

**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL**

**FINANCIAL AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 2014**

**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL**

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* Indicates audit comment suggests legislative action may be required.
This report can be accessed in its entirety on-line at:
<http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>

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**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL**

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report is the administrative operations of the New Hampshire Judicial Council (Judicial Council or Council) for the nine months ended March 31, 2014.

The Judicial Council is a 24-member board, established to provide assistance and information about the State's courts and justice system to all branches of State government as well as to the New Hampshire Bar Association.

In addition, the Judicial Council provides funding for the Indigent Defense Fund, the Contract Attorney Program, the New Hampshire Public Defender's Office, Court Appointed Special Advocates of New Hampshire (CASA), New Hampshire Legal Aid for civil matters and Guardians ad Litem in guardianship, termination of parental rights, and abuse and neglect matters.

Organization

The Judicial Council is comprised of the following:

- Five members of the Judicial Branch Administrative Council, appointed pursuant to Supreme Court Rules;
- The Attorney General or designee;
- A clerk of the Superior Court, selected by the Superior Court Clerks' Association;
- A clerk of the District and Municipal Courts, selected by the District Court Clerks' Association;
- The president-elect of the New Hampshire Bar Association;
- The chairperson of the Senate Judiciary Committee or a designee from such committee appointed by the chairperson;
- The chairperson of the House Judiciary and Family Law Committee or a designee from such committee appointed by the chairperson;
- Eight other members appointed by the Governor and Council, 3 of whom shall be members of the New Hampshire Bar Association of wide experience who have been admitted to practice in the state for more than 5 years, and 5 of whom shall be lay persons; and
- Five other members appointed by the Chief Justice of the Supreme Court, 3 of whom shall be members of the New Hampshire Bar Association of wide experience who have been admitted to practice in the state for more than 5 years, and 2 of whom shall be lay persons.

To help accomplish its duties, the Council has two sub-committees: the Executive Committee and the Indigent Defense Fund.

The Council has an administrative staff of three: the Executive Director, an Administrative Assistant, and an Accounting Technician.

Responsibilities

The duties of the Council as defined in RSA 494:3 are as follows:

- I. To serve as an institutional forum for the on-going and disinterested consideration of issues affecting the administration of justice.
- II. To survey and study continuously the administration of justice within the state and the organization, procedure, practice, rules, and methods of administration and operation of the courts of the state.
- III. To devise ways of simplifying judicial procedure, expediting the transaction of judicial business, and of improving the administration of justice.
- IV. To recommend and provide general information to the general court, to the supreme court, to the superior court, to the probate court, and to the district and municipal courts, to any public official, department or agency or to the state bar association, either upon request or upon the council's own motion, such changes in the law or in the rules, organization, operation or methods of conducting the business of the courts, or with respect to any other matter pertaining to the administration of justice, as it may deem desirable.
- V. To collect, compile, analyze, and publish statistics pertaining to the judicial system as prepared and provided by the administrative office of the courts.
- VI. To serve as a catalyst for the discussion of legal and judicial issues through seminars, forums and special studies, and any other means, within the limits of available state and private funding.

In addition to the duties defined in RSA 494, the Judicial Council is charged in several other statutes with duties relating to the delivery of indigent defense representation and related services consistent with RSA 604-A and RSA 604-B. Payments to attorneys and legal service providers in cases where an individual has been found to be indigent are paid by the Judicial Council.

RSA 490:26-f charges the Judicial Council with authority for payment of guardian ad litem bills. Guardian ad litem appointments may be for probate matters such as guardianships of minors and adults, and representation by both attorneys and guardians ad litem in termination of parental rights matters pursuant to RSA 170-C.

The Council is also responsible for the payment of attorneys representing parents in abuse and neglect cases, and guardians ad litem appointed in delinquency cases. Payments for any matters relating to children in need of services (CHINS) cases remain the responsibility of the Department of Health and Human Services.

Funding

The financial activity of the Judicial Council is accounted for in the General Fund of the State of New Hampshire.

Summary Of Revenues And Expenditures Nine Months Ended March 31, 2014

	General Fund
Revenues	\$ 174,597
Expenditures	<u>18,253,939</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ (18,079,342)</u>

Prior Audit

The most recent prior financial audit of the Judicial Council was for the fiscal year ended June 30, 2000. The appendix to this report on page 31 contains a summary of the current status of the observations contained in that report. The prior audit report can be accessed from the Office of Legislative Budget Assistant website at the following web address:
<http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>.

Audit Objectives And Scope

The primary objective of our audit was to express an opinion on the fairness of the presentation of the financial statement of the Judicial Council for the nine months ended March 31, 2014. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Council and tested the Council's compliance with certain provisions of applicable State laws, rules, and contracts. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Revenues
- Expenditures

Our report on internal control over financial reporting and on compliance and other matters, the related observations and recommendations, our independent auditor's report, and the financial statement of the Judicial Council are contained in the report that follows.



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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To The Fiscal Committee Of The General Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the New Hampshire Judicial Council (Judicial Council or Council) which comprises the Statement of Revenues and Expenditures - General Fund for the nine months ended March 31, 2014, and the related notes to the financial statement and have issued our report thereon dated August 4, 2014, which was qualified as the financial statement does not constitute a complete financial presentation of the Council in the General Fund.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies. We consider the deficiencies described in Observations No. 1 through No. 5 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 6 and No. 7.

Council's Responses To Findings

The Council's responses to the findings identified in our audit are included with each reported finding. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office Of Legislative Budget Assistant

August 4, 2014

Internal Control Comments
Significant Deficiencies

Observation No. 1: Continue Automating And Consolidating Information Technology Systems And Processes

Observation:

The Judicial Council is a small agency responsible for processing, reviewing, and approving a significant number of programmatic and financial transactions. During the nine months ended March 31, 2014, the three employees of the Judicial Council business office processed approximately \$23 million of expenditures. The Judicial Council's efficiency in processing this activity was hampered by lack of current, controlled, reliable, and well-designed information technology (IT) systems.

The Judicial Council maintained and used three IT systems in addition to the State's accounting system (NHFirst) to process and record financial activities during the nine months ended March 31, 2014.

1. The Judicial Council used its *Indigent Defense System* (IDS) database to process and record activity related to indigent defense cases, including processing payments for assigned counsel, guardian ad litem - abuse and neglect, and ancillary services. During the nine months ended March 31, 2014, approximately \$1.0 million of payments were initiated in the IDS.

The IDS, as operated by the Judicial Council, has rudimentary access controls with only one user account having broad access authorities. The three Judicial Council employees who used the IDS shared one user name and password, precluding the establishment of accountability for transactions. Contrary to good internal control practices, the single user account shared by the employees appears to have administrator-level permissions that would allow the users to make direct changes to the underlying tables and data. The IDS users reported they did not utilize that available function.

During the nine months ended March 31, 2014, the interface between the IDS and NHFirst systems loaded IDS payment transactions into NHFirst with an "approval status" that allowed checks to be directly issued without the application of the usual NHFirst system approval controls. As noted in Observation No. 3, although the Executive Director reviewed and approved invoices entered in the IDS system for accuracy and completeness, there was no review to ensure that only payments approved by the Executive Director were loaded into, and subsequently paid by, NHFirst.

The Judicial Council reports that when NHFirst was implemented, certain IDS data changes were required for the IDS to properly interface with NHFirst, including the adoption of the NHFirst chart of accounts. However, the Judicial Council data file formats were not fully converted to a NHFirst standard format, which occasionally results in the names of

defendants and represented individuals, rather than vendor names, being recorded and reported in description fields of general ledger data records and reports. Certain of this data included in these records and reports should be held as confidential information.

2. The Judicial Council used its *Contract Counsel System* database to track cases represented by contract attorneys. While the system runs on the State IT network, due to the obsolete software supporting the system, only one terminal is available for a system operator. The Judicial Council reported that due to workload, certain closed case information had not been entered in this system since October 2013. The process used by the Judicial Council to account for and track payments to contracted counsels during the nine months ended March 31, 2014 involved the entry of similar data into multiple information systems, including spreadsheets. Redundant data entry and reliance on spreadsheets in accounting systems is inefficient and increases the risk of clerical and computational errors.
3. The Judicial Council had partially discontinued use of its *Guardian Ad Litem* (GAL) system database in November of 2012 due to GAL system capacity limitations. The Judicial Council did not record certain GAL case information in any of its IT systems until April 2014, when an enhancement to the IDS allowed the Judicial Council to process GAL case and payment information in the IDS, for interfacing with NHFirst.

Recommendations:

The Judicial Council should continue automating and consolidating its IT systems and processes, and review its need to operate multiple IT systems in addition to NHFirst. The Judicial Council should consider whether features within NHFirst, including the scanning of invoices and electronic approvals could be further used to increase efficiencies by lessening the paper flow in its business office, and providing increased controls over payment processes. As part of this system review effort, the Judicial Council should establish a current IT plan that provides for a discontinuation of its obsolete and unsupported IT systems, and a shift to more efficient systems that will allow a move away from paper-based processes and redundant data entry.

As long as the Judicial Council maintains and operates multiple IT systems, it will need to have suitable controls in place to ensure the systems can be relied upon to accurately accept, store, and process information in a secure and reliable manner.

The Judicial Council should investigate the possibility of setting up additional user accounts in the IDS that would establish accountability for transactions entered into the system and limit users' access to roles appropriate for their job responsibilities.

The Judicial Council should implement a control to ensure that only payments that have been reviewed and approved by the Executive Director are interfaced from IDS to NHFirst for payment.

The Judicial Council should work with the Department of Administrative Services to ensure that confidential information will not be unintentionally disclosed due to incompatibilities in the IDS to NHFirst interface.

The Judicial Council should consider eliminating the use of spreadsheets, which are prone to errors and manual overrides, and consider adding the contract counsel payments to the current IDS used by the Judicial Council to make payments for assigned counsel, guardian ad litem - abuse and neglect, and other ancillary services.

Auditee Response:

We concur. We can't imagine that any State Agency does not plan to continue automating and consolidating information technology systems and processes. In our case, the auditor properly observes that the Judicial Council employed three databases in March of this year. However, in keeping with the Agency's information technology plan, steps were being taken to reduce the number of databases to just one. Effective July 1, 2014, the Judicial Council employs only one database to enter cases, store information, and pay invoices. We met in July of 2014 with Department of Administrative Services staff specializing in the functionality of NHFirst. It was determined that the Agency's need for information about prior pays and invoice details over time favors the continuing utilization of the Indigent Defense System database and interface with NHFirst. The Judicial Council will update its Information Technology Plan.

Observation No. 2: Strengthen Contract Monitoring

Observation:

The Judicial Council has not established policies and procedures for monitoring compliance with contracts. During fiscal year 2014, the Judicial Council had an \$18.9 million contract with the New Hampshire Public Defender (NHPD) and a \$494,000 contract with the Court Appointed Special Advocates of New Hampshire (CASA) for legal and other services. The following are examples of weaknesses in the Judicial Council's review and monitoring of contractor compliance.

1. The NHPD contract states:

The amount, if any, by which the total semi-annual payments specified above for State Fiscal Year 2012 exceed the amount of total expenses associated with operation of the NHPD for the year shall be utilized by the NHPD to help to defray expenses associated with the operation of NHPD incurred during State Fiscal Year 2013. ...Within 80 days following conclusion of the State Fiscal Year 2013, NHPD shall return to the State the amount, if any, by which the payments specified above for both fiscal years exceed the total expenses incurred for operation of the NHPD for the two fiscal years.

Although the Judicial Council reviewed the NHPD's June 30, 2013 audited financial statements, the Judicial Council did not receive documentation to support the determination of the approximately \$165,000 contract excess returned by the NHPD to the Judicial Council at the conclusion of fiscal year 2013. The Judicial Council could not accurately describe how the NHPD determined the amount to be returned.

Subsequent to auditor inquiry, the Judicial Council requested and received a schedule supporting the contract excess returned by the NHPD subsequent to the June 30, 2013 end of the two year contract. The calculation presented by the NHPD adjusted expenses reported in the audited financial statements to reflect the purchase of equipment that would be depreciated (expensed) over future periods. This adjustment, reflecting the purchase and depreciation of equipment, decreased the amount returned at the end of the contract period by approximately \$170,000, when compared to a calculation using unadjusted expenses. While the adjustment may better reflect the NHPD's cash flow, it is not clear the contract anticipated such an adjustment, as the contract did not describe how to calculate the contract excess or further define "total expenses incurred for operation of the NHPD for the two fiscal years."

2. CASA provides guardian ad litem services in those abuse and neglect cases in which CASA certified and trained volunteers are appointed by the Circuit and Superior Courts. The purpose of the contract is to have CASA guardian ad litem (GAL) resources meet the demand for GAL services for indigents, subject to the constraints imposed by ethical guidelines regarding caseloads and conflicts of interests.

The Judicial Council's contract with CASA states, "CASA will provide the Council with a copy of the Audited Financial Statement of the organization within one week of its receipt." The Judicial Council's review of the CASA's audited financial statement should be used as a control to ensure that CASA's financial condition is sufficient to support its contracted activity.

As of the auditor's May 9, 2014 inquiry, the Judicial Council had not received a copy of CASA's June 30, 2013 audited financial statements. Subsequent to auditor inquiry, the Judicial Council requested the audited financial statements from CASA.

3. The Judicial Council performs only a limited review of quarterly progress reporting received from CASA. While the Executive Director states he performs a cursory review of the quarterly progress reports received from CASA, the review is not documented. Reported information is not routinely analyzed or forwarded to other Council employees or members for their review and information.

Recommendation:

The Judicial Council should strengthen its contract monitoring, and establish policies and procedures to support and promote its efforts to ensure contracted activity remains in compliance with administrative, fiscal, and other program requirements and objectives.

1. The Judicial Council should clarify NHPD contract provisions to establish a defined basis and methodology for calculating the cost of operations and for determining the amount of any excess funding. The Judicial Council should require and review documentation supporting excess funding calculations.

2. The Judicial Council should monitor and enforce all significant CASA contract provisions, including the timely submission of CASA audited financial statements. The Judicial Council should contact CASA to determine the status of the fiscal year 2013 financial statements.
3. The Judicial Council should formalize its review of CASA quarterly progress reporting to ensure the CASA contract is operating as intended. The results of that review should be documented and available to interested parties.

Auditee Response:

We concur. CASA and the Public Defender Program are private, nonprofit corporations that contract with the State of New Hampshire, through the Judicial Council, to provide legal services to thousands of children and adults across the State. The Judicial Council executive director spends an inordinate amount of time scrutinizing the performance of CASA and the Public Defender Program in their delivery of services, ensuring that these programs are accepting as many cases as possible and monitoring the quality of the representation provided. Nevertheless, the Judicial Council can strengthen and deepen our scrutiny of the financial operations of CASA and the Public Defender Program. In particular, the Judicial Council will revise its RFP and contract with the Public Defender Program, (or whichever entity is awarded the indigent-defense delivery contract), to provide greater clarity surrounding the methodology for calculating the cost of operations and for determining the amount of any excess funds that would lapse to the State at the conclusion of the biennium. The Judicial Council will take steps to regularize its review of CASA's audited financial statements in order to ensure that CASA's financial condition is sufficient for its contracted activity. The Judicial Council will formalize its review of the CASA quarterly progress reports to ensure that the CASA contract is operating as intended. Finally, the Judicial Council will seek out training opportunities to remain current with contract monitoring best practices.

Observation No. 3: Improve Controls Over Payments To Providers

Observation:

A segregation of duties weakness with the Judicial Council's Indigent Defense System (IDS) payment process increases the risk that inaccurate payments could be made and not be detected and corrected in a timely manner.

During the nine months ended March 31, 2014, the Judicial Council used the IDS to process approximately \$1.0 million of payments to providers of certain legal services. Payments initially processed in the IDS are uploaded into the State's integrated accounting system (NHFirst) for payment to the provider. Unlike most transactions processed through NHFirst, IDS transactions are not subject to a Department of Administrative Services (DAS) approval control process prior to the release of payments.

Pursuant to a 2009 agreement with the DAS, the Judicial Council certified the IDS payment system "provides adequate financial controls to assure that expenditures meet the requirements

of State and federal law.” In support of its certification, the Judicial Council described its internal control process to include a segregation of duties requiring any payment transaction entered into the IDS for payment to be approved by “the Executive Director or Power of Attorney of the Judicial Council”.

As currently performed, the Executive Director’s approval of transactions entered into the IDS for payment is not a reliable payment control process as it does not include an effective segregation of duties over the input, approval, and upload of payment data into NHFirst or include an effective reconciliation of the amounts approved and the amounts paid.

Recommendations:

The Judicial Council should improve controls over IDS payments by redesigning its segregation of duties control and strengthening its reconciliation process to ensure that only approved amounts are processed for payment in NHFirst.

The Judicial Council, with the assistance of the DAS, should review the IDS payment process to ensure that it incorporates sufficient controls to meet the requirements of the State.

Auditee Response:

We concur. Every single payment made by the Judicial Council to a provider is first reviewed and approved by a trial court or appellate judge, then reviewed and corrected to conform to established court rules and guidelines by Judicial Council staff, then reviewed and approved for payment by the Judicial Council Executive Director. We have taken steps to strengthen our approval process by requiring all transactions to be approved and uploaded to NHFirst by the Judicial Council Executive Director. We will review and improve our reconciliation processes. We have met with representatives of the Department of Administrative Services, Financial Data Management, who indicate that our Indigent-Defense-System database interface with NHFirst is a valid and acceptable means of paying invoices. Nevertheless, we will coordinate with the Department of Administrative Services Bureau of Accounts to conduct periodic reviews of our payments to ensure the continuing reliability and functionality of the payment system.

Observation No. 4: Develop And Implement Comprehensive Risk Assessment Process And Business Continuity And Disaster Recovery Plans

Observation:

The Judicial Council has not adopted a formal risk assessment process and does not have business continuity and disaster recovery plans in place to respond to potential disruptions to its operations.

A risk assessment process and disaster recovery and business continuity plans are intended to protect operations from, or minimize the effects of, foreseeable disruptions.

Risk assessment is one of the five recognized components of internal control. An ongoing risk assessment process is essential to ensure an organization regularly reviews operations for, and reacts to, changes in conditions that could present a risk to financial and other operations. An ineffective risk assessment process can result in situations where an organization faces, and is forced to react to, an unanticipated vulnerability without proper planning.

Disaster recovery and business continuity plans, while related, do not serve the same purpose. A disaster recovery plan describes procedures and assigns responsibilities for reacting to and recovering from a natural or other disaster such as the loss of a critical asset. The business continuity plan describes the organization's roadmap for continuing operations under adverse conditions.

The increased impact of a disruption to a small agency like the Judicial Council makes an appropriate risk assessment process more critical to continued operations.

Recommendation:

The Judicial Council should further develop its risk assessment process and develop and implement business continuity and disaster recovery plans for its operations. The risk assessment process should include the input of both the Executive Director and the Council, and operate on a continual basis to remain current. The business continuity and disaster recovery plans should be tested periodically to ensure staff are knowledgeable of, and trained in, their assigned responsibilities in the event the plans are put into action.

Auditee Response:

We concur. The Judicial Council will develop and implement a comprehensive risk assessment process and will devise business continuity and disaster recovery plans. The Council will take steps to ensure that risk assessment and recovery plans are reviewed and updated periodically.

Observation No. 5: Revise Interface Coding

Observation:

An apparent misalignment in the Judicial Council's Indigent Defense System (IDS) payment interface with the State's accounting system (NHFirst) assigned incorrect expenditure account codes to certain Judicial Council expenditures during the nine months ended March 31, 2014.

Audit testing identified errors in expenditure account classifications in 11 out of a random sample of 45 (24%) items tested. The incorrect detail expenditure accounts for the 11 noted items overstated Legal Provider costs and understated Non-Counsel Provider costs by approximately \$19,000, respectively.

Recommendation:

The Judicial Council should review the expenditure account coding in the IDS to NHFirst interface to better align the two information systems to more accurately report Judicial Council expenditures.

Auditee Response:

We concur. The Judicial Council has already revised its interface coding to reflect the proper expenditure account codes. Prior to the audit, the Council was unaware that the Indigent Defense System was programmed to automatically fill in an inaccurate detail expenditure account. According to the Agency's Department of Administrative Services Business Officer, this coding was not significant to the Council's accounting. Nevertheless, the interface coding has been revised and this deficiency has been corrected.

State Compliance Comments

Observation No. 6: Clarify Authority For Appointing And Compensating The Executive Director

Observation:

During the nine months ended March 31, 2014, the responsibility for appointing and compensating the Judicial Council's Executive Director was not clearly established in statute.

The Judicial Council's Executive Director position is mentioned in RSA 494:7 *Organization of Council; Expenses*; however, the responsibility and process for appointing the Executive Director is not established in statute. Also, while RSA 94:1-a identifies a salary for an **unclassified** Executive Director; the State operating budget identifies and funds a **nonclassified** position in the Judicial Council, currently occupied by the Executive Director.

During the nine months ended March 31, 2014, the Executive Director's annual salary was \$25,000 more than the amount specified by RSA 94:1-a. The salary paid to the Executive Director was approved by the Judicial Council and the Department of Administrative Services and was included as a budgeted amount in the State Operating Budget.

Recommendation:

The Judicial Council should request legislative clarification of the authority for appointing and compensating its Executive Director.

Auditee Response:

We concur. Over the past 25 years the Legislature has set the salary of the Executive Director in the biennial budget. The Council will work with the Legislature to clarify the authority for appointing and compensating the Executive Director and will work to ensure that the grade classification in 94:1-a is appropriate to the requirements of the position.

Observation No. 7: Request Revision Or Repeal Of Unapplied Statute

Observation:

A statute affecting the operations of the Judicial Council, which is identified as having been determined unconstitutional in the statute's annotations, has not been repealed or otherwise amended.

RSA 604-A:5 provides limits on compensation paid to counsel appointed for representation of a defendant in a criminal case, for representation of any juvenile charged with being delinquent, or for representation of a neglected or abused child. The annotation to the statute, citing a 1978

case, notes the “courts of the state have the exclusive authority to determine the reasonableness of compensation for court-appointed counsel; this section, by attempting to impose a fee schedule for court-appointed counsel, intrudes upon this judicial function in violation of the constitutional separation of powers mandate in part 1 article 37 of the state constitution.”

During the nine months ended March 31, 2014, the Judicial Council made payments to appointed council in accordance with the New Hampshire Rules of Court.

Allowing obsolete statutes to remain in the codification of State statutes increases the risk that an incorrect interpretation of current law may result.

Recommendation:

The Judicial Council should request RSA 604-A:5 be repealed or appropriately amended to eliminate any unconstitutional aspects of the current statute.

Auditee Response:

We concur.



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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report On The Financial Statements

We have audited the accompanying financial statement of the Judicial Council which comprises the Statement of Revenues and Expenditures - General Fund, for the nine months ended March 31, 2014, and the related notes to the financial statement.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis For Qualified Opinion

As discussed in Note 1, the financial statement referred to above does not purport to and does not constitute a complete financial presentation of the Judicial Council in conformity with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the respective revenues and expenditures of the Judicial Council's portion of the State of New Hampshire's General Fund for the nine months ended March 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, the financial statement referred to above reports certain financial activity of the Judicial Council. It does not purport to, and does not, present fairly the financial activity of the State of New Hampshire as of March 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Judicial Council which comprises the Statement of Revenues and Expenditures - General Fund, for the nine months ended March 31, 2014. The accompanying Budget to Actual Schedule is

presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budget to Actual Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budget to Actual Schedule is fairly stated, in all material respects, in relation to the financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014 on our consideration of the Judicial Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Judicial Council's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

August 4, 2014

**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL
STATEMENT OF REVENUES AND EXPENDITURES-GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

<u>Revenues</u>	<u>General Fund</u>
<u>Unrestricted Revenues</u>	
Refund From Prior Year	\$ 164,856
Guardian Ad Litem Probate Refunds	9,741
Total Revenues	<u>174,597</u>
 <u>Expenditures</u>	
Public Defender Program	14,156,585
Contract Counsel	1,360,923
Civil Legal Services	825,000
Ancillary Services	626,992
Assigned Counsel	315,060
Guardian Ad Litem Services	295,010
Guardian Ad Litem Abuse And Neglect - CASA	370,500
Guardian Ad Litem Abuse And Neglect - Other	109,176
Administrative Costs	194,693
Total Expenditures	<u>18,253,939</u>
 Excess (Deficiency) Of Revenues Over (Under) Expenditures	 <u>(18,079,342)</u>
 Other Financing Sources (Uses)	
Net Appropriations (Note 2)	18,253,939
Total Other Financing Sources (Uses)	<u>18,253,939</u>
 Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	 <u>\$ 174,597</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement of the New Hampshire Judicial Council (Judicial Council or Council) has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The Judicial Council is an organization of the primary government of the State of New Hampshire. The accompanying financial statement reports certain financial activity of the Judicial Council.

The financial activity of the Judicial Council is accounted for and reported in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, net position and fund balances are reported for the State as a whole and by fund in the CAFR. The Judicial Council, as an organization of the primary government, accounts for only a small portion of the State's financial activities and those assets, liabilities, net position and fund balances as reported in the CAFR that are attributable to the Judicial Council cannot be determined. Accordingly, the accompanying financial statement is not intended to show the net position, fund balance or changes in fund balances of the Judicial Council. Likewise, the State CAFR reports governmental activities for the State as a whole in the State's government-wide financial statements. The Judicial Council accounts for only a small portion of the State's governmental activities and the governmental activities related to the Judicial Council cannot be determined. Accordingly, the accompanying financial statement is not intended to show a governmental activities presentation of the Judicial Council's financial activities. The accompanying financial statement is intended to show a fund presentation of the Judicial Council's revenues and expenditures in the General Fund.

B. Financial Statement Presentation

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities. The Judicial Council reports its financial activity in the fund described below.

Governmental Fund Types:

General Fund: The General Fund is the State's primary operating fund and accounts for all financial transactions not accounted for in any other fund. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

Reporting Period

The accompanying Judicial Council financial statement is presented for the nine months ended March 31, 2014.

C. Measurement Focus And Basis Of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term obligations including compensated absences, other post-employment benefits, and claims and judgments are recorded only when payment is due.

D. Revenues And Expenditures

In the governmental fund financial statements, revenues are reported by source and expenditures are reported by function. For budgetary control purposes, revenues are further classified as either "unrestricted" (general purpose) or "restricted." Unrestricted revenues are credited directly to the appropriate fund balance upon recording in the State's accounting system. Pursuant to the State's operating budget, unrestricted or general purpose revenues collected by an agency are not used as a direct source of funding for agency operations but are available to fund any activity accounted for in the fund. The recording of unrestricted revenues has no effect on an agency's authorization to expend funds.

Restricted revenues are either by State law or by outside restriction (e.g. federal grants), available only for specified purposes and are credited to the agency's accounting unit to which the restricted revenue is budgeted upon recording in the State's accounting system. Restricted revenues recorded by an agency are direct sources of funding for budgeted agency operations (appropriations).

Unused restricted revenues at year end are either lapsed or generally recorded as a committed or assigned fund balance. When both unrestricted (general purpose) and restricted funds are available, it is the State's policy to use restricted revenues first.

Other Financing Sources – these additions to governmental resources in the fund financial statement result from financing provided by net appropriations.

F. Receivables

In the governmental fund financial statement, receivables are primarily for accruals that are received by the Judicial Council within 60 days after period end.

G. Budget Control And Reporting

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget for State agencies, including the Judicial Council, is prepared principally on a modified cash basis and adopted for the governmental funds, with the exception of the Capital Projects Fund and certain proprietary funds. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the State CAFR's budget and actual comparison schedule. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the State departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of budgetary control is generally at the department level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year-end will generally lapse to assigned or unassigned fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as restricted, committed, or assigned fund balance. The balance of unexpended encumbrances is

brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. The Judicial Council had \$551,519 of unliquidated encumbrances recorded in the General Fund at March 31, 2014.

A Budget To Actual Schedule - General Fund is included as supplemental information.

NOTE 2 - NET APPROPRIATIONS

Net appropriations reflect appropriations for expenditures in excess of restricted revenues. Net appropriations are made from the fund balance of the General Fund.

NOTE 3 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire.

Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is $\frac{1}{60}$ (1.67%) of average final compensation multiplied by years of creditable service ($\frac{1}{66}$ of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at $\frac{1}{66}$ (1.5%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and

service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by $\frac{1}{4}$ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

All covered Judicial Council employees are members of Group I.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, the New Hampshire Retirement System also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

A special account was established by RSA 100-A:16, II(h) for additional benefits. Prior to fiscal year 2007, the account was credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus $\frac{1}{2}$ of 1 percent.

In 2007, legislation was passed that permits the transfer of assets into the special account for earnings in excess of $10\frac{1}{2}$ percent as long as the actuary determines the funded ratio of the consolidated retirement system to be at least 85 percent. If the funded ratio of the system is less than 85 percent, no assets will be transferred to the special account.

In fiscal year 2011, two pieces of legislation passed that impacted the special account. The first required an \$89 million transfer from the special account to the state annuity accumulation fund effective May 11, 2011. The other, required the balance remaining in the special account, less funds set aside to comply with the temporary supplemental allowances required by RSA 100-A:41-d, III, to be transferred to the respective components of the State annuity accumulation fund, effective June 30, 2011. This resulted in an additional transfer from the special account to the State annuity accumulation fund totaling \$167.3 million.

In fiscal year 2012, legislation was passed that repealed the special account.

The New Hampshire Retirement System issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Funding Policy

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the nine months ended March 31, 2014, by statute, Group I members contributed 7.0% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the system's actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State funds 100% of the employer cost for all of the Judicial Council's employees enrolled in the Plan.

The Judicial Council's normal contribution rate was 10.51% of the covered payroll for the nine months ended March 31, 2014. The Judicial Council's normal contributions for that period were \$11,956.

Other Postemployment Benefits

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of State service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of State service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health plan (Plan), which is the State's self-insurance internal service fund implemented in October 2003 for active State employees and retirees. The Plan funds the cost of medical claims by charging actuarially developed working rates to State agencies for participating employees, retirees, and eligible spouses. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees.

The Judicial Council's Medical Subsidy normal contribution rate during the nine months ended March 31, 2014 was 1.62% of the covered payroll for its Group I employees. The Judicial

Council's contributions for the Medical Subsidy for the nine months ended March 31, 2014 were \$1,843.

The State Legislature currently plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**STATE OF NEW HAMPSHIRE
JUDICIAL COUNCIL
BUDGET TO ACTUAL SCHEDULE
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
<u>Revenues</u>			
<u>Unrestricted Revenues</u>			
Refund From Prior Year	\$ -0-	\$ 164,856	\$ 164,856
Guardian Ad Litem Probate Refunds	-0-	9,741	9,741
Total Revenues	<u>-0-</u>	<u>174,597</u>	<u>174,597</u>
<u>Expenditures</u>			
Public Defender Program	18,875,447	14,156,585	4,718,862
Contract Counsel	1,700,000	1,360,923	339,077
Civil Legal Services	1,100,000	825,000	275,000
Ancillary Services	700,000	626,992	73,008
Assigned Counsel	900,000	315,060	584,940
Guardian Ad Litem Services	500,000	295,010	204,990
Guardian Ad Litem Abuse And Neglect - CASA	494,000	370,500	123,500
Guardian Ad Litem Abuse And Neglect - Other	150,000	109,176	40,824
Administrative Costs	305,343	194,693	110,650
Total Expenditures	<u>24,724,790</u>	<u>18,253,939</u>	<u>6,470,851</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(24,724,790)</u>	<u>(18,079,342)</u>	<u>(6,296,254)</u>
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	24,724,790	18,253,939	6,470,851
Total Other Financing Sources (Uses)	<u>24,724,790</u>	<u>18,253,939</u>	<u>6,470,851</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>\$ -0-</u>	<u>\$ 174,597</u>	<u>\$ 174,597</u>

The accompanying notes are an integral part of this schedule.

Notes To The Budget To Actual Schedule – General Fund Nine Months Ended March 31, 2014

Note 1 - General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the General Fund and other governmental funds, with the exception of the Capital Projects Fund.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances.

The budget, as reported in the Budget To Actual Schedule, reports the initial operating budget for fiscal year 2014 as passed by the Legislature in Chapter 143, Laws of 2013.

Budgetary control is at the department level. In accordance with RSA 9:16-a, notwithstanding any other provision of law, every department is authorized to transfer funds within and among all program appropriation units within said department, provided any transfer of \$75,000 or more shall require prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts.

Variances - Favorable/(Unfavorable)

The variance column on the Budget To Actual Schedule highlights differences between the original 12-month operating budget and the Judicial Council's actual revenues and expenditures during the first nine months of fiscal year 2014. Actual revenues exceeding budget or actual

expenditures being less than budget generate a favorable variance. Actual revenues being less than budget or actual expenditures exceeding budget cause an unfavorable variance.

Unfavorable variances are expected for revenues and favorable variances are expected for expenditures when comparing nine months of actual revenues and expenditures to an annual budget.

Note 2 - Net Appropriations

Net appropriations reflect appropriations for expenditures in excess of restricted revenue. Net appropriations are made from the fund balance of the General Fund.

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APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of August 4, 2014, of the current status of the observations and other issues and concerns contained in the audit report of the Judicial Council for the fiscal year ended June 30, 2000. That report can be accessed at, and printed from the Office of Legislative Budget Assistant website:

<http://www.gencourt.state.nh.us/LBA/AuditReports/financialreports.aspx>.

Status

Internal Control Comments

Reportable Conditions

- | | | | |
|--|---|---|---|
| 1. Standard For Evidencing Court’s Authorizations Should Be Developed | ● | ● | ○ |
| 2. Expenditure Recording And Approval Functions Should Be Segregated
<i>(See Current Observation No. 3)</i> | ● | ○ | ○ |
| 3. Expenditures Recorded In Database Applications Should Be Reconciled To
State Accounting System | ● | ● | ● |
| 4. Procedures For The Payment Of Contract Attorneys Should Be Improved | ● | ● | ○ |
| 5. Procedure Manuals Should Be Updated Or Developed As Necessary | ● | ● | ○ |

Compliance Comments

State Compliance

- | | | | |
|---|---|---|---|
| 6. Information Technology Plan Should Be Developed <i>(See Current
Observation No. 1)</i> | ● | ○ | ○ |
| 7. Biennial Report Should Be Filed With Governor And Council | ● | ● | ● |
| 8. Statutes Should Be Amended To Reflect Current Responsibilities | ● | ● | ● |

Management Issue Comments

- | | | | |
|---|---|---|---|
| 9. Public Defender Contract Refunds Should Be Made More Often | ● | ● | ● |
| 10. Reversionary Interest In Equipment Should Be Monitored | ● | ● | ● |

Status Key

	●	●	○	<u>Count</u>
Fully Resolved	●	●	●	5
Substantially Resolved	●	●	○	3
Partially Resolved	●	○	○	2
Unresolved	○	○	○	0

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