

**LEGISLATIVE PERFORMANCE AUDIT AND OVERSIGHT COMMITTEE**

Legislative Office Building, Room 212

Concord, NH

Friday, August 9, 2013

**MEMBERS PRESENT:**

Rep. Lucy Weber, Chair

Rep. Raymond Gagnon

Rep. Mary Jane Wallner

Sen. President Peter Bragdon

Sen. Lou D'Allesandro

Sen. Sylvia Larsen

Sen. John Reagan

Sen. Jim Rausch

(Convened at 9:31 a.m.)

**1. Acceptance of minutes of the May 6, 2013 meeting**

CHAIRWOMAN WEBER: The hour from this angle appears to be 9:30. I will call to order this meeting of the Performance Audit and Oversight Committee, and thank you all for being here. We were worried for a couple of minutes there but we have our quorum. The first item of business is acceptance of the minutes of the May 6<sup>th</sup> meeting.

**\*\*** SEN. REAGAN: So moved.

SEN. PRESIDENT BRAGDON: Second.

CHAIRWOMAN WEBER: Moved and seconded. Is there any discussion? Seeing none. All in favor of approval of the minutes say aye? Opposed? And the minutes are approved.

**\*\*\* {MOTION ADOPTED}**

**2. Current status of ongoing and pending performance audits.**

CHAIRWOMAN WEBER: Number two is Current Status of Ongoing and Pending Performance Audits.

RICHARD MAHONEY, Director, Audit Division, Office of Legislative Budget Assistant: Thank you, Madam Chairman. Good morning to you and to Members of the Committee. For the record, I'm Richard Mahoney, Director of Audits for the Office of Legislative Budget Assistant.

The first ongoing audit we have I'd like to talk about very briefly is our Electronic Benefit Cards Audit at the Department of Health and Human Services. The Scope Statement for that audit was approved by this Committee on May 6<sup>th</sup> at its last meeting. Field work for that audit is now complete and we are in the process of writing that report, and we hope to present it to the Fiscal Committee meeting in September.

The second audit that we have begun is the Department of Corrections, Division of Community Corrections. Later on this morning on the agenda is a consideration of the Scope Statement that we've prepared for that audit. However, our auditors are at work gathering background information and preparing an audit plan in anticipation of this Committee's approval of the Scope Statement, and we hope to present that report to the Fiscal Committee in November of 2013.

The next audit that we've just recently begun as well is the Community Development Finance Authority. We held an entrance conference with the Authority management on June 10<sup>th</sup>, and the Scope Statement is on the agenda for this Committee's consideration today. Pending your approval of that Scope Statement, we hope to have that report presented to the Fiscal Committee in December of 2013.

And we have a couple of other audits in our queue at the moment. Department of Health and Human Services

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Assisted-Living and Nursing Facility Inspections. We have not begun any work on that audit at this point in time; have not done any work in preparing a Scope Statement at this time. And the same is true for our Department of Resources and Economic Development, Economic Development Programs topic where we have not begun any work on that audit either.

And, lastly, in our queue is the Board of Pharmacy Controlled Drug Prescription Health and Safety Program Audit. That Audit was originally scheduled to be completed by statute as of December 31<sup>st</sup>, 2014; but Senate Bill 83 in this last legislative session became law and moved that report due date to December 31<sup>st</sup>, 2017. And that concludes my comments, Madam Chair, on the current status of our ongoing audits.

CHAIRWOMAN WEBER: Thank you very much. Are there any questions? Senator Bragdon.

SEN. PRESIDENT BRAGDON: Thank you, Madam Chair. Thank you, Director Mahoney. I might have missed it if you said it, but on the Department of Corrections, Community Corrections, is there a projected time that goes to Fiscal?

MR. MAHONEY: Yes, November of 2013.

SEN. PRESIDENT BRAGDON: Thank you.

CHAIRWOMAN WEBER: Any further questions? Seeing none.

**3. Discussion and approval of proposed Scope Statement for the Community Development Finance Authority Performance Audit**

CHAIRWOMAN WEBER: We will move along to item number 3 which is the Discussion and Approval of Proposed Scope

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Statement for the Community Development Finance Authority  
Performance Audit.

MR. MAHONEY: Madam, with your permission, I'd like to -- Madam Chair, with your permission, I'd like to ask Stephen Fox to join us at the table who will walk us through the Scope Statement.

CHAIRWOMAN WEBER: Certainly.

STEPHEN FOX, Audit Supervisor, Audit Division, Office of Legislative Budget Assistant: Good morning, Madam Chairman, and Members of the Committee. For the record, my name is Stephen Fox. I'm the Performance Audit Supervisor for the LBA Audit Division.

The first draft Scope Statement I'll discuss with you is the Community Development Finance Authority performance audit. That audit was approved by the Fiscal Committee in March of this year, and we did have an entrance conference with the CDFA on June 10<sup>th</sup> of this year.

CDFA was created by the Legislature in 1983 for the purpose of addressing redevelopment -- development or redevelopment of areas of underemployment in the State. In 1991, addressing inadequate housing was added to their responsibilities. And then in 2003 the CDFA assumed State responsibilities for Community Development Block Grants, which is a Federal program.

The programs of the CDFA you'll find on Page 2, Table 1. And you can see that during State Fiscal Year 2013 the CDFA disbursed approximately 24 million in funds to various programs throughout the state. I should note that in the middle of the table the Better Buildings Program went out of existence earlier this Fiscal Year. It was a program that was supported by ARRA funds. Those funds have now

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expired and the program has expired with it.

CDFA has an 11-member board which is responsible for making decisions on funding applications for most of the programs that you see in Table 1, the -- the lone exception being that the CDBG grants are approved -- are -- come before their Advisory Committee and those -- the Advisory Committee recommends that those programs be funded and Governor and Council also approves those funding applications.

The audit scope is one year in terms of an audit, our audit period. That is State Fiscal Year 2013 and the question that we are looking at is during the State Fiscal Year 2013, were CDFA's management controls adequate to provide reasonable assurance awards were made -- reasonable assurance awards were made or denied consistent with statute and rule. Should note that we don't plan necessarily to examine the specific examples that were provided in the letter which was the background for this audit. However, we do believe that during our analytical reviews we may run into some of those programs. Other of those programs are just very much older than the audit period. One of them dates back to 2000. But we do believe that our methods in this audit will cover the types of practices that are identified within that letter.

I'll be happy to answer any questions that the Committee has regarding this scope.

CHAIRWOMAN WEBER: Are there questions from the Committee Members? Representative Gagnon, followed by Senator Bragdon.

REP. GAGNON: Thank you. Thank you, Madam Chair. The piece here, interview key stakeholders, could you identify them by type who that might be?

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MR. FOX: Be interviewing the Members of the Board, the Advisory Committee, and also recipients and other applicants of CDFA.

REP. GAGNON: That would include entities such as regional commissions, CAP agencies, municipalities?

MR. FOX: Absolutely.

REP. GAGNON: Thank you.

CHAIRWOMAN WEBER: Senator Bragdon.

SEN. PRESIDENT BRAGDON: Thank you, Madam Chair. I think the Scope does the job of addressing the concerns raised in that letter that some of us have been around here long enough to recall. But I did note on the first page under Organization, the last sentence says in 2002, CDFA formed a not-for-profit LLC to invest in small businesses and develop, own, and operate real property. CDFA continues to finance the LLC's operations, with the LLC owing CDFA nearly \$300,000. Two things come to mind. One is an interest in that we're having something invest money in various things. But more interest to me was the first sentence where it talked about a not-for-profit limited liability company. And I seem to recall from all the LGC discussions that what generated a lot of the problems there was creating non-profit LLCs. And I'm not sure if that's a legal creation or not. So in the course of the audit, just ask if you could focus on that just to make sure whatever is going on there meets all the legal requirements from the Secretary of State's concern.

MR. FOX: We had intended to look into that.

SEN. PRESIDENT BRAGDON: Okay.

CHAIRWOMAN WEBER: Any further questions? I will just state that Representative Ober, who was unable to be with us today, sent an e-mail saying her only comment is the scope where you say you will not address the anonymous instant. And I think this anonymous communication, it's part the need for the audit that sounds like you think the instant did happen. If I were a suspected staff member involved in an anonymous incident and was not guilty, I'd want to address the incident. If I was guilty, I'd hope you wouldn't and no one would notice. So I just put that forward as something that she would probably have said if she were here. It sounds like you have that firmly in mind, and without being a court of inquiry are going to address at least the mechanisms of what was going on there. I'm not familiar with the communication so I don't know; but Senator Bragdon is and is satisfied what you have as a Scope Statement here is going to be able to address whatever the issues were there.

Anyone else have a question? Any further questions or discussions about this particular Scope Statement? Senator Larsen.

SEN. LARSEN: Just a quick one. I'm not seeing and maybe you said, although I didn't hear if you did, when the last audit for CDFA was?

MR. FOX: There was no previous audit of CDFA. They do hire an external auditor to do their financial audits and that's done on a yearly basis, but there's not been any performance audit.

SEN. LARSEN: Hm-hum, thanks.

CHAIRWOMAN WEBER: Any further discussion or questions?

**\*\*** SEN. REAGAN: Move to approve the Scope Statement.

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CHAIRWOMAN WEBER: Is there a second?

SEN. PRESIDENT BRAGDON: Second.

CHAIRWOMAN WEBER: Moved and seconded we approve the Scope Statement. Any further discussion? All in favor say aye? Opposed? And the Scope Statement is approved. Thank you.

\*\*\* {MOTION ADOPTED}

**4. Discussion and approval of proposed Scope Statement for the Department of Corrections, Division of Community Corrections performance audit**

CHAIRWOMAN WEBER: So we'll move on to the Scope Statement for the Department of Corrections, Division of Community Corrections.

MR. FOX: Okay. This audit also was approved by the Fiscal Committee in March of this year. Our entrance conference was held with the Department of Corrections on July 8<sup>th</sup> of 2013. The Department -- the Division of Community Corrections is responsible for managing transitional housing facilities, which permit inmates to live outside of the prison walls. Adult inmates whose security classification of C-2 or C-1, C-2 being the second lowest, C-1 being the lowest, are eligible for this housing.

The Transitional Work Center, for those of you who are familiar with the facility over on North State Street at the New Hampshire State Prison, that's the low cottage type structure that's outside of the prison walls. The first facility you basically come to when you're heading north on North State Street. That houses 100 -- has 160 beds. That is the C-2 facility. Inmates who reside in that facility

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work within other settings within -- within the prison facility, either the farm or up at the -- where the old Corrections Industries building was where they have their store. They have a place up there where they can put in nights to work and building sheds. They also cut firewood, things like that, at that facility. They are under supervision at all times.

The C-1 inmates, those who are the lowest classification, they live in the North End Transitional Housing Unit which is the three-story brick building between the Transitional Work Center and the Prison itself. Those inmates are allowed to unsupervised access to the community to look for work, to work, go to appointments, medical appointments, other appointments. They must provide an itinerary every day and check in by phone during the day, be back at the facility at a predetermined time. The -- there are two facilities. There's the North End Facility which has 48 beds here in Concord and then there is the Calumet Transitional Housing Unit which is in the City of Manchester and that has 72 beds.

The third facility Transitional Housing Unit is the Shea Farm on Iron Works Road in Concord. That is for female inmates from the Goffstown Prison. That facility houses both C-1 and C-2. The C-1 inmates are, again, are allowed to work unsupervised in the community while the C-2 inmates do work either in other Prison facilities or at the Shea Farm itself.

Our Audit Scope you'll find on Page 2 of the audit plan and that is to -- it's a two-year audit plan, State Fiscal Years 2012 and 2013. And the question is: Does the Division of Community Corrections effectively utilize its transitional housing facilities and the work release program to promote residents' successful re-entry into society. Be happy to answer any questions regarding this

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Scope Statement as well.

CHAIRWOMAN WEBER: Are there questions from Members of the Committee? Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Madam Chairman. This is a -- this is quite a task that you have chosen for yourself. I'd like to know how many of them bounce back because the rate of these people returning to the prison, I believe, is fairly significant, like in the 50% range. I was over at the Prison this week and they're going out but they're all coming back, you know. Is it because they don't get a job? Is it because there aren't -- the education situation over at the Prison is so de minimus now that they can't get themselves squared away? You know, what kinds of things that would affect the positive transition out of that place at the present time? I mean, that would be -- that would be my concern. We're pushing a lot out the door, but they're coming right back. The place is loaded now. I think we are at the highest number of inmates that we have been in quite some time, and there's nothing for these guys to do. Two o'clock in the afternoon everybody goes back to their cell or they walk around. And on the other side, talked to the guys who were C-1s and C-2s and jobs are tough to come by, very tough to come by. So in order to make these things work, you can have transitional housing, but what do they do when they get out of that housing? That's my concern. And this is a very ambitious audit.

MR. FOX: Hm-hum. We recognize that, Senator. And we do share the same concern in terms of who's coming back, what the rate of recidivism is that you see as number six in our list there. One of the issues that we have right now is the availability of reliable data in order to be able to credibly estimate what the recidivism level is. The most recent recidivism study -- usually they go at least three years before they try to estimate what the recidivism

is. The most recent data that they're estimating their recidivism on is 2008. So we are four years beyond that right now. Almost five years. So we're trying to get a handle around the quality of the data and what we can do in terms of estimating that.

SEN. D'ALLESANDRO: Thank you.

CHAIRWOMAN WEBER: Other questions? Representative Gagnon.

REP. GAGNON: The -- the recidivism study, will that do a compare/contrast those in transitional housing, those not in transitional housing and give us that number as well?

MR. FOX: If we are able to get the data, we'll do that sort of compare analysis.

CHAIRWOMAN WEBER: Senator Rausch.

MR. FOX: There are inmates who come right out of the facility without going through transitional housing.

SEN. RAUSCH: Thank you. I don't know in the discussions in Capital Budget of the construction of the new female prison in Concord if Shea Farm is going to have any changes, and I don't know, that's probably outside of your scope, but it might be something at least to consider. If any changes have to be made to Shea Farm what the prison will be over there.

MR. FOX: Okay.

MR. MAHONEY: Senator, if I may? One of the things we try to do in all of our performance audits is identify best practices. And so part of our work here is going to be trying to identify best practices for transitional housing

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and, hopefully, that will point out for legislators and others where there may be gaps in the types of things that we are currently doing in our prison system.

CHAIRWOMAN WEBER: Senator Larsen.

SEN. LARSEN: And in the audit scope, number five, how many residents become employed. I wonder if there would be a way to include obstacles to employment, because there are actually State laws and issues that prevent the hiring of someone with a record, even cosmetology. I think barbering. So there's some of those things if there's a way to get the highlight of if there are laws that prevent employment. I know there are many, but --

MR. MAHONEY: We'll certainly try to do that, Senator. Thank you.

SEN. LARSEN: Thanks.

CHAIRWOMAN WEBER: Anyone else? Any other questions?

\*\* SEN. REAGAN: Move to approve the Scope Statement.

SEN. PRESIDENT BRAGDON: Second.

CHAIRWOMAN WEBER: It's been moved and seconded. Is there any further discussion? Seeing none. All in favor say aye? Opposed? And that's approved.

\*\*\* {MOTION ADOPTED}

5. Discussion of proposed performance audit of Police Standards and Training Council, tabled and referred back by the joint Fiscal Committee
6. Discussion of proposed performance audit of the New

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**Hampshire Veterans Home**

CHAIRWOMAN WEBER: We now have -- we're listed on the agenda for a discussion of the proposed performance audit of Police Standards and Training Council, tabled and referred back by the joint Fiscal Committee. And I will just state about that one that you remember when last we looked at that the issue -- one of the many issues that was up in the air was the concern about the statutory language that was lacking to provide clarity that the Legislative Budget covers performance audits. So that has now been fixed by virtue of HB2. So that's where we are on that one.

But we have now that one plus two others. And with the permission of the Committee, I would like to discuss them together because it's a matter of priorities. We started a discussion of the Department of Education and it was a very broad "the Department of Education" so -- and that was tabled at our last meeting. And then the other thing that has arisen since our last meeting is a letter that you have in front of you from Senator Carson expressing her concerns about the issues concerning the Veterans Home in Tilton and asking us to consider an audit there. So I thought perhaps we could have general discussion of all three so that the Committee members can figure out where we are going to go next.

SEN. D'ALLESANDRO: Madam Chair.

CHAIRWOMAN WEBER: Senator.

SEN. D'ALLESANDRO: You want to talk about the letter initially?

CHAIRWOMAN WEBER: If you care to start there, go right ahead.

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SEN. D'ALLESANDRO: I think Senator Carson makes a good point. You know that in the budget process we had to find additional funds to make up for a '13 problem at the Veterans Home. And in our investigation what we found is that problem had existed in a prior biennium, also. So you had two bienniums where either they weren't appropriated enough money, and it's always the issue, but they were spending monies that they didn't have and they were spending the next year's budget for the past year's performance. And I think the real question is why didn't we recognize that earlier? You know, why didn't we recognize that through the budget process?

Well, we didn't so shame on us for not looking at it at that time. But it seems to me that when you have an entity like this that is performing in that manner, and the fiscal consequences are quite severe, they hadn't paid an electric bill for six months. They hadn't paid their oil bill for six months. They hadn't paid their utility, other utility bills. Now, I think that the poor supplier who was supplying the No. 2 fuel probably could have gone bankrupt because of the fact that that person wasn't receiving remuneration for the service. And the question is, and I think we all ought to think long and hard about this, why didn't we recognize this? How did this go four years without anybody recognizing this? And that's -- was it taken care of at the entity level? I mean, in terms of when they made their presentation they didn't show us the books, et cetera. But I think that was -- that was an issue that required us to do something in the budget that we hadn't contemplated. That's number one.

But number two, there's also some back-of-the-budget stuff that deals with the -- with the Veterans Home and how's that going to affect them, you know, moving forward. I think this is a very -- this is a very serious situation.

CHAIRWOMAN WEBER: Representative Wallner.

REP. WALLNER: Well, I agree with Senator D'Allesandro. During the budget process, we did uncover that there were some significant issues at the Veterans Home around the budget. And I think we have a great opportunity right now if we can get in there now because they have a new administration.

SEN. D'ALLESANDRO: Right.

REP. WALLNER: It's the time performance audit can help them get off to the right start. You know, get some good management skills there. So I would really like to see us do this one in a really timely manner, because I think it's an opportunity to get them back on track. And we have some new -- new people running the Veterans Home so I think that is a real good opportunity there.

CHAIRWOMAN WEBER: Senator Reagan.

SEN. REAGAN: Are we confusing a financial audit with performance audit? They have financial management problems which I don't think deal with the care of the patients in the building.

SEN. D'ALLESANDRO: I don't think the care of the patients have ever been in question. But the management of the institution is in question which led to the financial situation. If you manage improperly, it's going to reflect in the financial situation. That's the bottom line. It's the balance sheet. And the balance sheet will be affected again by a cut in the budget that they have to -- they have to address, you know, in House Bill 2. But I think as Representative clearly pointed out, change in management at the place. The old management is gone. We have new management coming in. Certainly, an audit would be very

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important at this time to give new management guidelines to move forward and to manage that place properly. It's a -- that's a big issue for us. There are a lot of veterans there. They get great care. I don't think there's any question about that. They get outstanding care. But you can't keep pushing hundreds of thousands of dollars off and you can't not pay people. Even in our crazy world, you got to pay the bills. You got to pay the bills. That's a management situation.

SEN. REAGAN: Right.

SEN. D'ALLESANDRO: Put the bills in the bottom drawer, they're still there. They're still there. And those bills were in the bottom drawer for hundreds of thousands of dollars. So I think that's -- it was management's fault someplace and, again, we have no -- I have no problem with the care of the individuals. They're well taken care of. They're well taken care of.

SEN. REAGAN: There's an opportunity here for the new manager --

SEN. D'ALLESANDRO: Yes.

SEN. REAGAN: -- to straighten things out.

SEN. D'ALLESANDRO: Yes, one would hope so.

SEN. REAGAN: Can we wait and see how that goes?

SEN. D'ALLESANDRO: I think that's kind of a -- that's -- we ought to give them some direction by pointing out some of the things that happened that weren't appropriate and give them some direction going forward.

CHAIRWOMAN WEBER: I'm just going to state part of the

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reason that I wanted to have this discussion this way is because it seemed to me that of the three under consideration this is by far the most pressing.

SEN. D'ALLESANDRO: No question.

CHAIRWOMAN WEBER: And I think that to look at their policies and procedures now is something whose time has come and possibly gone, but we could at least do it now. The concerns expressed to me by Representative McGuire, who is not here, is that this facility is costing, in terms of dollars, not the -- not the care, several times more than similar facilities. So, you know, her concern is efficiency, efficient use of resources, whatever, which I think falls more on the -- on the performance audit side of things. And I would just state that with respect to the other two audits, the Department of Education one I think needs to be focused considerably before we take it up. And the issue of Police Standards and Training, I think, although it has perhaps been referred back to us, it seems to me that that really needs to be addressed at the Fiscal Committee level because that's where -- that was where the blockage was coming in. But my own personal feeling would be to look at this with some urgency. Senator Bragdon.

SEN. PRESIDENT BRAGDON: Thank you, Madam Chair. I would agree. With new management coming in, actually, I think it's a great time for an audit because it provides a road map for the new management. In fact, having sat on Fiscal when the audit results come back and the auditors and the Department sit in the hot seat, oftentimes somebody coming new in the position is appreciative of somebody taking a look at how things work or in this case don't work. So I think in this case it makes sense to do it as new management comes in and that it's also a relatively high priority.

I do have one other item that kind of has crossed my desk in the last week that I think might be a priority item as well. We'll get to that once we finish talking about this one.

CHAIRWOMAN WEBER: Senator.

SEN. RAUSCH: Not being on Finance, I don't really see the operational budget so I'm not real familiar with this. But if, in fact, an audit is approved, I would suggest that they also look at how they accommodate their capital needs, because the last few Capital Budget processes they have struggled with setting priorities and changing priorities and having difficulty on what they are requesting through the Capital Budget process. And that I do believe is -- is a lack of management skills on how to do that. So I think if you go this way, you should also look at how they're proceeding with their capital needs because they are not prioritizing those very well.

CHAIRWOMAN WEBER: Mr. Mahoney, Mr. Pattison.

MR. MAHONEY: Thank you, Madam Chairman. I just wanted for the Committee's benefit to inform the members that our office did conduct a financial audit recently of the Veterans Home for Fiscal Year 2012, and that audit was presented to the Fiscal Committee in recent months. That audit did identify a number of weaknesses in financial controls. Our audit did not highlight the fact that there were funds budgeted but overspent in previous -- previous Fiscal Year.

The Commandant of the Veterans Home was the former financial manager of the Veterans Home. So it's not new management at the Veterans Home. I just wanted to make everyone aware of. So the Commandant currently was the former business manager there. And they have hired another

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business manager, a new business manager, and promoted somebody from the human resource department into that position, and I believe they are currently searching for a human resource person to take over those responsibilities. So from a financial audit perspective, you could certainly go back in at some point to follow-up. But I wanted to make sure the members were aware that current management is aware of the problems that they have.

CHAIRWOMAN WEBER: Other --

JEFFRY PATTISON, Legislative Budget Assistant, Office of Legislative Budget Assistant: I just wanted to add, too, that, in fact, a question was asked at the Fiscal Committee meeting by Representative Leishman who did note that expenditures were greater than budgeted amounts as it related to utilities. And the other thing was Senator D'Allesandro mentioned the issue of utilities not being paid. The other issue that goes on there is that the Veterans Home bases their -- they have two accounting units. One has General Funds in it, one has Federal funds in it. And the Federal funds and funds that are paid per, I don't want to use the word client or patient at the Veterans Home, there is not what is referred to as an "I Footnote" on it which means that if the money does not come in, then they have to reduce their expenditures. So what has happened is that over the course of the past several years, in addition to the utility issue, there has been a negative draw on lapse of approximately a million and a half dollars, \$2 million, where the Veterans Home has overspent. They have spent monies that they did not receive in income. So the General Fund has to make up the difference. So there's two components there, not only the holding of the invoices --

SEN. D'ALLESANDRO: Right.

MR. PATTISON: -- so they don't get into the accounting system. So Administrative Services, we all went through this trying to track down why didn't we know. It was because the invoices were sitting on the desk in the Veterans Home and never made it into the State's accounting system. So it was those two pieces.

CHAIRWOMAN WEBER: Thank you. Any further questions or discussions? Representative Wallner.

REP. WALLNER: Well, even though some people are changing jobs there, there are new people coming in. And I think that even people who are changing jobs have an opportunity right now to make changes that we'll all get this running more smoothly. So I would still like to see this, and I think it will be very helpful to the staff there to have a performance audit, because I've watched over the years the kind of information these agencies get from performance audit and the kind of management skills that they learn, I think, are really valuable.

CHAIRWOMAN WEBER: Would you care to make a motion?

**\*\*** REP. WALLNER: I'll make the motion that we do a performance audit at the New Hampshire Veterans Home.

SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WEBER: It's been moved and seconded. Is there any further discussion? Senator Bragdon.

SEN. PRESIDENT BRAGDON: Just to clarify. And our role is to recommend to the Fiscal Committee.

CHAIRWOMAN WEBER: That's correct.

SEN. PRESIDENT BRAGDON: Okay. And then Fiscal has it

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last.

REP. GAGNON: Would we have any idea when this would happen? Could we suggest this go maybe to the top of the list or is that a given?

CHAIRWOMAN WEBER: We can certainly express preference for that; am I correct? Subject, of course, to approval by the Fiscal Committee and the availability of personnel.

MR. MAHONEY: Thank you, Madam Chairman. If I could just address the availability of personnel issue for a moment. We currently have 10 positions in the office for performance auditing, including Stephen Fox's position. We recently lost one of our auditors to the Budget Division. Next week we are losing another auditor to the Department of Administrative Services. And we had one of our other auditors go on maternity leave yesterday. So we are resource constrained from that perspective.

The two audits that we have in process now, as I mentioned earlier, are anticipated to be presented in November and December, and it wouldn't be until one of those audits were finished that we would have resources to devote to this audit. Unless, of course, the Committee decided to prioritize our work.

CHAIRWOMAN WEBER: Right. Senator D'Allesandro.

SEN. D'ALLESANDRO: Just a question, Mr. Mahoney. So how many positions are you down at the present time?

MR. MAHONEY: At --

SEN. D'ALLESANDRO: Authorized but unfilled.

MR. MAHONEY: At the present time -- at the height we

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had 15 authorized positions. We had as many as 13 people on staff since I've been the Director for about six years now. And so we currently have nine on staff, and we are trying to manage to 10 at the moment with our current budget.

SEN. D'ALLESANDRO: But authorized is still 15?

MR. MAHONEY: Yes. That's how we look at it. Yes.

SEN. D'ALLESANDRO: Okay. And we have nine?

MR. MAHONEY: That is correct.

SEN. D'ALLESANDRO: Okay.

SEN. PRESIDENT BRAGDON: If I can ask about that?

CHAIRWOMAN WEBER: Certainly.

SEN. PRESIDENT BRAGDON: Your answer about you have 15 authorized positions, that's how you look at it.

MR. MAHONEY: Yes, Senator.

SEN. PRESIDENT BRAGDON: Mr. Pattison, in the budget, how many authorized positions are there?

MR. PATTISON: No, what Dick is speaking directly to is his performance staff only. He's not talking about financial staff or the budget staff at all. He's only talking about performance.

SEN. PRESIDENT BRAGDON: It was an odd answer so I wanted to make sure.

CHAIRWOMAN WEBER: And a further clarification. My understanding is you have 15 that are authorized. How many

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are funded?

MR. MAHONEY: Fifteen positions, performance audit positions are authorized, 10 are funded. And Steve just corrected me. We now have eight bodies on staff, because we had one person leave just yesterday on maternity leave.

CHAIRWOMAN WEBER: Thank you. Senator Reagan.

SEN. REAGAN: I'm just wondering is there some way to get a financial coach out there right away and get the new person on track, rather than go through this month long development of scope? Is there somebody available like that somewhere?

MR. MAHONEY: Yes, Senator. In my former life, I was a Business Supervisor at the Department of Administrative Services. So the Department of Administrative Services in their Budget Office has what are called Business Supervisors, and each Business Supervisor is assigned a certain number of State Agencies to help oversee. And I would think one of the first things that someone in need of financial assistance would go to would be their Business Supervisor at the Department of Administrative Services. We try to be available to Agencies to answer technical questions and that sort of thing, but we really --

SEN. REAGAN: Right.

MR. MAHONEY: -- cannot be part of Executive Branch management. So we try to be very careful about taking on that kind of role.

SEN. D'ALLESANDRO: That's a good point. Administrative Services has all these Business Supervisors throughout the system. And if, indeed, that were something that we thought would be needed, the Commissioner of Admin Services we

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could make that request. But I would bet that Business Supervisors are leaving the system. Barry Bodell just retired, Business Supervisor, who was a top-notch guy. I don't know -- I don't know how many they have left. We're down -- I mean, we're down considerably in terms of people.

MR. MAHONEY: Senator, if I may, one of our auditors is going to Department of Administrative Services to be a Business Supervisor and I believe they filled the other vacancy as well, I'm told.

MR. PATTISON: Their Business Supervisor staff is fully staffed at this point in time.

SEN. D'ALLESANDRO: Then that's not a bad idea.

CHAIRWOMAN WEBER: Senator Rausch.

SEN. RAUSCH: Could we amend our recommendation to Fiscal that a part of the audit committee's recommendation that they put out somebody from Administrative Services to give some assistance? Don't need to do that?

CHAIRWOMAN WEBER: I'm not sure it's in our purview.

SEN. PRESIDENT BRAGDON: Nor Fiscal's. I think the message will get relayed relatively easily.

CHAIRWOMAN WEBER: And any further discussion? Seeing none. The motion is to move a performance audit of the New Hampshire Veterans Home onto our calendar and to give it as high a priority as consistent with the work that's already being undertaken. Is that a fair statement or sense of the Committee? Okay. Any further discussion? All in favor say aye? Opposed? Seeing none.

**\*\*\* {MOTION ADOPTED}**

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CHAIRWOMAN WEBER: Does anybody want to do anything further with either of the other two that we have currently on our agenda?

SEN. PRESIDENT BRAGDON: Which are Police Standards and Training which I believe you said was really Fiscal's job and Education which you tabled last time.

CHAIRWOMAN WEBER: Right. And Education was very broad. You know, the entire Department.

SEN. PRESIDENT BRAGDON: I do have another topic though when we get to that point.

CHAIRWOMAN WEBER: As to those two, one of the concerns I have is we keep putting them on the agenda and I don't want to -- should we keep those two on the agenda? Should we put them on some kind of back burner in limbo? Just am concerned about these coming up on the agenda again, and again, and again, and getting people, you know, either to come in here needlessly because we are not going to discuss them or -- you know, I just don't know where we are with that or whether people have thoughts about how to deal with that because I'm not sure I have any idea how to deal with that.

SEN. LARSEN: Well, I would move indefinite postponement of the request for proposed performance audit. That will make --

SEN. PRESIDENT BRAGDON: Of what? That's even broader than the stuff we talked about.

SEN. LARSEN: I'm sorry, for the Police Standards and Training.

CHAIRWOMAN WEBER: I'm a little concerned about the words indefinite postponement because at least on our side of the wall that means you can't take them up again.

SEN. LARSEN: Until the end of the session. So it's just till December.

CHAIRWOMAN WEBER: Well, not for us. It would be until the end of -- until the end of our term, which is -- I'm concerned about --

SEN. LARSEN: Okay.

CHAIRWOMAN WEBER: -- foreclosing any further action. But perhaps just leave it if the sense of the Committee was that they don't have to go on the agenda --

SEN. PRESIDENT BRAGDON: Yeah, okay.

CHAIRWOMAN WEBER: -- time after time. If somebody needs to bring it up under Other Business, they can. But we don't have an expectation there's going to be a discussion at any particular time.

SEN. PRESIDENT BRAGDON: I'm fine with that. I'm fine with that.

CHAIRWOMAN WEBER: Is that okay?

SEN. LARSEN: Yes.

CHAIRWOMAN WEBER: For both Police Standards and Department of Education until somebody --

SEN. PRESIDENT BRAGDON: Although let me inquire about Police Standards and Training procedurally. We have recommended to Fiscal that they do a performance audit at

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least as to training. I think the statute says that Fiscal doesn't reject that then it happens, and Fiscal hasn't rejected it. So the fact they have asked us some questions is nice, but there's nothing we can do. Fiscal -- I believe if Fiscal does not unanimously reject, it happens.

MR. MAHONEY: That is correct, Senator.

SEN. PRESIDENT BRAGDON: And they have not unanimously rejected it and they can ask us all the questions they want. I think procedurally there's nothing we can do. It's left here and Fiscal has got to deal with the issue of it hasn't been rejected. Someone is probably going to pick up on that at some point.

CHAIRWOMAN WEBER: Senator.

SEN. RAUSCH: I thought, and again, this is the first one I've been physically able to be here, but I've read this. I thought the whole issue with Police Standards was they didn't have any money to pay for it and since then there's been a determination that they're not charged for it.

SEN. PRESIDENT BRAGDON: Right.

CHAIRWOMAN WEBER: That's correct.

SEN. RAUSCH: If that issue has been resolved, then what is the continuing issue?

SEN. PRESIDENT BRAGDON: Fiscal had sent it back and asked us to look into that or --

CHAIRWOMAN WEBER: The question that was waiting to be resolved was costs. I think that they also -- there was some testimony before us that certain people believe that

it's not necessary to do it. Other people believe that it is necessary to do it. We heard that a couple of times. I guess from my perspective, just --

SEN. RAUSCH: But that's under the purview now of Fiscal.

CHAIRWOMAN WEBER: I think it's in Fiscal's corner at the moment. And I don't see how us recommending it again to Fiscal gets us any further forward other than that they have not rejected it unanimously. It's sitting there. We have -- my concern is keeping stuff in the pipeline.

SEN. PRESIDENT BRAGDON: Right.

CHAIRWOMAN WEBER: Keeping people productively used and setting the priorities for how things get done. And I think we have got -- certainly, we have heard that they have enough work to keep them busy and --

SEN. RAUSCH: If it's Fiscal, I would concur. There's no reason for us to continue having it on our agenda when it's not really in our purview. So I would concur.

CHAIRWOMAN WEBER: I think we examined all the things we can exam and, you know, it needs to go on from there.

## **7. Other Business:**

CHAIRWOMAN WEBER: Other Business. You, Senator, had something you wanted to add to the list.

SEN. PRESIDENT BRAGDON: If I may? I think maybe it might be something we want to get in the queue knowing it will take a few months for the queue to empty out. And I think because of potential scope I was contacted by a Senator. I don't think I'll say which Senator it was

because a constituent contacted that Senator, and identifying the Senator might identify the constituent. But I asked for a summary of the situation. And this constituent is involved in ambulance service. Most of the ambulance services in New Hampshire received demand letters from HHS telling them that they overbilled Medicaid. I believe the total alleged overbilled amount was over \$2 million. After reviewing our records, it did not appear the State claim was accurate. We contacted the State, told us the problem was with DHHS. Apparently, at least one DHHS employee had not been filling out and/or retaining the required paperwork for at least a 5-year period. The auditor informed us that this not only resulted in inaccurate allegation of overbilling but also means the State has insufficient documentation to pursue actual cases of fraud. And my thought was if this was just something with an ambulance billing, that's one thing. But for this not to be happening for that long if it's a systemic problem, obviously, the Medicaid budget is huge. And if we're not accurately performing all the tasks we need to do to be able to document whether or not there's fraud, and/or recovery, I think the financial scope of this is relatively large.

So I'd like to suggest the Committee consider at least requesting Fiscal to approve an audit of that and then we can work on scope statements and stuff, but get it in the queue. That's just, again, that was from a constituent of a Senator. But that's a one paragraph explanation of what brought it about.

CHAIRWOMAN WEBER: Discussion? Comments?

SEN. REAGAN: Send to Fiscal probably. Sounds like a financial audit problem.

SEN. PRESIDENT BRAGDON: Well, no. A financial

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audit -- no, I think it's performance audit. Correct me if I'm wrong, something like this is a performance audit; right?

MR. MAHONEY: Senator, it could fall under either, quite honestly. Performance audit could entail internal controls.

SEN. PRESIDENT BRAGDON: Yeah.

MR. MAHONEY: Financial audits focus on internal controls a lot. I should mention that it's part of the Medicaid Program. That program is also audited every year by KPMG. Whether they have selected in their expenditure analysis ambulance reimbursements, I don't know. But I would think that an internal control review over this issue from a financial audit perspective might be the most expeditious way to go.

SEN. PRESIDENT BRAGDON: That's good. That's -- expeditious is probably good. Okay, good. I didn't make a motion, so.

CHAIRWOMAN WEBER: Would you care to pursue that via the other route and then bring it back to us if you feel --

SEN. PRESIDENT BRAGDON: Yeah, I'd be happy to.

CHAIRWOMAN WEBER: -- if we need to have more work here? Is there any other business?

SEN. PRESIDENT BRAGDON: Only one other that was another Senator called me last night and said what do we do if we think there's a problem in this particular -- Senator referenced a potential management issue at the Sununu Center and there's no time to develop anything. Senator D'Allesandro may be familiar with some of the things going

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on. So just I might have a Senator talk to the audit people and just to see if it falls in there. Senator D'Allesandro.

CHAIRWOMAN WEBER: Senator.

SEN. D'ALLESANDRO: In the budget, there is a paragraph that says by the 30<sup>th</sup> of September the Commissioner should give a report to the Legislature as to what's going to happen to the Sununu Center. There's a \$750,000 reduction in the first year and \$500,000 reduction in the second year. But I think -- and I had some conversation actually last night.

SEN. PRESIDENT BRAGDON: You and me both.

SEN. D'ALLESANDRO: And I relayed that to the party. And I said, you proceed with where he wants to go and that's fine, but that the Commissioner has a responsibility in law to have a plan to the Legislature by the 30<sup>th</sup> of September. So that's -- that's coming up fairly quickly. So I think, in fact, it's addressed in that statement.

SEN. PRESIDENT BRAGDON: Thank you. I was looking for a study committee. I could have sworn we had some kind of a study. That's what it is, the Commissioner's report.

SEN. REAGAN: It's under the Dash Board.

SEN. PRESIDENT BRAGDON: There may or may not be something coming in the future.

CHAIRWOMAN WEBER: Okay. That one we'll hold awhile.

SEN. PRESIDENT BRAGDON: Yep. I'll let you know if there's anything.

## **8. Date of next meeting and adjournment**

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CHAIRWOMAN WEBER: Any other business? Do we want to set a time for another meeting or do we want to leave that to the call of the Chair?

SEN. D'ALLESANDRO: To the call of the Chair.

SEN. REAGAN: Call of the Chair.

SEN. PRESIDENT BRAGDON: I guess so. Yeah, because I was going to say with the Scope Statement on the Veterans Home, but it will be awhile before we even have time to do one.

MR. MAHONEY: Yes, Senator. I think a meeting to the call of the Chair would be preferable from our perspective as well.

CHAIRWOMAN WEBER: In that case motion to adjourn?

\*\* SEN. REAGAN: Move to adjourn.

SEN. PRESIDENT BRAGDON: Second.

CHAIRWOMAN WEBER: All in favor? And we're adjourned. And thank you all very much.

\*\*\* {MOTION TO ADJOURN ADOPTED}

(Adjourned at 10:23 a.m.)



CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

*Cecelia A. Trask*  
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