

# **LBA Financial Audit Report Summary:**

## **Department of Revenue Administration Financial Audit Report For The Fiscal Year Ended June 30, 2008**

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### **Reporting Entity And Scope**

The reporting entity of this audit and audit report is the New Hampshire Department of Revenue Administration. The scope of this audit and audit report includes the financial activity of the Department of Revenue Administration for the fiscal year ended June 30, 2008. Unless otherwise indicated, reference to the Department refers to the Department of Revenue Administration.

### **Organization**

The Department was reorganized under the terms of RSA 21-J, effective July 1, 1985. The Department is under the executive direction of a commissioner who is appointed by the Governor, with the consent of the Executive Council (Council), to a four-year term. In addition, the Commissioner is authorized to nominate an Assistant Commissioner and Division Directors of Audits and Documents Processing, subject to confirmation by the Governor and Council. The Commissioner appoints the Directors of Collections, Property Appraisal, and Municipal Services. Embedded personnel from the Department of Information Technology support the Department's automated information systems.

The Department is organized into seven functional areas: the Administrative Unit, the Central Tax Services Unit, the Audit Division, the Collections Division, the Document Processing Division, the Municipal Services Division, and the Property Appraisal Division. At June 30, 2008, the Department employed 165 classified and 23 unclassified employees.

### **Responsibilities**

The Department of Revenue Administration is responsible for overseeing the collection of State taxes, providing the Governor and General Court with information for public policy decisions, and for establishing a uniform system of financial reports and accounting for the State's political subdivisions

The responsibilities of the Department's seven functional areas are summarized below:

Administrative Unit performs administrative functions necessary to support Department operations including accounting, adjudicative and administrative hearings, fleet and facility maintenance, human resources, project management, purchasing, internal control, discovery, and the legal unit.

Central Tax Services Unit, a subunit of the Administrative Unit, provides general assistance to the public for all taxes administered by the Department. This Unit is responsible for the

maintenance of the manual tax receivable system for the Department and acts within the Department as an advocate for taxpayers.

Audit Division conducts audits of tax returns of individuals, partnerships, estates, trusts, corporations, and documents filed with the Department to ensure compliance with New Hampshire tax laws and rules.

Collections Division initiates collection activities in pursuit of delinquent tax returns and payments for all taxes administered by the Department.

Document Processing Division receives, sends, processes, stores, and retrieves all tax documents, return payments, and electronic transactions filed with the Department.

Municipal Services Division establishes and approves municipal, school, county, and village district tax rates. Municipal Services provides technical assistance, relative to taxation and finance, to the political subdivisions of the State. In addition, Municipal Services prescribe a uniform chart of accounts for all municipalities, schools, counties, and village districts.

Property Appraisal Division assists and educates municipalities with the methods of appraisal and assessment of real property. They provide appraisal revaluation services statewide to municipalities, and equalize the local assessed valuation of each municipality to bring such valuations to the full and true market value of the property. The Property Appraisal Division advises and assists municipalities and taxpayers in full and true appraisals and timely collection of timber yield tax. In addition, they appraise public utility and railroad property for equalization, as well as local tax purposes. The Property Appraisal Division assists local municipalities with the administration of the current use law (RSA 79-A).

## Funding

The financial activity of the Department of Revenue Administration is accounted for in the General and Education Trust Funds of the State of New Hampshire. A summary of the Department's revenues and expenditures for the fiscal year ended June 30, 2008 is shown in the following schedule.

**Summary Of Revenues And Expenditures  
For The Fiscal Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Education Trust Fund</u>	<u>Total</u>
Revenues			
Total Unrestricted Revenue	\$ 1,035,491,143	\$ 765,777,984	\$ 1,801,269,127
Total Restricted Revenue	127,629,805	-0-	127,629,805
Total Revenue	<u>1,163,120,948</u>	<u>765,777,984</u>	<u>1,928,898,932</u>
Total Expenditures	<u>16,592,825</u>	<u>3,156,984</u>	<u>19,749,809</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b><u>\$ 1,146,528,123</u></b>	<b><u>\$ 762,621,000</u></b>	<b><u>\$ 1,909,149,123</u></b>

The General Fund is the State's primary operating fund and accounts for all financial transactions not accounted for in any other fund.

The Education Trust Fund was established to distribute adequate education grants to school districts. Revenue processed by the Department and recorded in the Education Trust Fund includes statewide property and utility taxes, car rentals, and incremental portions of existing business, real estate transfer, and tobacco taxes.

The auditor's report on the Department of Revenue Administration's financial statement was qualified, as the governmental fund financial statement does not constitute a complete financial presentation of the Department in the General and Education Trust Funds.

The audit report includes the auditor's report on internal control over financial reporting and on compliance and other matters. The following is a list of the comments in the report.

***Internal Control Comments***

**Significant Deficiencies**

- Formal Risk Assessment Process Should Be Established
- Planning For Acquisition Of New Tax Information System Should Be Formalized
- Process For Determining And Reporting Taxes Receivable And Associated Revenues Should Be Reviewed
  
- Tax Overpayments Held By The Department Should Be Reported As Deferred Revenue
  
- Understanding Of Relevant Controls At Service Providers Should Be Documented
- Collection Of Flood Control Contributions From Other States Should Be Pursued

- Reconciliation Controls Should Be Monitored
- Additional Training For Reviewing And Approving Tax Relief Payments Should Be Considered
- Leave Accounting Controls Should Be Strengthened
  
- Procedures Should Be Established To Remind Board Members Of Statement Of Financial Interests Filing Requirements
- Compliance With Municipal Reporting Statute Should Be Encouraged

***Compliance Comment***

- Administrative Rules Should Be Current