

## **LBA Financial Audit Report Summary:**

Department of Education Financial Audit Report For the Fiscal Year  
Ended June 30, 2000

---

### **Organization**

The Department of Education was established pursuant to RSA 21-N and functions under the executive direction of a Commissioner who is assisted by a Deputy Commissioner and three division directors. The Commissioner is appointed by the State Board of Education and serves a four year term.

The State Board of Education is comprised of seven members, each of whom is appointed by the Governor and Council for a term of five years. The Board members serve without pay and may not be technical educators or professionally engaged in school work.

The Department of Education is comprised of five major units: Commissioner's Office, Deputy Commissioner's Office, Division of Educational Improvement, Division of Program Support, and Division of Adult Learning and Rehabilitation. Each of these units is vested with the duties as outlined in RSA 21-N. The Department employs 330 full and part-time employees.

The Department's main office is located in Londergan Hall on the grounds of the State Office Park South, 101 Pleasant Street, Concord, NH. The Bureau of Vocational Rehabilitation is located at 78 Regional Drive, Concord, NH with seven regional field offices located around the state.

### **Responsibilities**

The Department of Education is responsible for providing general supervision to the elementary and secondary schools, providing a variety of educational services to schools and particular groups, and providing vocational rehabilitation services to persons with disabilities.

The State Board of Education is responsible for the regular review of all programs and activities of the Department. The Board advises the Commissioner on program goals, information gathering and any other aspect of elementary and secondary education within the State of New Hampshire. It also hears appeals and issues decisions in disputes between individuals and school systems or the Department. The Board is also responsible for the appointment of members of the professional

standards board and other advisory bodies and the adoption of administrative rules as provided in RSA 21-N:9.

## Funding

The Department of Education is funded primarily by appropriations from the General, Special, Capital Projects, and Education Trust Funds. Fiscal year 2000 appropriations combined with supplemental warrants, balances forward, lapses, and transfers resulted in fiscal year 2000 spending authority for the General, Special, Capital Projects, and Education Trust Funds of \$55,237,060, \$131,228,538, \$8,244,526, and \$825,911,797 respectively. Estimated revenue combined with supplemental warrants, balances forward, and transfers resulted in anticipated fiscal year 2000 revenues for the Special and Education Trust Funds of \$125,220,945, and \$417,974,904 respectively. There were no anticipated revenue sources for the General and Capital Projects Funds. The actual financial activity of the Department, as reported in the General, Special, Capital Projects, and Education Trust Funds for the fiscal year ended June 30, 2000, is summarized in the following table.

**Summary Of Revenues And Expenditures  
For The Year Ended June 30, 2000**

	<b>General Fund</b>	<b>Special Fund</b>	<b>Capital Fund</b>	<b>Education Fund</b>
Unrestricted Revenues	\$ 47,288	\$ 0-	\$ 0-	\$ 0-
Restricted Revenues	66,619	95,458,968	0-	417,974,904
<b>Total Revenues</b>	<b>\$ 113,907</b>	<b>\$ 95,458,968</b>	<b>\$ 0-</b>	<b>\$ 417,974,904</b>
<b>Expenditures</b>	<b>\$ 52,314,228</b>	<b>\$ 98,566,022</b>	<b>\$ 4,303,411</b>	<b>\$ 824,820,847</b>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<b>\$ (52,200,321)</b>	<b>\$ (3,107,054)</b>	<b>\$ (4,303,411)</b>	<b>\$ (406,845,943)</b>

The auditor's report on the Department of Education's financial statement was qualified with respect to the lack of presentation of the financial position of the Department in the General, Special, Capital and Education Trust Funds and a limitation on the scope of our audit caused by the lack of documentation to support the amounts reported for fixed assets.

The audit report included auditor's reports on compliance and on internal control over financial reporting and on management issues. The following is a list of the comments in the report.

## Internal Control Comments

### *Material Weaknesses*

- The Department Must Establish And Implement Formal Policies And Procedures To Strengthen Controls Over Education Adequacy Grant Calculations
- The Department Needs An Effective Mechanism To Assess The Quality Of Financial And Attendance Data Submitted By School Districts

### *Reportable Conditions*

- The Department Needs To Design And Implement An Integrated Financial Management Information System
- Bureau of Special Education Should Better Document And Control Adjustments To SPEDIS Information
- Controls Over Authorization Levels Within The Vocational Rehabilitation Case Management System Should Be Strengthened
- Financial Approval Controls Within The Vocational Rehabilitation Case Management System Should Be Tightened
- Authorization For Vocational Rehabilitation Services And Approval For Payment Should Be Segregated
- Controls Over The Form 2 Payment System Should Be Enhanced
- The Department Needs To Enhance Its Operational Expertise Of Its Form 2 Payment System
- The Department Should Document Allocations Of The Federal Special Education Grant
- Final Approval Of Special Education Project Applications And Budgets Should Be Better Documented
- Formal Fraud Deterrence And Detection Program Should Be Established
- Formal Fraud Reporting Policy Should Be Established
- Complete Equipment Valuation Records Should Be Maintained

### **Compliance Comments**

#### *State Compliance*

- Audit And Financial Monitoring Function Should Be Expanded
- The Department Should Better Control And Document Payments For School Building Aid In Compliance With Statute And Administrative Rule
- Disbursements For Court-Ordered Placements Should Be Made In Accordance With Statute
- Statutory Filing Deadline For Special Education Cost Information Should Be Met Or Amended
- Service Contracts Should Be Submitted For Governor And Council Approval
- Tuition And Transportation Administrative Rules Should Be Revised To Be Consistent With Statute
- Administrative Rules Should Be Adopted As Required By Statute

#### *Federal Compliance*

- Procedures Should Be Developed To Minimize Time Between The Advancement Of Funds To And Disbursement By Subrecipients

- Vocational Rehabilitation Should Revise Standard Contract Language To Include Suspension And Debarment Certification Requirement
- Review Of Subrecipient Audit Reports Should Be More Timely
- Special Education Should Ensure Compliance With Federal Maintenance Of Effort Requirements
- Transfers of Federal Expenditures Should Be Better Documented
- Allocation Of Special Education Preschool Grant Funds Should Be Better Documented
- Vocational Rehabilitation Should Ensure Compliance With Federal Eligibility Regulations
- Vocational Rehabilitation Should Enhance Compliance With And Controls Over Customer Employment Plans
- The Department Should Require All Subrecipients To File General Assurances In Compliance With Federal Regulations

### **Management Issues Comments**

- The Department Should Consider Revisions To Law To Enhance Equity In The Adequacy Grant Calculation
- Internal Audit Procedures Related To Subrecipient Monitoring Should Be Enhanced