

STATE OF NEW HAMPSHIRE

STATE TREASURY

REMEDIAL ACTION PLAN

PURSUANT TO EXECUTIVE ORDER 2014-03

OCTOBER 13, 2024

**State of New Hampshire Treasury
Remedial Action Plan
Summary**

The Office of the Legislative Budget Assistant, Audit Division, conducted a financial audit of the State Treasury for the fiscal year ended June 30, 2023 and in connection with the audit the report included three recommendations. The report was presented to the Joint Legislative Fiscal Committee of the General Court on September 13, 2024. The current status of those observations is summarized below.

| No. | Page | Observation Description | Status |
|------------|-------------|--|---------------|
| 1 | 1 | Internal Controls Over Dedicated Accounts Should Be Improved | Unresolved |
| 2 | 1 | Debt Management System Should Be Maintained and Supported | Resolved |
| 3 | 2 | Policies and Procedures Should Be Established | Unresolved |

Observation No. 1

Internal Controls Over Dedicated Accounts Should Be Improved

The audit report recommended the State Treasury continue to improve record keeping for dedicated accounts, trust, and custodial accounts, and prioritize migrating the accounts to NHFirst, the state's accounting system.

Current Status:

Accounting for trust, custodial, and other non-state funds ("off-book accounts") in NH First has been Treasury's goal since the last financial audit report issued in 2014. Treasury began conversations with the Comptroller's office soon after to develop a plan to fully migrate those off-book accounts to NH First. However, the project was impacted by the issue of an accounting standard in January 2017 and implementation of the standard was further delayed during to COVID-19 until 2021. GASB No. 84, Fiduciary Activities, redefined the criteria regarding identification of fiduciary funds for accounting and financial reporting purposes and, as a result, Treasury had to shift its resources and collaborated with the Comptroller's office in determining the proper classification and reporting of these accounts.

Discussions to integrate the off-book accounts into NH First have resumed. There are plans to utilize the new "Custodial Account Management" functionality within the Infor CloudSuite to account for all the trust, custodial, and non-state funds. Additionally, RSA 6:12, I (b), 6:12-c, 6:12-d, and related statutes need to be reviewed and updated.

Treasury will continue to pursue this effort and anticipates completing this work in conjunction with the Infor CloudSuite conversion in fiscal year 2026.

Observation No. 2

Debt Management System Should Be Maintained and Supported

The audit report recommended the State Treasury work with the new Debt Management System vendor to ensure that the new Debt Management System will be supported, is continuously updated, and meets current security requirements. Reporting should be automated and allow for revisions to debt payment schedules over the life of a bond.

Current Status:

On May 1, 2024, the Governor and Executive Council approved a five-year contract for the use and support of a cloud-based, software as a service, debt management solution to assist the Treasury in the management of the State's outstanding debt.

Prior to the procurement, the Treasury faced several challenges. First, the legacy system was developed by a vendor that lacked continuity controls. Then, it was difficult to find a software that met Treasury's requirements. Fortunately, the new debt management solution, DebtBook, is a

hosted application with robust controls, comprehensive reporting and compliance functionality, developed exclusively for the public sector.

Treasury has already implemented this debt management system and is utilizing its reporting to support this year's financial statements and prepare debt service projections for the operating budget. DebtBook has provided us with an audit report of its controls (SOC Report), which contains a clean opinion. Treasury believes this observation is resolved.

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| <p><i>Observation No. 3</i> <i>Policies and Procedures Should Be Established</i></p> |
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The audit report recommended the State Treasury document responsibilities of key employees critical to Treasury operations, including the role of Chief Deputy Treasurer and other essential positions. The documentation of job responsibilities should be sufficiently detailed to provide for reasonable continuity of operations in the event of unplanned employee turnover. The established policies and procedures should be formally reviewed and approved by the appropriate level of management, made available to all necessary staff, and periodically reviewed for necessary revision.

Current Status:

The Treasury is in the process of formally documenting responsibilities of key employees, critical to Treasury operations.

Treasury previously identified the risks associated with relying on certain employees and has taken some steps to address some of the risks:

- Beginning in fiscal year 2024, organizational changes were made to assign certain day-to-day responsibilities of the Chief Deputy Treasurer, such as the direct supervision of two employees, to the Assistant Treasurer. This change has re-balanced some of the work and has allowed for cross-training.
- Treasury has hired third-party consultants to support the cash and investment management functions of which, previously, were functions that relied heavily on the Chief Deputy Treasurer.
- Treasurer information technology is now supported by the Department of Information Technology and Treasury is no longer relying on one information technology employee to support its operations.

Treasury will continue to be mindful of this risk and will continue to document responsibilities as recommended by the audit report. While this effort will be ongoing, Treasury plans to make significant progress by December 31, 2024.