

LBA Financial Audit Report Summary:

Department of Administrative Services, Office of Cost Containment, Internal Control Over Revenues – Issued in December 2011

EXECUTIVE SUMMARY

Agency management is responsible for establishing and maintaining effective internal controls, including controls over financial reporting, and controls over compliance with the laws, administrative rules, regulations, contracts, and grant agreements applicable to the agency's activities. The Department of Administrative Services (Department) has developed an *Internal Control Guide* to help State agency personnel understand the concepts of internal control. It explains the purpose of internal control and also explains its five components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, the Department also maintains a *Manual of Procedures* (Manual), approved by the Governor and Council, for use by all State agencies. The Manual contains guidance in a number of areas, including the use of the State's central accounting system, known as NHFirst.

The objective of this audit was to evaluate whether the Office of Cost Containment (Office or OCC) has established and implemented adequate accountability and other internal controls over its receipt, recording, and deposit of revenues. The objective of this audit was not to render an opinion on the Department's or Office's financial statement, internal control, or compliance.

Our audit was performed using auditing standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAGAS) and criteria in State statute, administrative rule, and policies and procedures including the *Internal Control Guide*, the Manual, and accepted State business practice. The audit methodology is described in the Objectives, Scope, and Methodology section of the report.

SUMMARY OF RESULTS

We found internal controls over the receipt, deposit, and recording of revenue are suitably designed to provide reasonable assurance that the specified internal control objectives would be achieved. However, the efficiency of and controls in the Office's revenue receipt and recording activities would benefit from improved documentation and support of its information system, and from the development and use of a front-end interface to the Office's information system. These improvements would allow early and efficient capture of receipt information.

The Office was in substantial compliance with statutes, rules, policies and procedures related to the audit objectives and had adequate segregation of duties, with one noted exception. The Office reasonably safeguarded cash and check receipts and made timely receipt, recording, and deposit of the cash and checks received.

BACKGROUND

The Unit of Cost Containment, generally known as the Office of Cost Containment, is established within the Office of the Commissioner of the Department of Administrative Services by RSA 21-I:7-b. The Office of Cost Containment is responsible for all of the functions and duties regarding the payment, recoupment, and monitoring of indigent defense funds and all functions relative to recoupment of guardian ad litem funds. During the ten months ended April 30, 2011, the Office operated with ten classified employee positions.

The Office is located in the State House Annex on Capitol Street in Concord, New Hampshire.

During the ten months ended April, 30, 2011, the Office reported the following financial activity in the State's accounting system. Reported revenues are the recoupment of previous program expenditures.

Revenues Collected During The Ten Months Ended April 30, 2011 (Unaudited)*

Recoupment Of Costs For:

Indigent Representation	\$ 2,364,592
Guardian ad Litems	342,966
Mediators	<u>23,753</u>
Total	<u>\$ 2,731,311</u>

* Source: *Revenue Source Summary of Unrestricted Revenues Recognized vs Budgets, For Budget Fiscal Year 2011, as of 04/30/2011*, a NHFirst report

The following is a list of the comments in the report.

- Information System Should Be Documented
- Revenue Receipt Process Should Be More Efficient
- Access Authorities To Information System Should Be Limited
- Reconciliations Of The Information System Should Include Transaction Counts
- Secure Facilities For Holding Accumulated Cash And Checks Should Be Obtained