

JOINT LEGISLATIVE FISCAL COMMITTEE

Legislative Office Building, Rooms 210-211

Concord, NH

Friday, February 8, 2019

COMMITTEE MEMBERS:

Rep. Mary Jane Wallner, Chair

Rep. Susan Ford

Rep. Ken Weyler

Rep. Patricia Lovejoy (Alt.)

Rep. Erin Hennessey (Alt.)

Sen. Lou D'Allesandro

Sen. President Donna Soucy

Sen. Dan Feltes

Sen. Jay Kahn (Alt.)

Sen. Bob Giuda (Alt.)

(The meeting convened at 10:06 a.m.)

(1) Acceptance of Minutes of the January 4, 2019 meeting.

MARY JANE WALLNER, State Representative, Merrimack County, District #10 and Chair: Welcome to the February Fiscal Committee meeting. We have some substitutes today. Representative Lovejoy is sitting in for Representative Leishman. Representative Hennessey is sitting in for Representative Ober. Senator Kahn is here for Senator Rosenwald. And Representative Giuda will be --

KEN WEYLER, State Representative, Rockingham County, District #13: Senator Giuda.

CHAIRWOMAN WALLNER: I mean Senator Giuda will be joining us soon. He's sitting in for Senator Morse. So do I have a motion to accept the minutes of January 4, 2019?

****** LOU D'ALLESANDRO, State Senator, Senate District #20: So move.

REP. WEYLER: Second.

CHAIRWOMAN WALLNER: Any discussion? All in favor? Motion passes.

*** {MOTION ADOPTED}

(2) Old Business:

CONSENT CALENDAR

(3) RSA 9:16-a, Transfers Authorized:

CHAIRWOMAN WALLNER: There is no business, no Old Business in our Tab 2. So I'll move to Consent Calendar, Tab 3. Do I have items that people would like to have removed?

JAY KAHN, State Senator, Senate District #10: 027, please.

CHAIRWOMAN WALLNER: I'm sorry?

SEN. KAHN: 027.

CHAIRWOMAN WALLNER: 027, Office of Strategic Initiatives. Okay. Any other items off of Consent?

DAN FELTES, State Senator, Senate District #15: Thank you, Madam Chair. 046.

CHAIRWOMAN WALLNER: That's a later -- a later Consent. Let's do this --

SEN. FELTES: The first chunk of Consents. Okay.

CHAIRWOMAN WALLNER: Want to do the first chunk first?

SEN. FELTES: Okay.

CHAIRWOMAN WALLNER: Any other items off the Consent in that first group? Okay. Seeing none. Can I have a motion to move Consent, and then we'll do the one that is coming off.

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** SEN. D'ALLESANDRO: Move the Consent Calendar.

REP. WEYLER: Second.

CHAIRWOMAN WALLNER: Any discussion? All in favor? Consent Calendar passes.

*** {MOTION ADOPTED}

CHAIRWOMAN WALLNER: And now we'll go into item number 19-027. This is the Office of Strategic Initiatives. Could we have someone come up? Thank you.

JARED CHICOINE, Director, Office of Strategic Initiatives, Office of the Governor: Good morning. For the record, Jared Chicoine. I'm the Director of Office of Strategic Initiatives.

JANE LEMIRE, Business Director, Office of Strategic Initiatives, Office of the Governor: Jane Lemire, the Business Director at OSI.

CHAIRWOMAN WALLNER: Thank you. Senator Kahn asked for the item come off Consent. Ask your question.

SEN. KAHN: Thank you, Madam Chair. Thank you for appearing today, Mr. Chicoine. I wanted to ask the number of awards that we had for this academic year this year?

MR. CHICOINE: Hm-hum.

SEN. KAHN: If you could tell us also how much has been spent for those rewards.

MR. CHICOINE: Sure. So 568 students received scholarships and so far the total dollars spent \$336,000. That's invoiced each semester. So invoice for the first semester of the 18-19 academic year.

SEN. KAHN: Do you expect -- so around \$700,000 would be spent in this current year.

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MR. CHICOINE: Correct.

SEN. KAHN: That's of the nine point -- nine million one hundred fifty thousand dollars.

MR. CHICOINE: So that would be from the first 4,070,000 minus dual concurrent enrollment. But this program the way it's structured is these dollars are committed to those students for the next four years. So it's on that basis we make the allocation, and those dollars are committed to them.

SEN. KAHN: Right. And we're moving 5 million more into the fund for the award scholarship.

MR. CHICOINE: Correct, that would be for Fiscal Year 19.

SEN. KAHN: So if all of these students by some chance made it to their senior year and we are spending 700,000 a year, there's excess -- there's room, right, for more? And I guess that's where I -- I'm curious, Madam Chair, is to understand what's the target number of awards. This is a low number, I assume. And removing the 5 million, how -- how many awards do you anticipate per year and how long do you think that that allocation will be available to support those students?

MR. CHICOINE: So, there is -- I should mention just to backup that there are more -- the funds that were not used have been allocated for the next year. So the schools have received their allocation for the 19-20 academic year. So funds that weren't used that was part of the allocation to the 23 institutions that participated.

So we would have, of course, would like to use all of the funds and -- but in the first year of getting this program up and off the ground, as you know, through the rulemaking process, et cetera, there was a lot of stakeholder engagement, and we created administrative rules, I think, met a lot of those needs. So we've worked closely with the schools to get consensus on the

program. So, I'm sorry, your second question though was -- I mean, a thousand students was the original goal.

SEN. KAHN: A thousand students.

MR. CHICOINE: Yes.

SEN. KAHN: That's what you'd like in this coming year?

MR. CHICOINE: That has been the goal. And, obviously, we're still working through the bugs of a program that's new, and we're trying to be diligent at that end.

SEN. KAHN: And is the \$5 million that you wish to move into the fund the amount needed to fund that thousand awards for four years?

MR. CHICOINE: Yes, yes. We have adequate funds to do that. Yes.

SEN. KAHN: And are you using the same allocation formula for the second year as you did for the first?

MR. CHICOINE: Yes, we are.

SEN. KAHN: I asked my questions.

CHAIRWOMAN WALLNER: Thank you. Further questions? Seeing none. Is there a motion?

** SEN. D'ALLESANDRO: Move the item.

SEN. KAHN: Second.

CHAIRWOMAN WALLNER: Representative D'Allesandro -- Senator D'Allesandro moves the item and Senator Kahn seconds. Any further discussion? All in favor? Item passes.

*** {MOTION ADOPTED}

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(4) RSA 9:16-c, I, Transfer of Federal Grant Funds:

CHAIRWOMAN WALLNER: Let's move on to Tab 4, and we have two items. Is there -- would anyone like to take an item off of the Consent? Seeing none.

****** SEN. D'ALLESANDRO: Move the item.

CHAIRWOMAN WALLNER: Okay.

ROBERT "Bob" GIUDA, State Senator, Senate District #02:
Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves the item.

SEN. GIUDA: Second.

CHAIRWOMAN WALLNER: And Senator Giuda -- I believe that was Senator Giuda, wasn't it? And Senator Giuda seconds. Any further discussion? All in favor?

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Tab four passes.

(5) RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source:

CHAIRWOMAN WALLNER: Move on to 5, Tab 5. We have several items in this tab. Is there anyone that would like to take one off?

SEN. FELTES: 046.

CHAIRWOMAN WALLNER: Okay.

SEN. KAHN: 45.

CHAIRWOMAN WALLNER: 45, 46. Any further items?

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REP. WEYLER: 45 was Senator Giuda?

CHAIRWOMAN WALLNER: Senator Kahn.

REP. WEYLER: Senator Kahn.

CHAIRWOMAN WALLNER: And 46 was Senator Feltes. Any further items off? Okay. Is there a motion to accept the remaining items?

****** SEN. D'ALLESANDRO: Move to approve the remaining items.

SEN. KAHN: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves to accept and Senator Kahn seconds. And now all in favor? Any opposed?

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Let's move on to Item 045. This is Department of Environmental Services.

SUSAN CARLSON, Chief Operations Officer, Department of Environmental Services: Good morning, Madam Chairman, Members of the Committee. For the record, my name is Susan Carlson with DES.

CHAIRWOMAN WALLNER: Thank you. Representative Kahn -- Senator Kahn.

SEN. KAHN: Thank you, Miss Carlson, for being here. And the question I wanted to ask, there's a significant amount of money for grants, federal, in your revised budget. And what I'm wondering, those will be outsourced. There'll be a process for allocation of those?

MS. CARLSON: Yes. Actually, with this additional Volkswagen money, as we said, we were able to get a doubling of our federal DERA grant money, DERA being Diesel Emissions Reduction, and we

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already have a list of applicants waiting to -- for us to award the grants.

SEN. KAHN: If I could follow-up?

CHAIRWOMAN WALLNER: Further question.

SEN. KAHN: We have a number of campuses, college campuses, there are at least a couple that I'm aware of that do research on small particle emissions and the toxicology, lung effects of that. Have you engaged them in the grant solicitation process?

MS. CARLSON: Under the DERA rules this is for diesel engine replacement only.

SEN. KAHN: Oh.

MS. CARLSON: So no.

SEN. KAHN: Not under research of the emissions themselves.

MS. CARLSON: Not under research, no.

SEN. KAHN: It's a replacement of existing equipment.

MS. CARLSON: Yes.

SEN. KAHN: Thank you for the clarification.

MS. CARLSON: You're welcome.

CHAIRWOMAN WALLNER: Further questions? Seeing none. Do I have a motion?

****** SEN. D'ALLESANDRO: Move the item.

SEN. KAHN: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moved and Senator Kahn seconds.

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MS. CARLSON: Thank you.

SEN. KAHN: Thank you.

CHAIRWOMAN WALLNER: All in favor? Any opposed? Motion passes.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: We'll move on to Item 046, the Department of Health and Human Services.

KERRIN ROUNDS, Chief Financial Officer, Department of Health and Human Services: Good morning. Kerrin Rounds, Chief Financial Officer at DHHS.

CHAIRWOMAN WALLNER: Good morning. I think Senator Feltes had questions.

SEN. FELTES: Thank you very much, Madam Chair. Thank you very much, Miss Rounds. A couple questions. Each one of the changes. So on the 7 million --

MS. ROUNDS: Hm-hum.

SEN. FELTES: -- with respect to the TANF caseload, has the Department done or undertaken any study to determine what drives the increase above and beyond the anticipated caseloads for TANF, via unexpected increase in family size, underlying economic conditions, increase in poverty versus the change in the -- to the 50% that we did in the budget last year. Is there any study that differentiates and kind of lays out what's driving what?

MS. ROUNDS: So, first, I would say that we do believe that most of the driver right now is that change in FTL. That that's where increasing caseloads and it resulted in an increased amount of benefit. But it is ironic that you ask that question because just this morning we had a meeting about TANF and

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caseloads and projections and looking at the drivers. So it is something that we are actively doing. We talked briefly about perhaps some kind of RFI or RFP to have some further study done like other states have.

SEN. FELTES: Okay.

CHAIRWOMAN WALLNER: Further question.

SEN. FELTES: Further question. Thank you. That answers that. At least from my perspective that would be helpful if there was a clarifier RFP.

MS. ROUNDS: From ours, too.

SEN. FELTES: On the \$4.1 million transferred to residential providers; A, has this been done before, and, B, I assume since it's being proposed the Department does believe it's an allowable use of TANF reserve dollars. And, if so, and if you don't have an opinion about that or you want to defer to legal counsel or whatever, feel free. You know, I don't want to put you in a point where you're answering questions you're not comfortable answering.

MS. ROUNDS: No, that's a fair question. So this is actually an area that we do budget TANF for. It's something that's authorized under prior law. So it's for Aid to Families with Dependent Children and it's from a State Plan in the 1990's that we're allowed to continue to claim that. So it is authorized under TANF. So, essentially similarly to our other transfer items that's transferring more money to DCYF because out-of-home placements are much higher than we anticipated when we budgeted. This is also related to that, and we are just accepting more TANF than what we originally budgeted.

SEN. FELTES: Okay. Follow-up. So it's consistent with the State Plan approved, carryover from the AFDC.

MS. ROUNDS: Yes.

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SEN. FELTES: And last question, if I may, Madam Chair?

CHAIRWOMAN WALLNER: Yes.

SEN. FELTES: Thank you, Kerrin. The placements in this or how many of these placements are out-of-state placements?

MS. ROUNDS: So I don't have that data with me. Your -- and, unfortunately, our DCYF Director was not able to be here today. I can have him come and talk about that at the next meeting if you'd like or provide some more information in the Dashboard if you would like.

SEN. FELTES: That would be great. Thank you very much.

MS. ROUNDS: You're welcome.

CHAIRWOMAN WALLNER: Thank you. Further questions? Yes, Representative Hennessy.

ERIN HENNESSEY, State Representative, Grafton County, District #01: Thank you, Madam Chairwoman. Thanks for taking my question. Can you tell us what the TANF reserve fund balance is currently and what the projected at the end of the year would be?

MS. ROUNDS: So we're projecting as of 12/31 to be about \$54.9 million. And one of the things just of note is when we transfer this money, so the 7 million and the 4 million that does not immediately affect the TANF balance. It doesn't affect the TANF balance until we actually expend the funds. So if we don't expend \$7 million that doesn't affect the TANF balance. If we expend less, that gets closed to the cost closed to control in the accounting system and it does not affect the balance.

CHAIRWOMAN WALLNER: Yes.

REP. HENNESSEY: Follow-up. Thank you. Just to clarify. So 12/31 of '18 the balance was 54?

MS. ROUNDS: Yes, that's what we're projecting. Our report is not due for about another 15 days but that's -- that's our preliminary projection right now.

REP. HENNESSEY: Thank you.

MS. ROUNDS: You're welcome.

CHAIRWOMAN WALLNER: Further questions? Thank you.

MS. ROUNDS: You're welcome.

CHAIRWOMAN WALLNER: Have a motion on the item.

** SEN. FELTES: I'll move the item, Madam Chair.

DONNA SOUCY, State Senator and Senate President, Senate District #18: Second.

CHAIRWOMAN WALLNER: Senator Feltes moves the item and Senator Soucy seconds. Any further discussion? All in favor? Any opposed? The item passes.

*** {MOTION ADOPTED}

(6) **RSA 9:16-A, Transfers Authorized and RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from any Non-State Source:**

CHAIRWOMAN WALLNER: I think that is all in that. Next, we move into Tab 6 of our book, and this is a Department of Health and Human Service item, 043. Any questions? Yes.

SEN. KAHN: Yes.

CHAIRWOMAN WALLNER: Could someone join us on this one, Health and Human Services, item number 043. Thank you.

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MS. ROUNDS: Good morning. Kerrin Rounds, CFO, Department of Health and Human Services.

CHAIRWOMAN WALLNER: Thank you for coming up. Senator Kahn.

SEN. KAHN: Thank you, Madam Chair. Thank you, Miss Rounds. So would you clarify just for starters that the Office of Medicaid Business and Policy that source of funds, can you give some definition to what it is?

MS. ROUNDS: So the -- are you -- which accounting unit are you -- or do you mean just Medicaid in general?

SEN. KAHN: So on Item 43.

MS. ROUNDS: Yes.

SEN. KAHN: The \$15 million transfer out of that specific item.

MS. ROUNDS: Yes. So the accounting unit that's within Medicaid is for the Waiver that's related to IDNs and what's commonly talked about as DSH piece and DSRIP funds from the Federal Government. That accounting unit is made -- should be made up of a small amount of General Funds which are related to the DSH piece and that we're allowed to claim at the Federal Government. The way that that gets claimed half of the General Funds are there and half of the General Funds are where those expenditures are. And then it should be made up of county funds. When this account was budgeted it was misbudgeted and there were General Funds in there that should not have been.

SEN. KAHN: May I follow-up?

CHAIRWOMAN WALLNER: Yes.

SEN. KAHN: \$15 million worth?

MS. ROUNDS: So this account has been non-lapsing since 2016. So there's actually -- there was some misbudgeting and some carryover from those years as well.

SEN. KAHN: So if I could follow-up?

CHAIRWOMAN WALLNER: Yes.

SEN. KAHN: Slightly different direction. The \$150 million grant for the Medicaid Waiver, has that in any way affected, that pool of dollars, is that affected by this transfer?

MS. ROUNDS: I'm not -- I don't know that I'm familiar with what \$150 million grant you might be speaking of.

SEN. KAHN: The DSRIP, the DSRIP.

MS. ROUNDS: No, this transfer does not affect the DSRIP Waiver. These funds cannot be used for the DSRIP Waiver. We would not use the General Fund to supplant the county funds or any Other Funds.

SEN. KAHN: So the annual \$30 million that is distributed to the seven IDNs supporting the DSRIP Waiver remains intact while this transfer takes place?

MS. ROUNDS: Yes. Yes, this transfer does not affect any payments that would go to the IDNs.

SEN. KAHN: Very good. Thank you.

MS. ROUNDS: That's correct.

CHAIRWOMAN WALLNER: Further questions? Seeing none. Thank you for coming up again. You have a motion?

** SEN. KAHN: I will move this item.

CHAIRWOMAN WALLNER: Senator Kahn moves.

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SEN. D'ALLESANDRO: Second.

CHAIRWOMAN WALLNER: And Senator D'Allesandro seconds. Any further discussion? All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(7) RSA 14:30-a, VI Fiscal Committee Approval Required for Acceptance and Expenditure of Funds Over \$100,000 from Any Non-State Source and RSA 124:15 Positions Authorized:

CHAIRWOMAN WALLNER: Moving on to Tab 7.

SEN. KAHN: Item 32.

CHAIRWOMAN WALLNER: Are there requests to take any of these off?

SEN. KAHN: Item 33.

CHAIRWOMAN WALLNER: Item 33. Ken, did you want this one?

REP. WEYLER: 32.

CHAIRWOMAN WALLNER: Item 32. Any other items off Tab 7? Seeing none. Do I have a motion to accept the remainder of the items?

** SEN. D'ALLESANDRO: Move the items.

SEN. KAHN: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves.

SEN. KAHN: Second.

CHAIRWOMAN WALLNER: Senator Kahn seconds. All in favor? Any opposed? The remainder of the items pass.

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***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Let's start with Item 032, Department of Corrections.

HELEN HANKS, Commissioner, Department of Corrections: Good morning, Members of the Committee. My name is Helen Hanks. I'm the Commissioner of the Department of Corrections. And with me is Robin Maddaus, my Director of Administration.

ROBIN MADDAUS, Director of Administration, Department of Corrections: Good morning.

CHAIRWOMAN WALLNER: Great. Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Good morning, Commissioner.

MS. HANKS: Good morning, sir.

REP. WEYLER: This drug treatment program, as many others, we never seem to get an accountability, whether they work or what's the percentage that don't regress back to the bad habits and how long it lasts and so on. Is there a plan to get accountability out of this program and how soon will we know?

MS. HANKS: Yes, sir. In fact, those measurements are part of the Memorandum of Understanding between ourselves and Health and Human Services to align to the grant and understand the effectiveness. So we'll be measuring those as we enhance our existing services around medication assisted treatment. And I did bring some data on the preliminary work we did last time under the State targeted response regarding re-entry services and the Assertive Case Management. So piloting that just with women. Of the women being monitored under Assertive Case Management which is in line of your question of what's effective, 96% -- excuse me -- 94% of those being followed are still out in the community after six months of being followed. And a total of the women being a smaller population being

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followed under that model are 65. So only four have come back in that six months.

To balance that statement, I'll tell you that the last recidivism study on women is 41% returned. This is a small pilot of six months and showing some very promising results with women. And if you approve this item today, we'll be able to engage with men in the same way and then have better measurements on relapse scenarios under medication assisted treatment.

REP. WEYLER: This chart on Page 3 is quite shocking.

MS. HANKS: It certainly is.

REP. WEYLER: Many of the deaths are people that were former inmates. So I'm delighted that having this program and thank you that it's being accounted for. Appreciate the answer. Thank you.

MS. HANKS: I appreciate your question.

REP. WEYLER: Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Further questions on this item? Seeing none. Thank you for coming up.

MS. HANKS: Thank you.

****** REP. WEYLER: Move the item.

SEN. PRESIDENT SOUCY: Second.

CHAIRWOMAN WALLNER: Representative Weyler moves the item and Senator Soucy seconds. Any other discussion? All in favor? Any opposed? Item passes.

***** {MOTION ADOPTED}**

CHAIRWOMAN WALLNER: Moving on to Item 033. It's Department of Education.

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FRANK EDELBLUT, Commissioner, Department of Education: For the record, Frank Edelblut, Commissioner of Education.

KELLY UNTIET, Bureau of Student Wellness, Department of Education: Kelly Untiet, Bureau of Student Wellness at the Department of Education.

CHAIRWOMAN WALLNER: Welcome. So we have Senator Kahn, you have questions on this item?

SEN. KAHN: Thank you, Madam Chair. Thank you, Commissioner. Thank you for joining us. So climate transformation could mean a lot of different things to different people. And could you define what the goals of the program are?

MR. EDELBLUT: Yes. So, this is basically a grant that's going to help us scale some of the work that we have been doing already in about seven Districts, mostly in the central part of the state, really trying to work on the climate in the school in terms of making sure that this is a healthy climate for students to succeed but extending that work and helping connect the schools to community partners for that work. And we have been doing that work for probably the last five years.

MS. UNTIET: Hm-hum.

MR. EDELBLUT: About the last five years. So this grant that we were awarded allows us to take that work and extend it to other Districts. During the process, during that five years we built what we refer to as the tool kit for different resources for schools to use and this brings that tool kit to other Districts in the state.

SEN. KAHN: If I could continue?

CHAIRWOMAN WALLNER: Yes.

SEN. KAHN: So climate transformation, is this dealing with the social, emotional, behavior disorder rise that many

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Districts are facing? So you've got the program that's been in seven schools. You've got some demonstrable success as Representative Weyler was looking on the last. And with that experience now you've got an additional grant that's going to allow you to get this out to how many additional Districts? Is that -- just you summarize it, but I was just trying to --

MS. UNTIET: Sure. So this grant will focus on the southern tier of the state and the services offered through it will be available to any Districts that are interested as opposed to our previous model which is working intensively in sort of specific Districts. So the number will vary based on interest. And, I'm sorry, I can't remember your first question.

SEN. KAHN: That your effort is to work with the Districts on social, emotional, behavioral disorders and students in the classroom disruption that takes place with that. You'll be working with schools to try to create proper interventions.

MS. UNTIET: Yeah, it could be part of it. So the grant is supporting what we call a multi-tiered system of support for behavioral health and wellness. And the foundation of that process is a community needs assessment and planning that's done at the local level. So based on the interest of the individual communities, the Districts and the community partners, it could take different -- different turns. It looks different in every community.

SEN. KAHN: Okay.

CHAIRWOMAN WALLNER: Senator Giuda.

SEN. GIUDA: Thank you, Madam Chair. I heard reference to seven projects in the central part of the state, and this going towards the southern part of the state. Anything focused on the northern part of the state where I would submit that conditions are probably a lot worse financially, and business, and job-wise?

MS. UNTIET: Sure. Not to correct Commissioner, but the seven Districts are central and northern.

MR. EDELBLUT: She can correct me.

MS. UNTIET: We do work with several in the Lakes Region as well as SAU 7, Pittsburg, Colebrook, Stewartstown, Berlin, and White Mountain Regional School District.

SEN. GIUDA: Do you have any data you could share with respect to successes?

MS. UNTIET: Sure, I do. I didn't bring it with me today, but I can certainly submit it back to the Committee.

SEN. GIUDA: I appreciate it. Thank you.

CHAIRWOMAN WALLNER: Further question. Yes, Senator D'Allesandro.

SEN. D'ALLESANDRO: Thank you, Madam Chair. First of all, thanks for coming. How do you get the word out to the communities that this service is available?

MS. UNTIET: Honestly, we haven't had to do much of that to date because they're reaching out to us and asking us for the support. When we do find ourselves in a position to reach out, we'll just make contact through existing relationships with School Districts or community partners. Sometimes that connection is made through our collaborators at DHHS, depending on the work that they're doing in different communities.

SEN. D'ALLESANDRO: Further question.

CHAIRWOMAN WALLNER: Yes.

SEN. D'ALLESANDRO: So if DHHS identified a community that needed the service, they would reference -- they would get it to you and then you would reach out to the community?

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MS. UNTIET: Yeah, or just let the community know we are a resource available to them and they generally reach out.

SEN. D'ALLESANDRO: Thank you.

CHAIRWOMAN WALLNER: Thank you. Senator Kahn.

SEN. KAHN: Yes. Thank you, Madam Chair. I think the question about getting the word out is an important one. And DHHS or DCYF, whoever your cognizant partner is going to be there, you can anticipate where my concern is. There are some Districts that are in need of some intensive assistance, not so much through survey work but through intervention and proper coordination of services within their schools. If this can assist in that effort, I strongly encourage it, and I'd be glad to share a couple of Districts, so they are on your map.

MS. UNTIET: Sure, absolutely.

SEN. KAHN: Because they're in need of intensive work.

MS. UNTIET: Thank you.

CHAIRWOMAN WALLNER: Further questions? Thank you for coming up.

MR. EDELBLUT: Thanks.

CHAIRWOMAN WALLNER: Do I have a motion?

** SEN. D'ALLESANDRO: Move the item.

SEN. GIUDA: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves the item and Senator Giuda seconds. All in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(8) RSA 126-A:75, Excess Appropriation Allocation Account:

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CHAIRWOMAN WALLNER: Move on to Tab 8. And this is Item 035, Department of Health and Human Services. Are there questions that we would like to have answered by the Department? Seeing none. Do I have a motion?

** SEN. D'ALLESANDRO: Move the item.

SEN. FELTES: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves the item and Senator Feltes seconds. All in favor? Any opposed? Seeing none, the item passes.

*** {MOTION ADOPTED}

(9) RSA 215-A:23, IX and RSA 215-C:39, X Registration Fees.

CHAIRWOMAN WALLNER: We move on to item number 19-036, Department of Fish and Game. Any questions of the Fish and Game? Seeing none. Do I have a motion?

** SEN. D'ALLESANDRO: Move the item.

SEN. PRESIDENT SOUCY: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moved the item. Senator Soucy seconds. Any all in favor? Any opposed? Item passes.

*** {MOTION ADOPTED}

(10) RSA 604-A:1-b, Additional Funding:

CHAIRWOMAN WALLNER: Judicial Council, this is item 19-037. Are there questions on this item?

** SEN. PRESIDENT SOUCY: So move.

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SEN. FELTES: Second.

CHAIRWOMAN WALLNER: Seeing none. Senator Soucy moves the item and Senator Feltes seconds. All in favor? Any opposed? Seeing none. The item passes.

***** {MOTION ADOPTED}**

(11) Miscellaneous:

CHAIRWOMAN WALLNER: Moving on to Miscellaneous item. This is item number 19-038, the Office of Legislative Budget Assistant. Any questions of the Budget Assistant?

****** SEN. D'ALLESANDRO: Difficult to move on this item. It's a lot of pressure. I would move the item.

SEN. PRESIDENT SOUCY: Second.

CHAIRWOMAN WALLNER: Senator D'Allesandro moves the item, Senator Soucy seconds. All in favor? Any opposed? The item passes.

***** {MOTION ADOPTED}**

(12) Informational Materials:

CHAIRWOMAN WALLNER: Great. That was pretty fast. Now we have a number of Informational Materials. Is there anyone who would like to have more discussion on any of the Informational Materials? Okay. So I won't -- I don't see anyone who would want to do those. Now we have a number of audits, a lot of audits. And I think that Representative Weyler is going to make a motion before we start into the audits. We have one, two, three, four -- six audits, so.

****** REP. WEYLER: Madam Chair, I move that we accept all the audits, place them on file, and release in the usual manner.

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CHAIRWOMAN WALLNER: Representative Weyler made a motion to accept all of the audits. Do I have a second?

SUSAN FORD, State Representative, Grafton County, District #03: Second.

CHAIRWOMAN WALLNER: Representative Ford seconds. Any discussion of this? All in favor? Any opposed? None opposed. All the audits have been accepted and placed on file. Thank you.

***** {MOTION ADOPTED}**

Audits:

CHAIRWOMAN WALLNER: So we will get started. And are we going to do the Unique College Investing Plan first?

STEPHEN SMITH, Director, Audit Division, Office of Legislative Budget Assistant: Yeah, the first two will be done together.

CHAIRWOMAN WALLNER: Okay.

MR. SMITH: They're part of the College Savings Plan Trust.

CHAIRWOMAN WALLNER: Okay. Great, thank you.

MR. SMITH: Good morning, Madam Chair, Members of the Committee. For the record, I'm Steve Smith, Director of Audits for the LBA and joining me this morning is Declan Byrne. He's a Partner with PwC. They performed the audit. They're under agreement with our office to perform the audit of the -- of both these plans. And also Bill Dwyer, our State Treasurer, but also the Trustee of the plan.

So now I'll turn it over to Mr. Byrne.

DECLAN BYRNE, Partner, PricewaterhouseCoopers: Good morning, everybody, Madam Chairman, Committee. It's my pleasure to be here today to report to the Fiscal Committee on the 2018

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audit results of the Unique College Savings Plan for New Hampshire. We signed off our opinion in December and happy to present the results of an unqualified opinion today. We have provided the materials in advance which we are happy to answer any questions. But if you allow me to briefly walk through the presentation before handing over to Bill to cover some other areas. So maybe I'll refer you to Page 5, if that's okay.

So we complete our audit December 20th, 2018. Our opinion was unqualified. Pretty consistent timing with prior year. The audit went very smoothly. We had good collaboration with both Fidelity, the service provider, and the State of New Hampshire. And as a result, I think we were pretty comfortable that the audit's done on time, and with good efficiencies.

Our audit reports are attached in Appendix I for your reference. No real significant changes in the nature of the audit reports in prior year and, thankfully, was unqualified.

In terms of changes to our audit plan since we started planning for the audit back in September, had no major changes as a result of the audit execution and other tests and details, review controls, that we performed during the audit. So nothing of significance during the audit which would call into question the integrity of our audit plan.

As a result, at the end of the audit, we concluded we did not identify any misstatements, recorded or unrecorded statements. So, again, probably a clean audit consistent with the prior year.

I'll refer to you Slide 7. In terms of significant changes to the audit plan, like I said, no big changes to what we planned to do. No big changes to what we've done the prior year. Certainly, we introduce some areas of unpredictability as is required in the professional standards. But, again, nothing came to our attention that really would call into question the integrity of either management or the financial statements.

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Moving on to a bit more detail on Slide 8. We present both our significant risks, as well as other matters of emphasis, which we usually focus on as part of these audits. Under this audit we would say Management override control would be a standard significant risk as defined under professional standards for this audit. That's not unique to these plans. Management intentionally manipulating controls and adjustments is a risk in every type of audit. So we would not say this is atypical to this type of plan or standard in any audit. What we do to overcome our assessment of Management override controls, certainly look at manager journal entries and detail, the nature of them, who booked them. Look at the Fidelity service provider controls to make sure there's no qualification issues; unpredictability in terms of the nature, time, and extent of certain testing and particularly around expenses. Review customer complaint logs and things of that nature to inform us as auditors whether there's any big changes or any fraud or indications of fraud or mismanagement in the plans.

Across all those procedures from our perspective we didn't find anything of challenge or anything that warrants your attention. And as a result, we did find no misstatements in recorded or unrecorded as mentioned earlier.

The other matter of emphasis is really we spend a lot of time on the classification of income, given the underlying investments are fund to fund, looking at the characterization of that income as recorded by provider is an area of focus for us. Year over year we test this substantially, did not find any big differences this year. This is a big driver of return in the financial highlights and, hence, we would classify it as an area of emphasis which we just spend time on. But, again, nothing from a report standpoint.

Slide 9 and 10 are really are other required communications for the Committee as defined under professional standards. I won't touch on every one, but just highlight -- we do highlight our written communications in Appendix II. That includes management rep letters. No significant changes from prior year. All pretty standard. We, of course, worked with the State to

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highlight if there were any changes, but really no significant changes in prior year. And we obtained representation both from Fidelity and the State of New Hampshire. No significant disagreements of Management, are really independent standpoint we do reaffirm that PwC is, indeed, independent to perform our audit vis-a-vis these plans.

On Slide 10, we highlight to you that we're not aware of any significant or usual transactions or under quality of the financial statements. And -- sorry. It's a line which accepted accounting policy so under U.S. GAAP. So we were comfortable given the changes, lack of changes in prior year around the accounting standards vis-a-vis the elements of these financial statements. No big changes in the substance of what you've seen in terms of the financial statements. And so that really concludes our audit.

Like I said, unqualified opinion, signed off on time, maybe I'll hand it over to Bill. Maybe he can give some highlights if that's protocol. Happy to answer any questions, of course.

CHAIRWOMAN WALLNER: Okay. Thank you. Questions at this time?

SEN. D'ALLESANDRO: Where are you from?

MR. BYRNE: I'm originally from Ireland.

SEN. D'ALLESANDRO: I could feel it. I could feel it. Thank you. That's why the report was green.

MR. BYRNE: Yes, exactly. My personal stamp.

SEN. D'ALLESANDRO: Thank you.

SEN. KAHN: Madam Chair.

CHAIRWOMAN WALLNER: Yes.

SEN. KAHN: I would reserve on a question until we hear from the Treasurer.

CHAIRWOMAN WALLNER: Okay. Thank you. Mr. Dwyer.

WILLIAM DWYER, State Treasurer, Treasury Department: Good morning. I don't know if you need me to use the microphone or not. For the record, State Treasurer Bill Dwyer. First, the Treasury would like to extend our gratitude to the LBA and Steve and his team and certainly Mr. Murphy and the Pricewaterhouse Coopers team for the terrific collaboration we have enjoyed as it relates to the audit, as Declan just described. The audit really is more of an audit of Fidelity and its operations than it is of the State per se. But it seems that year after year when the audit is completed, we are receiving another affirmation that we partnered with a very qualified, responsive, well-run financial institution that is administering the State's college savings plan. So, once again, we're very pleased with the results this year, and they are consistent with what we have seen in the past.

To add a little bit of color to the more technical comments with respect to the audit. The Fidelity Unique College Savings Plan and the Fidelity Advisor 529 Plan, both plans together have been around for -- for a little more than 20 years now. And the New Hampshire plan is the fourth largest in the country. At the end of September we were at about \$18 billion in total assets under management. We took a little bit of a hit in the quarter ended December 31st because of the performance of the equity markets. But as some or all of you may be aware, we certainly seen a recovery to some extent in the equity markets, and I would say we're probably back at least at the \$17 billion level in assets under management.

The Unique Plan is what is known in the 529 industry as a mature plan. Again, because our plan has been around since about 1998, we -- we're -- many of our savers are beginning to take distributions to pay for college savings. In fact, Executive Councilor Mike Cryans was a member of the College Savings Advisory Commission and, of course, had to leave that post in

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his role as Executive Councilor. But Mr. Cryans was the first individual to open up a Fidelity 529 savings account in the State of New Hampshire and his son, I believe, is a junior or senior in college right now. So we -- we've seen the program really fulfill its mission of helping not only residents in New Hampshire but residents around the country who participate in our plan be able to save and build significant balances in their account through capital appreciation from equity and bond holdings.

The State, as many of you are aware, also receives a revenue share from Fidelity. Over the past five years that revenue has averaged about 13 and a half million a year. We are on pace in Fiscal 2019 to receive about 15 million. So, again, it's been a very fruitful relationship for the State and the State does use those revenues, and the revenue share from Fidelity, to fund two different scholarship programs with New Hampshire colleges and universities.

One is an endowment program that pays funds into restricted endowments held by non-profit university, public and private. Then the second scholarship program is one that provides direct college aid to students who are residents of New Hampshire and attending New Hampshire colleges. That's about all I want to cover for now. I'm happy to answer your questions or you may have questions for Declan. So I'll open it up. I'd be happy --

CHAIRWOMAN WALLNER: Great. Senator Kahn.

SEN. KAHN: Thank you, Madam Chair. And, Mr. Byrne, if I roll back on your presentation you expressed something about return on investment. And so the tables that you've got in the Appendix are helpful for pointing to what Treasurer Dwyer just talked about the \$18 billion plan, not there is how much the asset's growth year over year is related to new investments versus return on investment. So I want to ask you to maybe go a little deeper on your comment about maybe that's a place of further review. It's a very conservative portfolio, and are we maximizing return for those who have invested in the New Hampshire plan?

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MR. BYRNE: If I may start, if that's okay? You can finish out. I think from our responsibility's really to make sure the numbers have the integrity and the returns are as calculated and reflect the underlying accounting records. We certainly would affirm that's the case. We look at the reasonableness of the movements from a reasonable perspective based on risk assessment analytics. The choices though that are made in terms of the types of investments and types of strategies and vis-a-vis whether it's conservative, I would probably would hand that to Bill to explain that more. We're comfortable from our procedures that the numbers are accurate. We probably don't get into based on our responsibility to are they the right options, if I be honest. So maybe I'll have Bill explain that.

SEN. KAHN: I understand. I guess I was looking for relative to audits that you've done for other 529 and college savings plans is this on par with this? Mr. Dwyer.

MR. BYRNE: Bill help with that.

MR. DWYER: Thank you. I certainly can't speak to other plans that PwC or Mr. Murphy might have audited. But the Fidelity investments are broken down into several sub categories. There are what are known as age-based portfolios. In the retirement world those are called target date portfolios that are based on the intended retirement date of the individual with the account.

In the college savings world there are college-age portfolios that are targeted to the matriculation date of the student who's the beneficiary of the account. And so there's what's called a glide path. For someone who opens up a 529 account for, let's say, a newborn, they know that that child won't be attending college for another 18 years or maybe 19 years. And so the way Fidelity has structured the age-based portfolios is that for very, very young children, well before the time of matriculation, there's a very high allocation of equities. And what happens is as that child ages year by year, the concentration of equity exposure in the portfolios begins to

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glide down with a higher allocation of bonds and more conservative stable investments. So our savers have an opportunity to participate in these age-based portfolios that, again, are going to be based on the expected date of the college attendance. And so Fidelity appropriately creates that glide path to re-balance the basket of equity holdings versus fixed income holdings. So that as the child gets closer and closer to the date of attending college, there's less equity risk and, of course, we know equities are very volatile from one day to the next. But as the child gets closer so that date, there's a higher concentration of bonds, money market funds, cash and cash equivalents that are subjected to much less volatility and provide more certainty to the account owner that the funds that are needed to be there will be there and a sharp downturn in the equity markets isn't really going to harm their account to a great extent. So that's -- that's one of the categories of portfolios that are available.

Another one is what we refer to as a static portfolio. As opposed to the age-based ones that have that glide path, the static portfolios pick a fixed allocation of equities versus bonds, and there are three categories of static portfolios. There's what's called an aggressive and that's about 70 to 80% equities. And it stays at that level regardless of the age of the child. Then there's a moderate and a conservative static portfolio, and those -- the moderate portfolio holds about 50% equities and then the conservative only holds about 30%.

So our savers have the opportunity, depending on their level of investments, sophistication, to pick the portfolio that they're most comfortable with in terms of exposing themselves to potential equity risks.

So I don't know if that helps answer your question. I can also note that over the last three to five years we've seen an improvement in Fidelity's investment performance throughout all of these portfolios relative to both their peers, as well as to the investment benchmarks that have been established for those particular portfolios. So we've received some recognition from Morningstar in terms of higher rankings in their nationwide

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evaluation of college savings plans. And, again, we have seen an improvement in terms of Fidelity's investment process and investment performance. And, overall, we believe it's benefited our savers to a great deal.

SEN. KAHN: It was the last part that was most --

MR. BYRNE: Maybe I'll just add in to more direct, Senator Kahn. I think the other plans I work on of other states also consistent mindset and consistent operational flow just as Bill as mentioned. So I definitely agree as Bill said.

SEN. D'ALLESANDRO: Just a point. I'm a member of the Board. We have discussed this at a number of meetings, particularly how the investment portfolio is handled and what -- what's the nature and aggressiveness of the funding, because we all want a better return all the time, and protection of the investor's a primary concern. And, of course, maintaining that protection as we move. But the fact the fund is maturing is a big problematic because we see the draw down taking place now at a rather accelerated way. So we are watching that. So your question about the new use coming into it is a very significant one. Because we're -- we're a mature fund. We're 20 years old. Those original investors are now pulling their money out because their kids are in school. So I think a good narrative in terms of the fund. Thank you very much.

MR. DWYER: Thank you.

CHAIRWOMAN WALLNER: Further questions? Thank you for the presentation. Moving on to Department of Transportation.

KAREN FARRELL, Manager, KPMG: Good morning.

MR. SMITH: Next audit we'd like to present is the Turnpike System. And this audit report was performed by KPMG. And Partner on the engagement is Jayme Silva sitting next to me and the Manager on the engagement is Karen Farrell, also with us from KPMG. And joining us from the Department is Marie Mullen.

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JAYME SILVA, Partner, KPMG: Thank you, Steve. Good morning. So just for the record, my name is Jayme Silva. I'm the signing engagement partner for the Turnpike. Karen Farrell sitting to my right, she is the Senior Manager that also assisted me. We are going to be talking about the June 30th, 2018, audit reports. Karen's going to bring us through the report and just some areas of emphasis that would be, I think, interested to the Committee. So Karen.

MS. FARRELL: Thank you. You know, as Jayme mentioned, we audited the Turnpike statements as of June 30th, '18, and our opinion is within their Annual Report and that spans across Pages 8 and 9. As you may be aware, we just want to mention that Management is actually responsible for the preparation and fair presentation of this financial statement and ensuring that they're in accordance with Generally Accepted Accounting Principles in the United States.

Our responsibility is to express an opinion on these financial statements, and we do those under auditing standards, also accepted in the United States. And we use those standards to plan and perform the audit to ensure that we're determining whether they are free of material misstatements. And we were able to do that, and our results are in the last full opinion on Page 8, and it's a clean opinion. So we are saying that the Turnpike financial statement in all material respects represents are fairly presented.

Just moving along a little bit in the opinion. There's an emphasis of matter paragraph and that includes the adoption of some new accounting pronouncements and one is the Other Post-Employment Benefits, which I'm sure you've heard of through the CAFR presentation. The Turnpike implemented that as well. So you'll see an increase to their liabilities for this specifically of approximately 32 million. That was the piece that was identified to be allocable to the Turnpike System.

The last paragraph in this opinion talks about our report on Internal Controls Over Financial Reporting, and that is actually a separate report that I think may be in the back of

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your Annual Report, and it's called as much. And in here we are not giving an opinion on the Internal Controls Over Financial Reporting for the Turnpike System, but we need to consider them in determining our procedures that we perform in order to express an opinion on the financial statements. And we're required to let you know if there are any significant deficiencies or material weaknesses in internal control which there weren't any. So we're happy to report that.

The third report that we have has to do with the debt covenant compliance and that's also a separate report. In here we're saying that nothing came to our attention that would cause us to believe the Turnpike System did not comply with the general bond resolutions and provisions that for the six outstanding bond issues that were listed there insofar as they relate to any accounting matters. So that's your third -- third clean report. So that's good news.

There are a few other things I'd like to mention that we're required to disclose to you under professional accounting -- professional auditing standards. One is that there were no unusual transactions that occurred during Fiscal 18 that we need inform you about. We had full cooperation with Management and no disagreements with Management or difficulties encountered during the audit. We did identify one uncorrected misstatement which related to a portion of the OPEB, the Other Post-Employment Benefit liability that the State determines they would book on their statements alone and not pass down to the enterprise fund. And that amount was approximately 1.1 million of an OPEB liability that could have been recorded at June 30th. But we assess that for materiality and determined we're able to pass on that. So we did pass on that and it's not reflected in the financial statements.

Those are really the required communications that I wanted to mention. Be happy to take any questions and I think that Marie would maybe want to make a few comments about the Annual Report.

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MARIE MULLEN, Director of Finance, Department of Transportation: Sure. Good morning. Marie Mullen, Director of Finance for New Hampshire DOT. First of all, I'd like to thank KPMG, Karen and her team, for their assistance for this audit, as well as the Comptroller's Office for their assistance on all of the OPEB and GASB changes and our, of course, the Turnpike team and the financial team in finance. We couldn't have a clean audit without all of their hard work and support during the year. So I think the report speaks for itself.

The Turnpike System is being run very well, is in good financial condition. We're managing the transactions in the system effectively. And so I would just leave it open for any questions you may have on the Annual Report for 2018.

CHAIRWOMAN WALLNER: Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Going back to the OPEB. I read on Page 23 it's 39.9 million for GASB 75 and tells me to read Note 9 on Page 31. But there was really no explanation on Page 31 of how that was derived or exactly how they came to that figure. So I'm kind of left wondering exactly how this OPEB 75, and it's in some other audits as well where it ends up costing. I understand you have to now show it on your books where it wasn't before. But when you say see Note 9 and there's really no explanation in Note 9.

MR. SILVA: Well, from the standpoint -- so Note 9 begins on Page 31. So first you have the pension liability which actually that was put on many -- well, not many years ago, two or three years ago. And then if you go to the OPEB the OPEB starts -- let me get to the right page -- on Page 34. And so there's -- and I do -- there's a lot of disclosure sitting in these financial statements on the OPEB. The OPEB really is an allocation of, and I think you heard from my counterpart with KPMG back in January, Brock Romano and Jenn Renaud, so it's an allocation of how the CAFR does it and there's a percentage that comes through the Turnpike which I'm trying to get to the percentage. It's actually on Page --

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MS. FARRELL: One point four four.

MS. MULLEN: It's one point four four.

MR. SILVA: So Page 41 actually has -- there's a schedule on Page 41 which is a supplemental information schedule.

REP. WEYLER: Yeah.

MR. SILVA: You can see -- thank you, Marie. The Turnpike portion for the OPEB is 1.44 as was set. So that fluctuates every year based on employees and who's in the plan and who's not in the plan for the entire system. So that's an allocation we look at to make sure it's appropriate for the Turnpike stand-alone.

REP. WEYLER: I looked at that percentage and it didn't seem to equate to 40 million. Going from 1.41 to 1.44.

MR. SILVA: There's a couple other things that make up that allocation. That's just a piece of the actual OPEB. There's also deferred in-flows and out-flows that change based on payments, et cetera, that get you to the number. Again, it's an estimate as in a point of time as of June 30th, 2018. You can see there was a decrease of 8 million from '17 to '18. So there's a variety of factors that come into that.

REP. WEYLER: Thank you. And, Madam Chair, I have a further question in another area. The pollution remediation in the Hampton toll booths, how was that reduced? What actions took place to reduce the cost of that?

MS. MULLEN: That is -- it's a potential future liability is what we're trying to analyze there. And so that was reduced based on new information or lack of information on the PFAS, the perfluoro -- I don't know how you pronounce it but the PFAS chemicals in that area. So we have environmental contract that reviews the potential liability there and the potential cost for clean-up. And so that liability was reviewed again this year, and it was determined that that liability was reduced. So we

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haven't actually done any clean-up, but it was just assessing the potential future liability based on the laws and what additional information may have occurred since 2017. So that -- that liability was reduced, but there hasn't actually been any clean-up or any additional work.

REP. WEYLER: Just the way the data showed maybe the plume wasn't moving as fast or whatever.

MS. MULLEN: Correct.

REP. WEYLER: Thank you. Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Representative Lovejoy.

PATRICIA LOVEJOY, State Representative, Rockingham County, District #36: Thank you for taking my question. If the PFAS standards are lower from the .70 parts per trillion or billion or whatever?

REP. WEYLER: Trillion. Trillion. It's unbelievable.

REP. LOVEJOY: To .2 which they are in some other states, would that have a significant impact on this?

MS. MULLEN: Yeah. That could potentially impact the future liability, yes. So could reduce the liability, yes.

REP. LOVEJOY: Wouldn't it increase the liability?

MS. MULLEN: Or increase the liability, yes. Sorry, that could increase the liability, yes.

REP. LOVEJOY: Okay.

MS. MULLEN: Based on that requirement.

CHAIRWOMAN WALLNER: Further questions? Seeing none. Thank you for your presentation.

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MS. MULLEN: Thank you.

MR. SILVA: Thank you.

MS. FARRELL: Thank you.

CHAIRWOMAN WALLNER: Moving on to Lottery Commission.

MR. SMITH: Yes. For the Lottery Commission CAFR, we performed this audit. It's our audit report. Manager from our office is Jim LaRiviere will present it and joining us from the Commission is Jim Duris. He's the CFO.

CHAIRWOMAN WALLNER: Thank you.

JIM LARIVIERE, CPA, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Madam Chair, and Members of the Committee. Again, for the record, my name is Jim LaRiviere. We're here today to present the results of our audit of the Lottery's financial statements for the Fiscal Year ended June 30th, 2018. The financial statements begin on Page 34 of the Lottery's Comprehensive Annual Financial Report. Lottery Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. Our responsibility was to express an opinion on the Lottery's financial statements based on our audit. Our auditor's report and opinion can be found on Pages 17 through 19 of the report.

As described in the opinion paragraph on Page 18, we issued an unmodified or clean audit opinion on the Lottery Commission's basic financial statements which includes the notes to the financial statements. Also referenced in the auditor's report is that the Lottery Commission adopted GASB Statement No. 75 accounting and financial reporting for post-employment benefits other than pensions. The adoption of that statement resulted in the Lottery reporting a \$16 million liability for post-employment benefits on its statement of net position. While our opinion speaks directly to the basic financial statements and notes, no matters came to our attention that caused us to

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believe that other information in the financial section of the report was inconsistent with the basic financial statements.

Auditing standards require that we make a number of disclosures to you. The required disclosures you have heard from other auditors this morning similarly apply to our audit of the Lottery Commission's financial statements.

In the interest of time, we can say that we were satisfied with the cooperation of the Lottery and the progress of the audit, and that there is nothing that we need to bring to the Committee's attention related to any concerns with those required disclosures. Also, inside the back cover of the report is a multi-page letter that presents the results of certain agreed upon procedures we performed on the Lottery's operation of its Lucky For Life game. All states that offer the Lucky For Life game are required as condition of participation in the game to have similar agreed upon procedures performed and the results reported to other participating state lotteries.

Finally, in accordance with the Government Auditing Standards, we will issue a report on the Lottery's internal control over financial reporting and compliance and other matters as a byproduct of our audit of the Lottery's financial statements. That report will be included in the Management Letter which will be presented to this Committee at a future meeting.

This concludes my presentation. I'd like to thank the Lottery for their assistance and cooperation during the audit and be happy to answer any questions you may have. Thank you.

CHAIRWOMAN WALLNER: Thank you. Any comments from the Lottery?

JIM DURIS, Chief Financial Officer, New Hampshire Lottery Commission: Excuse me. Yes, Jim Duris from New Hampshire Lottery Commission. We just wanted to likewise thank the LBA for their cooperation and help during this audit. It went very smoothly and we're very pleased.

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CHAIRWOMAN WALLNER: Thank you. Questions? Yes, Representative Hennessey.

REP. HENNESSEY: Thank you, Madam Chair. Thank you for taking my question. The next report that you mentioned, your opinion on internal controls, why was that not done at the same time as these reports were done?

MR. LARIVIERE: It's a matter of timing. When we complete the audit, we may have findings, and in this case we'll have some findings that will be presented at a later date. We'll sit down and meet with Management and have an exit conference and go over those findings just to make sure that our -- the information that we received is -- is accurate and complete and that, ultimately, it gives Management another opportunity to discuss with us any -- any information that they may -- that we may not have been aware of at the time. So that -- we'll be sitting down to have an exit conference meeting sometime in the near future with the Lottery and discuss those, and then put our report together to ultimately come here and be presented.

REP. HENNESSEY: One more.

CHAIRWOMAN WALLNER: Further question.

REP. HENNESSEY: So you've already completed the findings and none of them had an impact on the financial reporting?

MR. LARIVIERE: That's correct, none of them affected the financial statements. And we don't provide an opinion on internal controls; but if we see significant deficiencies, or material weaknesses, or lack of compliance, or even some inefficiencies, then we'll raise a comment or finding and provide it to the Lottery for their response. And so, ultimately, those findings have already been provided to the Lottery. We are in the process of waiting for a response and then a report will be put together.

REP. HENNESSEY: Thank you.

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MR. LARIVIERE: Thank you.

CHAIRWOMAN WALLNER: Further questions? Yes, Senator Kahn.

SEN. KAHN: Madam Chair, thank you. I noticed on Page 24 you break down your revenues, and the Keno revenues are new for 2018. I'm just -- as I -- as we look at that 8 million plus is that -- does that represent a full year of revenue collection from ten towns that are currently participating? Is that something that we will continue to see adjust itself?

MR. DURIS: That is six and a half months of Keno for the year starting December 15th. I believe it was through 6/30.

SEN. KAHN: Thank you very much.

CHAIRWOMAN WALLNER: Thank you. Further questions? Seeing none. Thank you for your report. Appreciate it. Now moving on to the Liquor Commission. Busy day.

MR. SMITH: Yes. For the Liquor Commission audit, again, this is our opinion, the LBA Audit Division. Joining me is Jean Mitchell from our staff. She's a Senior Manager. She was the Manager on this audit. And joining us from the Commission is executive -- excuse me -- Chairman Mollica and Tina Demers, the CFO. So turn it over to Jean.

CHAIRWOMAN WALLNER: Thank you.

JEAN MITCHELL, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Madam Chair, Members of the Committee. For the record, my name is Jean Mitchell. We're here today to report the results of our financial audit contained in the financial statements in the Liquor Commission's Comprehensive Annual Financial Report for the Fiscal Year ended June 30th, 2018. Our auditor's report and opinion dated December 21st, 2018, can be found in the financial section of the report on Pages 6 through 8. As noted in our opinion paragraph on Page 7, we have issued an unmodified, also

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known as a clean or unqualified opinion, on the financial statements. Also, referenced in the auditor's report is the fact that the Commission adopted GASB Statement No. 75 which you have previously heard about. This resulted in the recording of a \$62.9 million liability on the Liquor Commission statement of net position. An important item to note, no material adjustments were proposed as a result of our audit. The auditor disclosures you have previously heard also pertain to the Liquor Commission. I will not go through them individually, but I will state that there is nothing that I need to bring to your attention.

While it is our understanding that the Liquor Commission did not consult with other independent accountants on issues related to the Fiscal Year 18 audit, the Commission obtained assistance from an outside CPA firm to assist in the preparation of the financial statements.

As Jim noted also with the Lottery, with the Liquor Commission we will be also issuing a report on internal control over financial reporting, compliance, and other matters. This report will be contained in the Management Letter which will be presented to the Committee at a future meeting.

That concludes my presentation. And I'd like to thank the Liquor Commission for their help and assistance of their management and staff during the course of the audit. Thank you.

CHAIRWOMAN WALLNER: Thank you. Commissioner, like to respond?

JOSEPH MOLLICA, Chairman, New Hampshire Liquor Commission: Certainly, Madam Chair, Members of the Committee. I'm Joseph Mollica, Chairman of the Liquor Commission. I just wanted to thank the LBA for their guidance and expertise during this audit, and we appreciate everything that they have done for us. Thank you.

CHAIRWOMAN WALLNER: Thank you. Questions from the Committee? Yes, Senator D'Allesandro.

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SEN. D'ALLESANDRO: Thank you. First of all, thank you very much. You have been here for a hundred years.

MS. MITCHELL: Pretty close, pretty close, pretty close.

SEN. D'ALLESANDRO: Your audits get better every time.

MS. MITCHELL: Well, thank you.

SEN. D'ALLESANDRO: Joe, kudos to what happened in terms of the management of the Commission, the new stores. Just a question on the Portsmouth facility. That's open and running as we speak?

MR. MOLLICA: Yes, sir, it is. It's not 100% complete. We weren't able to finish the parking lot completely due to the weather that we received in November. That's the only piece of the store that isn't open; but it is open and running 100% and doing quite well.

SEN. D'ALLESANDRO: Are there any other significant capital expenditures that you're going to bring forward this next year?

MR. MOLLICA: Well, we have the Hampton North and Southbound initiatives. That money was put forth a few years ago, but nothing in this budget, Senator.

MS. DEMERS: Just the additional 2 million to our NextGen project. That's the only new request in our capital.

SEN. D'ALLESANDRO: One final comment.

CHAIRWOMAN WALLNER: Yes.

SEN. D'ALLESANDRO: And the point-of-sale situation.

MR. MOLLICA: Yes.

SEN. D'ALLESANDRO: That's totally corrected?

MR. MOLLICA: The process is under way. We figured that it would be a three or four-year process to get this done. We are actually doing an analysis now that we'll provide to the Legislature that shows how long these types of projects have taken in other states, as well as projects that have been undertaken in this state. But as far as we're concerned, at this point we're in -- we're on a fashionable timeline to get that done.

SEN. D'ALLESANDRO: Many thanks to your contribution to the State and the good work of the Commission.

MR. MOLLICA: Thank you very much, Senator. Thank you.

CHAIRWOMAN WALLNER: Thank you. Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Director, I was pleased to read in the audit it's your record year, you're doing better every year, and then read in the newspaper that the Governor's Council wasn't satisfied with it. What do they expect?

MR. MOLLICA: Well --

REP. LOVEJOY: Tread carefully.

MR. MOLLICA: Thanks. I think that one of the things that everyone needs to understand is when you grow a business and you have to invest. The Liquor Commission doesn't have the luxury of being able to take a position where we take five or six or even 1% of our profits and invest it back into our business. So we have to bond that money and expenses have to be taken. So I think it's just an understanding of competition in Massachusetts that wasn't there when we started -- when I started eight years ago that took place in 2016 and the six stores that have been put in play by the largest national retailer in Massachusetts. So I look at -- I look at and have always looked at what we're doing as a pre-Total Wine and a post- Total Wine, and to look at the Liquor Commission as the business that it was run prior to 2010 when the law was changed in Massachusetts 2011 would be a

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huge financial mistake for the State of New Hampshire. I think we have to invest in this business as a start-up in order that we achieve this goal to keep the Liquor Commission in place for the next 85 years.

REP. WEYLER: Also, there's the steady increase in your wine sales, in your wine offerings since you have been there. It's vastly increased.

MR. MOLLICA: There has been.

REP. WEYLER: And I have another area I want to question. Perhaps, Miss Mitchell. Looking at the Page 12 of the audit on the pie chart, the other revenue. There's two pies for sweepstakes, one at 10%, one at 9%. No explanation of the difference in those two.

MS. MITCHELL: I believe that was probably an oversight during the editing process. Those other revenues are shown in a schedule on Page 39 of the report. And the other revenue percentage should probably -- the 9% should be other revenue, not sweepstakes revenue. 10% is the sweepstakes revenue. So if you go to Page 39 and look at the bottom it says other revenues. And those categories are listed there in the first column June 30, 2017, to June 30, 2018.

REP. WEYLER: So they are different types of sweepstakes revenue.

MS. MITCHELL: Yes. One should say sweepstakes, the other one is an incorrect. The one -- it's a typo that says sweepstakes income 9%. That should say other revenue of 9%.

REP. WEYLER: Other. All right.

MS. MITCHELL: Yes, that's a typo.

REP. WEYLER: Just showing off I read everything.

MS. MITCHELL: Yes, I appreciate that.

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CHAIRWOMAN WALLNER: Even highlights it all with pink marker.

REP. WEYLER: Thank you very much.

CHAIRWOMAN WALLNER: Further questions? Yes, Senator Kahn.

SEN. KAHN: Thanks, Madam Chair. And, Commissioner, I appreciate your suggestion that investment is necessary to continue to grow the revenues. In your investment strategy budget that you answered previously, doesn't sound like it's got much investment for growth. So should there be a ratio of reinvestment? And I think in some of the stores that are on the western side of the state as opposed to the eastern side where we have haven't maxed out the offerings and what might drive more people into those stores. And then I wonder, do we need to show some consistent investment ratio so that we're growing the business on all of our borders and not just eastern borders?

MR. MOLLICA: Well, nationally, a start-up business would -- would -- would reinvest 30 to 50% of their net revenues back into the business. We have reinvested in the last eight years 1.5% of our net revenues back into the business. So we're -- we are -- we have grown by \$192 million in the last eight years investing what we have invested. I think it's something that the Legislature should continue in the future to look at, allowing the Liquor Commission to have some -- some capital that it keeps to reinvest in the business. There's certainly opportunities in the western part of the state and certain stores that we haven't taken advantage of yet, and as much as we perhaps have on the eastern borders. I certainly think that Vermont is a control state. They have about 80 -- 80 stores. In general, a lot of New York traffic comes over that border as well. So we have recognized that in Chesterfield and there's other stores in that area that will be renovated in the future. They're on the list to be renovated.

SEN. KAHN: Thank you.

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CHAIRWOMAN WALLNER: Further questions? Seeing none. Thank you --

MR. MOLLICA: Thank you very much.

CHAIRWOMAN WALLNER: -- for your presentation. Appreciate it. Thank you. We are moving on now to Fish and Game Fund.

MR. SMITH: Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you.

MR. SMITH: Thank you, Madam Chair. This year as part of the CAFR cycle our office audited the Fish and Game Fund as part of the overall CAFR. Manager on that audit was Pam Veeder. She's with me to present it and joining me from the Fish and Game Department is Executive Director Normandeau.

PAMELA VEEDER, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Good morning, Madam Chair, Members of the Committee. For the record, my name is Pam Veeder, and we're here to present our report on the Fish and Game Fund financial statements as of and for the Fiscal Year ended June 30, 2018. Financial statements report the balances and activities associated with the operations of the State Fish and Game Department, which include the operation of the fish hatcheries, the inland and marine fisheries and wildlife areas and functions related to law enforcement, land acquisition, and wildlife management and research. The State reports the Fish and Game Fund as a non-major, governmental fund within the State's Comprehensive Annual Financial Report.

Unlike the Liquor and Lottery financial statements that were presented a few minutes ago, governmental fund financial statements do not report long-term assets and liabilities, such as property and equipment or bonds payable because they're not considered current financial resources. The focus of a governmental fund is to provide information on near term in-flows, out-flows, and balances of spendable resources.

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I would like to point out that while the financial statements by design and accounting standards do not include long-term assets or liabilities, the Fish and Game Department did include information on its capital assets and debt in the Management's discussion and Analysis section of this report.

On Page 1, we have the auditor's report on the financial statements and then over on Page 2 is the actual opinion paragraph where we note that we issued an unmodified opinion, also commonly referred to as the clean opinion. And the opinion covers the financial statements, note disclosures, and the supplementary information that start over on Page 10. The required auditor communications regarding the conduct of an audit that you have heard in the previous presentations today also hold true for the Fish and Game Fund. There are no issues or concerns to report to you regarding the conduct of the audit. We encountered no difficulties with the Fish and Game Department in performing this audit.

In accordance with Government Auditing Standards, we are in the process of issuing the byproduct report of our audit. It's the report on our consideration of the internal control over financial reporting, compliance, and other matters as it relates to the Fish and Game Fund, and that report will be brought to you at a future meeting.

That concludes our portion of the presentation. I'd like to thank Director Normandeau and his staff for their good help and cooperation during the course of the audit. They were truly a great group to work with. So thank you.

CHAIRWOMAN WALLNER: Commissioner Normandeau, would you like to comment?

GLENN NORMANDEAU, Executive Director, Fish and Game Department: Excuse me?

CHAIRWOMAN WALLNER: Would you like to comment on the --

MR. NORMANDEAU: I'll just say that I'll return the compliment to Pam. You know, we have -- we have a pretty limited

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business office and so when we -- when the enjoyable news that an audit is coming breaks, everybody gets a little -- a little wound up. Not 'cause we're worried about what the audit might show, but simply because there's not enough hours in the day as it is for our business office people. They're pretty well stretched all the time, so. But thanks again. This was relatively painless.

CHAIRWOMAN WALLNER: That's good news. Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Commissioner, normally when I look at an audit there's a page in there from the Commissioner describing what this division or this department does telling all the things you do, how many employees you have, things like and then when I get to the Group I, Group II, usually spelling out how many Group II, how many Group I. And I know that there's 16 different sources of revenue in here, but I didn't even see them listed. And I would have been interested in seeing how much went in and out of the Moose Fund and that sort of thing which I guess we'll see when we do Division II's review. But I thought more of that information might be in this audit. I didn't see it but thank you.

CHAIRWOMAN WALLNER: Yes. Senator Kahn.

SEN. KAHN: Thank you, Madam Chair. If you look at Page 6 for just a second. You describe the fund balances that are available. I guess I would have thought that in a department that the amount of revenue turning over in the course of a year there might be some unrestricted reserve. All of these seem to have some assignment or restriction and is that the case? Is there something within this that one could tease out what the unrestricted reserve is?

MR. SMITH: Thank you for the question, Senator. By -- in accordance with Government Auditing Standards, because this is a Fish and Game Fund or a special revenue fund, theoretically all the fund balances earmarked specific to Fish and Game purposes. So they're for the unrestricted classification, which you might

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want to call a General Fund you would see unrestricted in there. That's monies that have not been earmarked for anything. So any amount that would be -- could be used for anything within Fish and Game activity would be in the assigned area.

So this is an accounting standard that basically you have to layer it by -- by level of constraint, starting with you have to spend it according to criteria outside of the fund or outside the state, as well as what the Legislature determines. That's kind of what your committed is and then you're assigned is because it's for Fish and Game purposes. So you have nothing below assigned according to Governmental Accounting Standards.

SEN. KAHN: Thank you for the definition of assigned. Thank you.

CHAIRWOMAN WALLNER: Representative Lovejoy.

REP. LOVEJOY: Thank you. Thank you for taking my question and this may be because I'm on Division I and not Division II, and I don't -- I'm not aware of these. On Page 7, fees. There was a huge increase in the second line of revenues on fees. What was -- what was the big change?

MR. NORMANDEAU: Well, that was the -- was that the OHRV and marine gas tax reclassification?

MS. VEEDER: It's described, I believe, on Page 8. There's a description.

REP. LOVEJOY: Okay.

MS. VEEDER: And it has to do with re-categorization and also with the OHRV registration fees being moved from one category to another, as far as a financial statement line item.

REP. LOVEJOY: Okay.

CHAIRWOMAN WALLNER: Further questions.

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REP. LOVEJOY: Thank you.

CHAIRWOMAN WALLNER: Seeing none. Thank you very much for your presentation.

MR. NORMANDEAU: If anyone would like more information, I'm happy to provide some about the individual accounts.

CHAIRWOMAN WALLNER: Now we'll move on to the Banking Department.

MR. SMITH: Thank you, Madam Chair.

CHAIRWOMAN WALLNER: Thank you.

MR. SMITH: For the Banking Department audit, again, this was performed by our office and in honor of you, Senator D'Allesandro, I invited Jean back to present another audit.

SEN. D'ALLESANDRO: Can't live without her, cannot live without her. Thank you so much.

MR. SMITH: And joining us from the Banking Department is Commissioner Jerry Little, and also deputy -- Deputy Commissioner Emelia Galdieri.

MS. MITCHELL: Good morning again, Madam Chair, Members of the Committee. Once again, for the record, my name is Jean Mitchell. We are here this morning to present the report of our financial audit of the New Hampshire Banking Department for the Fiscal Year ended June 30, 2018. This report is presented in two sections. The first section, the Management Letter section, is the auditor prepared section of the report, and it contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, along with five Observation comments. It also includes an Appendix reporting the current status of audit findings from our 2011 audit of the Department.

The second section, the financial section, contains our independent auditor's report followed by the Department prepared financial statements -- financial statement, notes, and budget to actual schedule.

The focus of my presentation this morning will be on the Observation and Recommendation sections contained in the Management Letter section of the report, but we'd be happy to answer any questions you have on any part of the report.

If we turn to the Table of Contents in the Management Letter section back at the front of the book, you will see this report contains five audit comments. None of the comments on internal control, none of them are material weaknesses. The Department concurs with all of the comments and none of the comments suggest that legislative action is required.

Observation No. 1 begins on Page 3. The bulleted items listed in the Observation describe areas where the Department has not prepared and implemented certain internal control processes and plans. These items are generally regarded as fundamental to efficient and effective internal controls.

Observation No. 2 on Page 4 describes significant aspects of the Department's financial operations that are not supported by formal controls in the form of Management approved policies and procedures. This likely contributed to the items described in detail in the bulleted list on the bottom of the page. The lack of clear policy and procedure guidance increases the risk to the Department's secure continuity of operations, especially in the event of an unplanned termination of key business office staff.

Observation No. 3 on Page 5 notes the Department's operation suffered during Fiscal Year 2018 from its continued reliance on information systems it recognizes are inadequate for its needs. This requires the Department to perform manual information processing and review that is inefficient and increases the risk of errors. Examples of where current information systems affect the efficiency and effectiveness of

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the Department's activities are outlined in the bulleted list on Page 6.

Observation No. 4 on Page 7 recommends the Department strengthen its controls to include policies and procedures to perform a review and approval of the final payroll register report generated prior to the issuance of the payroll. Also, the Department of Administrative Services should consider how best to address the weakness noted in this Observation.

The final Observation is number five located on Page 9. It recommends the Department implement policies and procedures to evaluate and control risk associated with outsourced services. The Department should regularly obtain, review, and react to the auditor's report on controls at the service organization and speaks to the need to ensure that any relevant, complementary, user-entity controls are in place and operating effectively.

Behind the tab is the Appendix on Page 11 is the current status of five observations contained in the financial audit of the Department for the Fiscal Year ended June 30, 2011. Of the 16 comments contained in the report, eight of the comments are fully resolved, remediation is in process for seven of the comments, and one of the comments remains unresolved.

The financial section follows with our auditor's report or opinion which was modified as only one of the required financial statements is presented. The statement of revenues and expenditures General Fund for the Fiscal Year ending June 30, 2018, is located on Page 7. Following that is the notes to the financial statements, as well as budget to actual information. An important item to note no material adjustments were proposed to the accounting records as a result of our audit.

This concludes my presentation. I'd really like to thank the Banking Department management and staff throughout the audit process and that's it. Thank you.

CHAIRWOMAN WALLNER: Thank you. Commissioner Little, do you have comments?

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GERALD LITTLE, Commissioner, Banking Department: Thank you. Good morning. For the record, my name is Jerry Little. I'm State Bank Commissioner. With me is Deputy Commissioner Emelia Galdieri and behind me someplace is our Director of Operations Dawn Allen. And I want to thank Jean for the good work that her staff did in this audit. Particularly, I want to thank Emelia and Dawn. Emelia was the direct point of contact between the Department and the LBA and I think things went very well with their -- a great relationship that developed between them, and it was Dawn's responsibility to find most of the documents and information that the LBA needed to do their audit and to, frankly, keep the books and make sure that everything is smooth sailing financially at the Department. So I wanted to say those thank you's.

Nothing in this audit surprised us. We believe that it gives us a good road map to follow to move the Department forward. As you'll see in here on Page 5, we were aware that we needed to do a lot of work on policies and procedures at the Department. We began with a budget item submitted to you in 2017 to provide us with the staff and restructuring of our office, which included bolstering our Legal Department and hiring an attorney that focuses on policies and procedures at the Banking Department. Beginning -- from the beginning of 2017 until the date of the end of the -- until the audit period opened, we have implemented 21 new policies and procedures and that process continues at the Department. We have notified you in this audit in our responses that we intend to respond to all five of the Observations by the end of 2020.

CHAIRWOMAN WALLNER: Thank you. Questions? Yes, Senator Giuda.

SEN. GIUDA: Thank you, Madam Chair. Commissioner, I'm concerned when I see that items in the audit in 2011 are under remediation in 2019 or 2018 at the end of the audit and I'd like to know specifically what degree of remediation you've reached or achieved on each of the items in 2011 audit? It doesn't give

clarity as to how far along in the process we are in remediating things that are now seven years old.

SEN. LITTLE: Thank you for the question, Senator. As the folks from the LBA will attest, I had some concern that between the time that our audit opened and today the format of this response has changed. When we had our entrance examination there used to be more as we call them bubbles. That would show gradations of solving problems. So there used to be unresolved, somewhat resolved, almost resolved and completed. And now we're down to what I call an on/off switch as opposed to a dimmer. We're now at an on/off. So that I believe that many, if not most, of these items are very close to being done, but you won't see that in there. They're either done, we're working on them, or they're not done at all. I can go through all of them if you want. But I can tell you that most of them are seriously addressed.

I can also tell you I wasn't there in 2011. I arrived at the end of 2016 and had kept with me, as a matter of fact, I visited the Legislative Budget Assistant's Office before I joined there and got a copy of the 2011 audit and had it under my arm on the day that I arrived at the Banking Department and went forward to try to address all of these sorts of things.

So in the last two years between my arrival, a little bit less, and this date we worked on a lot of things. The Department already started on many of them. But, again, it required us to reorganize the Department, to get a budget submission to you, to hire the staff that we needed. We're a very small Department. Right now we have a grand total of 45 people and the majority of them are examiners. And so we needed to get some additional staff to be able to focus on these issues. We take it very seriously. And I hope to be back to you by the end of 2020 and tell you we're done.

SEN. GIUDA: Follow-up.

CHAIRWOMAN WALLNER: Yes, Senator Giuda.

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SEN. GIUDA: Thank you, Madam Chair. Thank you for your work, Commissioner. I would like your best guess as to when the items in the seven-year old audit might be complete? You said by the end of 2020?

SEN. LITTLE: Yes. If you -- maybe we can just actually click right through them. If you open up the audit and you look to our responses, which we concur with all of the findings, but if you see on Page 3 regarding Observation No. 1, you'll see that we have a draft of our disaster recovery plan, and then we'll work on drafting/implementing the formal risk assessment policy both by the end of 2020.

Observation No. 2 on Page 4 you'll find our auditee response on Page 5. And in the second paragraph, the Department anticipates drafting and implementing policies and procedures supporting assessment calculations and licensing of individuals and entities and collecting related fees and fines by the end of 2020.

EMILIA GALDIERI, Deputy Commissioner, Banking Department: We actually did between when the auditors left we implemented per diem calculation policy. So some of it is actually in process right now. It's done now.

SEN. LITTLE: Observation No. 3, you will find our auditee response on Page 7, second paragraph. The Department drafted and implemented an information technology plan for 2020-21 in March 2018. So we believe it's done.

Observation No. 4, this is something we were going to have to work on with Department of Administrative Services. We -- it's unclear yet at this point in time where the problem happened, whether it happened at our office or at DAS, and so we'll be working with them. But I think you'll see that resolved much sooner than -- I'd say imminently.

MS. GALDIERI: And we currently per the process, the part of that that we control, we have implemented that that we now

look at that final snapshot before it goes to DAS every single time.

MR. LITTLE: And Observation No. 5 relative to the SOC 1 reports for vendors, we have received the most recent SOC 1 report six weeks ago?

MS. GALDIERI: Yes, and we have a draft policy.

SEN. LITTLE: And we have a draft policy to address very soon, within the next month or two.

CHAIRWOMAN WALLNER: Yes.

SEN. GIUDA: I appreciate that information, but I was referring to the 2011 audit items. You have an estimate when they might be concluded given we don't have the four box bullets?

SEN. PRESIDENT SOUCY: Yeah, on Page 11.

MS. MITCHELL: As far as No. 2 goes, the revenue process that timely reconciliations, that's been resolved.

SEN. GIUDA: I'm referring to Page 11.

MR. LITTLE: Okay.

SEN. GIUDA: I note with respect that eight of the items are resolved out of 16 but seven remain in remediation.

MR. LITTLE: By the end of 2020.

SEN. GIUDA: Thank you.

CHAIRWOMAN WALLNER: Yes.

MS. GALDIERI: Some of them are resolved now. Like Jean said, No. 2 is resolved. No. 7, that's the report, the SOC 1

report. We just reviewed it and have a draft policy. So that will be resolved very shortly.

SEN. PRESIDENT SOUCY: If I could.

CHAIRWOMAN WALLNER: Senator Soucy.

SEN. PRESIDENT SOUCY: On that item on No. 7, is it just that specific entity with the banking side, other entities are not a problem?

MR. LITTLE: It's the only vendor we have and that is it.

CHAIRWOMAN WALLNER: Yes, Representative Hennessey.

REP. HENNESSEY: Thank you, Madam Chair. I have a question for the LBA. On Page 8, in your recommendation you suggested that DAS should consider whether the lack of logging off, lack of logging of offset deletions is a significant weakness in the NHFirst payroll system. What is your opinion? Do you think that that is a significant weakness in the payroll system and in any of your other audits did you discover this in other departments as well?

MS. MITCHELL: This is the first time that we've come across this type of situation. So I really couldn't speak to the amount, whether it's -- I think the Department of Administrative Services would address that better than me. This is the first time that we've come across an overpayment as a result of deleting of offset of records in NHFirst, at least that our office has.

REP. HENNESSEY: Thank you.

MS. MITCHELL: So.

CHAIRWOMAN WALLNER: Further questions? Yes, Representative Weyler.

REP. WEYLER: Thank you, Madam Chair. Again, I'd like to see like an introductory paragraph. We have so many people we have in our Department. We have so many examiners and how many examinations have been done. But I did have a question on the second to the last page there, 16 out of 17. And I'm impressed that you actually spent 10% less than is budgeted. How did that work out and welcome back?

MR. LITTLE: Thank you very much. It was generally a function of our hiring practices that because we do the budget, for instance, right now for 2020 and 2021, which is a bit of a trick trying to figure out exactly how many people are going to leave us and move on in their careers, exactly what the salaries and benefits will be, and as well has been current practice which we are attempting to change in our budget submission for this year to anticipate promotions and to leave positions open but funded because we can't come back to you later on and ask for more money in those budgets that we try to anticipate those things two years ago down the road. It's really impossible for us to know exactly what's going to happen in people's lives and so it's 85% of our budget is salary and benefits. We don't have equipment. We don't build roads. We don't have materials. We have well-trained, highly-educated people. And so it's just a function of not being able to predict with 100% certainty who's going to be with us, who's not, and who's going to be ready for promotion.

As far as what our staff looks like, we have 55 authorized positions. Fifty of them are funded, 45 of them are filled. Of those 45, 24 are examiners. We have 14 who are either in operations, legal, for support and then there are seven director level people.

REP. WEYLER: Thank you very much.

CHAIRWOMAN WALLNER: Thank you.

REP. WEYLER: Good luck in that new job.

MR. LITTLE: Thank you, sir.

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CHAIRWOMAN WALLNER: Further questions? Seeing none. Thank you for the report.

MR. LITTLE: Thank you.

CHAIRWOMAN WALLNER: I think this is our final report and Police Standards and Training.

MR. SMITH: Thank you, Madam Chair. Just to draw a distinction, this is the only performance audit this morning. And Police Standards and Training Council, John Clinch was the Manager from our office on this. And joining us from the Council is Chief David Cahill, he's the Council Chair, and then Timothy Merrill who's the Executive Officer. So turn it over to --

CHAIRWOMAN WALLNER: Welcome.

MR. SMITH: -- to John to present the audit.

JOHN CLINCH, Senior Audit Manager, Audit Division, Office of Legislative Budget Assistant: Thank you. Good morning, Madam Chair, Members of the Committee. My name is John Clinch. I was the performance auditor in charge of this audit of the Police Standards and Training Council. The objective of our audit was to determine whether the Council operated efficiently and effectively during State Fiscal Years 2017 and 2018. Our Executive Summary is found on Page 1.

We found the Council is generally effective and efficient overall. We surveyed New Hampshire law enforcement agencies and found 85% of the respondents were satisfied with the training received by the recruits. Additionally, we found training operations and policies generally aligned with industry standards. However, we found some administrative improvements could be made.

Documentation demonstrates from clients with Council standards was inconsistently completed by law enforcement agencies, inefficiently collected, and went largely unaudited by

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the Council. Although the complaint and disciplinary processes were generally effective, the process contained gaps in jurisdictional authority and reporting mechanisms. We also found the curriculum development process lacked assurance that decisions were made based on a recent job task analysis, and the overall management of Council operations was hindered by a lack of fully developed strategic plan, performance, and risk management systems, and a less than fully functional electronic database. Lastly, we found the Council frequently conducted disciplinary hearings in non-public sessions.

Our Recommendation Summary starts on Page 3. Our report has 16 Observations. The Council fully concurred with 14 recommendations and concurred, in part, with two recommendations. You may note Observations 1, 13, and 14, require legislative action. I'll discuss those three Observations in more detail as they may require legislative action.

Our background section begins on Page 7 and contains organizational structure and a description of the physical operations.

The next section regarding Standards and Training begins on Page 13. In Observation No. 1 on Page 14, we found not all officers were screened for psychological stability or drug use prior to assuming their duties. Officers within state political subdivisions were required to undergo testing only if funding was available within their political subdivision's budget. The Council reported implementing the screening requirements were challenging due to the efforts needed to avoid implementing an unfunded State mandate. The Legislature may also wish -- I'm sorry. The Legislature may wish to consider whether it's acceptable some law enforcement officers do not undergo psychological and drug screening.

In Observation No. 13 on Page 39, we questioned whether the Council used the Right-To-Know Law exemptions as intended by the Legislature. There are two provisions of the State Right-To-Know Law that the Council depended on during the audit period to

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enter into non-public session; the personnel provision and the reputation provision. The Council invoked the personnel provision for cases coming before the Council up until April 2017. For example, the Council invoked the personnel provision to enter into non-public sessions when officers faced possible decertification due to criminal proceedings and other matters. After April 2017, the Council began using the reputation provision of the Right-To-Know Law to make the sessions non-public even in instances where certification holder had been indicted or convicted of a criminal matter.

We recommended the Council work with the DOJ to develop policies and procedures to ensure proper authority is cited when entering into the non-public session for the frequent scenarios before the Council.

The Legislature may wish to clarify whether exemption from a public hearing under the personnel provisions of the Right-to-Know law requires an employer/employee relationship. This issue could affect many other types of boards that license public sector and private sector professions.

In Observation No. 14 on Page 41, we talk about a lack of Council policies and procedures consistently to ensure Council Members filed required statements of financial interest, and necessary quorum requirements to hold valid meetings were met. In developing this Observation, we noted some ambiguity related to statements of financial interest. In October 2018, the Department of Justice provided an opinion the decisions made by public officials who failed to file their annual financial disclosures are not voidable. According to the opinion, eligibility to serve was only contingent upon public officials filing an initial financial disclosure and ineligibility to serve was not impacted by a lack of subsequent annual financial disclosures.

We have historically understood the statutory provision determining eligibility to serve to be contingent on both the public official's initial filing and subsequent annual filings. Because the courts have not addressed this issue, we still

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conclude action taken by public officials who fail to file their annual financial disclosures pose a risk of being questioned.

We recommend the Council develop policies and procedures to ensure compliance, periodically review members' compliance, and allow eligible members conduct Council business. We also suggest the Legislature consider clarifying RSA 15-A:6 regarding whether failure to file annual financial disclosures should prohibit public officials from serving their appointed capacity.

The Appendices are found in the tab section of the report and include our methodology, the Department's response to our audit, results of two surveys we conducted, and as you may note Appendix E reports the status of prior audit findings which the Council has largely resolved.

I'd like to thank the Council and staff for their assistance during the audit. This concludes my prepared remarks. I be happy to take any questions.

CHAIRWOMAN WALLNER: Thank you. From Police Standards and Training.

CHIEF DAVID CAHILL, Chair, Police Standards and Training Council: I think it's outlined in there that we were very appreciative to have gone under the review. We have met with the auditors and did concur to a lot in part and a lot not in part. Some of the parts that we concurred to, for instance, some of our forms we found out were either outdated because some statutory requirements have changed. So we need to follow-up with those. But we appreciate the audit review, and I think we can always look at our self to improve in the future, and I think that moving forward as you'll read through the entire report we acknowledge that there are changes that we'll make and that we've already made during the course of our meetings monthly.

CHAIRWOMAN WALLNER: Thank you. You have other questions? Yes, Representative Weyler.

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REP. WEYLER: Thank you, Madam Chair. Good report. I'm delighted to hear that 85% are satisfied. The questionnaires were very good, the questions you sent out and you got some good responses and published them all, although it's very much a minority group. Some of the suggestions are likely to be taken into effect and they may help improve the training. I think that's a good way to do it. Hopefully, they'll be listened to, and thank you very much, Mr. Clinch, your usual fine work.

MR. CLINCH: Thank you.

CHAIRWOMAN WALLNER: Further questions? Seeing none. Thank you very much for coming up and talking with us.

MR. CLINCH: Thank you.

CHIEF CAHILL: Thank you.

CHAIRWOMAN WALLNER: I think we are at the end of the agenda and it is exactly 12 o'clock. Excellent. I want to thank the Members of the Committee for all staying all the way through. We anticipated that we might lose some people during the audit, but we didn't. Everyone stayed and thank you. And our next meeting is March?

MICHAEL KANE, Legislative Budget Assistant, Office of the Legislative Budget Assistant: Eighth.

CHAIRWOMAN WALLNER: March 8th. Friday, March 8th. So hope to see you all then. Adjourn the Fiscal Committee.

(The meeting adjourned at 11:59 a.m.)

CERTIFICATION

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

Cecelia A. Trask
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