

**STATE OF NEW HAMPSHIRE
POLICE STANDARDS AND TRAINING COUNCIL**

**FINANCIAL AUDIT REPORT
FOR THE NINE MONTHS ENDED MARCH 31, 2025**



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To The Fiscal Committee Of The General Court:

We have audited the financial statement of the New Hampshire Police Standards and Training Council for the nine months ended March 31, 2025 and have issued our report thereon dated December 10, 2025.

This financial audit report presents information related to our audit in two sections; a management letter section and a financial section. The management letter section, prepared by the auditors, is a byproduct of the audit of the New Hampshire Police Standards and Training Council for the nine months ended March 31, 2025 and contains our Independent Auditor's 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*, and related audit findings. The current status of prior audit findings, beginning on page 17, provides a summary of the status of observations presented in the New Hampshire Police Standards and Training Council Financial Audit Report for the six months ended December 31, 2010 and applicable observations from the New Hampshire Police Standards and Training Council Performance Audit dated February 2019.

The financial section of this report, with the exception of the Independent Auditor's Report on the New Hampshire Police Standards and Training Council's financial statement, was prepared by the management of the New Hampshire Police Standards and Training Council, with assistance from the Department of Administrative Services, Bureau of Financial Reporting. In addition to the Independent Auditor's Report, the financial section of the report includes the financial statement and notes to the financial statement.

This report can be accessed in its entirety on-line at:

<https://gc.nh.gov/lba/auditreports/financialreports.aspx>

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

December 10, 2025

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ABBREVIATIONS USED

COOP	Continuity of Operations Plan
Council	New Hampshire Police Standards and Training Council, a 17-Member Council Established by NH RSA 106-L:3
DAS	New Hampshire Department of Administrative Services
DoIT	New Hampshire Department of Information Technology
DOJ	New Hampshire Department of Justice
HRSU	Department of Administrative Services, Division of Personnel, Human Resources Support Unit
LECRC	Law Enforcement Conduct Review Committee
MOP	Department of Administrative Services Manual of Procedures
MOU	Memorandum of Understanding
NH FIRST	New Hampshire State Government Accounting and Financial Reporting System
PSTC	Police Standards and Training Council, an Executive Branch State Agency



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Independent Auditor's 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 Fiscal Committee Of The General Court:

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 statement of the New Hampshire Police Standards and Training Council which comprises the Statement of Revenues and Expenditures – General Fund and Capital Projects Fund for the nine months ended March 31, 2025, and the related notes to the financial statement, which collectively comprise the New Hampshire Police Standards and Training Council's financial statement, and have issued our report thereon dated December 10, 2025. Our report on the financial statement was modified as the Statement of Revenues and Expenditures – General Fund and Capital Projects Fund does not purport to and does not constitute a complete financial presentation of the New Hampshire Police Standards and Training Council in the General Fund and Capital Projects Fund in conformity with accounting principles generally accepted in the United States of America.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the New Hampshire Police Standards and Training Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the New Hampshire Police Standards and Training Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hampshire Police Standards and Training Council'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. We identified certain deficiencies in internal control, described in Observations No. 1 through No. 5, that we consider to be significant deficiencies.

Report On Compliance And Other Matters

As part of obtaining reasonable assurance about whether the New Hampshire Police Standards and Training Council's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Observations No. 6 through No. 9.

New Hampshire Police Standards And Training Council's Response To Findings

Government Auditing Standards requires the auditor to perform limited procedures on the New Hampshire Police Standards and Training Council's response to the findings identified in our audit and described in the accompanying observations. The New Hampshire Police Standards and Training Council's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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 New Hampshire Police Standards and Training Council'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 New Hampshire Police Standards and Training Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office of Legislative Budget Assistant

December 10, 2025

**STATE OF NEW HAMPSHIRE
POLICE STANDARDS AND TRAINING COUNCIL**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
1	5	No	Strengthen supervisory review and approval controls over employee timecards. Work with DAS to establish procedures for HRSU entry and approval of timecards, including communication and documentation requirements.	PSTC: Concur DAS: Concur In Part
2	7	No	Revise the current risk management program by incorporating a formal comprehensive risk assessment process for financial accounting, reporting, and compliance activities. Establish and monitor controls to address the risks identified. A periodic, documented review of the risk assessment should also be incorporated into the process.	Concur
3	8	No	Establish, and keep current, continuity of operations and disaster recovery plans. Formally document and distribute the plans to employees with plan roles and responsibilities. Regularly test the plans.	Concur
4	9	No	Strengthen and formalize the process for reviewing user access permissions in accordance with DoIT policy. DAS should review the NH FIRST Elevated Access Report and determine the cause of incomplete reporting. DAS should also determine whether agencies should continue to use the Report to perform the required reviews pursuant to DoIT policy.	PSTC: Concur In Part DAS: Concur
5	10	No	Review the NH FIRST accounting structure and work with DAS to deactivate all unused accounting units.	Concur
6	12	No	Comply with the DAS Manual of Procedures by establishing a memorandum of understanding with DOJ for the criminal justice educational and training services received.	Concur

Observation Number	Page	Legislative Action May Be Required	Recommendations	Agency Response
7	13	No	Establish procedures to ensure all Council and Law Enforcement Conduct Review Committee members submit statements of financial interests by the required filing deadline. As part of these procedures, PSTC should consider sending annual reminders to required filers and periodically reviewing members' compliance. The PSTC Director should also submit the required statement and organizational chart as required by statute.	Concur
8	14	No	Adopt required administrative rules in a timely manner to ensure compliance with RSA 541-A, Administrative Procedure Act.	Concur
9	15	No	Involve the DOJ in procurements pursuant to RSA 21-M:11 and established <i>DOJ Procurement Criteria for Agencies</i> . Discontinue review and approval of PSTC contracts on behalf of the DOJ. Review statutory requirements with the DOJ to ensure compliance with delegations of authority.	PSTC: Concur In Part DOJ: Concur In Part

INTERNAL CONTROL COMMENTS
SIGNIFICANT DEFICIENCIES

Observation No. 1

Payroll Controls Should Be Strengthened

The Police Standards and Training Council's (PSTC) bi-weekly payroll review and approval control does not always include evidence of the review and approval of employee timecards by a supervisor knowledgeable in the hours worked by employees.

PSTC receives certain human resources services from the Department of Administrative Services (DAS), Division of Personnel, Human Resources Support Unit (HRSU) under an inter-agency memorandum of understanding. Services include, but are not limited to, the following:

- preparation and entry of employee and position transactions in compliance with applicable Personnel Rules and Collective Bargaining Agreements,
- management of PSTC personnel files,
- research and resolution of system errors and problems to ensure proper processing of transactions affecting employment status and pay for employees, and
- management of timecard submission and payroll processing.

Auditors noted four of 32 timecards (12.5 percent) tested during the audit period, were not adequately approved by the employee's supervisor and required HRSU to process in NH FIRST. In three instances, supervisory approval was obtained for only one week of time worked during the bi-weekly pay period and, in one instance, no supervisory approval was obtained for time worked during the entire pay period. Further, two of the four timecards with noted weaknesses in internal control required the HRSU to manually enter hours in NH FIRST on behalf of the employee. The HRSU could not provide documentation demonstrating a supervisor at PSTC verified the accuracy of hours entered or approved in NH FIRST by the HRSU.

Supervisory review and approval of employee timekeeping is a key control activity to ensure hours submitted for payment are accurate, complete, and represent time that was worked. Without a sufficient review and approval process performed by a knowledgeable PSTC supervisor, the risk of making improper payments to employees increases.

Recommendation:

We recommend PSTC strengthen supervisory review and approval controls over employee timecards by performing the following:

- **implement a process for monitoring and identifying unapproved timecards,**
- **develop contingency procedures for situations when an employee's direct supervisor is unable to approve employee timecards timely, and**

- **work with the DAS Division of Personnel to establish procedures for HRSU entry and approval of employee timecards, including proper communication and documentation requirements under nonroutine circumstances such as key employee absences during the payroll cycle.**

Auditee Response:

We concur. We believe that numerous staff changes in hiring, and promotion caused the HRSU to fall behind in setting up agency approvals and proxies in NH First, which made it difficult for staff to see and approve staff timecards. Our agency will work with the HRSU at DAS to strengthen procedures and processes to improve supervisory review of timecards.

Department of Administrative Services Response:

We concur in part. The paragraph observing what the auditors found is accurate. However, the HRSU receives both written and verbal verification of supervisor approval of timecards, and the verbal verification might have resulted in the observation regarding the 4 timecards.

The HRSU already has a system in place to monitor and identify any unapproved timecards. At the end of each pay period, the HRSU verifies that all employees of PSTC have submitted timecards and that those timecards have been approved by supervisors. If a timecard is received that has not been approved by a supervisor, the HRSU contacts the supervisor either via a phone call or an email. It is unknown whether the 4 timecards mentioned in the observation were verified to the HRSU by the supervisors via a phone call.

State policy requires employees to record their daily time worked, and requires supervisors to approve timecards of their subordinates. Payroll processing timeframes result in strict deadlines to ensure timely payments to employees. If a timecard is either not submitted or not approved by a supervisor by the deadline, the employee is automatically paid for their regularly scheduled hours.

In order to strengthen payroll controls, enhance accountability, and increase transparency for audit purposes, the HRSU plans to immediately make the following changes to the timecard verification process:

- *The HRSU will send email notifications to supervisors for any unapproved timecards. The HRSU will then print the email correspondences and file them with the agency's final payroll register (PR141). This will ensure that supervisors are formally notified in writing of incomplete timecards or those still needing approval, and that Payroll has documented authorization to approve employee time worked on behalf of the supervisors.*
- *The HRSU will work with PSTC on developing contingency procedures for situations when an employee's direct supervisor is unable to approve employee timecards.*
- *The HRSU will work with PSTC on strengthening communication and documentation under nonroutine circumstances, such as key employee absences during the payroll cycle.*

Observation No. 2

Comprehensive Risk Assessment Process Should Be Developed

PSTC did not have a formal comprehensive risk assessment process in place covering its financial accounting, reporting, and compliance activities. During the audit period, PSTC had a risk management program focused on reducing the risk of personal injury and damage to PSTC facilities, but it did not include a broad review of all potential risks that could be realized or constitute a comprehensive formal risk assessment process.

Risk assessment is the process of identifying, assessing, and responding to risks that may hinder an entity's ability to achieve its objectives and is one of the five generally accepted components of internal control. Risk assessment is an ongoing process that involves continual monitoring of risks and periodic updates to the existing risk assessment in response to the results of ongoing monitoring activities (e.g. emerging threats and changing impacts or likelihoods). A formal risk assessment ensures that decision makers within an organization have the appropriate information necessary to make risk-informed decisions and guide risk responses.

Without a formal comprehensive risk assessment process, the identification and response to risk often occurs in a reactive mode, after a risk has been realized and a loss is incurred.

A similar comment was noted during our 2019 performance audit of PSTC.

Recommendation:

We recommend PSTC revise its current risk management program by incorporating a formal comprehensive risk assessment process for financial accounting, reporting, and compliance activities. The process should include procedures for identifying, assessing, and responding to risks that could affect PSTC's ability to achieve its objectives.

We also recommend PSTC establish and monitor controls to address risks identified during the process. A periodic, documented review of the risk assessment by management should be incorporated into the process.

Auditee Response:

We concur. PSTC currently monitors and addresses risk in both financial and operational capacities, though not recently formalized. Employee training is overlapped for continuity of operations and strong procedures are in place through layers of approvals that are thoroughly documented. PSTC will continue to work on formalizing a risk assessment plan which we plan to have completed by June 30, 2026.

Observation No. 3

Continuity Of Operations And Disaster Recovery Plans Should Be Developed And Kept Current

PSTC did not have continuity of operations or disaster recovery plans in place for its operational, financial accounting, and information technology processes in the event of disruption or disaster. According to PSTC, it previously had a continuity of operations plan, but the plan is outdated.

A continuity of operations plan, also referred to as a business continuity plan, aims to ensure organizations can continue to perform mission essential functions and supporting activities during a wide range of emergencies or disruptions. Critical elements of a continuity plan include addressing orders of succession, delegation of authority, continuity of facilities, continuity of communications, essential records management, human resources, testing and training, and reconstitution of operations.

A disaster recovery plan provides a clear and concise framework for an organization to recover from a variety of disasters, outlining clear steps to restore critical systems, applications, and data. Together, a continuity of operations plan and disaster recovery plan help ensure that an organization is properly positioned to face a range of threats to mission critical objectives.

Without a current continuity of operations plan or disaster recovery plan, PSTC is at an increased risk of data loss, financial loss, inability to provide mission critical services, and lengthier or incomplete recovery from disruption.

Recommendation:

We recommend PSTC establish, and keep current, continuity of operations and disaster recovery plans to minimize business interruptions in the event of an unforeseen occurrence. The plans should be formally documented and distributed to employees with plan roles and responsibilities, and those employees should be appropriately trained. The PSTC should regularly test the plans to ensure the plans remain relevant and effective, and employees are practiced in implementing the plans.

Auditee Response:

We concur. PSTC did have a Continuity of Operations Plan during the COVID-19 pandemic and will be working on an updated COOP to be completed by June 30, 2026. We do not currently have a disaster recovery plan. We will work on completing and implementing a disaster recovery plan, with an estimated completion date of June 30, 2026.

Observation No. 4

NH FIRST Access Permissions Review Should Be Strengthened

PSTC was not in full compliance with the State requirement to review user access permissions. Additionally, the NH FIRST state accounting system Elevated Access Report (Report) published by the Department of Administrative Services (DAS), and available to PSTC for reviewing user access permissions, was not complete as it excluded one PSTC employee who had elevated access within NH FIRST.

PSTC reviews user access permissions as part of an annual system access audit of NH FIRST conducted by DAS. The review of the DAS Elevated Access Report performed by PSTC for the 2025 system access audit did not detect that an employee was omitted from the Elevated Access Report.

The Department of Information Technology (DoIT) *Information Assets – Access Control Policy* requires agencies to implement a formal process to review user access at least every six months to maintain effective control over user access to information assets. According to the DoIT policy, the review should specifically identify and revoke access for, or remove the following:

- active user IDs that are no longer needed,
- user IDs assigned to terminated users with active access,
- generic or anonymous user IDs,
- redundant or duplicate user IDs, and
- user IDs with excessive privileges, which are no longer necessary and/or are not approved by the information custodian.

While a review of NH FIRST user access permissions was conducted in 2025 as part of the annual system access audit, PSTC did not comply with the DoIT requirement in the *Information Assets – Access Control Policy* to review user access at least every six months.

Without a complete and accurate report of elevated access permissions, agencies may not be able to detect and correct inappropriate or unnecessary access permissions, increasing the risk that errors or fraud could occur without being detected and corrected in a timely manner.

Recommendation:

We recommend PSTC strengthen and formalize the process for reviewing user access permissions to ensure the process is thorough and conducted every six months in accordance with DoIT policy. We also recommend PSTC work with DAS to determine which management reports are available in NH FIRST to perform an effective review.

We recommend the DAS perform the following:

- **review the NH FIRST Elevated Access Report and determine the cause of the incomplete reporting, and**

- **determine whether the Elevated Access Report was properly developed and is sufficiently complete and reliable for agencies to continue to use in performing the required review of user access permissions pursuant to DoIT policy. If it is determined the Elevated Access Report is unreliable, DAS should make other resources available for agencies to effectively perform the required review.**

Auditee Response:

We concur in part. PSTC has complied with the yearly NH First security audit by DAS every year and we have supplied the 2025 audit report to the audit team. NH First Security is controlled by a group at DAS, and all state agencies are required to comply with their auditing. We don't know if someone has access without running a report supplied by DAS NH First Security group, and we cannot change access without the DAS team. If DoIT policy requires a review every six months, then PSTC believes that in the interests of accountability and efficiency DAS NH First Security group should simply complete the same audit again every six months. Then, all agencies will be in compliance with this policy. DoIT performs their own audit of user access for computer network access and Outlook mail. Every few months our DoIT lead, assigned to our agency, provides the report so that PSTC can review and take action to remove access if necessary. We believe that for statewide accountability and efficiency DAS should provide this audit every six months. PSTC will work toward this goal with DAS, or if unsuccessful we will conduct our own audit six months after the DAS audit.

Department of Administrative Services Response:

We concur with the audit finding. We have identified an issue with the NH FIRST Elevated Access Report, which did not include one PSTC employee with elevated access. This omission impacted our ability to fully comply with the Department of Information Technology's Access Control Policy requiring a formal review of user access permissions at least every six months. We are currently working to correct the issue. This report will replace our current one provided in the Business Intelligence repository for all agencies to run. In addition, the NH FIRST Security Team at DAS will complete the security audit every six months.

Observation No. 5

Unused NH FIRST Accounting Units Should Be Deactivated

PSTC has not taken steps to deactivate accounting units in the State's accounting system, NH FIRST, that are no longer in use. There were 17 active accounting units within PSTC's accounting structure during the audit period that are obsolete and no longer used by PSTC, reportedly because the programs are no longer offered by the PSTC.

Maintaining active, but unused, accounting units in an accounting system increases the risk of errors or fraud occurring and not being detected and corrected in a timely manner.

A similar comment was noted during our 2010 financial audit of PSTC.

Recommendation:

We recommend PSTC review its NH FIRST accounting structure and work with the Department of Administrative Services to deactivate all unused accounting units.

Auditee Response:

We concur. PSTC was unaware, until recently, that there were still old and unused accounting units as they are not visible either in NH First, or in BARS during the budget cycle. The only way to see these old accounts is in a report within NH First, which we recently discovered before this audit. We attempted to remove the old accounts and were informed by DAS that this can only be done during the budget cycle. We will remove these accounts as soon as DAS allows us to do so.

COMPLIANCE COMMENTS

Observation No. 6

Memorandum Of Understanding Should Be Established

PSTC, in conjunction with the Department of Justice (DOJ), has not established a memorandum of understanding (MOU), approved by Governor and Council, for criminal justice educational and training services provided to police academy recruits as required by the Department of Administrative Services (DAS) Manual of Procedures (MOP) 150 - Governor and Executive Council Actions and MOP 161 – Memoranda of Understanding.

DAS MOP 150, section V. A. 4., requires Governor and Council approval for executive branch agencies to enter into an interagency MOU, as described in MOP 161, section V. B. 2., if the MOU involves expenditures in the amount of \$10,000 or more. An interagency MOU is used to establish the terms of an agreement or set of expectations between two State agencies.

The DOJ provided criminal justice educational and training services to recruits at PSTC facilities during the audit period totaling \$46,647.

Without an MOU, the risk of misunderstandings and potential disputes is increased.

Recommendation:

We recommend PSTC comply with the DAS MOP 150 and 161 by establishing an MOU with the DOJ, with approval from the Governor and Council, for the criminal justice educational and training services it receives. The MOU should include, but not be limited to, the following:

- **clear intentions, scope, and expectations of the services to be performed under the agreement, including roles and responsibilities of each party;**
- **agreed upon costs and invoicing procedures;**
- **duration of the agreement and procedures for how a party may terminate the agreement;**
- **consideration of what is expected if one party is unable to perform its specified obligations under the agreement; and**
- **signatures for all parties involved to indicate agreement with the terms of the arrangement.**

Auditee Response:

We concur. PSTC has several MOUs with other agencies and this one with DOJ was overlooked as DOJ reported to us that it was not necessary as this ongoing teaching relationship was approved in numerous budget cycles. We will be working with DOJ to go to Governor and Council with an MOU for their services.

Observation No. 7

Statements Of Financial Interests Should Be Filed In Accordance With Statute

The PSTC Director and certain members of the Police Standards and Training Council (Council) and Law Enforcement Conduct Review Committee (LECRC) did not file statements of financial interests with the Secretary of State for calendar year 2025, as required by RSA 15-A. Additionally, an organizational chart was not submitted as required.

Eight of 17 members (47 percent) of the Council established under RSA 106-L:3, I, and one of seven members (14 percent) of the LECRC established under RSA 106-L:17, I, did not file statements of financial interests and are required filers under RSA 15-A:3, I (c), as the individuals have been appointed by the governor to a committee or equivalent state entity whether regulatory, advisory, or administrative in nature. Agency heads were required to file under RSA 15-A:3, I (d).

RSA 15-A:6 requires statements of financial interests to be filed by the third Friday in January, or within 14 days of assuming the office, position, or appointment. For calendar year 2025, statements of financial interests were required to be filed with the Secretary of State no later than January 17, 2025.

An organizational chart identifying the names, titles, and position numbers of persons in the agency that are required to file statements of financial interests was required to be filed by the agency head under RSA 15-A:4. The last organization chart submitted by PSTC to the Secretary of State was in 2013.

A similar comment was noted during our 2019 performance audit of the PSTC.

Recommendation:

We recommend PSTC establish procedures to ensure all Council and LECRC members submit statements of financial interests by the required filing deadline in accordance with RSA 15-A:6. As part of these procedures, PSTC should consider sending annual reminders to required filers to inform them of the filing requirements and periodically reviewing members' compliance.

The PSTC Director should also submit the required statement and organizational chart as required by statute.

Auditee Response:

We concur. PSTC has assigned personnel to assure that all financial statements are completed and submitted in accordance with the law.

Observation No. 8**Administrative Rules Should Be Updated**

PSTC has not kept current certain rules that needed revision due to changes in its organizational structure as noted in the table below.

Statute	Description of Required Rule	Administrative Rule Cite	Status
RSA 541-A:16, I(a)	Organizational Rules	Pol 102, Pol 103,	Outdated
RSA 541-A:16, I(b)	Procedural Rules	Pol 203, Pol 206, Pol 210	Outdated

RSA 541-A:16, I (a), requires agencies to adopt as a rule, "...a description of its organization, stating the general course and method of its operations..." and I (b) requires further rules, "...of practice setting forth the nature and requirement of all formal and informal procedures..." RSA 541-A:17, II, notes organizational and procedural rules do not expire unless a statute is amended or adopted that renders the rule no longer accurate. The affected rules expire one year after the effective date of the statute that makes such change. Agencies are required to commence the rulemaking process to amend their rules no later than 90 days after the effective date of the change in statute.

Chapter 206:26, Laws of 2017, effective September 8, 2017, repealed the administrative attachment of PSTC to the Community College System of New Hampshire. However, PSTC administrative rules were not revised to reflect this change in statute. Several rules also referenced defunct statutes.

A similar comment was noted in our 2019 performance audit of PSTC.

Recommendation:

We recommend PSTC adopt required administrative rules in a timely manner to ensure compliance with RSA 541-A, Administrative Procedure Act.

Auditee Response:

We concur. PSTC has undergone numerous agency wide changes since 2020, with entirely new programs added to the organization. PSTC has a staff member and attorney assigned to Administrative Rules and we have been working for the past year to update the administrative rules in conjunction with the Police Standards and Training Council.

Observation No. 9

Procurements Should Involve The Department of Justice As Required

The PSTC staff attorney reviewed and approved contracts on behalf of the Department of Justice (DOJ), under improperly delegated authority. As a result, noncompliance occurred, and the risk of misunderstandings and potential disputes increased.

RSA 21-M:11, III established a full-time attorney under the DOJ, Bureau of Civil Law, who was required to act as legal counsel for State Executive Branch agencies in the procurement, negotiation, and development of contracts as determined by the attorney general. Each agency was required to notify the DOJ of its intent to procure a contract or enter into any agreement that could materially impact the State, according to criteria established by the DOJ.

The *DOJ Procurement Criteria for Agencies* policy states, in part, the following:

“Pursuant to RSA 21-M:11, the following procurements *require* involvement of the DOJ procurement counsel:

1. All RFPs [Request for Proposal], RFAs [Request for Application], or RFQs [Request for Quotation] where the anticipated contract will be in excess of \$500,000 *or* which involves the procurement of *unique or highly specialized services* will be handled as follows:
 - a. The Procuring Agency will provide the DOJ Procurement Attorney with a copy of the proposed bid documents approximately two (2) weeks prior to advertisement for review and comment;
 - b. The DOJ Procurement Attorney should be kept apprised of the progress of the procurement and the award of the contract....
3. Regardless of the value of the contract, DOJ Procurement Attorney will be consulted prior to engaging in a Best and Final Offer process.”

The PSTC staff attorney, who was formerly employed by the DOJ, regularly signed the standard State P-37 contract form on behalf of the Attorney General. PSTC was inaccurately informed by the DOJ that this individual could review and approve contracts on behalf of the DOJ.

Neither RSA 21-M:11, III nor corresponding policy provided exemptions for other agencies to review and approve contracts on behalf of the DOJ. Additionally, authority provided to commissioners in RSA 21-G:9, II (d), could not be delegated or transferred to entities or individuals outside a commissioner’s department, which included the Attorney General. RSA 21-G:9, II (d), allowed commissioners to “delegate authority to *subordinates*...” as necessary. [emphasis added] RSA 21-G:9, V(b) also specified commissioners could delegate or assign authority of the department to perform the necessary service assigned to “any employee, division, office, bureau, or other component of the department.” RSA 21-G:9, II (d), further specified delegations had to be written with authorities and limitations clearly delineated.

During the audit period, PSTC was under contract with at least eight vendors for unique or specialized services and one vendor where the contract was in excess of \$500,000. These contracts were authorized by the PSTC staff attorney, under authority improperly delegated by the DOJ. As a result, the procurements did not include the involvement of the DOJ procurement counsel as required by the *DOJ Procurement Criteria for Agencies* policy. It is unclear whether this arrangement was authorized or in compliance with the DOJ policy. The policy did not provide for exemptions or waivers of the requirement to involve the DOJ procurement counsel.

Recommendation:

We recommend PSTC involve the DOJ in procurements pursuant to RSA 21-M:11 and established *DOJ Procurement Criteria for Agencies*, and discontinue the review and approval of PSTC contracts on behalf of the DOJ. The PSTC should also review statutory requirements in conjunction with the DOJ to ensure compliance with delegations of authority.

Auditee Response:

We concur in part. All requirements to enter into lawful, binding contracts were fulfilled, and all contracts were reviewed with oversight and supervision by the Department of Justice. However, PSTC will work with the Department of Justice to ensure compliance with the DOJ's procurement policies.

Department of Justice Response:

The Department of Justice concurs in part. Counsel for the PSTC was authorized by the Department of Justice to perform contract review during the relevant period, under Department of Justice supervision. The PSTC attorney had been an Assistant Attorney General immediately prior to her appointment with PSTC and reviewed contracts in that capacity. The Attorney General was therefore confident that by reason of training, knowledge, experience, and judgment she was well qualified to continue reviewing contracts under Department of Justice supervision. We concur, however, that policies and procedures regarding the review of contracts need to be revised and updated to ensure clarity regarding the Department of Justice's role in the procurement process.

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of December 10, 2025, of the observations contained in the financial audit report of the New Hampshire Police Standards and Training Council for the six months ended December 31, 2010 and applicable observations contained in the performance audit report of the New Hampshire Police Standards and Training Council dated February 2019. These reports can be accessed at the Office of Legislative Budget Assistant website: <https://gc.nh.gov/lba/auditreports>

2010 Financial Audit Internal Control Comments

Status

Material Weakness

2010-01 **Controls Should Be Established Over Revenues Collected For The Police Standards And Training Council By Other State Organizations**
Review policies and procedures for the control of revenues collected on its behalf by other State agencies to determine whether the policies and procedures remain relevant and appropriate. Based upon that review, implement controls to provide reasonable assurance that revenues collected and posted to the revenue accounts are accurate and complete. Work with the Administrative Office of the Courts and the Departments of Safety and Corrections to institute reasonable procedures that will allow the Police Standards and Training Council to become more knowledgeable about its revenue processes and participate in the controls over the revenue collection.

● ●

Significant Deficiencies

2010-02 **Redundant And Ineffective Controls Should Be Eliminated**
Review the efficiency and effectiveness of financial control activities and challenge the continued necessity for the preparation and use of apparently redundant spreadsheets and reconciliations, with the intent to eliminate unnecessary and ineffective control activities. Become more familiar with the reporting currently available from the State's accounting system to determine whether standard accounting system reports will provide required information in a format that would be responsive to the Police Standards and Training Council's needs. If needed, work with the Department of Administrative Services to have a report designed that would efficiently and effectively provide the information required by the Police Standards and Training Council.

● ●

		<u>Status</u>
2010-03	<p>Encumbrance Activity Should Be Regularly Monitored <i>Periodically review open encumbrances to ensure they are properly liquidated when related purchases are made or encumbrances are otherwise determined to be no longer needed. Review the source of the old encumbrances to determine the circumstances that caused the encumbrances to remain undetected and uncorrected on the accounting system reports. Ensure agency personnel are knowledgeable of and are required to follow State purchasing rules.</i></p>	● ●
2010-04	<p>Inter-Governmental Revenue Transactions Should Be Used When Appropriate <i>Correct the misposting in NH FIRST. Become familiar with processing revenue transactions, including revenues processed through inter-governmental transactions in NH FIRST. Review NH FIRST guidance and, if appropriate, receive additional training in this activity.</i></p>	● ●
2010-05	<p>Familiarity And Compliance With State Manual Of Procedures Should Be Improved <i>Review the Manual of Procedures to ensure familiarity with standard State procedures.</i></p>	● ●
2010-06	<p>Unused Accounting Units Should Be Deactivated <i>Review the status of unused accounting units and request all unused accounting units be deactivated. (See current year Observation No. 5)</i></p>	○ ○

State Compliance Comments

2010-07	<p>Appropriations Should Be Reduced For Unmet Budgeted Revenue <i>Comply with the State Operating Budget and reduce appropriations for the amount that estimated revenues will not meet budgeted amounts. In the circumstances where the reduction may prevent carrying out statutory responsibilities, utilize the provisions of RSA 188-F:32-b and request authority from the Governor and Council and the Fiscal Committee to expend beyond the reduced appropriated amount as provided by that statute. Review the business plan to consider whether opportunities exist to become more financially efficient. Request legislative direction in efforts to plan for future funding.</i></p>	● ●
2010-08	<p>Compliance With Recycling Statute Should Be Improved <i>Deposit proceeds from the sale of recycled materials, including spent bullet metal, in the State recycling fund. If it is determined the revenues from metal recycling activity would be more appropriately retained in the Police Standards and Training Fund, request a statutory exemption from RSA 9-C:7. Request pick up receipts from the State's metal recycling contractor and forward a copy of the receipt to the Department of Administrative Services for comparison to subsequent revenues collected from the contractor.</i></p>	● ●

		<u>Status</u>
2010-09	Indirect Cost Plan And Rate Should Be Established For Federal Program <i>Establish an approved indirect cost rate as required by federal regulations and RSA 124:11, I, prior to charging indirect costs to a federal program. Charge expenditures to the appropriate accounts. Seek clarification as to the application of RSA 124:11 and RSA 21-I:76 with regard to agency indirect costs. The Legislature may want to clarify the apparent conflict between RSA 124:11 and RSA 21-I:76 with regard to agency indirect costs.</i>	○ ○

2019 Performance Audit

2019-09	Comprehensive Risk Management Needed <i>Fully implement a risk management policy which includes a comprehensive written risk assessment. (See current Observation No. 2)</i>	● ○
2019-10	Improve Administrative Rules <i>Improve administrative rules by ensuring rules are consistent with statute, updated timely, and all forms requiring information from external parties are properly adopted. (See current Observation No. 8)</i>	○ ○
2019-14	Disclose Financial Interests And Ensure Quorum Requirements Are Met <i>Develop policies and procedures to ensure compliance with the financial disclosure statute and periodically review members' compliance and ensure only eligible members conduct PSTC business. The Legislature should consider clarifying RSA 15-A:6 regarding whether failure to file annual financial disclosures should prohibit public officials from serving in their appointed capacity. (See current Observation No. 7)</i>	○ ○

<u>Status Key</u>	<u>Status</u>	<u>Count</u>
Resolved	● ●	7
Remediation In Process (Action beyond meeting and discussion)	● ○	1
Unresolved	○ ○	4

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STATE OF NEW HAMPSHIRE
POLICE STANDARDS AND TRAINING COUNCIL

AUDITED FINANCIAL STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2025

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**STATE OF NEW HAMPSHIRE
POLICE STANDARDS AND TRAINING COUNCIL**

**AUDITED FINANCIAL STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2025**

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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report on the Audit of the Financial Statement

Qualified Opinions

We have audited the financial statement of the New Hampshire Police Standards and Training Council, which comprises the Statement of Revenues and Expenditures – General Fund and Capital Projects Fund, for the nine months ended March 31, 2025, and the related notes to the financial statement, which collectively comprise the New Hampshire Police Standards and Training Council's basic financial statement.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions on the General Fund and Capital Projects Fund section of the auditor's report, the accompanying financial statement referred to above presents fairly, in all material respects, the respective revenues and expenditures of the New Hampshire Police Standards and Training Council's portion of the State of New Hampshire's General Fund and Capital Projects Fund, for the nine months ended March 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions on the General Fund and Capital Projects Fund

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the New Hampshire Police Standards and Training Council, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinions.

Matter Giving Rise to Qualified Opinions on the General Fund and Capital Projects Fund

The Statement of Revenues and Expenditures – General Fund and Capital Projects Fund referred to above does not purport to, and does not, constitute a complete financial statement presentation of the New Hampshire Police Standards and Training Council in the General Fund and Capital Projects Fund in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Reporting Entity

As discussed in Note 1, the Statement of Revenues and Expenditures – General Fund and Capital Projects Fund referred to above reports certain financial activity of the New Hampshire Police Standards and Training Council. It does not purport to, and does not, present fairly the financial activity of the State of New Hampshire in the General Fund and Capital Projects Fund for the nine months ended March 31, 2025, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis information and the budget to actual schedule for the General Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statement is not affected by this missing information.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the New Hampshire Police Standards and Training Council’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the New Hampshire Police Standards and Training Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the New Hampshire Police Standards and Training Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 on our consideration of the New Hampshire Police Standards and Training Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Police Standards and Training Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Police Standards and Training Council's internal control over financial reporting and compliance.



Office of Legislative Budget Assistant

December 10, 2025

**State of New Hampshire
Police Standards and Training Council
Statement of Revenues and Expenditures – General Fund and Capital Projects Fund
For the Nine Months Ended March 31, 2025**

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Restricted Revenues			
Federal Revenues	\$ 225,217	\$ -0-	\$ 225,217
Agency Income	120,000	-0-	120,000
Total Restricted Revenues	345,217	-0-	345,217
Total Revenues	345,217	-0-	345,217
<u>Expenditures</u>			
Salaries and Benefits	3,187,634	-0-	3,187,634
Information Technology	286,465	-0-	286,465
Leased Equipment and Facility Maintenance	275,168	-0-	275,168
Contracts for Services	215,118	-0-	215,118
Contracted Food Services	198,664	-0-	198,664
Consultants	165,529	-0-	165,529
Current Expenses	127,744	-0-	127,744
Transfers to Other State Agencies	83,022	-0-	83,022
Grants	81,209	-0-	81,209
Utilities	58,408	-0-	58,408
Training	46,236	-0-	46,236
Equipment	44,327	-0-	44,327
Other	34,698	-0-	34,698
Tactical Center Floor Replacement	-0-	289,860	289,860
Total Expenditures	4,804,222	289,860	5,094,082
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(4,459,005)	(289,860)	(4,748,865)
Other Financing Sources (Uses)			
Net Appropriations (Note 2)	4,459,005	289,860	4,748,865
Total Other Financing Sources (Uses)	4,459,005	289,860	4,748,865
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	\$ -0-	\$ -0-	\$ -0-

The notes to the financial statement are an integral part of this statement.

**State of New Hampshire
Police Standards and Training Council
Notes to the Financial Statement
For the Nine Months Ended March 31 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement of the New Hampshire Police Standards and Training Council (PSTC) has been prepared with the assistance of the Department of Administrative Services in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The financial activity of PSTC is accounted for and reported in the State's General Fund and Capital Projects Fund in the State's Annual Comprehensive Financial Report (ACFR). Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances are reported by fund for the State as a whole in the ACFR. PSTC, as an organization of the primary government, accounts for only a portion of the General Fund and Capital Projects Fund and those assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balances as reported in the ACFR that are attributable to PSTC cannot be determined. Accordingly, the accompanying Statement of Revenues and Expenditures - General Fund and Capital Projects Fund financial statement is not intended to show and does not report the financial position or fund balances of PSTC in those respective funds.

B. FINANCIAL STATEMENT PRESENTATION

The State of New Hampshire and PSTC use funds to report on their financial position and results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. PSTC reports its financial activity in the funds described below:

Major Governmental Fund

General Fund: The General Fund is the State's primary operating fund and accounts for all financial transactions not specifically accounted for in any other fund. All revenues of governmental funds, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to the other funds are charged to the General Fund.

Non-Major Governmental Fund

Capital Projects Fund: The Capital Projects Fund is used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds

or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

C. REPORTING PERIOD

The State's and PSTC's fiscal year is the 12 months ended June 30. The accompanying financial statement of PSTC is presented for the nine months ended March 31, 2025.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Under this method, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days after year end. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses, and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when available.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

E. REVENUES AND EXPENDITURES

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "unrestricted" or "restricted". Unrestricted revenues are credited directly to the General Fund or other fund balance upon recording in the State's accounting system. Pursuant to the State's operating budget, unrestricted revenues collected by an agency are not used as a direct source of funding for agency operations but are available to fund any activity accounted for in the fund. The recording of unrestricted revenues has no effect on an agency's authorization to expend funds.

Restricted revenues are either by State law or by outside restriction (e.g. federal grants) available only for specified purposes and are credited to the agency's accounting unit to which the restricted revenue is budgeted upon recording in the State's accounting system. Restricted revenues recorded by an agency are direct sources of funding for budgeted agency operations (appropriations).

Unused restricted revenues at year end are either lapsed or generally recorded as committed or assigned fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In the governmental funds, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these

unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

Other Financing Sources – these additions to resources in the governmental fund financial statement result from financing provided by net appropriations.

In the governmental fund financial statements, expenditures are reported by function.

F. BUDGET CONTROL AND REPORTING

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental funds, with the exception of the Capital Projects Fund. The Capital Projects fund budget represents individual projects that extend over several fiscal years.

In addition to the enacted biennial operating budget, state departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of budgetary control is generally at the expenditure class level within each accounting unit within each department.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will generally lapse to assigned or unassigned fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as restricted, committed, or assigned fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

2. NET APPROPRIATIONS

Net appropriations reflect appropriations for expenditures in excess of restricted revenues.

3. RISK MANAGEMENT AND INSURANCE

The State and PSTC are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. As a general operating rule, the State self-insures against all damages, losses, and expenses except to the extent that provisions of law require the purchase of commercial insurance. In addition, the State may elect to purchase commercial insurance if a risk assessment indicates it would be economical and beneficial to the State or the general public. There are approximately 25 such commercial insurance programs in effect. These include, but are not limited to, state owned real property insurance, fleet automobile liability, watercraft insurance, foster parent liability, ski area liability for Cannon Mountain, and a fidelity and faithful performance bond. In general, claims settled in the past three years under the insurance programs have not exceeded commercial insurance coverage. As of March 31, 2025, there were no claims that are expected to reach the policy coverage limits. The State's exposure per claimant is limited by law to a total of \$475 thousand under RSA 541-B:14 and the State's current fleet policy coverage is \$250 thousand per claimant.

4. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System ("NHRS") established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS covers substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. NHRS is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.667%) of average final compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by $\frac{1}{4}$ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

All covered PSTC employees are members of either Group I or Group II.

Pursuant to RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Funding Policy: NHRS is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover that

amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 13.85% of gross payroll for Group I members, 30.35% of gross payroll for Group II firefighter members, and 31.28% of gross payroll for Group II police officer members.

PSTC's required and actual contributions for the nine months ended March 31, 2025 were \$334,308, which included an amount for other postemployment benefits of \$22,523.

OTHER POSTEMPLOYMENT BENEFITS

The State also participates in two other postemployment benefit (OPEB) plans, a funded plan administered by NHRS, hereafter referred to as the Trusted OPEB Plan, and a nonfunded plan, hereafter referred to as the Non Trusted OPEB Plan. The actuarial liabilities and expenses of the OPEB plans do not flow to PSTC's agency level financial statement.

General Information about the Trusted OPEB Plan

Plan Description: Pursuant to RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. This plan has been previously defined as the Trusted OPEB plan but is also commonly referred to as "medical subsidy plan". The membership groups are Group II Police Officers and Firefighters and Group I State Employees.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their web site at <http://www.nhrs.org>.

Benefits Provided: The Trusted OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employers of its members, or their insurance administrator, toward the cost of health insurance for a qualified retiree, spouse, and certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving Trusted OPEB Plan benefits differ for Group I and Group II members. Eligibility for the medical subsidy payment is determined by the relevant RSA's, however, the medical subsidy plan is closed to new entrants. The State is a recipient of these medical subsidy payments on behalf of its former employees.

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed .58% of gross payroll for Group I members, 2.6% of gross payroll for Group II firefighter members, and 2.6% of gross payroll for Group II police officer members. Employees are not required to contribute to the Trusted OPEB Plan.

The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the medical subsidy plan. Employer contributions made by the State to NHRS for the medical subsidy component amounted to \$22,523.

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined benefit postemployment benefit plan, previously defined as the Non Trusted OPEB Plan. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund (the Fund), a single-employer group health fund, which is the State's self-insurance internal service fund for active state employees and retirees. The Fund covers the cost of medical and prescription drug claims by charging actuarially developed working rates to self-funded State agencies for participating employees, retirees, and eligible spouses. The remainder of the Plan's cost is paid by the General Fund. As PSTC is not self-funded, there are no contributions to report.

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