues cited in this observation have been addressed in the updated Financial Management Policy.

Observation No. 4: System Revenues Should be Periodically Reconciled to NHFirst

All deposits made through QuickStart and the Star System are reconciled to the NHFirst System on an individual basis as they occur. The NH Department of Administrative Services generates and provides the Department with a Detail Transaction Register. On a quarterly basis The Department Accountant is now required to perform a formal reconciliation between the Department's subsystems and the NHFirst System. The Assistant Secretary of State for Administration reviews and documents approval of the reconciliations.

There were two known programming issues identified in the audit. The fix was attempted but the programming request had not been completed by the problem vendor. As of Mid-April 2022 a new vendor is in place to manage the QuickStart system and will be addressing these programming issues. In the meantime the differences between NHFirst and QuickStart will continue to be manually reconciled.

Observation No. 5: Control Over Payroll Should be Strengthened

All issues cited in this observation have been addressed in the updated Financial Management Policy.

Observation No. 6: Controls Over Management Reporting Should Be Established

Issues cited in this observation have been addressed in the updated Financial Management Policy.

Listing of required statutory reports by due dates has been entered into the Department wide monthly calendar; and all reports will be reviewed for accuracy and such review will be evidenced.

DAS has created a new accounting unit to properly record the sale of voter checklist; sale of checklists are no longer accounted for in the Dedicated Fund "Recount Administrative and Fee Account".

Observation No. 7: Information Technology Plans Should Be Established

See response to Observation No 1. Regarding IT Risk Assessment

COMPLIANCE COMMENTS – STATE COMPLIANCE

Observation No. 8: Investor Education Fund Should be Used For Its Statutory Purpose

N.H. 421-B:6-601 authorizes the secretary of state to develop and implement investor education initiatives to inform the public about investing in securities, with emphasis on the prevention and detection of securities fraud. These initiatives are funded by administrative fines and penalties collected by the Bureau of Securities Regulation. The Bureau has consistently maintained an active investor education outreach program including in-person presentations to a wide range of audiences including higher education sponsored lifelong learning centers, senior centers, civic organizations, employee groups, law enforcement, and CPA's, to name a few. In addition, Bureau staff appear on live radio call-in programs and disseminate investor information and alerts to print media throughout the state.

During FY 2022, the secretary of state initiated a major plan to expand the Bureau's investor education program, including an expenditure to develop and publish a New Hampshire Investor Guide. This guide is intended for use at in-person events, and is also available at no cost to the general public. Investor education funds have also been utilized to develop a unique investor education website addressing on a variety of topics including how to select a financial professional, fraud prevention and detection, and a wide range of resources. A strategic communications consultant has been retained to assist the Bureau with expanding outreach programs as well as the production of radio and television advertisements promoting safe investing. In addition, expenditures for the production of webcasts and podcasts, and a digital marketing campaign to promote the investor protection website are planned for FY 2013-2014.

All charges to the Investor Education Fund are being reviewed for appropriateness. The Elections Division will be charged for any usage of the mini-van that was purchased with Investor Education Funds. The State Department accountant will bill the Elections Division for any use of the van using the billing rate of the NH Government Motor Pool.

Observation No. 9: Voter Checklist Financial Activity Should Be Accounted For In A Separate Account

DAS has created a new accounting unit to properly record the sale of voter checklist; sale of checklist are no longer accounted for in the Dedicated Fund "Recount Administrative and Fee Account".

Observation No. 10: Administrative Rules Should Be Adopted and Approved As Required By Statute

The Secretary of State has evidenced his approval of all Administrative Rules adopted related to the New Hampshire Board of Auctioneers since the date of the previous audit Legislative Budget Assistant (April 2007).

Legislation will be pursued in conjunction with OPLC to transfer Professional Bondsmen to OPLC.

Observation No. 11: Statements Of Financial Interests Should Be Filed And State Filing Officer Should Report Non-Filers As Required By Statute

An updated list of membership in all Boards and Commissions related to the Department has been prepared. All members have been reminded of their responsibility to file the Financial Disclosure form required by RSA 15-A. Filings have been received from all members. The Department-wide calendar has been updated to include annually updating the list of all members of the Department and members of Department related boards and commission that are required to file the financial disclosure form, supplying the form to all individuals and following up on status of filings.

Observation No. 12: Memorandum Of Understanding Should Be Reviewed Annually As Required

An updated MOU between NH DHHS and the NH Secretary of State was signed in December 2021. It will be scheduled for review each December and is noted in the Department calendar.

Observation No. 13: Outdated Statutes Should Be Amended Or Repealed

In the 2022 legislative session the following bills were passed by both chambers and signed by the Governor: HB1102 removing the Boxing and Wrestling Commission and the Board of Licensure and Certification from being administratively attached to the Department of State and HB1269 that eliminated the Grant Review Committee.

The Department is maintaining an ongoing list of statutes relevant to the Department that either need to be amended or repealed and annually will be submit relevant items for legislative consideration.



David Scanlan

Secretary of State

