

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION**

**AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 1997**

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION**

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
AUDIT OBJECTIVES AND SCOPE	5
AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE	6
<i>REPORTABLE CONDITIONS</i>	
1. NO WRITTEN POLICIES FOR COLLECTING LOAN REPAYMENTS AND THE WRITING OFF OF UNCOLLECTIBLE ACCOUNTS	8
2. LOAN RECEIVABLE RECORDS.....	10
3. LOAN RECEIVABLE BALANCES NOT PROPERLY RECORDED	11
4. UNDERSTATEMENT OF FISCAL YEAR 1996 ACCOUNTS RECEIVABLE.....	12
5. CONTROLS OVER REVENUE PROCESSING	13
6. LACK OF DOCUMENTATION SUPPORTING PERFORMANCE BOND AMOUNTS FOR PROPRIETARY SCHOOLS	15
7. LACK OF SEGREGATION OF DUTIES - EXPENDITURES	16
AUDITOR'S REPORT ON STATE AND FEDERAL COMPLIANCE	18
<i>STATE COMPLIANCE</i>	
8. NONCOMPLIANCE WITH RULES GOVERNING THE NURSING SCHOLARSHIP AND NURSING LEVERAGED SCHOLARSHIP PROGRAMS.....	19
9. NEW HAMPSHIRE RESIDENCY REQUIREMENT FOR THE DARTMOUTH MEDICAL PROGRAM NOT PROPERLY VERIFIED	20
10. UNTIMELY REPAYMENT OF NURSING LOANS	22
11. STATEMENTS OF FINANCIAL INTERESTS	24
12. OUT-OF-STATE STUDENT INCENTIVE COMMITTEE	25
13. EDUCATIONAL OPPORTUNITY PLAN NOT FILED	25
14. ANNUAL REPORT TO THE STATE TREASURER NOT SUBMITTED.....	26
<i>FEDERAL COMPLIANCE</i>	
15. NONCOMPLIANCE WITH RULES GOVERNING THE PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM	27
AUDITOR'S REPORT ON MANAGEMENT ISSUES	29
<i>MANAGEMENT ISSUE</i>	
16. SHORTFALL OF ANNUAL PAYMENTS FOR NEBHE ASSESSMENT	30

TABLE OF CONTENTS (Continued)

INDEPENDENT AUDITOR'S REPORT.....	32
COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL AND SPECIAL FUNDS	34
NOTES TO THE FINANCIAL STATEMENT.....	36
SCHEDULE OF BUDGETARY COMPONENTS - GENERAL FUND.....	45
SCHEDULE OF BUDGETARY COMPONENTS - SPECIAL FUND.....	46
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE (CASH BASIS)	47
APPENDIX - CURRENT STATUS OF PRIOR AUDIT FINDINGS.....	49

STATE OF NEW HAMPSHIRE POSTSECONDARY EDUCATION COMMISSION

INTRODUCTION

BACKGROUND

The Postsecondary Education Commission was established by RSA 188-D in 1973 to consolidate the roles of the Coordinating Board of Advanced Education and Accreditation and the New Hampshire Higher Education Facilities Commission. The resulting commission is empowered by law to regulate postsecondary educational institutions in the state, establish criteria for granting degrees, and award grants, scholarships, and loans to students who pursue careers in the medical, veterinary, optometric, law and other career fields. It also secures placement at authorized higher education institutions within the state and the country for students pursuing certain careers.

ORGANIZATION

POSTSECONDARY EDUCATION COMMISSION

The Commission consists of 22 members including the presidents of the University of New Hampshire, Keene and Plymouth State Colleges, the chancellor of the University System of New Hampshire, the Commissioner of Education, the Commissioner of Regional Community-Technical Colleges, 12 individuals appointed to represent the various types of educational institutions, and four members from the lay public appointed by the Governor and Council. The majority of the members serve five year terms.

BUSINESS OFFICE

The Commission's business office is located at 2 Industrial Park Drive, Concord. The business office is managed by an executive director appointed by the Postsecondary Education Commission for a term of four years. All accounting and business functions are handled by a staff of six full-time and two part-time employees. The business office administers the New Hampshire Incentive Program to provide financial assistance to needy college students, the Nursing Scholarship/Nursing Leveraged Scholarship Programs to provide financial assistance to New Hampshire residents pursuing nursing careers, Medical and Veterinary Programs to secure seats in medical/veterinary colleges for New Hampshire students, the Leveraged Incentive Program to leverage additional private financial aid for New Hampshire students, and the War Orphan Scholarships to provide financial assistance to war orphans of New Hampshire servicemen and women. The Commission is a member of the New England Higher Education Compact which enables New Hampshire students to attend certain programs at colleges in New England states at a reduced rate.

INTRODUCTION (Continued)

BUSINESS OFFICE (Continued)

The Commission also acts as the repository of records for New Hampshire schools that have closed their doors. The Commission operates the Veterans Educational Services Program under a contract with the U.S. Department of Veterans Affairs. The U.S. Department of Veterans Affairs, under the provisions of Section 3674, Title 38, U.S.C., reimburses the Commission for reasonable expenses incurred by Commission employees in ascertaining the qualifications of educational institutions to furnish courses of education for veterans and in supervising such educational institutions.

During the nine months ended March 31, 1997, the Commission employed one unclassified and eight classified individuals. Two of the eight classified positions were part-time.

FUNDING

The Postsecondary Education Commission is funded by appropriations from the General and Special Funds. Revenues and expenditures in the General and Special Funds for the nine months ended March 31, 1997 are summarized in the following table.

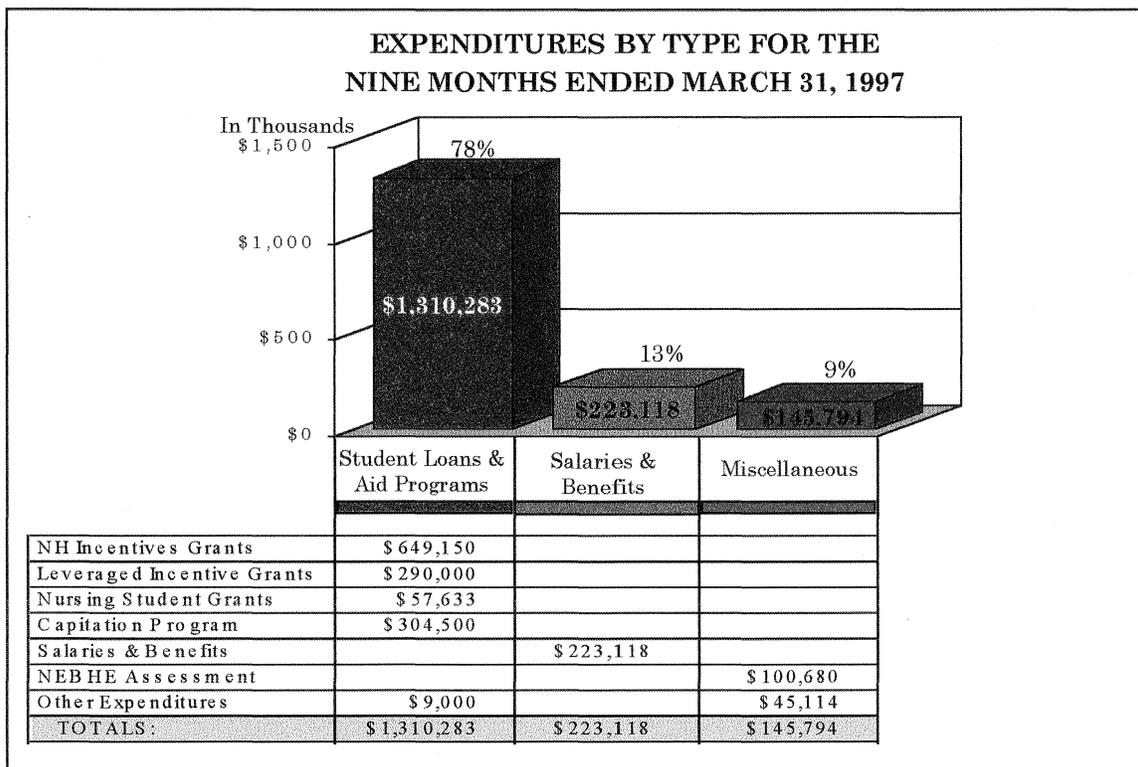
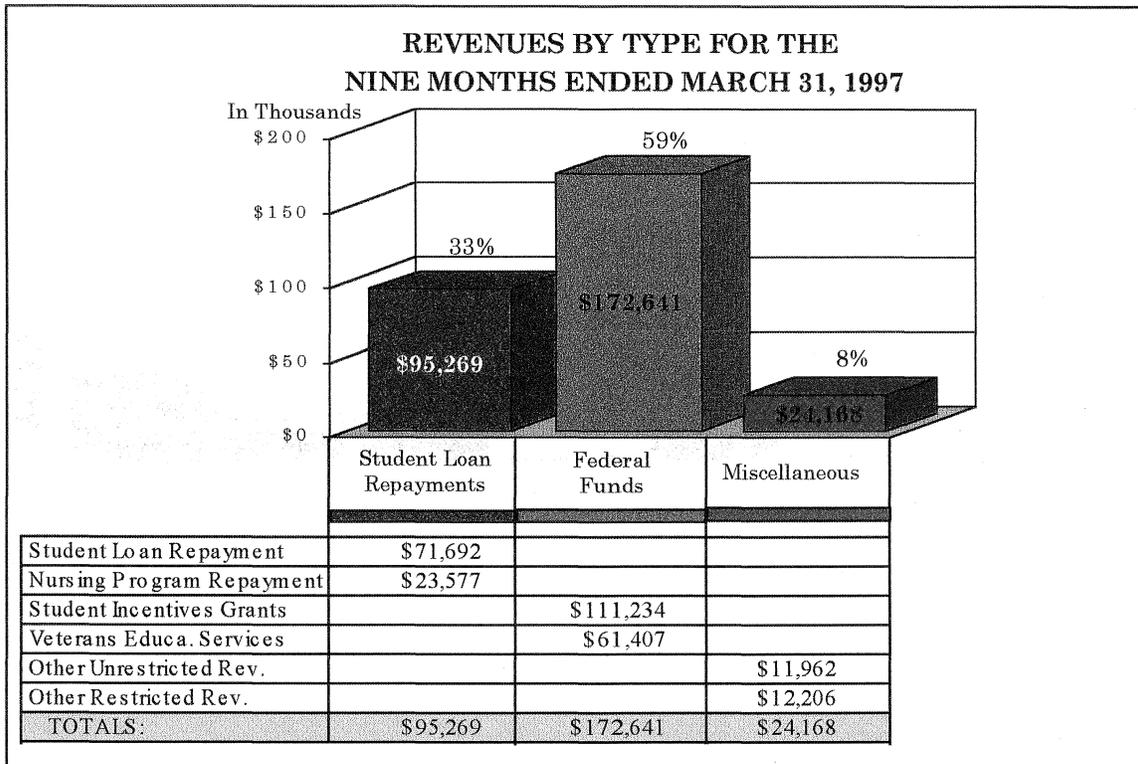
	NINE MONTHS ENDED MARCH 31, 1997	
	GENERAL FUND	SPECIAL FUND
UNRESTRICTED REVENUES	\$ 83,654	\$ -0-
RESTRICTED REVENUES	135,404	73,020
TOTAL REVENUES	\$ 219,058	\$73,020
EXPENDITURES	\$ 1,601,696	\$77,499

Funding sources and expenditures for the nine months ended March 31, 1997 for both the General and Special Funds combined are illustrated graphically on page 3.

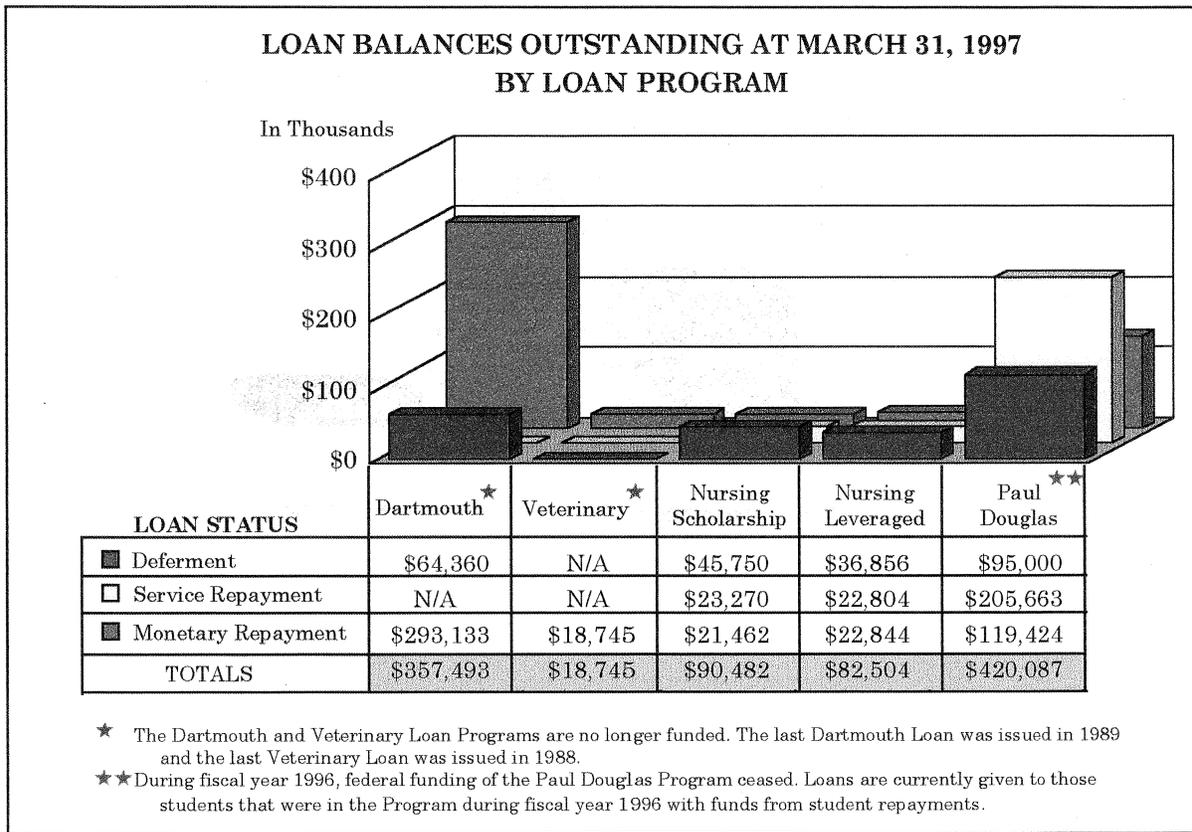
STUDENT LOANS

The Postsecondary Education Commission administers five student loan programs. The graph on page 4 illustrates the loan balances outstanding at March 31, 1997 and the payment status of those loans.

INTRODUCTION (Continued)



INTRODUCTION (Continued)



PRIOR AUDIT

The most recent prior audit of the Postsecondary Education Commission was for the year ended June 30, 1990. The appendix to this report on page 49 contains a summary of the current status of the observations contained in that prior audit report.

Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION**

AUDIT OBJECTIVES AND SCOPE

The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statement. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal control structure in place at the Postsecondary Education Commission and tested the Commission's compliance with certain provisions of applicable state and federal laws and regulations. Major accounts or areas subject to our examination included, but were not limited to the following:

- Internal control structure
- Revenues
- Expenditures
- Loans receivable
- Equipment
- State and federal compliance

Our reports on the internal control structure, state and federal compliance, and management issues, the related observations and recommendations, our independent auditor's report, and the financial statement, are contained in the report that follows.

AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statement of the Postsecondary Education Commission of the State of New Hampshire for the nine months ended March 31, 1997, and have issued our qualified report thereon dated May 2, 1997, which was qualified with respect to the lack of presentation of the financial position of the Postsecondary Education Commission as of March 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement.

The management of the Postsecondary Education Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statement of the Postsecondary Education Commission for the nine months ended March 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Those matters that we consider to be reportable conditions are described on the following pages.

REPORTABLE CONDITIONS

OBSERVATION NO. 1: NO WRITTEN POLICIES FOR COLLECTING LOAN REPAYMENTS AND THE WRITING OFF OF UNCOLLECTIBLE ACCOUNTS

OBSERVATION:

The Postsecondary Education Commission (PEC) collects repayments on loans originally issued to students through five separate student loan programs. Three of the five programs provide students with the option of repaying their loan either monetarily or through a specified period of service in their field of study. At March 31, 1997, the PEC was collecting monetary loan repayments from 177 individuals. One hundred twenty-three individuals were paying back their loans through service. The total loan balance outstanding for loans in monetary repayment status in these five programs at March 31, 1997, was \$475,608. Occasionally, a student will not repay the loan. As a result, the PEC is required to make collection efforts on the accounts overdue. If the PEC can not locate a student or otherwise take collection action, the PEC writes off the account as uncollectible.

Our evaluation of the internal controls relating to maintaining the loans receivable records at the PEC revealed the following concerns:

- According to N.H. Admin. Rules, Pos 702.01 (f) and Pos 903.01 (g), all delinquent accounts shall be referred to the Office of Institutional Collections [Department of Health and Human Services, Office of Reimbursements]. However, effective September 12, 1996, this office no longer collects on delinquent accounts for other state agencies. The PEC now collects the delinquent accounts using late notices and court actions.

When all collection efforts of the Office of Reimbursements were exhausted, an unsigned, typed letter was provided to the PEC documenting that determination. This letter served as the PEC's documentation of authority to write off the account. Since September 1996, the PEC Student Financial Assistance Coordinator determines accounts to be uncollectible when all methods of collection, as deemed reasonable by her, have been exhausted. Authorization to write off the account is documented by the Student Financial Assistance Coordinator on a Post-it Note stuck to the student's file.

- We reviewed the loan files for the 20 loans with an outstanding principal balance totaling \$14,378 that were written off during the nine months ended March 31, 1997 for documentation supporting the write-off of the accounts. Of the 20 files reviewed, one had an unsigned, typed letter from the Office of Reimbursements, 13 had Post-it Notes initialed by the Student Financial Assistance Coordinator, and six did not have any documentation of authority to write off the account.

OBSERVATION NO. 1: NO WRITTEN POLICIES FOR COLLECTING LOAN REPAYMENTS AND THE WRITING OFF OF UNCOLLECTIBLE ACCOUNTS (Continued)

OBSERVATION (Continued):

- The PEC does not have formal written procedures for collecting loan repayments from students. The Account Stenographer II uses a calendar to monitor the collection of student loan repayments and to determine when to send out notices for delinquent payments. While the PEC contacts by telephone and sends late notices to students with delinquent loan accounts, the PEC does not have a formal written policy for and is not consistent in sending out late notices.

RECOMMENDATION:

- The PEC should update its administrative rules to reflect current procedures for collecting on delinquent loan accounts.

The PEC should establish a formal policy for collecting on delinquent accounts and determining when accounts are uncollectible and should be written off. The policy should ensure that no accounts are written off without prior documented review and approval by appropriate levels of management including the Executive Director of the PEC. Documentation supporting write-offs should be in the form of formal accounting records and not in the form of unsigned letters or Post-it Notes.

- The PEC should establish formal written procedures for collecting loan repayments. Written procedures should include the use and frequency of loan delinquency notices and procedures to follow when delinquency notices are not responded to.

AUDITEE RESPONSE:

- Written procedures are in the process of being established. Administrative rules will then be updated.
- As of September 1996, the Office of Reimbursements collection function was no longer available to the PEC. Since that time we have begun collection as an in-house function. A formal procedure is being incorporated into the procedures manual under development. After a past due invoice fails to illicit a response, a letter is sent to the awardee indicating that if no response is received within 30 days court proceedings will be instituted and that

OBSERVATION NO. 1: NO WRITTEN POLICIES FOR COLLECTING LOAN REPAYMENTS AND THE WRITING OFF OF UNCOLLECTIBLE ACCOUNTS (Continued)

AUDITEE RESPONSE (Continued):

information will be sent to a credit bureau. If this does not produce action, small claims complaints are initiated in New Hampshire, Massachusetts and Southern Maine (to date no delinquent accounts have occurred to residents of Vermont, Connecticut or Rhode Island). In the case of individuals who live outside of New England or in Northern Maine the expense of pursuing the small claim outweighs the amount owed and is not pursued.

Currently, no files are written off as uncollectible unless they have been reviewed by the Student Financial Assistance Coordinator. A memo-to-file is prepared by the Student Financial Aid Coordinator for those files considered to be uncollectible either because we are unable to locate a current address after seeking assistance from the Department of Motor Vehicle and various Internet address search sources or because the individual is located in Northern Maine or out of New England. At the present time the Board of Nursing will not provide us with information relating to a nurse's address. At this time we are unable to assess the impact that credit bureau reporting will have on collections.

OBSERVATION NO. 2: LOAN RECEIVABLE RECORDS

OBSERVATION:

Proper internal accounting controls require that adequate accounts receivable records be maintained so that amounts are accurately reported and management receives timely and relevant information to track and ensure collection of amounts due in a timely manner. The Postsecondary Education Commission (PEC) maintains accounts receivable ledgers to record loans outstanding and to post loan repayments for each of the five loan programs it administers. At March 31, 1997, the PEC recorded loan balances outstanding of \$241,966 for students currently enrolled in the programs or in deferment, \$475,608 for students making monetary repayment, and \$251,737 for students repaying through service.

During the first nine months of fiscal year 1997, the PEC completed the transition from manual to computerized accounts receivable ledgers for all loan recipients. Although these computerized ledgers are superior to the PEC's prior system of manual ledgers, they do not provide the PEC with readily accessible information to efficiently and effectively control and report account activity. For example, the system does not break down the balance outstanding

OBSERVATION NO. 2: LOAN RECEIVABLE RECORDS (Continued)

OBSERVATION (Continued):

into amounts not due, amounts currently due, and amounts overdue. Thus, an aging of the balances is not easily obtainable. Also, the system used by the PEC does not accumulate the total balance of all the loans outstanding and does not record the amount of overdue balances as accounts receivable at year-end.

RECOMMENDATION:

The PEC should consider further computerization of its student ledger system to provide more efficient and effective management information. The computerized loan ledger system should be able to provide aggregate amounts outstanding, aging of balances, and overdue loan balances. A more fully-automated system could generate loan repayment invoices and also reduce the number of clerical errors that are currently contained in the files.

AUDITEE RESPONSE:

A master list of all outstanding accounts has been completed. A search is being conducted of existing software to find a program which will provide a more fully automated system.

OBSERVATION NO. 3: LOAN RECEIVABLE BALANCES NOT PROPERLY RECORDED

OBSERVATION:

Student loans previously granted through the Nursing Scholarship Program, the Nursing Leveraged Scholarship Program, the Paul Douglas Teacher Scholarship Program, the Dartmouth Medical Loan Program, and the Veterinary Medical Loan Program are currently being paid back to the Postsecondary Education Commission (PEC). There were several instances noted during testing that indicated that the loan balances, as calculated by the PEC, did not accurately reflect the actual amount owed for the loans.

The loan information for a sample of 20 loans was tested. Audit testing included a review of current year transaction postings and also a review of the March 31, 1997 loan balances. This review of the March 31, 1997 balances also required limited audit work on prior years' transaction postings. Errors were noted in eight (40%) of the 20 files tested. Most of these errors were clerical in nature and included errors in calculating interest owed and posting payments. While the noted errors had occurred over the several-year period covered by these

OBSERVATION NO. 3: LOAN RECEIVABLE BALANCES NOT PROPERLY RECORDED (Continued)

OBSERVATION (Continued):

loans and had not all occurred during the period under audit, the effect of these errors misstated the March 31, 1997 loan balance. These errors, if undetected prior to the closeout of the loans, could be compounded by the effects of interest and would cause students to over or underpay the PEC for the reimbursement of their student loans.

The lack of written policies and procedures for recording loan activity and the lack of formal supervisory review of posted loan activity contributed to the cause of these errors.

RECOMMENDATION:

The PEC should establish written policies and procedures for recording financial activity in its student loan programs. The financial activity in the student loan programs should be subject to periodic review to ensure that the established policies and procedures are being adhered to and that the activity is accurately recorded in the student files and in the PEC's other financial records.

AUDITEE RESPONSE:

All loan files were reviewed and any errors were corrected. Future random review of files will be done on a monthly basis to ensure that loan balances are accurate.

In addition, procedures relating to loan repayment policies and procedures are being addressed in the manual currently under development.

OBSERVATION NO. 4: UNDERSTATEMENT OF FISCAL YEAR 1996 ACCOUNTS RECEIVABLE

OBSERVATION:

According to state accounting procedures, the Postsecondary Education Commission (PEC) should report to the Department of Administrative Services as accounts receivable all amounts owed to the PEC at June 30th.

- The PEC recorded a June 30, 1996 accounts receivable of \$2,973 from the federal Veterans Educational Services Program. The amount that should have been recorded as an accounts receivable for fiscal year 1996 from the Veterans Educational Services

OBSERVATION NO. 4: UNDERSTATEMENT OF FISCAL YEAR 1996 ACCOUNTS RECEIVABLE (Continued)

OBSERVATION (Continued):

Program was \$21,702. The PEC underreported the actual reimbursable program expenditures and the unreimbursed administrative costs to run the program for the quarter ended June 30, 1996 by \$18,729.

- The PEC does not record an accounts receivable for the amount of loan repayments due but unpaid for the Nursing Scholarship, the Nursing Leveraged Scholarship, the Paul Douglas Teacher Scholarship, the Dartmouth Medical, and the Veterinary Medical Programs. Because PEC's loan receivable ledgers are not set up to track and report accounts receivable, we were unable to determine the amount of loan repayments due but unpaid at June 30, 1996 or at March 31, 1997.

RECOMMENDATION:

The PEC should revise its procedures for determining and reporting accounts receivable to ensure it accurately and completely reports amounts due the PEC at fiscal year-end.

AUDITEE RESPONSE:

The PEC has revised procedures and invoiced the U.S. Veterans Administration for the full amount owed for the quarter ending June 30th.

The current system will be upgraded to enable an end-of-fiscal year accounts receivable report to be made to the Commission.

OBSERVATION NO. 5: CONTROLS OVER REVENUE PROCESSING

OBSERVATION:

Proper internal accounting controls require that checks received in payment are restrictively endorsed at the earliest opportunity and prior to being forwarded to a second individual in the accounting process. Also, checks should be removed from the accounting process and prepared for deposit immediately after their initial recording. These controls lessen the risk that the receipts could be lost or stolen prior to being deposited.

Checks received by the Postsecondary Education Commission (PEC) are initially recorded on one of two logs by the individual who opens the mail or receives the payment over-the-counter. The checks are then sorted and forwarded to one of four employees responsible

OBSERVATION NO. 5: CONTROLS OVER REVENUE PROCESSING (Continued)

OBSERVATION (Continued):

for accounting for the PEC programs. The checks are used as source documents to post revenue transactions.

After posting the transactions, the checks are endorsed and separate deposits are prepared by three of the four employees. One employee prepares the deposits for the two programs. RSA 6:11, II states that if more than \$100 is in the possession of any department, such funds shall be on deposit in the department's or Treasury's bank account. This statute is regarded as generally requiring daily deposits. Checks and cash received by the PEC are forwarded to appropriate agency personnel and placed in a locked fireproof box until they are deposited. The PEC generally deposits accumulated receipts on a weekly basis; however, the time between receipt and deposit of checks can range up to six days. The length of time the receipts are held prior to deposit increases the risk that the checks could be lost or stolen.

RECOMMENDATION:

Checks should be restrictively endorsed immediately upon receipt. Checks should not be transferred between employees prior to the checks being restrictively endorsed.

Checks should not be unnecessarily transferred between employees for use as source documents for transaction posting. Checks should be promptly processed into deposits and other associated documents should be used for transaction posting purposes. Separating the checks from the transaction recording process would allow deposits to be prepared in a centralized manner and limit the unnecessary transferring of checks between PEC employees, better safeguarding assets.

The PEC should deposit accumulated receipts when they equal or exceed \$100 in accordance with RSA 6:11, II.

AUDITEE RESPONSE:

Effective February 1997, the receptionist restrictively endorses all check immediately upon receipt and logs all transactions. The Administrative Assistant deposits checks for the nursing programs and transcript request checks in accordance with RSA 6:11, II. Copies of cash receipt documents are forwarded to appropriate employees.

Employees for the Veterans Education Approving Agency and New Hampshire Incentive Program receive endorsed checks. Checks are deposited immediately and copies of cash receipt documents are used as source documents.

**OBSERVATION NO. 6: LACK OF DOCUMENTATION SUPPORTING
PERFORMANCE BOND AMOUNTS FOR
PROPRIETARY SCHOOLS**

OBSERVATION:

RSA 188-D:20 states "Every private commercial, correspondence, trade or other school charging tuition or fees which gives pre-employment or supplementary training, or both, established and operated in this state, shall be required to register and obtain a license to conduct such business from the postsecondary education commission." The statute further states that before a license can be issued, a performance bond needs to be posted with the Postsecondary Education Commission (PEC). The amount of such a performance bond shall be based on income from tuition at 10 percent of gross tuition, with a \$10,000 minimum and a \$200,000 maximum.

We reviewed a sample of seven out of the 27 proprietary schools that were licensed during the nine months ended March 31, 1997. We noted the following three instances (43%) where there was inadequate documentation in the files to support the amount of the school's performance bonds.

- In one file reviewed, the documentation in the file indicated that the school should obtain a performance bond in the amount of \$43,350; however, the school posted a bond of \$15,000.
- In two other files reviewed, there was insufficient documentation in the file to support whether the amount of the performance bond was in compliance with statute.

RECOMMENDATION:

The PEC should establish procedures to ensure that proprietary schools obtain performance bonds in the amounts required by statute. The appropriateness of the bond amount should be documented in the files maintained by the PEC.

AUDITEE RESPONSE:

A form has been developed to accurately determine bond amounts for each school and provide documentation for the file.

OBSERVATION NO. 7: LACK OF SEGREGATION OF DUTIES - EXPENDITURES

OBSERVATION:

The duties of originating, authorizing, and recording transactions should be segregated so that no one person is in a position to commit and conceal errors or irregularities in the normal course of business.

During our testing, we noted the following instance where duties related to the Postsecondary Education Commission's (PEC) expenditure process were not properly segregated.

- Payment vouchers are prepared by four of the six, full-time, classified PEC employees, including the Administrative Assistant II, and one of the two part-time employees. After preparation, all payment vouchers are forwarded to the Administrative Assistant II for review and written approval. Approved payment vouchers are returned to the preparer to be entered into NHIFS. The Administrative Assistant II then reviews and approves the transactions that have been entered into NHIFS, including those that she prepared and entered. There is no independent review and approval of expenditures prepared and entered into NHIFS by the Administrative Assistant II. This increases the risk that an error or irregularity on an expenditure processed by the Administrative Assistant II could go undetected.

RECOMMENDATION:

Employees should not be in a position to approve their own work. Either a second employee should be responsible for reviewing and approving payment vouchers prepared and entered by the Administrative Assistant II or the Administrative Assistant II should not be assigned payment voucher preparation responsibilities.

AUDITEE RESPONSE:

Payment vouchers previously completed by the Administrative Assistant are now being processed by the Account Stenographer II. The Administrative Assistant will review and approve.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined previously. However, we believe that none of the reportable conditions described on the preceding pages are material weaknesses.

This report is intended for the information of the management of the Postsecondary Education Commission and the Fiscal Committee of the General Court. However, this report is a matter of public record upon acceptance by the Fiscal Committee and its distribution is not limited.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 2, 1997

AUDITOR'S REPORT ON STATE AND FEDERAL COMPLIANCE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statement of the Postsecondary Education Commission of the State of New Hampshire for the nine months ended March 31, 1997, and have issued our qualified report thereon dated May 2, 1997, which was qualified with respect to the lack of presentation of the financial position of the Postsecondary Education Commission as of March 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement

Compliance with state and federal laws, regulations, contracts, and grants applicable to the Postsecondary Education Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we have noted on the following pages instances of noncompliance with laws and regulations, that while not material to the financial statement, we believe to be worthy of report mention.

This report is intended for the information of the management of the Postsecondary Education Commission and the Fiscal Committee of the General Court. However, this report is a matter of public record upon acceptance by the Fiscal Committee and its distribution is not limited.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 2, 1997

STATE COMPLIANCE

OBSERVATION NO. 8: NONCOMPLIANCE WITH RULES GOVERNING THE NURSING SCHOLARSHIP AND NURSING LEVERAGED SCHOLARSHIP PROGRAMS

OBSERVATION:

The Nursing Scholarship Program is governed by administrative rules established under RSA 188-D:14 through D:18. The Nursing Leveraged Scholarship Program is governed by administrative rules established under RSA 188-D:18-a through 188-D:18-e. We reviewed the files for a sample of 15 students who received Nursing Scholarship Program loans and for a sample of 15 students who received Nursing Leveraged Scholarship Program loans. We noted the following instances where the files were either incomplete, where documents in the file contained errors, or where other issues of noncompliance with program requirements were detected.

Nursing Scholarship Program (15 Files Tested)

- In two files tested (13%), the Postsecondary Education Commission (PEC) did not verify licensure with the Board of Nursing but relied upon the certification of the employer for the student's licensure status.
- In one file tested (7%), a promissory note, required by RSA 188-D:16, II, was not signed by the student.
- In two files tested (13%), the student did not repay the award within the two-year repayment period as required by RSA 188-D:18, III.

Nursing Leveraged Scholarship Program (15 Files Tested)

- In five files tested (33%), the promissory note was not dated, therefore we were unable to determine if the school matched the state funds as required by RSA 188-D:18-c, III.
- In one file tested (7%), the PEC did not consistently apply a method to determine if the hours worked qualify for service repayment credit.
- In one file tested (7%), the PEC did not credit the student with qualified service that would have cancelled the note as required by RSA 188-D:18-e, I-II.
- In one file tested (7%), the student did not repay the award within the two-year repayment period as required by RSA 188-D:18-e, III.

RECOMMENDATION:

The PEC should review all student files to ensure that they are complete and accurate. They should also develop procedures, such as the use of a checklist, to ensure that all required documents and evidence of procedures performed are included in new student files.

OBSERVATION NO. 8: NONCOMPLIANCE WITH RULES GOVERNING THE NURSING SCHOLARSHIP AND NURSING LEVERAGED SCHOLARSHIP PROGRAMS (Continued)

AUDITEE RESPONSE:

All files for both programs have been reviewed to ensure their completeness and accuracy. A checklist has been developed and was currently in use during the file review and will be used with all new files. A procedure manual is in development which will ensure that a uniform method will be used by all personnel in the determination of service credit and the draft section of the manual dealing with repayment by service has been distributed to the appropriate personnel for use during the review process to ensure that a uniform method for service credit is being used.

Regarding the Nursing Scholarship Program, all files have been reviewed as part of the above with special emphasis on verifying that all documentation, including verification of licensure from the Board of Nursing has been secured.

The promissory note for the Nursing Leveraged Scholarship Loan Program currently in use (for FY 97) requires that the recipient sign and date the note and when received the note is date stamped.

As is discussed in detail in paragraphs two through four of our response to Observation No. 10 (untimely repayment of nursing loans) the issue of repayment within the two year repayment period is addressed.

OBSERVATION NO. 9: NEW HAMPSHIRE RESIDENCY REQUIREMENT FOR THE DARTMOUTH MEDICAL PROGRAM NOT PROPERLY VERIFIED

OBSERVATION:

The Postsecondary Education Commission (PEC) makes annual payments, called capitation payments, to Dartmouth Medical School so that the school will reserve spots for students that are New Hampshire residents. RSA 200-J:2, IX, relative to the Veterinary/Medical/Optometric Education Programs, states that “**the postsecondary education commission shall certify to the school applied to** [emphasis added] whether such student is a resident of New Hampshire” and “an applicant shall be eligible for such assistance only if he has been domiciled in this state for at least 12 months prior to submitting an application for assistance.”

OBSERVATION NO. 9: NEW HAMPSHIRE RESIDENCY REQUIREMENT FOR THE DARTMOUTH MEDICAL PROGRAM NOT PROPERLY VERIFIED (Continued)

OBSERVATION (Continued):

The PEC issued a check for \$169,500 for capitation payments to Dartmouth Medical School for the 1996 - 1997 academic year. Prior to issuing the payment, the PEC had not certified state residency for the students that the capitation payments were intended for. Subsequent to making the capitation payment to Dartmouth Medical School, a student roster, prepared by Dartmouth Medical School, was received by the PEC indicating the hometown of each New Hampshire student that the capitation payment had been applied to. This roster prepared by the school does not appear to satisfy the requirement for a PEC certification as stated in the statute.

RECOMMENDATION:

In order to comply with RSA 200-J:2, IX, the PEC should implement procedures to certify that spots at Dartmouth Medical School reserved for New Hampshire residents are indeed filled with resident students that have been domiciled in the state for at least 12 months prior to submitting an application. This can be achieved by requiring appropriate student eligibility questionnaires to be reviewed by the PEC prior to its making the capitation payment to the Dartmouth Medical School.

AUDITEE RESPONSE:

The Commission, at one time, had rules and regulations pertaining to RSA 200-J. These rules were deleted from current filings under RSA 541-A due to the fact that the Commission was not authorized to adopt rules under the Administrative Procedures Act for RSA 200-J.

The Commission shall follow the recommendation and work with the Joint Legislative Committee on Administrative Rules to adopt rules and establish procedures to ensure that only students who meet the residency requirements established by RSA 200-J:2 IX are provided the benefit of the state's capitation program.

Residency forms will be forwarded to Dartmouth Medical School beginning this coming year.

OBSERVATION NO. 10: UNTIMELY REPAYMENT OF NURSING LOANS

OBSERVATION:

RSA 188-D:18, relative to the Nursing Scholarship Program, and RSA 188-D:18-e, relative to the Nursing Leveraged Scholarship Program, both allow nursing loans granted by the Postsecondary Education Commission (PEC) to be cancelled upon completion of a specified period of nursing service in New Hampshire following licensure or completion of the graduate program. Both statutes also state that “If the note is not cancelled because of service as a nurse, the recipient shall repay the loan within 2 years after withdrawing from or completing the training program.”

- We tested ten recipients of Nursing Scholarships that are currently paying back monetarily to the PEC. Eight of the ten loan recipients (80%) have already exceeded the two-year statutory maximum of the loan repayment period.
- We tested ten recipients of Nursing Leveraged Scholarships that are currently paying back monetarily to the PEC. Nine of the ten loan recipients (90%) have already exceeded the two-year statutory maximum of the loan repayment period.
- We tested ten recipients of Nursing Scholarships that are currently in nursing service within New Hampshire and intend to have their nursing loans cancelled due to service repayment. Three of the ten loan recipients (30%) will not have their loans cancelled by service repayment within the expected repayment period. It is unclear, as employment verification has not been received, whether three others will meet the expected repayment period.
- We tested ten recipients of Nursing Leveraged Scholarships that are currently in nursing service within New Hampshire and intend to have their loans cancelled due to service repayment. Three of the ten loan recipients (30%) will not have their loans cancelled by service repayment within the expected repayment period. It is unclear whether two others will meet the expected repayment period as these two loan recipients have not yet passed the required licensing exam.

RECOMMENDATION:

The PEC should review the situation that is causing the untimely repayment of Nursing Scholarship and Nursing Leveraged Scholarship loans. If a two-year repayment period does not appear to be sufficient to allow loan recipients adequate time to repay their loans without undue hardship, the PEC should consider requesting a change in the statute to extend the repayment period or to allow for variance of the period.

OBSERVATION NO. 10: UNTIMELY REPAYMENT OF NURSING LOANS
(Continued)

RECOMMENDATION (Continued):

If the PEC determines that the two-year period remains appropriate, the PEC should take steps to enforce this requirement. This could include requesting authority to charge interest after the two-year period and also requiring nursing loan recipients intending to have their loans cancelled due to nursing service in New Hampshire to repay the loan monetarily if the service is not substantially completed within two years from the completion of the training program.

AUDITEE RESPONSE:

In the observation section, the last two items deal with repayment of nursing loans through service. RSA 188-D:18, I-II and RSA 188-D:18-e, I-II deal with service repayment of the Nursing Scholarship and Nursing Leveraged Scholarship Loan Programs, respectively. While both statutes specify the amount of service required for repayment, they do not specify a period of time during which the service repayment must be made. Since the statute does not set a deadline for service repayment and since the intent of the program was to increase the number of people serving as nurses in New Hampshire, it has been the policy of this office that if a nurse states that s/he intends to repay through service and is actively seeking full-time employment we grant them a reasonable period of time to secure such employment before mandating that they repay monetarily.

In contrast, RSA 188-D:18, III and RSA 188-D:18-e, III clearly specify that monetary repayment must be made within 2 years of withdrawal from or completion of the nursing program. We have not been as strict in the past at adhering to the two-year deadline as we should have been and have made procedural changes to ensure compliance with this section of the statute where possible. However, in cases of hardship or court order we will allow payments to fall below the monthly minimum required for repayment within the two year period specified by the statutes rather than have no payments at all.

Further, it is possible for an individual to begin repaying through service but not complete the repayment through service and when changed to monetary repayment status to already have exceeded the two year repayment period specified in the statute.

Since the two year repayment deadline is impossible in some cases and/or impractical in other instances, the PEC will request a statutory change to allow for an extension of the two year time limit in cases of proven hardship, court order or where the two year period has already been exceeded under the service repayment option. As part of this statute change we will seek to include provisions for deferments for serious illness, disability, and continuing education on at least a half-time basis.

OBSERVATION NO. 11: STATEMENTS OF FINANCIAL INTERESTS

OBSERVATION:

RSA 21-G:5-a states, "I. Every member of every executive branch board, commission, advisory committee, board of directors, and authority, whether regulatory or administrative, shall file by July 1 of each year a verified written statement of financial interests in accordance with the provisions of this section, ... II. No member shall be allowed to enter into or continue the member's duties, unless the member has filed a statement of financial interests with the secretary of state."

We reviewed the statements filed by the members of the Postsecondary Education Commission (PEC) and found that six of the 19 active members on the Commission did not file Statements of Financial Interests due by July 1, 1996. These members have not been prohibited from carrying out their duties. Allowing appointed members to serve prior to their filing Statements of Financial Interests has the potential to unnecessarily subject Commission decisions to challenges.

RECOMMENDATION:

The PEC should establish procedures to ensure that all Commission members submit Statements of Financial Interests by July 1 of each year. Any newly appointed members should file a Statement of Financial Interests prior to entering into duties as members of the Commission.

AUDITEE RESPONSE:

The procedures have been established. As of this date, the six members who failed to file by July 1, 1996 have complied. All members have filed statements due July 1, 1997.

OBSERVATION NO. 12: OUT-OF-STATE STUDENT INCENTIVE COMMITTEE

OBSERVATION:

RSA 188-D:30, I states, "The postsecondary education commission shall appoint a committee to be known as the "out-of-state students incentive committee" which shall review and make recommendations to the executive director of the commission regarding grant applicants."

According to the Postsecondary Education Commission (PEC), the Out-of-State Students Incentive Committee was dissolved in 1990 when funding for the program ceased. The requirement for the Out-of-State Students Incentive Committee remains in the statute.

RECOMMENDATION:

The PEC should seek to have the requirement for the Out-of-State Student Incentive Committee in RSA 188-D:30 amended or repealed to reflect the current status of the program.

AUDITEE RESPONSE:

The Postsecondary Education Commission will seek to have the requirement for the Out-of-State Students Incentive Committee repealed.

OBSERVATION NO. 13: EDUCATIONAL OPPORTUNITY PLAN NOT FILED

OBSERVATION:

RSA 188-D:9-a directs the Postsecondary Education Commission (PEC) to prepare plans for educational opportunities for New Hampshire residents in veterinary medicine, human medicine, optometry, dentistry, and law. According to the PEC, this statute was passed in 1977 when federal funding was available to the PEC for these planning purposes. Federal funding for this program is no longer available and the PEC has not prepared the plans required by this statute.

OBSERVATION NO. 13: EDUCATIONAL OPPORTUNITY PLAN NOT FILED
(Continued)

RECOMMENDATION:

The PEC should prepare the plans as directed by RSA 188-D:9-a. If the PEC determines that it is no longer appropriate or necessary to prepare the plans, it should seek to have the RSA amended to remove this requirement from the statute.

AUDITEE RESPONSE:

A vote will be taken at a Commission meeting to authorize deletion of RSA 188-D:9-a. Following this, legislative action will be sought.

OBSERVATION NO. 14: ANNUAL REPORT TO THE STATE TREASURER NOT SUBMITTED

OBSERVATION:

RSA 188-D:17 and RSA 188-D:18-d direct the Postsecondary Education Commission (PEC) to submit a list of Nursing Scholarship Program and Nursing Leveraged Scholarship Program loan recipients to the State Treasurer annually. Per discussion with the PEC's Executive Director, the PEC does not file a list of loan recipients and the amount awarded to each recipient with the State Treasurer annually.

RECOMMENDATION:

The PEC should annually file a list of Nursing Scholarship Program and Nursing Leveraged Scholarship Program loan recipients, including the amount awarded to each recipient, with the State Treasurer as required by RSA 188-D:17 and RSA 188-D:18-d, respectively.

The PEC should also work with the State Treasury to determine if this statutory requirement continues to be appropriate or if the RSA should be amended to eliminate the filing of this report.

AUDITEE RESPONSE:

The Postsecondary Education Commission has logged this requirement on a yearly calendar and a list of recipients and the amount awarded to each will be forwarded to the State Treasury.

FEDERAL COMPLIANCE

OBSERVATION NO. 15: NONCOMPLIANCE WITH RULES GOVERNING THE PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM

OBSERVATION:

The Paul Douglas Teacher Scholarship is a federally-funded program which provides scholarship loans to outstanding high school graduates who pursue preschool, elementary, or secondary school teaching careers. While new federal funding for the program ended in fiscal year 1995, the Postsecondary Education Commission (PEC) administers the ongoing program. At March 31, 1997, there were nine loan recipients who were students and whose loans were in deferral status. There were 22 recipients who were either in service repayment or monetary repayment status.

The Paul Douglas Teacher Administrative Model Manual provides requirements that are to be followed in administering these scholarship loans, including required documentation and methods for calculating interest on the loans.

We tested the files for a sample of seven out of the 22 recipients who were in repayment status and noted instances where the PEC did not comply with the administrative requirements in the Paul Douglas Teacher Administrative Model Manual.

- In one of the seven files tested (14%), the PEC credited the student with one year of teaching without obtaining verification from the employer.
- In three of the seven files tested (43%), the PEC made errors in calculating interest owed by the students.

These instances of noncompliance with the Paul Douglas Teacher Administrative Model Manual resulted in the PEC collecting \$385 less in loan repayment than it should have during the audit period.

GRANTOR AGENCY:	DEPARTMENT OF EDUCATION
PROGRAM:	PAUL DOUGLAS TEACHER SCHOLARSHIPS
CFDA NUMBER:	84.176
QUESTIONED COSTS:	NONE

**OBSERVATION NO. 15: NONCOMPLIANCE WITH RULES GOVERNING THE
PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM
(Continued)**

RECOMMENDATION:

The PEC should strengthen its internal controls over the Paul Douglas Teacher Scholarship program. The PEC should ensure that there is adequate review and approval of transactions and that transactions are recorded in compliance with the Paul Douglas Teacher Administrative Model Manual.

AUDITEE RESPONSE:

Corrections will be made on current repayments and more stringent methods will be instituted for future loan repayments.

AUDITOR'S REPORT ON MANAGEMENT ISSUES

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statement of the Postsecondary Education Commission of the State of New Hampshire for the nine months ended March 31, 1997, and have issued our qualified report thereon dated May 2, 1997, which was qualified with respect to the lack of presentation of the financial position of the Postsecondary Education Commission as of March 31, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement.

In planning and performing our audit of the financial statement of the Postsecondary Education Commission for the nine months ended March 31, 1997, we noted an issue related to the operation of the Commission that merits management consideration but does not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and was not an issue of noncompliance with laws, rules, or regulations.

The issue that we believe is worthy of management consideration but does not meet the criteria of reportable conditions or noncompliance is included on page 30.

This report is intended for the information of the management of the Postsecondary Education Commission and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter of public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 2, 1997

MANAGEMENT ISSUE

OBSERVATION NO. 16: SHORTFALL OF ANNUAL PAYMENTS FOR NEBHE ASSESSMENT

OBSERVATION:

The New England Higher Education Compact is an interstate student exchange program that allows students from New England to pay significantly reduced tuition at out-of-state public colleges and universities within New England when they enroll in academic programs not offered by their home-state public institutions of higher education. The Compact is administered by the New England Board of Higher Education (NEBHE). RSA 200-A:1 authorizes the State of New Hampshire to execute the New England Higher Education Compact. The operating costs of the NEBHE are funded by the compacting states based on the operating budget approved by the NEBHE.

RSA 200-A:5 states that "The New England Board of Higher Education shall certify to the postsecondary education commission on or before October 1 of the year preceding each legislative session the amounts needed to carry out the purposes of RSA 200-A:4 for the coming biennium. Upon such certification, the postsecondary education commission shall include such amounts in the budget request for its department." The Postsecondary Education Commission (PEC), as a member of the NEBHE, has signed an agreement to pay its share of NEBHE expenses. The NEBHE invoices the PEC annually for the amount due. The PEC has not paid the entire amount due to the NEBHE for fiscal year 1996 or fiscal year 1997.

- The amount of the fiscal year 1997 NEBHE assessment was \$120,121. The PEC paid \$100,680 toward the fiscal year 1997 assessment. The shortfall of \$19,441 has not been paid to the NEBHE.
- The fiscal year 1996 NEBHE assessment was \$114,637. The PEC paid \$101,594. This shortfall of \$13,043 also remains unpaid to the NEBHE.

RECOMMENDATION:

The PEC should pursue a resolution to the amounts it owes to the NEBHE. The PEC should work with its business supervisor and the NEBHE to resolve how and when the PEC can become current with its NEBHE assessment.

**OBSERVATION NO. 16: SHORTFALL OF ANNUAL PAYMENTS FOR NEBHE
ASSESSMENT (Continued)**

AUDITEE RESPONSE:

The N.H. Legislature has appropriated \$32,500 to meet the shortfalls for fiscal years 1996 and 1997. We will seek additional appropriations to meet the shortfalls for fiscal years 1998 and 1999.

INDEPENDENT AUDITOR'S REPORT

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statement of the Postsecondary Education Commission of the State of New Hampshire for the nine months ended March 31, 1997. This financial statement is the responsibility of the management of the Postsecondary Education Commission. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in NOTE 1, the financial statement referred to in the first paragraph is not intended to present the financial position of the Postsecondary Education Commission in the General and Special Funds.

In our opinion, except for the matter discussed in the third paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, certain financial activity of the Postsecondary Education Commission for the nine months ended March 31, 1997 in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The accompanying schedules of budgetary components and federal financial assistance (cash basis) are presented on pages 45 through 47 for the purpose of additional analysis and are not required parts of the financial statement of the Postsecondary Education Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statement referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 1997 on our consideration of the Postsecondary Education Commission's internal control structure and a report dated May 2, 1997 on its compliance with laws and regulations.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

May 2, 1997

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION

COMBINED STATEMENT OF REVENUES AND
EXPENDITURES
BUDGET AND ACTUAL
GENERAL AND SPECIAL FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1997**

	GENERAL FUND		
	BUDGET	ACTUAL	FAVORABLE/ (UNFAVORABLE) VARIANC
<u>REVENUES</u>			
<u>UNRESTRICTED REVENUES</u>			
Repayment of Student Loans	\$ 38,000	\$ 71,692	\$ 33,692
Other Unrestricted Revenue	-0-	11,962	11,962
TOTAL UNRESTRICTED REVENUES	<u>\$ 38,000</u>	<u>\$ 83,654</u>	<u>\$ 45,654</u>
<u>RESTRICTED REVENUES</u>			
State Student Incentive Grant Program	\$ 111,234	\$ 111,234	\$ -0-
Veterans Education Services	-0-	-0-	-0-
Nursing Program Repayments	11,700	23,577	11,877
Other Restricted Revenue	600	593	(7)
TOTAL RESTRICTED REVENUES	<u>\$ 123,534</u>	<u>\$ 135,404</u>	<u>\$ 11,870</u>
TOTAL REVENUES	<u>\$ 161,534</u>	<u>\$ 219,058</u>	<u>\$ 57,524</u>
<u>EXPENDITURES</u>			
NH Incentive Grants to Students	\$ 669,105	\$ 649,150	\$ 19,955
Veterinary/Medical Education			
Capitation Program	304,500	304,500	-0-
Leveraged Incentive Grant	302,543	290,000	12,543
Salaries & Benefits	227,264	169,954	57,310
NE Board of Higher Ed Assistance	100,680	100,680	-0-
Nursing Student Grants	91,663	47,633	44,030
Other Expenditures	61,800	39,779	22,021
Postsecondary Review Program	-0-	-0-	-0-
TOTAL EXPENDITURES	<u>\$ 1,757,555</u>	<u>\$1,601,696</u>	<u>\$ 155,859</u>

The accompanying notes are an

<u>SPECIAL FUND</u>			<u>COMBINED TOTAL (MEMO ONLY)</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE/ (UNFAVORABLE) VARIANCE</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE/ (UNFAVORABLE) VARIANCE</u>
\$ -0-	\$ -0-	\$ -0-	\$ 38,000	\$ 71,692	\$ 33,692
-0-	-0-	-0-	-0-	11,962	11,962
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 38,000</u>	<u>\$ 83,654</u>	<u>\$ 45,654</u>
\$ -0-	\$ -0-	\$ -0-	\$ 111,234	\$ 111,234	\$ -0-
98,442	61,407	(37,035)	98,442	61,407	(37,035)
-0-	-0-	-0-	11,700	23,577	11,877
<u>186,074</u>	<u>11,613</u>	<u>(174,461)</u>	<u>186,674</u>	<u>12,206</u>	<u>(174,468)</u>
<u>\$ 284,516</u>	<u>\$ 73,020</u>	<u>\$ (211,496)</u>	<u>\$ 408,050</u>	<u>\$ 208,424</u>	<u>\$ (199,626)</u>
<u>\$ 284,516</u>	<u>\$ 73,020</u>	<u>\$ (211,496)</u>	<u>\$ 446,050</u>	<u>\$ 292,078</u>	<u>\$ (153,972)</u>
\$ -0-	\$ -0-	\$ -0-	\$ 669,105	\$ 649,150	\$ 19,955
-0-	-0-	-0-	304,500	304,500	-0-
-0-	-0-	-0-	302,543	290,000	12,543
76,311	53,164	23,147	303,575	223,118	80,457
-0-	-0-	-0-	100,680	100,680	-0-
86,719	10,000	76,719	178,382	57,633	120,749
56,976	14,335	42,641	118,776	54,114	64,662
<u>109,999</u>	<u>-0-</u>	<u>109,999</u>	<u>109,999</u>	<u>-0-</u>	<u>109,999</u>
<u>\$ 330,005</u>	<u>\$ 77,499</u>	<u>\$ 252,506</u>	<u>\$ 2,087,560</u>	<u>\$ 1,679,195</u>	<u>\$ 408,365</u>

integral part of the financial statement.

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION
FOR THE NINE MONTHS ENDED MARCH 31, 1997**

NOTES TO THE FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Postsecondary Education Commission (PEC) is an organization of the primary government of the State of New Hampshire established under New Hampshire Revised Statutes Annotated RSA 188-D. The accompanying financial statement reports certain financial activity of the PEC. The financial activity of the PEC is reported in the General and Special Funds of the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the State as a whole in the CAFR. The PEC, as an organization of the primary government, accounts for only a small portion of the General and Special Funds and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the PEC cannot be determined. Accordingly, the accompanying financial statement is not intended to show the financial position of the PEC in the General and Special Funds and the changes in these fund balances are not reported on the accompanying financial statement.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial Statement

The financial statement of the PEC has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Fund Accounting

The State of New Hampshire and the PEC use funds and account groups to report on financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

GOVERNMENTAL FUND TYPES

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues in governmental funds are paid daily into the State Treasury. All such revenues, 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.

Special Fund

The State allocates to the Special Fund expenditures and revenues of programs which, by statute, operate primarily from specific program revenues, such as user fees or federal grants-in-aid. The unexpended balances of appropriations for programs that lapse are transferred to the General Fund. The Special Fund is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

ACCOUNT GROUP

General Fixed Assets

General fixed assets acquired by the PEC for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of March 31, 1997, the PEC had recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at fair market value at the time donated.

C. BASIS OF ACCOUNTING

The State of New Hampshire accounts for its financial transactions related to the General and Special Funds on the modified accrual basis of accounting, under which revenues are recognized when measurable and available to finance operations during the year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature. This budget consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received; 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 operations of the PEC are budgeted in the General and Special Funds.

The New Hampshire biennial budget is composed of the initial operating budget and may be 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. As shown on the Schedule of Budgetary Components-General Fund and the Schedule of Budgetary Components-Special Fund on pages 45 and 46, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

A Combined Statement of Revenues and Expenditures-Budget and Actual-General and Special Funds is presented as the PEC's financial statement.

When statements are presented at an interim date, a date other than June 30 fiscal year-end, the variance reflects the difference between the twelve month budgeted amount and a partial year's actual revenue and expenditures. Thus, on the nine month financial statement dated March 31, 1997, unfavorable variances in revenues are expected, because nine months of actual receipts are compared to the amount of revenue expected to be collected in the twelve month period. Similarly, favorable expenditure variances are expected, as nine months of expenditures are compared to amounts expected to be expended in the twelve month budget period.

Encumbrances

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 PEC's unliquidated encumbrance balances at March 31, 1997 in the General and Special Funds were \$2,218 and \$194 respectively.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. FIXED ASSETS - GENERAL

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the General Fixed Assets Account Group are not depreciated.

F. INTERFUND AND INTRAFUND TRANSACTIONS

The State accounts for interfund and intrafund transactions as described below:

Reimbursements - Various departments charge user fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel and maintenance. In addition, the Department of Administrative Services charges rent to those departments that are housed in state-owned buildings. These fees and rent are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

G. INTERPRETATION OF TOTAL (MEMO ONLY) COLUMN

A total column has been included on the Combined Statement of Revenues and Expenditures-Budget and Actual-General and Special Funds. The total column includes interfund activity and is included only to facilitate financial analysis. Data in this column does not present financial activity in conformity with generally accepted accounting principles. Intra-agency eliminations have not been made in the aggregation of this data.

NOTE 2 - GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a schedule of changes in equipment balances, as reported by the PEC in the General Fixed Assets Account Group for the nine months ended March 31, 1997. Equipment purchases are funded through budgeted appropriations.

	Balance at 7/1/96	Additions	Deletions	Balance at 3/31/97
Equipment	\$75,348	\$ 2,427	\$ 390	\$77,385

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 2 - GENERAL FIXED ASSETS ACCOUNT GROUP (Continued)

Changes in equipment balances are reported to the Department of Administrative Services for inclusion in the State's Comprehensive Annual Financial Report.

NOTE 3 - FEDERAL FUNDS

The PEC is the recipient of two federal grants: the State Student Incentive Grant from the U.S. Department of Education, and the Veterans Educational Service Grant from the U.S. Department of Veterans Affairs. The State Student Incentive Grant program provides student grants or work study assistance of up to \$5,000 per academic year to eligible students at postsecondary educational institutions who demonstrate substantial financial need. The Veterans Educational Service Grant is used to cover administrative expenses incurred by the PEC in carrying out the educational provisions of the Montgomery GI Bill Active Duty - Chapter 30 which provides educational assistance to servicepersons after their separation from military duty.

NOTE 4 - STUDENT LOANS OUTSTANDING

VETERINARY/MEDICAL EDUCATION LOAN PROGRAM

Under RSA 200-I, the PEC has given tuition loans to eligible medical and veterinary students. Repayment of the loans is made in equal annual or monthly installments beginning one year after termination of enrollment or graduation. Medical students may put off repayment until five years after graduation and veterinary students until one year after the end of their internship. RSA 200-I mandates that these loans be repaid within twice the number of years the recipient was enrolled in school, plus one year. The majority of the loans will be repaid within nine years of the first scheduled payment. The rates of interest associated with these loans are set by statute as the prevailing general obligation bond rates at the time the promissory notes were signed. The interest rates on the notes range from a low of 5.7% to a high of 10.67%. The schedule below reports the loan balance outstanding as of March 31, 1997 by program of study for students making monetary repayment.

Type of Loan	Monetary Repayment	
	Number of Students	Outstanding Balance 3/31/97
Veterinary Student Loans	13	\$ 18,745
Medical Student Loans	23	\$ 293,133

In addition to the students listed above, six students have Medical Student Loans in a deferment status. The balance outstanding at March 31, 1997 on these deferred loans was \$64,360.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 4 - STUDENT LOANS OUTSTANDING (Continued)

NURSING SCHOLARSHIP PROGRAM/NURSING LEVERAGED SCHOLARSHIP PROGRAM

The PEC gives tuition loans to eligible nursing students under RSA 188-D:16. These loans are cancelled upon satisfactory completion of nursing service in New Hampshire or through monetary repayment. A breakdown of students by repayment type is presented in the following table.

Type of Loan	Monetary Repayment		Service Repayment	
	Number of Students	Outstanding Balance 3/31/97	Number of Students	Outstanding Balance 3/31/97
Nursing Scholarship	78	\$ 21,462	60	\$ 23,270
Nursing Leveraged Scholarship	52	\$ 22,844	46	\$ 22,804
Total Outstanding	130	\$ 44,306	106	\$ 46,074

In addition to the students listed above, at March 31, 1997 there were 158 Nursing Scholarship Loans and 57 Nursing Leveraged Scholarship students currently enrolled in a nursing program with outstanding balances of \$45,750 and \$36,856, respectively. We are unable to determine how much of the balance outstanding for these currently enrolled students will be paid back through monetary repayment and how much will be paid back through nursing service.

PAUL DOUGLAS TEACHER SCHOLARSHIP PROGRAM

The PEC participated in the federally funded Paul Douglas Teacher Scholarship program that provided grants to students pursuing a career in teaching. Additional funding for this program ended in fiscal year 1996. Under the terms of the program, if the student terminated studies prior to graduation or did not pursue a career in teaching after graduation the grant would have to be paid back in installment payments. If the student pursued a career in teaching for two years for every year the scholarship was awarded (or one year for every year the scholarship was awarded if the student was employed in a critical teacher shortage area), the scholarship would be considered repaid.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 4 - STUDENT LOANS OUTSTANDING (Continued)

The following chart shows the scholarship balance outstanding by repayment types.

	Monetary Repayment		Service Repayment	
	Number of Students	Outstanding Balance 3/31/97	Number of Students	Outstanding Balance 3/31/97
Paul Douglas Teacher Scholarship	5	\$ 119,424	17	\$ 205,663

In addition to the students listed above, nine Paul Douglas Teacher Scholarship students with an outstanding balance of \$95,000 at March 31, 1997 are currently in a loan deferment status. We are unable to determine how much of this balance outstanding will be repaid through monetary repayment and how much will be repaid through service repayments.

NOTE 5 - ACCOUNTS RECEIVABLE

The PEC is required by the state accounting policies to record amounts receivable at each June 30 year-end. The PEC is not required by state accounting policies to record accounts receivable at interim accounting periods such as March 31, 1997. As a result, at March 31, 1997, the PEC did not record \$14,238 in accounts receivable in the Special Fund due from the U.S. Department of Veterans Affairs related to the Veterans Educational Service Grant.

NOTE 6 - BUILDING LEASE

The PEC leases 2,000 square feet of office space at 2 Industrial Park Drive in Concord, N.H. The lease expires September 30, 1997. The annual rental fee over the term of the lease is \$16,000 to be paid in monthly installments of \$1,333. The PEC made \$16,000 in lease payments during the nine months ended March 31, 1997, which included \$4,000 of prepaid lease payments for the period April 1, 1997 to June 30, 1997. Future lease commitments over the term of the lease amount to \$4,000.

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 7 - EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The PEC as an organization of state government participates in the New Hampshire Retirement System (the Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the PEC. The Plan qualifies as a tax-exempt organization under section 401 (a) and 501 (a) of the Internal Revenue Code. New Hampshire Revised Statutes Annotated (RSA), Chapter 100-A established the Plan and the contribution requirements. The Plan, which is a cost sharing, multiple-employer Public Employee Retirement System (PERS), is divided into two membership groups. Group I consists of employees and teachers. Group II consists of firefighters and police officers, including some correctional officers.

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount is $1/60$ (1.67%) of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65 the yearly pension amount is recalculated at $1/66$ (1.5%) of AFC, multiplied by years of creditable service. Members in service with ten or more years of creditable service who are between the ages of 50 and 60 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service. In addition, any Group I member who has completed at least 20 years of creditable service that, combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

Group II - After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members in service at age 60 qualify to receive a prorated retirement allowance.

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation. All covered PEC employees are members of Group I.

The Plan is financed by contributions from the members, State and local employers, and investment earnings. During the nine months ended March 31, 1997, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings. The State funds 100% of employer costs for all the PEC's employees enrolled in the Plan. The annual contribution required to cover any normal costs beyond the employee contribution is determined every two years by the Plan's actuary.

The PEC's payments for normal contribution costs for the nine months ended March 31, 1997, amounted to 3.14% of the covered payroll for its Group I employees. The Plan does not make separate measurements of assets and pension benefit obligations for individual employers. The New Hampshire Retirement System's Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on

NOTES TO THE FINANCIAL STATEMENT (Continued)

NOTE 7 - EMPLOYEE BENEFIT PLANS (Continued)

payroll, contributions, actuarial assumptions and funding method, pension benefit obligation, and ten year historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

Deferred Compensation Plan

The PEC as an organization of state government offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all state employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employees or other beneficiaries) solely the property and rights of the State (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the State's general creditors. Participants' rights under the Plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant.

Postemployment Health Care Benefits

In addition to the benefits described above, the PEC as an organization of state government provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis.

During the nine months ended March 31, 1997, the State paid for the full cost of health insurance premiums for the retired PEC employees and spouses on a pay-as-you-go basis. The cost of health insurance for the PEC's employees and spouses is a budgeted amount and is paid from an appropriation made to the administrative organization of the New Hampshire Retirement System.

Accordingly, the cost of health insurance benefits for the retired PEC employees and spouses is not included in the PEC's financial statement.

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION
SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1997**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL APPROPRIATION WARRANTS</u>	<u>BALANCES BROUGHT FORWARD</u>	<u>NET TRANSFERS IN/(OUT)</u>	<u>BUDGET</u>
<u>REVENUES</u>					
<u>UNRESTRICTED REVENUES</u>					
Repayment of Student Loans	\$ 38,000	\$ -0-	\$ -0-	\$ -0-	\$ 38,000
Other Unrestricted Revenues	-0-	-0-	-0-	-0-	-0-
TOTAL UNRESTRICTED REVENUES	<u>\$ 38,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 38,000</u>
<u>RESTRICTED REVENUES</u>					
State Student Incentives Grants	\$ 275,000	\$ (163,766)	\$ -0-	\$ -0-	\$ 111,234
Veterans Educational Services	-0-	-0-	-0-	-0-	-0-
Nursing Program Repayments	11,700	-0-	-0-	-0-	11,700
Other Restricted Revenues	600	-0-	-0-	-0-	600
TOTAL RESTRICTED REVENUES	<u>\$ 287,300</u>	<u>\$ (163,766)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 123,534</u>
TOTAL REVENUES	<u>\$ 325,300</u>	<u>\$ (163,766)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 161,534</u>
<u>EXPENDITURES</u>					
NH Incentives Grants to Students	\$ 847,000	\$ (177,895)	\$ -0-	\$ -0-	\$ 669,105
Veterinary/Medical Education					
Capitation Program	304,500	-0-	-0-	-0-	304,500
Leveraged Incentives Grants	320,250	(17,707)	-0-	-0-	302,543
Salaries & Benefits	227,264	-0-	-0-	-0-	227,264
NE Board of Higher Education	103,794	(3,114)	-0-	-0-	100,680
Nursing Student Grant	63,750	(7,750)	35,663	-0-	91,663
Other Expenditures	58,335	(1,300)	4,765	-0-	61,800
Postsecondary Review Program	-0-	-0-	-0-	-0-	-0-
TOTAL EXPENDITURES	<u>\$ 1,924,893</u>	<u>\$ (207,766)</u>	<u>\$ 40,428</u>	<u>\$ -0-</u>	<u>\$ 1,757,555</u>

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION**

**SCHEDULE OF BUDGETARY COMPONENTS
SPECIAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1997**

	<u>OPERATING BUDGET</u>	<u>SUPPLEMENTAL APPROPRIATION WARRANTS</u>	<u>BALANCES BROUGHT FORWARD</u>	<u>NET TRANSFERS IN/(OUT)</u>	<u>BUDGET</u>
<u>REVENUES</u>					
<u>UNRESTRICTED REVENUES</u>					
Repayment of Student Loans	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Other Unrestricted Revenues	-0-	-0-	-0-	-0-	-0-
TOTAL UNRESTRICTED REVENUES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>RESTRICTED REVENUES</u>					
State Student Incentives Grants	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Veterans Educational Services	98,442	-0-	-0-	-0-	98,442
Nursing Program Repayments	-0-	-0-	-0-	-0-	-0-
Other Restricted Revenues	186,074	-0-	-0-	-0-	186,074
TOTAL RESTRICTED REVENUES	<u>\$ 284,516</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 284,516</u>
TOTAL REVENUES	<u>\$ 284,516</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 284,516</u>
<u>EXPENDITURES</u>					
NH Incentives Grants to Students	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Veterinary/Medical Education					
Capitation Program	-0-	-0-	-0-	-0-	-0-
Leveraged Incentive Grant	-0-	-0-	-0-	-0-	-0-
Salaries & Benefits	76,311	-0-	-0-	-0-	76,311
NE Board of Higher Education	-0-	-0-	-0-	-0-	-0-
Nursing Student Grant	76,000	-0-	10,719	-0-	86,719
Other Expenditures	22,206	-0-	34,770	-0-	56,976
Postsecondary Review Program	109,999	-0-	-0-	-0-	109,999
TOTAL EXPENDITURES	<u>\$ 284,516</u>	<u>\$ -0-</u>	<u>\$ 45,489</u>	<u>\$ -0-</u>	<u>\$ 330,005</u>

**STATE OF NEW HAMPSHIRE
POSTSECONDARY EDUCATION COMMISSION**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
(CASH BASIS)
FOR THE NINE MONTHS ENDED MARCH 31, 1997**

<u>FEDERAL CATALOG NUMBER</u>	<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>
DEPARTMENT OF EDUCATION			
84.069	State Student Incentives Grants	\$ 111,234	\$ 111,234
DEPARTMENT OF VETERANS AFFAIRS			
64.124	All-Volunteer Force Educational Assistance (Veterans Educational Services)	<u>64,380</u>	<u>50,362</u>
	TOTAL	<u>\$ 175,614</u>	<u>\$ 161,596</u>

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APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status as of May 2, 1997 of the observations contained in the audit report of the Postsecondary Education Commission for the year ended June 30, 1990. A copy of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301.

<u>INTERNAL CONTROL STRUCTURE</u>	<u>STATUS</u>
1. Equipment Charged to Wrong Class	● ○ ○
2. Medical and Veterinary Loan Repayments (See current-year Observation No. 1)	○ ○ ○
3. Nursing Scholarship Program - Repayment Date (See current-year Observation No. 8)	○ ○ ○
4. Lack of Segregation of Accounting Duties (See current-year Observation No. 7)	● ○ ○
<u>STATE COMPLIANCE</u>	
5. Cash Receipts and Bad Checks (See current-year Observation No. 5)	● ○ ○
6. Determination of Interest on Outstanding Student Loans (See current-year Observation No. 1)	○ ○ ○
7. NH Incentive Program - Student Acceptance Forms	● ● ●

STATUS KEY

Fully Resolved	● ● ●
Partially Resolved	● ○ ○
Unresolved	○ ○ ○

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