

**SULLIVAN COUNTY, NEW HAMPSHIRE**

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2012

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# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Sullivan County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*  
September 25, 2012



# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
Sullivan County

### Compliance

We have audited Sullivan County's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 12-1 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs that are applicable to its Second Chance Act Prisoner Reentry Initiative grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25,

2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

March 13, 2013

Sullivan County, New Hampshire  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed through the State of New Hampshire, Office of State Planning: Community Development Block Grants/State's Program	14.228	\$ <u>210,017</u>
Total U.S. Department of Housing and Urban Development		210,017
<u>U.S. Department of Justice</u>		
Second Chance Act Prisoner Reentry Initiative	16.812	482,336
Passed Through State of New Hampshire, Department of Justice:		
Juvenile Justice and Delinquency Prevention	16.540	33,378
Residential Substance Abuse Treatment for State Prisoners	16.593	24,884
Public Safety Partnership and Community Policing Grants, Recovery Act	16.710	69,679
Enforcing Underage Drinking Laws Program	16.727	10,587
Edward Byrne Memorial Justice Assistance Grant, Recovery Act	16.803	<u>22,250</u>
Total U.S. Department of Justice		643,114
<u>U.S. Department of Transportation</u>		
Passed Through the State of New Hampshire Department of Transportation: Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>6,780</u>
Total U.S. Department of Transportation		6,780
<u>U.S. Department of Energy</u>		
Passed Through the State of New Hampshire, Department of Energy: Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	<u>79,511</u>
Total U.S. Department of Energy		79,511
<u>U.S. Department of Health and Human Services</u>		
Passed Through the State of New Hampshire, Department of Health and Human Services:		
Public Health Emergency Preparedness	93.069	50,669
Environmental Public Health and Emergency Response	93.070	11,496
Drug-Free Communities Support Program Grants	93.276	123,220
Block Grants for Prevention of Treatment of Substance Abuse	93.959	<u>71,138</u>
Total U.S. Department of Health and Human Services		<u>256,523</u>
Total Federal Expenditures		\$ <u>1,195,945</u>

This schedule was prepared on a modified accrual basis of accounting.

See accompanying report on requirements of OMB Circular A-133.

State identifying numbers were not available for the pass-through grants listed above.

**SULLIVAN COUNTY, NEW HAMPSHIRE**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditors' report issued on compliance for major programs:

Community Development Block Grants  
Second Chance Act Prisoner Reentry Initiative

Unqualified  
Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes  no

Identification of major programs:

CFDA Number(s)

14.228  
16.812

Name of Federal Program or Cluster

Community Development Block Grants  
Second Chance Act Prisoner Reentry Initiative

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes  no

## SECTION II - FINANCIAL STATEMENT FINDINGS

None.

## SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
12-1	Second Chance Act Prisoner Reentry Initiative 16.812	<u>Improve Time and Effort Records</u>  <u>Criteria:</u> OMB Circular A-87, Attachment B, Paragraph 8.h.4 requires employees to document the portion of time worked on the grant and the portion of time worked in areas not related to the grant. An employee whose salary is paid in full from federal grant funds is required to certify that he/she has been engaged solely in activities supported by the grant. The semi-annual certification must cover a specific period of time (6 months), and must be signed by the employee or a supervisory official who has first-hand knowledge of the work performed. An employee whose salary is paid in part from federal grant funds and in part from other revenue sources must maintain time and effort distribution records, such as activity reports or timesheets that document the portion of time spent on programs supported by the other revenue sources. OMB Circular A-87 requires that these records must (1) be done after the fact (not estimated or budgeted), (2) account for the total activities for which the employee is being paid, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee.  <u>Condition:</u> During our audit, we tested a sample of payroll disbursements in order to determine if adequate time and effort records were maintained. As a result of our testing of employees charged to the grants, it was determined that time and effort certifications for the period under audit were not prepared correctly. Specifically, semi-annual certifications were not completed twice a year, did not specify the grant title, and did not specify the time period they related to.	\$ 152,299

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<p><u>Effect:</u> Time and effort documentation did not meet Federal requirements.</p> <p><u>Recommendations:</u> We recommend that the County implement policies and procedures to ensure that adequate documentation of time and effort is maintained for all employees whose salaries are paid in full or in part from federal grant funds. This will ensure that the County is in full compliance with the documentation requirements of OMB Circular A-87.</p> <p><u>County's Response:</u> Sullivan County has implemented policies which require all employees whose salaries are paid in full or in part by the federal grant funds, to submit semi-annual certifications and/or signed bi-weekly timesheets in order to meet the time and effort requirements established under federal guidelines.</p>	

#### SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>
11-1	Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program – ARRA 16.810  Second Chance Act Prisoner Reentry Initiative 16.812	<p><u>Improve Time and Effort Records</u></p> <p><u>Prior Year Condition:</u> Time and effort certifications for the period under audit were not prepared.</p> <p><u>Current Year Status:</u> This has been repeated as current year finding 12-1.</p>