

LBA Financial Audit Report Summary:

Department Of Revenue Administration, for Year Ended June 30, 2001

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report are the revenues, expenditures, and fixed assets reported by the New Hampshire Department of Revenue Administration (Department) for the year ended June 30, 2001.

Organization

The Department was reorganized under the terms of RSA 21-J, effective July 1, 1985. The Department is under the executive direction of a commissioner who is appointed by the Governor, with the consent of the Council, to a four-year term. In addition, the commissioner is authorized to nominate an assistant commissioner, and division directors of audits and documents processing, subject to confirmation by the Governor and Council. The directors of automated information services, collections, property appraisal, and municipal services are appointed by the commissioner.

At June 30, 2001, the Department employed 167 classified and 22 unclassified employees, and was organized into the following seven functional areas: the Administration Unit and the Divisions of Automated Information Systems, Audits, Collections, Property Appraisal, Document Processing, and Municipal Services.

Responsibilities

The Department of Revenue Administration is responsible for overseeing the collection of state taxes, providing the Governor and General Court with information for public policy decisions, and for establishing a uniform system of financial reports and accounting for the state's political subdivisions. The responsibilities of the Department's seven functional areas are summarized below:

Administration – This unit is supervised by the assistant commissioner and is responsible for all budget, personnel, payroll, and purchasing matters. The unit records taxes and other accounts receivables and assists the commissioner with short and long range planning.

Automated Information Systems – This division is headed by a director and is responsible for planning, developing, and implementing an automated information management system (AIS) for the Department. The AIS is designed to support the Department's tax administration activities and provide data useful to the Governor and General Court to aid in public policy decisions.

Audits – This division is under the supervision of a director and is responsible for classifying for possible audit all returns, reports, or other documents submitted by taxpayers. The division performs office and field examinations of taxpayer-submitted documents.

Collections – This division is headed by a director and is responsible for collecting all outstanding state taxes within the Department's jurisdiction, and securing all delinquent tax returns that have not been filed. The division oversees the telefile computer system used to record the meals, rooms, and rental car tax and oversees the real estate transfer tax and tobacco tax stamp inventory.

Property Appraisal – This division is under the supervision of a director and is responsible for assisting and supervising municipalities and appraisers in appraisals and valuations of property for tax assessment purposes, and appraising state-owned forest and recreation land. The division annually determines the total equalized valuation of properties in the cities, towns, and unincorporated places and prepares standard appraisal manuals.

Document Processing – This division is headed by a director and is responsible for sending, receiving, processing, storing, and retrieving all tax documents and electronic transactions filed with the Department.

Municipal Services – This division is under the supervision of a director and is responsible for providing technical assistance to political subdivisions, assisting the commissioner in setting municipal tax rates, and establishing a standard technical manual to guide municipalities in finance and budget matters.

Funding

The financial activity of the Department of Revenue Administration is accounted for in the General and Education Trust Funds of the State of New Hampshire. The fiscal year 2001 appropriations combined with supplemental warrants, balances forward, and transfers resulted in a spending authority for the year ended June 30, 2001 of \$13,431,547 and \$840,758 in the General and Education Trust Funds, respectively. Estimated restricted revenue combined with supplemental warrants, balances forward, and transfers resulted in anticipated fiscal year 2001 restricted revenue of \$1,416,402 in the General Fund. There was no anticipated restricted revenue in the Education Trust Fund. Fiscal year 2001 estimated unrestricted revenue totaled \$745,094,500 and \$583,364,000 in the General and Education Trust Funds, respectively. The actual financial activity of the Department is summarized below:

**Summary Of Revenues And Expenditures
For The Year Ended June 30, 2001**

	General Fund	Education Trust Fund	Total
Unrestricted Revenues	\$ 775,561,228	\$ 571,337,361	\$ 1,346,898,589
Restricted Revenues	334,814	-0-	334,814
Total Revenues	\$ 775,896,042	\$ 571,337,361	\$ 1,347,233,403
Expenditures	\$ 11,295,318	\$ 840,285	\$ 12,135,603
Excess of Revenues Over Expenditures	\$ 764,600,724	\$ 570,497,076	\$ 1,335,097,800

The auditor's report on the Department's financial statements was qualified with respect to the lack of presentation of the financial position of the Department in the General and Education Trust Funds and the omission of the Medicaid Enhancement Tax collected by the Department.

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

Internal Control Comments

Reportable Conditions

- All Divisions Should Have Policies And Procedures Manuals
- Monitoring Of Control Activities Should Be Improved
- Status Of Outstanding Tax Notices Should Be Tracked More Closely
- Controls Over Collections Of Real Estate Transfer Taxes Should Be Consistently Applied
- Controls Over Reviews Of Tobacco Tax Stamps Should Be Consistently Applied
- Controls Over Tobacco Product Seizures Should Be Improved
- Controls Should Be Established Over The Storage And Issuance Of Tax Stamps
- Security Over Access To The Telefile System Should Be Enhanced
- Controls Should Be Instituted To Monitor Information System Program Changes
- Telefile Data Capture And Analysis Should Be Expanded
- Formal Written Information Technology Security Plan Should Be Created
- Business Continuity Management Plan Should Include Periodic Testing And Evaluation Of Plan Procedures
- Cash Receipts Should Be Deposited Daily

Compliance Comment

State Compliance

- Applicability Of RSA 617 Should Be Reviewed And Procedures For The Seizure Of Tobacco Products Documented

- Expired Administrative Rules Related To The Administration Of The Medicaid Enhancement Tax Should Be Revised As Appropriate And Submitted For Adoption
- Late Filing Fee Should Be Applied To Local Government Entities Submitting Delinquent Reports

Management Issues Comments

- Process For Recording Receipts In NHIFS Should Be Made More Efficient
- Accounts Receivable System Should Be Automated