COÖS COUNTY
MANAGEMENT REPONSE

To

COÖS COUNTY
LEGISLATIVE DELEGATION

Report on Agreed Upon Procedures
Prepared January 2010 by
Melanson Heath & Company, P.C.

Board of Coös County Commissioners
March 5, 2010

Melanson Heath & Company, P.C. Cover Letter Dated 01/02/2010 addressed to William Hatch, State Representative- Coös County:

1. Letter states that "Agreed-Upon Procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Management Response:
AICPA standards state in Section .06 Conditions for Engagement Performance that the practitioner may perform an agreed-upon procedures attest engagement provided that....***i. Use of the report is restricted to the specified parties.***
Release of this report to the public is contrary to the agreed-upon procedures attest engagement standards of the AICPA.

2. Letter states on page 3 that "Because the Agreed-Upon Procedures referred to above do not constitute an examination in accordance with U.S. generally accepted auditing standards, we do not express an opinion on the financial statements of Coös County.

Management Response:
Executive Summary on Page 6 expresses the following opinion on the financial statements of Coös County, "***One of the major issues addressed in our report are the errors and reporting issues found in the audited financial statements at December 31, 2008 and 2007. Upon our review we noted mathematical errors, improper presentation of net assets related to the bond issued for the CCNH addition and the funds transferred from the UP,and most importantly the presentation of Unrestricted Deficits related to the nursing homes as receivables, when in, in our opinion, the nursing homes have no immediate ability to pay off these deficits....The County Commissioners and the Delegation need to take immediate action on this as they prepare the FY2010 Budget.***
This above opinion is inconsistent with the letter.

BACKGROUND – Page 5

County employees *(emphasis added)* at the beginning of January 2009 were as follows:

County Administrator	2 Part-Time
County Farm	4 Part-Time

Management Response:
There is only 1 part-time County Administrator. There are no part-time employees working at the County Farm. Inmates are not employees.

EXECUTIVE SUMMARY – Pages 6 – 11

FY2008 AND FY2007 Financial Statement and Budget Issues

One of the major issues addressed in our report are the errors and reporting issues found in the audited financial statements at December 31, 2008 and 2007.

Management Response:

Mason & Rich, P.A., Concord, NH was provided with copies of Pages 17-21 of this report as well as appendices referred to. Mason & Rich, P.A. will prepare a response to the allegation of improper presentation of net assets and Unrestricted Deficits related to the nursing homes as receivables. The so-called "math errors" on the Appendix pages 53-54 of the County Financial Statements for the year ended December 31, 2008 are not errors. The bottom line on page 53 that originally showed the "Excess (Deficiency) of Revenues Over Expenditures" was ($1,975,118) is correct. The "Variance with Final Budget" column Total Revenues ($871,527) on page 52 coupled with "Variance with Final Budget" column Total Expenditures of $1,103,591 yields a Deficiency of Revenues Over Expenditures of ($1,975,118). The Melanson Heath math error is carried to page 54. The same argument is made for the so-called math errors on the Coös County Financial Statements for the year ended December 31, 2007.

Need for a Strategic Plan for Coös County

Management Response: Concur.

Coös County Commissioners recognize the need for a strategic plan and in October 2009 contracted with Primex³ (Public Risk Management Exchange) to facilitate the development of such a plan. The purpose of the goal setting facilitation sessions was to establish goals that will become the foundation of Commissioners', the County Administrator's and the staff's efforts for the next few years and beyond. The secondary purpose is to enhance working relationships and mutual expectations by clearly defining a plan for the next three to five years as well as identifying aspirations and expectations for both the Commission and the County Administrator.

Due to scheduling challenges, the first session did not take place until February 17, 2010. The next session will be scheduled to take place in March, 2010.

County Hirings and Succession

County Administrator.

Management Response: Concur.

The Coös County Commissioners acknowledge that the current CA has many roles and responsibilities in the County. At a budget work session in November, the Commissioners recommended that a position be added to the 2010 budget whereby an individual would be hired to learn some of the County Administrator's responsibilities. The County Administrator recommended to the Board that based on her plan to retire at 65, the better alternative for 2010 would be to recommend to the Delegation to

appropriate funds to re-instate the Superintendent of Corrections position. On June 11, 2009 the County Administrator had submitted an application to the Attorney General's office Byrne Justice Assistance Program (JAG) for stimulus funds to re-instate this position. On July 20, 2009 the following response was received from Orville Fitch, II, Acting Attorney General, *"While we felt the position of superintendent of corrections for Coös County is an important one, when reviewed against other applications that were received, it did not score high enough to receive funding"*. The Coös County Commissioners understand the need to transition the County Administrator's roles. The Commissioners will develop a plan for and implement the recruitment and selection of its next County Administrator. As stated by the County's risk management consultants, "Planning for the transition of a long time County Administrator by itself can be a daunting task but when coupled with the risk which is inherent in the hiring process, the need for assistance in making the best informed hiring decision possible becomes compelling". A proposal by Primex[3] outlining a "Scope of Services" for Succession Planning and Implementation was received more than one year ago. The first step in the planning process was hiring a full-time nursing home administrator for Coös County Nursing Hospital in January 2008. The next step is the following recommendation for a Superintendent of Corrections.

Superintendent of the Department of Corrections

Management Response: Concur.
The 2010 Proposed Coös County budget includes a request for funding of the full-time position of Superintendent of Corrections beginning July 1, 2010. The list of "services in need of immediate attention" included in the Performance Audit on page 40 is taken almost verbatim from the County's application for Byrne Justice Assistance Grant Program (JAG) funds noted above in the County Administrator role response.

Finance Manager for the County

Management Response: Concur in part on Segregation of Duties.
The Coös County Commissioners and Coös County Administrator challenge the audit statement that *"There are numerous instances noted in this report, such as the financial statement reporting issues noted above, where the absence of a* ***competent*** *(emphasis added) Finance Manager for the County has left the County in need of* ***significant fiscal repair*** *(emphasis added)."*

The finances of Coös County are not in need of significant fiscal repair. It is agreed that the current CA is both the CEO and CFO of the County and that is a weaknesses when considering segregation of duty (SOD) issues.

Coös County is New Hampshire's smallest county with the least ability to fund all the positions a larger government entity might employ to achieve optimum segregation of duties. However, practices exist whereby certain internal controls assure a system of checks and balances and the position of County Administrator is instrumental in assuring that there is compliance with the system of checks and balances.

The Performance Audit states that Coös County does not comply with GASB 45 to disclose the county liabilities for post retirement medical benefits. This calculation requires engaging an actuarial firm that has experience in calculating post-retirement health care liabilities. The County Administrator studied GASB 45 in 2008 (this first year that GASB 45 was required). The CA met with the then CEO of Primex[3] who reassured the CA that there is an implicit liability that needs to be accounted for; however, GASB 45 is a recommendation and not a requirement. These actuarial services engagements cost approximately $18,000. After considering the cost and value of this actuarial study, the CA recommended to the Board of Commissioners not to proceed. Mason & Rich, P.A. was required to cite the non-compliance with GASB 45 in the 2008 financial statements. If the Delegation recommends that Coös County obtain this information for its financial statements in the future and appropriates the funds, the CA will issue an RFP for the services.

Mason & Rich, P.A. cites only one deficiency in its Management Letter for the period ended December 31, 2008. The Performance Audit document incorrectly states and omits part of the Mason & Rich findings. Those findings are reproduced below – see highlighted comments from M+R Management Letter:

Finding: The County of Coös does not prepare its own financial statements in accordance with generally accepted governmental accounting principles (GAGAP).
Criteria: Under Statement on Auditing Standards (SAS) No. 112, the inability of the County to prepare financial statements in accordance with GAGAP is considered a reportable deficiency. The SAS, which became effective for the year ended December 31, 2006 requires that we communicate, in writing, to management the significant deficiencies and material weaknesses identified during the audit.
Recommendation: We do not believe, because of staffing and other issues, that the implementation of any recommendation for the County of Coös' Finance Office to prepare the County's draft financial statements and notes to the financial statements in accordance with GAGAP is either practical or cost effective. Instead, we would recommend over the next few years that the County's Office of Finance become familiar, with our guidance and assistance, in the actual process of compiling the information, preparing the draft financial statements (including the notes) and also the source of the amounts reported in the draft financials with the ultimate goal of addressing this finding. If the County of Coös' Finance Office has the necessary accounting knowledge and expertise to prevent, detect and correct a potential misstatement in the financial statements we believe that this finding would no longer be applicable.
Management's Comment: Coös County concurs with the audit recommendation above and will begin to work with Mason & Rich, P.A. during the current calendar year to learn and implement the actual process of compiling the information to prepare the draft financial statements and notes and also the source amounts reported in the draft financials.
We did not audit the County's response and accordingly we express no opinion on it.
This communication is intended solely for the information and use of management, the Board of County Commissioners, and others within the County and it is not intended to be and should not be used by anyone other than these specified parties.
MASON & RICH, PROFESSIONAL ASSOCIATION, Certified Public Accountants, March 23, 2009.

The County Administrator is a competent finance manager. The County Administrator received a Bachelor's Degree in Finance and Economics (with distinction) from Simmons College, Boston, MA and a Masters' of Business Administration from Southern New Hampshire University *(see attached resume)*. The County Administrator has intimate knowledge of GAAFR (Governmental Accounting, Auditing and Financial Reporting) and has practiced governmental accounting in the public sector since 1971. As the Coös

County Commissioners continue developing a succession plan for the County Administrator, hiring a finance officer will certainly be given serious consideration.

Prioritize Expenditure Needs of the County

Management Response: Concur
The Coös County Commissioners concur that Coös County should develop a Capital Improvement Plan. The last formal plan adopted by the Commissioners and Delegation had effective dates of January 1, 1990 to December 31, 1999. Due to the County Administrator's many roles and responsibilities this plan has not been updated for the past 10 years.

Nursing Home Operations, Funding and Services

Management Response: Concur in part; disagree in part.
Paragraph 1 states that while there appear to be some additional administrative personnel and related costs at CCNH, we believe the main cost differences are driven by proportionately higher staff levels per resident at CCNH (in particular at the administrative group cost category) and a higher percentage of full time employees at CCNH who carry higher employee benefit costs. In addition, CCNH has high capital group costs due to the new multi-purpose room and higher plant maintenance costs which may be due to the age of the existing facility. The Performance Audit expresses a "belief" that there are higher staff levels per resident at CCNH. Contrary to the auditor belief, Coös County, its CA and Nursing Home Administrators have determined appropriate staffing levels for both nursing home facilities. The 2009 Direct Care Staffing analysis on the next page shows both facilities have similar staff levels per resident.

Coös County Nursing Homes
Staffing Levels – Direct Care, Rehab and Health Information

	WS	Berlin	
RN - MDS	48	120	No direct care - Federally required assessments & paperwork.
RN - Clinical Coordinator	40	80	
RN Assists DNS	16	0	
Total Administrative Hours	104	200	
Total Hours Budgeted RN	578	804	
Total Hours Budgeted LPN	168	260	
Total Hours Budgeted MNA	80	34	
Deduct Total Administrative	-104	-200	
Deduct Average Hours Per Week @DOC	-17.5	0	Total Hours 2009 = 908/52 weeks
Direct Care Hours	704.5	898	
Average No. Residents	75.9	94.4	From 2009 Cost Report Data
Direct Care Hours Per Resident Per Day	**9.28**	**9.51**	
Direct Care Hours per Resident Per Shift	**3.09**	**3.17**	
LNA/Unit Aide Hours	2032	2392	Berlin: Moved 34 hours from LNA to MNA
Average No. Residents	75.9	94.4	From 2009 Cost Report Data
Direct Care Hours Per Resident Per Day	**26.77**	**25.34**	
Direct Care Hours Per Resident Per Shift	**8.92**	**8.45**	
Physical Therapy - Rehab			
Rehab Nurse	8	24	
Rehab Aides	80	80	
Rehab Hours	88	104	
Average No. Residents	75.9	94.4	From 2009 Cost Report Data
Rehab Hours per Resident Per Day	**1.16**	**1.10**	
Health Information (HIM)			
Director	40	40	
Ward Clerks/Scheduling Coordinator	40	100	
Average No. Residents	75.9	94.4	From 2009 Cost Report Data
HIM Hours per Resident Per Day	**0.53**	**1.06**	

Management Response continued:
Specifically, CCNH RNs and LPNs provide medical services at the Coös County Department of Corrections on Monday – Friday Evening Med Pass; on weekends all 3 med passes and they also respond to any medical emergency at the DOC.

BNH RNs and LPNs spend more staff time with multiple physicians in contrast to CCNH where almost all residents have the same physician.

LNA/Unit Aide staff time is a little higher at CCNH. The difference is due to the physical facility with residents living on 3 floors in W. Stewartstown and 2 floors in Berlin. Berlin has dining rooms on each floor and bathrooms in every resident room. More staff time is required at CCNH to transport residents to and from bathrooms, dining rooms, etc.

BNH has 4 days of contracted Physical Therapist time from AVH; CCNH has one day of contracted Physical Therapist time from AVH.

Capital group costs for CCNH (W. Stewartstown) total $204,080; capital group costs for BNH (Berlin) total $166,922. The difference of $37,158 is due to the $35,848 interest on debt. Two payments of 10 have been made on the debt and the interest expense will decline in each of the next 8 years. In 2010, it is expected that capital group costs for CCNH will be less than BNH as the interest expense for 2010 will be $28,700. Management disagrees that CCNH has higher plant maintenance costs as the Performance Audit 2008 Cost Report Appendix clearly shows that Plant costs at CCNH were $432,943 and Plant costs at BNH were $448,570.

Decision on Closing the Farm

Management Response: Concur in part.
During the next 6-months, the Delegation's Farm Sub-committee, the County Commissioners and the County Administrator should do a thorough analysis of the County Farm's strengths, weaknesses, opportunities and threats in order to make a recommendation for the 2011 budget.

Internal Control Issues in County Operations

Management Response: Concur in part.
The auditor correctly states that there is a cost/benefit relationship to be considered in implementing internal controls. He states, *"There is a cost of segregation, in the hiring of additional staff so one would have to do a cost/benefit analysis between the cost of additional staff and the benefit achieve with the increased level of segregation."*
Coös County has in place segregation of duties to the extent practicable with the amount of staff available. The CA has implemented these systems of checks and balances in order to assure to the greatest extent possible the segregation of duties.

Payroll Department: The payroll clerk (in both W. Stewartstown and Berlin) processes payroll on a weekly basis up to the point of printing checks. At this point, another employee with no access to payroll software and no payroll responsibilities has an exclusive password to authorize the printing of checks with the Treasurer's password protected signature. The payroll clerk does not receive nor reconcile the payroll bank account; another employee with no payroll access or responsibilities reconciles payroll account bank statements on a monthly basis. A third person is cross-trained to input payroll when the payroll clerk is absent.

Accounts Receivable: Both locations have Accounts Receivable clerks who have access to a proprietary accounts receivable software application. The Accounts Receivable clerks receive cash and checks for services and issue pre-numbered receipts for each and every transaction. The Accounts Payable (A/P) clerk in West Stewartstown posts revenues from both locations. The A/P clerk does not have access to the accounts receivable software in either location. A third person is cross-trained to input accounts receivable in each location. Coös County's General Fund bank account is reconciled by a fourth person who has no access to accounts receivable software, accounts payable software with the exception of the check reconciliation module of the accounts payable software.

Accounts Payable: W. Stewartstown has a centralized accounts payable (A/P) position. All purchase orders and invoices generated at all county locations are mailed to W. Stewartstown for processing. The CA reviews all invoices prior to processing. The A/P clerk is the only position with access to the accounts payable and vendor software. This position is the only position that can enter new vendors. A second person is cross-trained to perform her duties during her absence. The A/P clerk cannot print checks. This requires a password that is only available to the payroll clerk and another employee who both have no access to the accounts payable software. Coös County's General Fund bank account is reconciled by a fourth person who has no access to accounts receivable software, fund accounting software or accounts payable software with the exception of the check reconciliation module.

Fund Accounting: The Accounts Payable clerk and the County Administrator have access to the fund accounting software. The County Administrator does prepare and post journal entries on a monthly basis. Journal entries include posting all cash received in the County's General Fund from outside sources who pay Coös County via ACH electronic payments, interest on bank accounts, allocation of Cooperative Extension advances, year-end entries including asset allocations and depreciation. The County Administrator does not have access to cash and all checks received by mail are deposited by either the A/R clerk or county clerk. Hiring of additional staff in order to further segregate duties is not recommended. The CA will work with the Information Technology Director to implement more security in accessing the various financial components of the County's accounting software.

County Financial Policies and Procedures

Management Response: Concur.
The CA will develop new policies and procedures for finance. The existing policies and procedures (although outdated) were destroyed by mistake by the W.S. Nursing Home Administrator when she moved in to the CA's former office.

INTERNAL CONTROLS EVALUATION – Pages 12 - 16

Tax Receivables:

Management Response: Non-Concur.
Performance Audit incorrectly states on page 12, "*It was reported that very rarely are taxes paid by check*". Performance audit incorrectly states on page 12, "*The UP administrator receives both cash and checks from taxpayers, although she only deposits the checks and posts to the taxpayer records. She reportedly gives the cash to the A/R clerk who makes a deposit.*" The correct statement is that very rarely are taxes by in cash. The UP Administrator (CA) receives checks from taxpayers and gives them to the UP clerk to deposit. The UP clerk prepares the deposit and on a daily basis mails the deposits to the bank.

Accounting and Finance:

Management Response: Concur in Part.
Performance Audit incorrectly states on page 12, "*1. The County Administrator and others have access to the full suite of applications (accounts payable, payroll, fixed assets, fund accounting) in the Business Management Systems fund accounting system including the general ledger module. The County Administrator has also has access to the accounts receivable application which is internally developed. The BMSI system has the ability to restrict user access by module but this has not been implemented; which allows users access to accounting modules that are not in their area of responsibility which is a control weakness*". This statement is false. The County Administrator has access to Fund Accounting and Fixed Assets in the BMSI suite. The A/P Clerk (and her cross-trained backup) has access to Fund Accounting and Accounts Payable. The Payroll Clerk (and her cross-trained backup) has access to payroll. The A/R Clerk (and her cross-trained backup) has access to the proprietary Accounts Receivable software. The County Administrator has no access to accounts payable, payroll or accounts receivable. Management concurs that having a Finance Director recording accounting entries, and not the CA, would be a more controlled accounting environment. As stated above, the CA and IT Director will continue to develop a higher level of security for all accounting applications.

Performance Audit incorrectly states on page 13, "*Both the accounts payable clerks and the CA reportedly have the ability to create new vendors in the vendor master file, an ability which they should not have as it creates an SOD issue and control weaknesses*". The County Administrator does not ever create new vendors. Currently there is no purchasing function or position outside of accounts payable to create new vendors.

Performance Audit incorrectly states on page 13, "*There is currently no "internal audit" of cash or other account balances of the County during the year. The purpose of such audits would be to check process controls in key areas (cash receipts, cash disbursements, tax account reconciliations, etc) during the year. The CA relies on the audit of the independent auditor to do this*". This statement is entirely incorrect. All

cash accounts are reconciled daily. All bank accounts are reconciled monthly to insure they balance with the county's financial statements. All general ledger accounts on the trial balance are reconciled monthly by the A/P clerk and the CA. On an annual basis the independent auditors perform an internal control interview with accounting staff to verify segregation of duties and responsibilities.

Performance Audit states on page 13, *"The CA does not know that all cash receipts received in the Lancaster offices are being recorded and reported. Each office deposits their own cash and checks received. An internal controls review at those locations should be performed."* Coös County does not have sufficient trained staff to conduct internal audits of the County Attorney, Register of Deeds, and Sheriff. These are elected officials over whom the CA has no authority.

Performance Audit states on page 13, *"The County offices in Lancaster do not follow the purchasing procedures although expenses are monitored by the CA after the fact in the financial statements"*. The CA monitors spending upon receipt of invoices and not only after the fact in the financial statements. Commissioners and CA agree that Lancaster offices of those elected officials should implement a purchasing policy.

Performance Audit states on page 14, *"The County Cash Book provides a complete trail of receipts, deposits and ash and payroll disbursements. There are currently 30 cash accounts with* 22 banks*; including 8 sub accounts.* There are currently 30 cash accounts including 8 sub accounts in 5 banks (First Colebrook Bank, Northway Bank, Citizens Bank, Laconia Savings Bank and NH Public Deposit Investment Pool).

Performance Audit states on page 14, *"There are few accounting and finance related policies...there needs to be accounting and finance policies for all accounting practices and processes performed."* CA agrees and will work on developing new finance policies as the only policy binder containing these older policies was destroyed. Comprehensive manuals on Accounts Receivable, Accounts Payable, and Fund Accounting procedures were developed in 2006-2009 that allow new staff to perform the functions of each application. A comprehensive manual on Payroll is the next document that will be developed.

Information Technology Department (IT)

Management Response: Concur in part; non-concur in part.

1. Even though the IT Director wrote and has access to the Accounts Receivable application used in both the W. Stewartstown and Berlin Nursing Facilities, he never has access to any of the cash, checks, or petty cash. In addition, balances for all accounts can be checked against the accounts summary of a prior day. As noted earlier, accounts are reconciled on a daily basis. As noted in the Performance Audit, the IT Director agrees that the system must be documented, and this a goal of his that is often times superseded by issues that arise in the day to day operations. It is no small undertaking than can be completed in a single day or week for that matter considering it took a year and a half to develop the software application. It should

also be noted that a large amount of the IT Director's time has been freed up by the development of this application. He is rarely required to assist in monthly, quarterly and yearly closings as he was prior to developing the new software application. Prior to the new software application, there was much more room for error as he was required to perform these processes manually every month, quarter and year end for both facilities because the system never ran as it was intended to.

2. Backups are stored onsite at both facilities which IT Director agrees is a risk should there occur an unforeseen disaster in either nursing home facility. Backups are stored in locked fireproof safes with limited access to the combinations. The IT Director emphasizes the word "convenient" in item #2 of the Performance Audit as storing the tapes 50 (Berlin to W. Stewartstown) or even 30 (Lancaster to W. Stewartstown) miles away is not convenient in the case that even a single file has to be restored for somebody who inadvertently deletes a file. This would require a minimum of 3 hours of travel time to restore a single file. It should also be noted that "convenient" also includes availability on weekends should either location experience a server crash; this could pose a conflict with the secure recommendation.
3. The IT Director only visits the offices that fund his position (20% BNH or 1 day per week, 20% Department of Corrections or 1 day per week, and 60% CCNH or 3 days per week). Providing IT services to the Lancaster locations would require agreement by the respective elected officials, funding and time availability. The IT Director has provided services to Lancaster offices in emergencies at the direction of the County Administrator. As for Lancaster offices being integrated with BMSI, this once again goes against the fundamentals of internal controls and all A/P and Payroll transactions for those offices are performed in West Stewartstown by designated individuals.
4. As far as Payroll is concerned, the payroll system can be accessed by only two PCs belonging to the Payroll Clerk and her cross-trained back-up in the West Stewartstown facility. Only one of the PCs includes the software to print the signature on the checks. At the Berlin Facility, Payroll can be accessed by two PCs belonging to the Payroll Clerk and her cross-trained backup. However, only one PC contains the check signing software.
5. There is no document that exists to outline who has access to various applications. The IT Director concurs that it is a document that can be created and maintained if it is deemed necessary. However, applications for each function are only available on the PCs where they are needed. Inappropriate access would only be possible if someone obtained and logged in using a username and password which was not assigned to them personally.
6. The IT Director concurs that he is not directly involved in the employment termination process with Human Resources. He has requested to have a monthly report generated with names of employees who are no longer employed by the county. Granted, this is only necessary for employees who have network access. Currently, the only notification given to the IT Director is by word of mouth and not consistent. CA has directed payroll clerks in both locations to notify IT Director of each termination at the time of termination (not by monthly report) by internal e-mail.
7. The CA and IT Director will research IT/Data Security policies and work to develop a policy.

FINANCIAL STATEMENT ANALYSIS – Pages 17-21

Audited Financial Statements for FY2008 and FY2007
Auditors Report

Management Response: Concurs. The explanation regarding GASB45 has already been provided earlier in this document. There was no statement about the GASB45 reporting requirements or auditor's qualification in the FY2007 report as the requirement by the Government Accounting Standards Board was not effective until 12/31/2008.

Review of Prior Issued Financial Statements

Management Response: Mason & Rich, P.A. will respond in writing to statement that there are errors in the budget to actual report contained in the 2008 report. See also Management Response on page 4 of this report. John Lyford, CPA, Mason & Rich, P.A. has requested to meet with the Delegation to address the findings in the Performance Audit.

Other

Management Response: Performance Audit states, *"All compensated absence balances are accrued when incurred in the financial statements contrary to post employment health and life insurance benefits."* Coös County's payroll software is capable of producing the report needed to accurately determine the value of compensated absence balances of accrued vacation and sick time. As stated earlier, post employment health and life insurance benefits must be determined by an actuary at considerable cost to the County.

Review of FY2008 Actual and FY2009 Revised Budget Operations

Management Response: Concur in part; non-concur in part.

- 53rd Payroll – CA will recommend to Board of Commissioners to fund 1/5 of 53rd payroll that will recur in 2014.
- Performance audit states that farm costs have escalated in the cost of fuel for vehicles, cost of feed, sawdust (used to be supplied free by closed Ethan Allen factory). Ethan Allen has never provided sawdust for free; it has however, provided sawdust at a reduced cost.
- Although the CA does not have adequate time to properly manage the Department of Corrections, the increases in the DOC budget are not due to this lack of time. As stated earlier, re-instatement of the Superintendent's position is included in the 2010 budget.

COUNTY ADMINISTRATOR'S OFFICE Pages 22-27

Management Practices

Management Response: Concur.
The only statement that needs to be corrected is that CA picked up the responsibilities as Acting Superintendent of Corrections in 2007. Performance audit states 2009.

Job Description

Management Response: Concur

Segregation of Duties

they continue to state that I have access to A/R

Management Response: Concur in part; non-concur in part.
As stated earlier, CA does not have access to all integrated County applications including financial and reporting applications. County concurs that there is a cost associated with providing the right level of staff to mitigate significant segregation issues. County Commissioners will address segregation of duty issues in the next steps in the succession plan for Coös County.

Succession Plan

Management Response: Concur.

Human Resource Practices
County Comparisons

Management Response: Concur.

County Administrator Compensation

reference to vehicle has not been deleted

Management Response: Concur in part; non-concur in part.
County Administrator does not, and has not at anytime in the past, had the ~~lease of~~ a vehicle.

Hold on Full Time Hirings

Management Response: Concur in part; non-concur in part.
County Commissioners have a policy in place that the Board will consider on a case by case basis the justification for changing position hours whereby a position would become eligible for benefits. Some positions have been modified during the past two years. Commissioners and CA disagree that this is a "chronic issue". As an example, an employee with a 24 hour position requests that his/her position be reclassified to 32 hours

in order to receive county benefits. An employee at Step 1 on the salary schedule for nurse aide would then receive an additional $85.60/week (8 hours x $10.70/hour) and if that employee elects to subscribe to a family health insurance plan, Coös County would be liable for an additional $17,915 per year for its share of the employee's plan. This is equivalent to another $10.76 per hour ($17,915/1,664 hours per year). The cost/benefit analysis weighs heavily towards the County where the nursing homes are already operating in a deficit position.

Utilization of County Assets
County House

Management Response: Concur in part; non-concur in part.
The County Administrator **does not** have the use of a vehicle (four wheel drive) with gas, maintenance and fees borne by the County. Commissioners request the basis for this statement.

New CCNH Multi-Purpose Room (Sunroom)

Management Response: Non-concur.
The Commissioners and County Administrator dispute the statement that *"It appeared as if the project was presented, discussed and approved as one of immediate need for the current residents"* and *"In discussions with the County Administrator the idea for this project was born primarily from her and she was the main driver for its construction"*. Both these statements are false. The County Administrator served as Nursing Hospital Administrator from 1991-2007 and convened meetings of department heads regularly to identify capital and operational priorities for the residents of the Nursing Hospital. The number one issue year after year after year was the lack of space for resident activities. The former "Multi-Purpose" room was not large enough to accommodate group activities and residents in wheelchairs and geri-chairs had to be lined up in the corridor to enjoy music and other outside activities. This practice was shameful but it was the best staff could do. When fuel prices began escalating in the early part of the 2000's, the Nursing Hospital was very aggressive in addressing energy savings, first with a grant to retrofit all interior lighting with energy efficient fixtures, then with an ozone system for the laundry that saved on hot water heated by the 25 year old boilers. Both these planning outcomes led up to the proposal to build an addition and address the outdated heating system. In 2006, Coös County made the last payment on the Nursing Home in Berlin and the County was debt free for the first time in over a quarter century. It is no accident that at this time, planning for much needed infrastructure improvements became more of a reality than a wish or a dream. Management argues with the Performance Audit suggestion that *"there did not appear to be any independent opinion of what was best for residents at this time"*. The Nursing Hospital leadership, its department heads and its employees are long term care professionals. There was no basis to contract for and pay for an independent opinion of what would benefit the residents. Local long term care professionals in the arena knew what was needed. In his discussion of the design-build project, the Commissioners challenge the auditor's statement that *"authority guidelines currently in state law as these, we don't believe, were intended for a project as large as and as complex as this*

one." The Commissioners do not believe that the firm of Melanson Heath knows what the intent of the legislature was in approving legislation that allows a Board of Commissioners to waive the bid process. The design-build concept has been used by the State of New Hampshire on its own projects.

Capital Asset Budget/Improvement Plan for the County

Management Response: Concur.
As stated earlier in this document, the Coös County Commissioners concur that Coös County should develop a Capital Improvement Plan.

COUNTY NURSING HOMES IN WEST STEWARTSTOWN AND BERLIN
Pages 28-36

Management Response: Correction.
First a correction to the date that BNH was built. The Nursing Home in Berlin was built in 1975 and 1976 and opened in 1976 contrary to the statement in the Performance Audit that it was built in the mid-1980's.

Human Resource Practices, Compensation Levels and Staffing

Management Response: Non-Concur.
The statement that part-time employees receive no medical benefits is false. All Coös County employees with regular positions who work 30 or more hours are entitled to the County's health insurance plan. The Coös County Employee Policy Handbook and two negotiated collective bargaining agreements express this clearly. The statement that BNH has approximately 42 full time employees and **144 part time employees who receive no medical benefits is false.** There are 78 part time employees at BNH who receive medical benefits. Some part-time positions are less than 30 hours and some employees elect not to subscribe to county health insurance benefits.

In response to the audit statement that BNH Berlin has higher staffing than CCNH West Stewartstown per resident, please refer to the chart provided earlier in this document that contradicts this statement.

The auditor states that he looked at selected comparisons between nursing and administrative positions (approximately 7) at CCNH vs. BNH that were brought to his attention by the BNH Administrator. BNH has 1 full-time Office Manager, 1 full-time payroll position, 1 full-time accounts receivable position, 1 part-time IT Director, 1 32-hour secretary. By comparison, CCNH has 1 full-time payroll position (who processes all county payrolls with the exception of BNH), 1 full-time accounts receivable position (who processes CCNH, Farm, Corrections A/R and revenue), 1 full-time accounts payable/fund accounting position, 1 part-time IT Director and 2 full-time general office positions. The CCNH full-time accounts payable/fund accounting position processes all accounts payable for all county operations including BNH as all vendor payments are centralized and generated at CCNH. CCNH administrative staff members also perform

functions for the Department of Corrections, County Farm, County Administrator, and the Unincorporated Places. Due to the dissimilar functions in each location, an apples to apples comparison is not feasible and is a disservice to both locations.

BNH

Management Response: Concur in part; non-concur in part.
Auditor states that food costs are higher in 2008 when contract food services were used. Food quality also went down and consequently food preparation went in-house in 2009. Coös County, in either of its nursing homes, has not contracted out food services since the mid-1990's. Once again management disputes the recurring statements that there are proportionately higher staff levels per resident at CCNH. At issue too is the statement that plant maintenance costs are higher at CCNH when clearly the cost reports indicate just the opposite. Additionally, the maintenance staff at CCNH provides services to the Department of Corrections, Farm, Recycling Center and Coös County Water System. BNH maintenance staff provides services to BNH only.

Physical Facility Observations - CCNH

Management Response: Concur in part; non-concur in part.
Audit states that

- There is no sprinkler system in nursing home except in new multi-purpose room. While it is true that the new multi-purpose room is equipped with sprinklers, the entire 4th floor and the sub-basement of the nursing hospital are also fully sprinkled.
- The average age of residents is actually 83 years old, not in the 70's as stated in the audit.
- Room waiver has been renewed by the Bureau of Health Care Facilities for another 3 years to December 31, 2012.
- The audit states that a second elevator, vintage 1970 is used in nursing home operations. This second elevator was constructed in 1991.
- Audit states that the third floor had 22 empty beds. The third floor has a total of 38 beds and has never in memory had 22 empty beds. On the day that the auditor toured the nursing home, there were 9 empty beds on third floor.
- Regarding the short term "wish list", the Administrator denies stating that the facility needs a new fire alarm system. This new system was installed in 2000 and is only 10 years old. The nurse call system is included in the 2010 budget, the CA applied for and obtained a grant for $138,700 to replace some of the facility windows and has applied for another grant of $262,000. The Commissioners have already approved keeping the old van for emergencies. Commissioners agree that bathrooms need to be upgraded; the last time they were all upgraded was during the period from 1986 to 1990.

Physical Facility Observations - BNH

Management Response: Concur in part; non-concur in part.

Audit states that

- BNH does not have accounting staff. As stated earlier in the report there is a full-time accounts receivable position, a full-time payroll position and a full-time office manager.
- Business office has inefficient layout. This item is included in the 2010 budget.
- Regarding the short-term "wish list", the estimated cost for the redesign of the business office is $5,000, not $50,000; digitized electronic medical records is proceeding incrementally with the E-Pharmacy system included in the 2010 budget; a central air conditioning system has been reviewed by an engineer and the Board has voted on at least two occasions not to include it in the budget due to the cost and the short season of hot temperatures in the northern part of New Hampshire; the new call bell system is included in the 2010 budget; a new phone system will be planned for 2011; and the Commissioners have approved keeping the old nine passenger van.

Strategic Planning – Nursing Homes

Management Response: Concur.
As stated earlier in this response, the Commissioners concur with the need for strategic planning and have begun this process.

INFORMATION TECHNOLOGY – Page 37

Management Response: Concur in part; non-concur in part.
As clarified earlier in this report, the IT Director's salary is allocated 60% CCNH, 20% DOC and 20% BNH. It is false that the salary is allocated one third to each of the three facilities. It is true that the IT Director does not provide IT services to the County Offices in Lancaster for two reasons:

- He has a full time job covering his current work load; and
- When the County Administrator suggested to the County Attorney that the IT Director design and implement a networked office model in 2009, the County Attorney rejected the offer in favor of contracting the work to a former associate of his. The County Attorney is elected.

COUNTY DEPARTMENT OF CORRECTION
Pages 38-43

Management Response: Concur in part; non-concur in part.
For clarification, the facility was constructed in 1914, not in the 1930's. An addition was built in 1987 that provided for additional bed space for sentenced inmates and separated the population into two groups for better control. The total cost of the new construction was $1.1M with a combination of local funding of $610,000 and grants of $490,000. Auditor states that on the day of his brief visit with a DOC staff sergeant there were **59** registered inmates. The correct number in-house on that date, September 2, was 14 pre-trial and 22 sentenced inmates. Two inmates were out of facility on electronic monitoring.

Auditor states that DOC inside correctional staff includes 3 sergeants and 5 corporals. There are only 3 inside corporals, not 5.

The portion of the County Administrator's salary apportioned to the DOC is 20%, not 40% as stated in the audit. The previous Superintendent's salary in 2007 was $78,600 not $72K as stated in the audit.

DOC costs have increased 8.4% in 2009 over 2008, not 12.6% as stated in the audit. DOC costs in 2008 were $1,686,316 versus $1,828,873 in 2009. The Commissioners agree that cost increases are attributed to officer raises of 3% in 2009, wage step increases, higher NH Retirement costs, higher medical benefit costs for both union and non-union positions and higher medical costs for inmates including prescription drugs. Also notable cost increases in 2009 were due to fuel for heat and inmate meals.

The Performance Audit erroneously states that "*there currently are no formal written policies and procedures and no formal compliance testing*". This could not be further from the truth. There are voluminous policies and procedures for every aspect of the Department of Corrections. The County Administrator has worked with the Medical Services Coordinator during the past year to update all medical policies and procedures at the DOC and has updated the Inmate Manual.

Commissioners and County Administrator agree that Coös County can no longer depend on a part time appointed official to supervise and administer the Department of Corrections and have included funding in the 2010 budget to re-instate the position.

Human Resource Practices

Management Response: Concur in part; non-concur in part.
It was the opinion of the DOC sergeant on the day shift that there is little on-site oversight of DOC operations. The sergeants met with the County Administrator after the retirement of the former Superintendent in 2007 and unanimously agreed that based on their experience and professional knowledge they were willing and able to provide all the oversight each shift required as long as the County Administrator (CA) dealt with certain administrative duties such as budget, reporting to the Board of Commissioners, certain federal reporting and addressing inmate grievances and lawsuits. At the time, the CA was not contemplating retirement. The Commissioners began succession planning for this position in the early part of 2009. The County Administrator has interviewed staff and been unable to determine who stated that the DOC is in jeopardy of closing.

The Commissioners concur and are concerned with the issue of succession within the ranks. The CA has met with staff sergeants to identify and plan for training of certain corrections officers who have been identified as being outstanding candidates for promotion and supervisory training. The Commissioners agree that if there was a full time Superintendent in the DOC there would be more coverage during the day shift at the DOC. The CA has periodically advised the day Sergeant in Charge that officers on his

shift should not be scheduled for personal time off on days when haircuts, medication conferences and high activity are expected. The CA agrees that only three officers on duty are not enough for both officer and inmate safety. There are 5 personnel assigned to day shift, 6 personnel assigned to evening shift when all the inmates are inside the facility and programs for inmates are conducted, and 5 personnel assigned to the night shift. During the day shift, a number of inmates are outside the facility working including inmates working on the farm, inmates working at the Recycling Center and inmates doing grounds maintenance. On the night shift, inmates leave to work on the Farm, shovel snow from entrances and others are assigned to interior cleaning and painting details. Inmates are all supervised by certified corrections corporals and must meet certain behavior and performance guidelines before they are assigned to work outside. It is important to note that pre-trial inmates do not work inside the facility nor are they assigned to work outside the facility.

One point of clarification is that inmates do not work in the laundry at CCNH; they do, however, work from time to time in the kitchen under the supervision of the cook.

Regarding the short term capital expenditures "wish lists" and other issues the current door control panel was replaced in late 2009-early 2010. Doors and locks are being replaced annually; new cameras are included in the DOC budget annually to replace outdated equipment; some windows were replaced in 2009 and CCNH Maintenance is assigned to facility maintenance issues as needed. Sometimes, when maintenance staff has planned to spend time at the facility, corrections staff inform them it is not a convenient time and rescheduling may cause delays in dealing with facility problems.

FARM OPERATIONS Pages 44-46

Management Response: Concur in part.
As stated earlier in this report, during the next 6-months, the Delegation's Farm Sub-committee, the County Commissioners and the County Administrator should do a thorough analysis of the County Farm's strengths, weaknesses, opportunities and threats in order to make a recommendation for the 2011 budget.

Actual milk production in FY2009 was 1,968,303 pounds, well above the 1,700,000 pounds calculated by the audit firm. The average daily production per cow is 77 pounds versus the industry standard of 65 pounds.

Members of the Delegation have been aware for years that a major portion of the Farm Manager's salary is charged to the Department of Corrections as he supervises inmates daily. The auditor does not believe this to be an appropriate allocation of costs contrary to the Commissioners' belief that is it a proper allocation of costs. The audit states that the Farm Manager does not spend any time in the DOC and does not participate in any of its operation or command. The same argument is true for the Corporal in charge of outside details. His entire salary is charged to the DOC while he supervises inmates mowing nursing home lawns, shoveling around the facilities, and various other details throughout the complex.

The Commissioners concur that if the entire salary of the Farm Manager is allocated to the County Farm that the accumulated losses of prior years would be greater.

COUNTY SHERIFF'S OFFICE Pages 47-50

Management Response: Concur in part; non-concur in part.
The audit states under Management Practices and Human Resource Issues that one of the issues raised for review in this report concerned the sale of a department owned truck to a deputy. Although the report states that this case was reviewed and resolved by the Attorney General's office with no criminal wrongdoing found, the report should also state that the truck was not sold to a deputy but to the relative of a deputy.

Regarding the Sheriff's secretary/administrative assistant's complaint that she earns less than other assistants in the county, the Commissioners met with the Sheriff and his secretary in May 2007. Based on this meeting, the Board granted her a 3-step increase on July 24, 2007 instead of a 1 step increase. Her job description exists and was presented to the Board. She had requested a change in the title of her position to "Assistant to the High Sheriff" which was not approved.

The County Administrator has provided a copy of the Performance Audit findings and recommendations to the Sheriff for review and comment.

As stated earlier regarding the audit recommendations that the County include in the IT Director's responsibilities the data security of the Sheriff and other County offices in Lancaster, the IT Director currently has full-time responsibilities to the West Stewartstown complex and the Berlin Nursing Home.

REGISTRY OF DEEDS Pages 51-52

Management Response: Concur in part; non-concur in part.
The Register of Deeds has been provided with a copy of the Performance Audit as it pertains to her operation and may provide the Delegation with additional information and responses.

COUNTY ATTORNEY'S OFFICE Pages 53-54

Management Response: Concur in part; non-concur in part.
In response to Operation and Human Resource Issues:

- Regarding the significant issue with filing space in the office, the Commissioners have obtained a quote for rental of a vault (exclusively for the County Attorney's records) at the Old County Courthouse in Lancaster. The cost that is included in the 2010 budget is $2,500 per year.

- Contrary to the statement that there is no budget for expert witness costs, the 2008 budget included $4,000 for these costs, the 2009 budget included $7,000 for these costs and the 2010 budget includes $5,000 for these costs as recommended by the County Attorney in his budget submission to the Commissioners.
- The day after the annual budget meeting on March 7, 2009, the County Administrator contacted the County Attorney by e-mail to inform him that Coös County has a computer systems administrator (IT Director). The County Administrator had given the IT Director a copy of the proposal the County Attorney had received from an outside consultant in Concord, NH to see if it was a job that the IT Director could accomplish for less money. In a response sent the same day, the County Attorney advised the County Administrator that he was comfortable with the consultant and he knew that the consultant would get it right the first time. The county paid the consultant $2,926.17.
- In response to the statement that there are no legal practice books in the library and the County Attorney has to bring in his own to use, the County Attorney budgets $2,000 per year for law library expenses. The County Attorney did not request additional funding in this line item in 2010 for legal practice books.

The County Attorney has been provided with a copy of the Performance Audit as it pertains to his operation and may provide the Delegation with additional information and responses.