



At a Glance

Catalyst for Improving the Environment

Why We Did This Audit

We performed this audit to determine:

- Whether the New Hampshire Drinking Water State Revolving Fund Program's (the Program's) financial statements were fairly presented in all material respects,
- To what extent the Program's internal controls over financial reporting could be relied upon, and
- Whether the Program complied with applicable laws and regulations.

Background

The requirement for audited financial statements was enacted to help ensure that the Program had management practices, systems, and controls in place to provide reliable information for managing the Federally funded program.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:
www.epa.gov/oig/reports/2007/20070226-2007-1-00044.pdf

State of New Hampshire Drinking Water State Revolving Fund Program Financial Statements for the Year Ended June 30, 2005

What We Found

We rendered an unqualified opinion on the New Hampshire Drinking Water State Revolving Fund (DWSRF) Program financial statements for the year ended June 30, 2005.

We noted various reportable conditions that we considered material weaknesses in internal controls. These deficiencies in the design and operations of internal controls for the DWSRF-specific financial accounting and reporting, in our judgment, could adversely affect the State's ability to record, process, and report financial data consistent with the assertions of management in the DWSRF financial statements. The State did not make adjustments for the identified discrepancies to cash and investment balances in the DWSRF general ledger, and did not compare the general ledger to original source documentation, resulting in numerous unrecorded transactions and errors going undetected. The State made incorrect journal entries, miscalculated match funding, incorrectly executed amortization schedules, did not record loan payments, and materially misstated cash balances and short-term investments.

We qualified our opinion on compliance with applicable laws and regulations because the required State match was underfunded by \$228,436, set-aside costs were not separated and identifiable by the actual costs, and the State did not follow up on subrecipient Single Audits.

What We Recommend

To correct the internal controls weaknesses, we recommend that EPA require the New Hampshire Department of Environmental Services to: coordinate with the State Treasury to obtain up-to-date documentation on cash and investment transactions, properly reconcile subsidiary schedules, develop and implement procedures for reviewing and reporting accounting transactions, and develop training on the accounting system. For the compliance issues, we recommend that EPA require the State to: deposit \$228,436 to correct the underfunded State matching funds, establish subcodes for each set-aside, and implement a policy for Single Audit report review.