

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, 2015

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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

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Independent Auditors' Report

To the Board of Commissioners
Sullivan County, New Hampshire

We have audited, in accordance with the 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, 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, 2015, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs in items 2015-001 through 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 9, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133

Additional Offices:
Nashua, NH
Andover, MA
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Ellsworth, ME

Independent Auditors' Report

To the Board of Commissioners
Sullivan County, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited Sullivan County, New Hampshire'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 the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of 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, 2015.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over

compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic 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 basic 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

March 29, 2016

SULLIVAN COUNTY, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

<u>Federal Agency</u>				
<u>Cluster</u>				
<u>Federal Office</u>	Pass Through	Federal	Amount	
<u>Pass through Agency</u>	Identifying	CFDA	Provided	Federal
<u>Program Title</u>	Number	Number	to	Expenditures
			Subrecipients	
<u>U.S. Department of Housing and Urban Development</u>				
Office of Community Planning and Development				
Passed Through State of New Hampshire, Office of State Planning:				
Community Development Block Grants/State's Program and				
Non-Entitlement Grants in Hawaii	14-410-CDPF	14.228	\$ -	\$ 116,682
Total U.S. Department of Housing and Urban Development			-	116,682
<u>U.S. Department of Justice</u>				
Bureau of Justice Assistance				
Second Chance Act Reentry Initiative	2012-RN-BX-0001	16.812	-	132,839
Passed Through State of New Hampshire, Department of Justice:				
Residential Substance Abuse Treatment for State Prisoners	2013-RT-BX-0052 / 2012RS11	16.593	-	4,466
Residential Substance Abuse Treatment for State Prisoners	2013-RT-BX-0052 / 2013RS11A	16.593	-	6,449
PREA Program: Demonstration Projects to Establish "Zero				
Tolerance" Cultures for Sexual Assault in Correctional Facilities	2014-RP-BX-0019	16.735	-	48,475
Office of Community Oriented Policing Services				
Passed Through State of New Hampshire, Department of Justice:				
Public Safety Partnership and Community Policing Grants, Recovery Act	N/A	16.710	-	31,973
Office of Juvenile Justice and Delinquency Prevention				
Passed Through State of New Hampshire, Department of Justice:				
Enforcing Underage Drinking Laws Program	N/A	16.727	-	3,339
Total U.S. Department of Justice			-	227,541
<u>U.S. Department of Transportation</u>				
National Highway Traffic Safety Administration				
Passed Through State of New Hampshire Department of Transportation:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	N/A	20.601	-	7,237
Total U.S. Department of Transportation			-	7,237
<u>U.S. Department of Health and Human Services</u>				
Office of the Secretary				
Passed Through National Association of County and City				
Health Officials:				
Medical Reserve Corps Small Grant Program	15-1558	93.008	-	2,313
Centers for Disease Control and Prevention				
Passed Through State of New Hampshire, Department of				
Health and Human Services:				
Public Health Emergency Preparedness	90077021	93.069	-	60,272
Immunization Cooperative Agreements	90023010	93.268	-	6,850
Substance Abuse and Mental Health Services Administration				
Passed Through NH Community Health Institute/JSI Research and				
Training Institute:				
Substance Abuse and Mental Health Services - Projects of				
Regional and National Significance	N/A	93.243	-	4,000
Substance Abuse and Mental Health Services Administration				
Passed Through State of New Hampshire, Department of				
Health and Human Services:				
Drug-Free Communities Support Program Grants	5H79SP016609-04 & 05	93.276	-	103,768
Block Grants for Prevention and Treatment of Substance Abuse	95846502	93.959	-	61,991
Total U.S. Department of Health and Human Services			-	239,194
Total Federal Expenditures			\$ -	\$ 590,654

The accompanying notes are an integral part of this schedule.

SULLIVAN COUNTY, NEW HAMPSHIRE

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Pass-through entity identifying numbers were presented when available.

Note 3. Subrecipients

Of the federal expenditures presented in the Schedule, the County did not provide federal awards to subrecipients.

SULLIVAN COUNTY, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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	Unmodified
Second Chance Act Prisoner Reentry Initiative	Unmodified
Drug-Free Communities Support Program Grants	Unmodified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
16.812	Second Chance Act Prisoner Reentry Initiative
93.276	Drug-Free Communities Support Program Grants

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

2015-001. Improve Controls over Departmental Receipts (Significant Deficiency)

Prior Year Issue

In fiscal year 2014, we recommended that the County implement a regular internal monitoring process throughout the year, especially of decentralized departmental receipts (i.e., Sheriff's department, Register of Deeds, etc.). These internal audits should be performed by an individual not involved in the receipts process and should include reconciling of supporting documentation to bank deposits and posting in the general ledger.

Current Year Status

In fiscal year 2015, the Business Office monitored the Registry of Deeds bank accounts activity, as a mitigating control. However, our testing of the cash out process noted that there was no documented evidence of two individuals involved in the cash out process.

Further Action Needed

We continue to recommend that the County retain documented evidence that two individuals are involved in the cash out process.

2015-002. Implement Other Control Improvements (Significant Deficiency)

Prior Year Issue

During the fiscal year 2014 audit, we noted several areas where improvements in controls should be implemented.

Resolved

- We recommended that journal entries be used in sequential order and not back-dated to a prior period.
- We recommended that inmate balances be reconciled to the inmate bank balances on a monthly basis.
- Certain grant accounts reflected deficit fund balances at year end.
- Consider developing a formal fund balance policy.
- An individual in the Business Office should be removed as a signatory on the County's HRA bank account.
- Consider expanding upon the reports that are included in the "monthly financial reporting package" to the County Manager. Review of reports, including the balance sheet, budget versus actual, and other financial reports should be documented.
- Consider revising the current conflict of interest policy to include specific language related to nepotism.

Unresolved

- We recommended that the County Treasurer and Deputy Treasurer be the only authorized signers on all County bank accounts. However, if not feasible, for accounts where there are authorized signers other than the Treasurer and Deputy Treasurer, additional procedures should be performed as mitigating controls. Specifically, the detailed transactions flowing through these accounts should be “audited” by someone that is not involved in the receipts or disbursements process. This “audit” should be documented. Additionally, we recommend that the County Manager, Treasurer, or Deputy Treasurer be the second signer on accounts where there are other authorized signers.
- The County should consider documenting the policies, procedures and controls over key financial transactions, including cash, receivables, departmental receipts, purchasing vendor disbursements, employee benefit/payroll disbursements, and general ledger maintenance. This documentation could be used as guidance to help safeguard assets, to properly record transactions, and to provide a basis for continuing operations when there is turnover in key employee positions. In addition to documenting activity-level controls, the County should also implement and document entity-level controls related to the control environment, risk assessment, information and communication, and monitoring. A formal risk assessment process should be performed at least annually to review these areas, including the risks associated with related parties and potential conflicts of interest.
- Our testing of Nursing Home resident trust transactions found several disbursement requests that were not signed by the resident. Further, one disbursement tested did not have supporting documentation, such as a vendor invoice or receipt.
- Registry checks should be dated so that they correspond to the month they are posted to in the general ledger.
- A formal policy that relates to the complexity of system passwords, as well as how frequently they should be changed, should be developed.
- Consider reducing the number of County bank accounts.
- Review fixed asset and depreciation schedule on an annual basis for accuracy, including impaired and/or disposed assets and appropriate useful lives.

Further Action Needed

We recommend that the County address the unresolved areas noted above in order to reduce risk in those areas.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Status</u>
2014-006	93.276	<u>Improve Controls over Matching Requirements</u>	Corrected