



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

**Department of Environmental Protection
Natural Resource Management**

July 1, 2001 to November 30, 2003

**Richard L. Fair
State Auditor**



New Jersey State Legislature

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Enclosed is our report on the audit of the Department of Environmental Protection, Natural Resource Management programs for the period July 1, 2001 to November 30, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read 'Richard L. Fair', is written over a light pink rectangular background.

Richard L. Fair
State Auditor

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Department of Environmental Protection Natural Resource Management

Scope

We have completed an audit of the Department of Environmental Protection, Natural Resource Management programs for the period July 1, 2001 to November 30, 2003. Our audit included the financial activities accounted for in the state's General Fund for the Bureau of Forestry, Bureau of Parks, Division of Fish and Wildlife, Shellfish and Marine Fisheries Management, and Natural Resources Engineering. Natural Resource Management also includes the activities of the Palisades Interstate Park Commission which is audited as part of a separate engagement. The prime responsibilities of these programs are to provide opportunities for recreation and enjoyment of natural and historic resources, and to promote a healthy and sustainable ecosystem. Expenditures for the selected organizations during the audit period were \$304 million. Revenues for the audit period were \$84 million. The primary sources of revenues are the sale of hunter and angler licenses, park management fees which include admissions, parking and leasing, and local contributions for shore protection projects.

Objectives

The objectives of our audit were to determine whether financial transactions were related to Natural Resource Management programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior reports dated August 6, 1999 and September 15, 1997.

The audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior reports, we identified corrective action, if any, taken by the department and walked through the system to determine if the corrective action was effective.

Conclusions

We found the financial transactions included in our testing were related to Natural Resource Management programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with procedures and regulations meriting management's attention.

We also found that the agency has not resolved any of the eight issues noted in our prior reports. These issues have been restated in this report.

State-Owned Property

A new database to account for state-owned land should be developed.

As stated in the prior audit, the Department of Environmental Protection (DEP) records for land could not be reconciled with corresponding records maintained by the Department of the Treasury. There are three land databases within Treasury that have information regarding the land purchases by DEP. Each agency is required to maintain an internal system per Treasury Circular Letter 01-07-OMB. The responsibility for maintaining the DEP system was transferred to the Office of Green Acres in 1998.

Land assets are reported in the state's Comprehensive Annual Financial Report (CAFR). The Department of the Treasury, Office of Management and Budget maintains the central system of which 90 percent of the land purchases were made by DEP. Amounts in the CAFR are based on the asset transactions reported by agencies directly responsible for the inventory and maintenance of the asset.

A comparison of the databases follows:

Treasury, Office of Management and Budget	546,000 acres
Treasury, Division of Taxation	565,000 acres
Treasury, Property Management	600,000 acres
Department of Environmental Protection	654,000 acres

Each database has a specific purpose and specific requirements. An asset inventory system should provide accurate record keeping for financial reporting purposes. In addition, the lack of accuracy or completeness of these records impedes analysis and oversight undertaken by management.

Recommendation

The Department of the Treasury, Office of Management and Budget is in the process of establishing a new database for land. We recommend that DEP make an assertive effort to work with the Department of the Treasury with their implementation of a new system that would collect all relevant data thus having one database that would properly reflect the acres owned by the state.



State Marina Operations

S tate-operated
marina revenues
should cover operating
expenses.

The state owns five marinas. Three marinas (Senator Frank S. Farley, Liberty Landing, Fortescue) are leased and operated by private vendors. The remaining two marinas (Forked River and Leonardo) are state-operated. The cost to operate the 125 berths at Forked River averaged \$3,210 per berth. Leonardo's average cost per berth was \$2,715 for its 175 berths. Annual revenues at Forked River averaged \$175,000 while revenues earned at Leonardo averaged \$350,000 during the audit period. This results in a net deficit for the state-operated marinas exceeding \$300,000 per year which must be funded through agency appropriations. We compared the per berth operating costs with those of the private vendor leasing the 640 berths at Senator Frank S. Farley State Marina and determined they are operating the facility for an average of \$970 per berth. Our comparison of area marinas further disclosed that the state-operated marinas' rates were at least \$10 per foot below area market rates. Therefore, we concluded that the causes for the state-operated marinas' losses are a combination of low berth fees and high administrative costs. Sound fiscal management would dictate that revenues collected should cover the costs of operations.

Recommendation

We recommend that Natural Resource Management consider raising rates and reducing operating expenditures, or consider outside management of the marina facilities.



Office of Leases and Concessions

The Bureau of Parks, Office of Leases and Concessions mission includes developing and providing facilities for visitors to state parks. As part of that mission, they are responsible for the leases and concessions located within the parks. There are a wide variety of agreements including leasing of fields and orchards for agricultural uses and leasing of historic structures, cottages and dock rights for residential use. In addition, there are other agreements for easement and pipeline crossings. Concession leases include those to operate stands within the park system, but also include larger scale operations such as the banquet facilities at Skylands Manor and Liberty State Park, operations of the Liberty Landing and Senator Frank S. Farley marinas, and a charter boat operating out of the Leonardo State Marina. During fiscal year 2003, concession payments and lease rentals deposited into the General Fund totaled \$750,000 with over half attributable to the Senator Frank S. Farley marina lease. It does not appear that the monitoring of leases or collection of rent is a priority of the Office of Leases and Concessions. Our reviews of both the leases and concession components of the office noted the following issues.

Timeliness of Lease Agreements

Lease agreements should be kept current.

The Office of Leases and Concessions has not sought to replace expired lease agreements.

- Three expired leases noted in our previous audit issued in 1999 have not been renegotiated and

reissued. The tenants continue to operate under a special use permit in holdover status. The terms for two of the previous leases, including rental amounts due, have remained unchanged.

- Leases formerly administered by the Division of Water Resources were turned over to the office in fiscal year 1992. We noted that 15 of 20 leases are expired and need to be renegotiated.
- There are no formal agreements for the hangar or tie-down rents at Aeroflex-Andover Airport. In addition, a flight school, maintenance shop, and radio repair shop operating out of that facility should have agreements which may require a liability insurance provision.
- In addition to the concession owner's signature, DEP requires six internal approvals which resulted in seven concessions operating in state parks prior to a finalized agreement.

Because the Office of Leases and Concessions has not sought to replace expired lease agreements, park superintendents are issuing special use permits which are intended to be short-term in nature.

Rent Abatements

While reviewing lease agreement files, we noted several situations where the tenants offset rent payments owed through repairs made to the property. While the state does derive a benefit from these renovations, we noted a lack of control over the authorization of these abatements. Additionally, some residential structures are considered historical and improvements to such structures should be approved by the Historic Preservation Office; however, only one such approval was noted. Instances noted in our testing included:

The bureau should establish rent abatement policies.

- A tenant has leased a home since 1996 at a monthly rent of \$1,500. The home is part of the Delaware and Raritan Canal State Park and includes the dwelling, carriage house, two-car garage and smoke house. To date no rent payments have been received. As a result of our audit, the tenant provided support for over \$220,000 for improvements made to the homestead during the previous seven years, including tenant's own labor of 5,938 hours at \$15 per hour for a total of \$89,070. In addition, the tenant was not charged any rent for the initial two-year period of the lease. The acting director approved an abatement of \$102,000 with an abatement balance of \$120,000 remaining for future consideration. Based upon the "carry-forward" the tenant may not be required to pay rent for the next six years.
- Another tenant submitted a schedule of improvements which included a \$2,100 electric range, washer/dryer/refrigerator and dishwasher purchases totaling \$2,700, pool repairs of \$7,000, and \$19,000 in painting expenses. The tenant's records as of April 2003 have a "carry-forward" of \$39,000 towards future rents. The rent has remained at \$1,000 per month since the tenant's occupation in August 2000. Based on the tenant's schedule, they will be able to occupy the residence without payment to the Bureau of Parks for over three years.
- Between February 1994 and August 1998, another tenant claimed 31 septic pump charges totaling \$10,700. Even with the noted credit for these charges, park superintendent records indicate this tenant owes \$79,300 in rent as of November 2003.

None of the costs associated with these repairs were pre-approved. Pre-approval of these expenditures is necessary to allow for park's personnel to evaluate

reasonableness of potential abatements. It would also provide information for potential rent increases and changes in property valuations for insurance requirements.

Recommendation

We recommend that the Bureau of Parks review the lease files and identify those with expired or non-existent agreements. Once identified, new agreements should be negotiated. DEP should streamline their approval process for concessions. The bureau should also establish procedures over rent abatements and rent collections. Leases should be reviewed periodically and rental increases should be considered.



Leases at Wildlife Management Areas

Management of leases should be improved.

The Division of Fish and Wildlife is responsible for managing and leasing state land designated for farming, marinas, and cottage lands on the state's wildlife management areas. Tenants are expected to make their required lease payments and maintain a current comprehensive liability insurance policy naming the state as co-insured. Agricultural leases generally contain a requirement that the tenant leave a percentage of the crop in the field as a form of payment. Our previous audit in this area noted several expired leases where the tenant remains in holdover status according to the terms of the expired lease. Additionally, the prior audit cited that tenants were not maintaining the required liability coverage and there was a lack of support for monitoring of those non-cash lease requirements of agricultural leases.

Our current audit found that the situation has not improved, as 40 of 42 leases reviewed were expired. These continued as holdover agreements based on the expired lease terms and were not updated to reflect current market rentals. The current liability

insurance requirement was reviewed and 34 of 42 were not in compliance. The division does not have any procedures in place to schedule or measure outstanding lease payments. The agricultural agreements were not current and we could not determine the total number of agreements in force. As a result, we could not determine the exact amount of rent outstanding, but division records show at least \$80,000. We found that regional offices are conducting agricultural inspections; however, a policy requiring cash payments for shortfalls in the amount of agricultural crop left in the field has not been enforced.

These weaknesses increase the risk of revenue losses because outstanding rents are not measurable, payment amounts are not adjusted to reflect current market conditions, and liability exposures may not be insured.

Recommendation

We recommend that the division inventory the leases to determine outstanding rents due and identify expired lease agreements. We further recommend that the division make a greater effort to bring agreements up-to-date, monitor insurance coverage, and comply with division policies regarding enforcement of agricultural lease requirements.



Cash Management

Department needs to improve its cash management practices.

The Department of Environmental Protection, Natural Resource Management organizations receive funds through a variety of sources. Revenues are derived through the sale of licenses, permits, publications, user fees, federal funding and municipal shares for capital projects. Treasury Circular Letter 94-24-OMB states that funds should be deposited on the day received. During our engagement we noted the following:

- License and permit fees collected by the Division of Fish and Wildlife for the Hunters and Anglers Fund total \$13 million annually. Receipts remain with the report or application until processed. After processing the report or application, funds are routed to the Division of Fish and Wildlife's business section for preparation of a deposit slip. A DEP courier transports the receipts to the Department of the Treasury, Division of Revenue for deposit. This process results in the excessive handling of the receipts and causes delays in their deposit. Due to the absence of a check log, we were not able to determine the average number of days from receipt to deposit. Internal controls are weakened by having the same employee with the subsidiary records handling receipts. A similar process is also used for the special permitting of exotic and non-game animals which receives \$160,000 annually.
- Aeroflex-Andover Airport, located within the Kittatinny Valley State Park, is operated by the Forest Fire Service. It serves as a general aviation airport and as a base for aerial forest fire observation and suppression. The facility has an aviation fueling station as well as hangars and tie-downs available for rent. During fiscal year 2003, receipts were \$140,000. We found receipts are forwarded to a regional office for deposit. This adds additional time delays before receipts are endorsed and deposited. Additionally, we found that receipts are collected by the same individual maintaining subsidiary records.
- The Bureau of Coastal Engineering, located in Toms River, receives checks from municipalities for their share of capital projects administered by the bureau. Checks are then forwarded to the Office of Trust Fund Management, located in Trenton, for deposit and recording on the state's accounting system. A check log, recommended

as a result of a prior audit, was only initiated during our current engagement. We noted that three checks totaling \$1.3 million were recorded in the check log, but an average of ten days elapsed between receipt of the checks in Toms River and deposit by the Office of Trust Fund Management.

Non-compliance with Treasury Circular Letter 94-24-OMB increases the risk of checks being lost or misappropriated and results in lost investment earnings. In addition, individuals receiving funds are the same employees that maintain the subsidiary records. These are incompatible duties.

We further noted that the department's Office of Federal Grants Management is responsible for preparing federal reimbursement requests. Expenditure information is accumulated on the department's financial reporting system which is reviewed by department personnel and serves as the basis for requesting reimbursement from the federal government. As of November 2003, our review of federal grant revenues indicated that the office requested \$4.5 million on \$5.4 million of fiscal year 2003 disbursements. Therefore, the state lost investment earnings on \$900,000.

Recommendation

In order to comply with Treasury Circular Letter 94-24-OMB, processing procedures need to be revamped. The organizations should consider:

- Having receipts remitted directly to the unit which deposits the funds with notification sent to individual field offices.
- Instituting a mail log to separate applications and reports from payments upon receipt.

We also recommend that the department increase the frequency of reviewing federal expenditure information to enable it to request funds when earned.



Dam Inspections

Backlog of dam inspections poses a public safety risk.

One of the primary duties of the Natural Resources Engineering organization is their monitoring of dam inspections required by N.J.S.A. 58:4-8.2. The Bureau of Dam Safety and Flood Control accounts for 1651 dams that are classified into various categories. Based on that classification the owner is required to have a periodic regular or formal inspection performed by a licensed New Jersey professional engineer. A regular inspection involves a visual inspection while a formal inspection is much more involved. Our test of the timeliness of inspections disclosed 954 inspections have not been completed by the owners in a timely manner and 272 of those are categorized as Significant or High Risk dams which require inspection at least every 2 years. We noted that 172 of the Significant or High Risk dams with past due inspections were last completed in calendar year 2000. The remaining 100 dams were last inspected prior to 2000. Without properly completed and timely inspection reports, the bureau cannot be certain as to the quantity and extent of damaged dams. Completed inspections would note problems that dam owners need to address to prevent more serious issues from arising which could pose a risk to property and public safety. This information is also vital in order to prioritize and allocate funds from the \$200 million Dam Repair bond issue approved in November 2003.

Recommendation

We recommend that Natural Resources Engineering increase enforcement efforts to ensure that timely

inspection reports are completed and serve as a basis for required corrective action.



Farmland Assessment Act Inspections

Woodland
Winspections
should be completed
timely.

The Farmland Assessment Act of 1964, N.J.S.A. 54:4-23.1 et seq. was enacted to preserve agricultural lands and open space. In 1986 the Farmland Assessment Act was amended, redefining the criteria by which some woodlands qualify for significantly reduced taxation. Woodland owners must have an initial Woodlands Management Plan which can cover up to 15 years. In addition, the woodland owner is required to annually file forms with their local tax assessor and appropriate regional Forest Service office to qualify for a reduced assessment. The initial plan and subsequent applications must be attested to for compliance by a department-approved forester. Additionally, there is a requirement that the Commissioner of the Department of Environmental Protection or his representative inspect the property of all initial applications within the first three years, and then at least once every three years thereafter. This is to monitor compliance with the Woodlands Management Plan and to verify the information reported. If there was a change in use, for example the property was developed, then property taxes would be assessed for the current year plus a rollback for the two previous years.

Our audit found that inspections are not performed as required by statute. We noted that the Forest Service has six employees whose job duties include these inspections. For tax year 2003, completed inspections totaled 298 of 3,885 woodlots covering approximately 240,000 acres. Findings of non-compliance were noted in 31 of 298 inspections. Based on the ratio of woodlots to inspections, it would take 13 years before each woodlot would be inspected. In the event that a landowner is not

meeting the conditions as outlined in their woodlands management plan, the landowner is obtaining favorable tax treatment for a time period exceeding the rollback.

Recommendation

We recommend that the Forest Service increase the frequency of inspections in accordance with the provisions of the program or seek legislative change allowing them to rely on the attestations of the approved foresters which could be monitored by the division.



Exotic and Non-Game Animal Permitting

Program's low priority status results in lost revenues and poses a potential public safety issue.

In accordance with N.J.A.C. 7:25-4, individuals purchasing animals classified as exotic are required to obtain a permit. The primary purposes of this regulation are to help the Division of Fish and Wildlife protect the public by tracking information useful to prevent the spread of human communicable diseases, to enforce responsible ownership, and to protect the animals. At the original point of sale, individuals should complete a form which serves as a temporary 20-day permit. During the temporary permit period, they should complete the application provided by the seller and remit it with appropriate fee to the Division of Fish and Wildlife. The fees range from \$10 to \$20 annually per individual hobbyist. Annual renewals are sent out to hobbyists on record by the division. The current division database lists 8,000 individual hobbyists which the division admits might only represent a small percentage of those individuals that should have a permit. Currently, there is one employee responsible for maintaining the individual hobbyist database including updating and renewal functions. The store copies of temporary permits are received at a separate location with no follow-up performed to determine if individuals are properly applying for a

permit. The division's enforcement unit has not involved itself with the individual hobbyists due to the low dollar amount of the individual permit. We estimated that there were in excess of 20,000 temporary permits issued, which were never converted into annual permits, resulting in approximately \$300,000 in lost revenues to the program.

Separate permits and fees are required for pet shops, breeders, exhibitors, and other categories. As of September 2003, there were 850 of these other permits issued. A review of the database used for all categories other than individual hobbyists, also maintained by one employee, indicated that only ten inspections were performed during the period January 2002 to August 2003.

During fiscal years 2002 and 2003, program revenues averaged \$163,000 per year while expenditures averaged \$270,000. Due to the conditions cited above, the program is not self-sustaining. In addition, insufficient monitoring has created an environment for additional safety risk to the public and also places the wildlife at risk.

Recommendation

We recommend the division implement a plan to increase revenues and make additional resources available for the program to meet its objectives. Increased enforcement efforts and point-of-sale permit processing are two potential methods to achieve these objectives.



Bonding of Hunting and Fishing License Agents

The chief source of funds received by the Hunters and Anglers Fund is the sale of hunting and fishing licenses. A system of 200 non-government agents ranging from large retailers to small bait shops

Agent bond amounts should be reviewed and revised.

collects fees, issues licenses and permits, and remits funds to the division. Additionally, they complete monthly sales reports along with an annual report which should be accompanied by unsold licenses and permits. For calendar year 2002, sales by non-governmental agencies totaled \$7.5 million. The division requires that agents provide a bond with a minimum amount of coverage of \$25,000. Our review of the bond amounts on file revealed the following:

- There is no relationship of bond amounts to agent sales. We noted bond to sales percentages that ranged from four times total sales to just over a tenth.
- Nine of 21 sampled files did not contain proof of a current bond. Of those, five files contained bond information over seven years old. Bond files did not agree with division data files in five cases and four of those represented decreases in the amount of bond. Additionally, we noted new agents with bond levels less than the division's \$25,000 minimum.
- Fifty-two percent of outstanding amounts currently being pursued by the division are not covered by bonds and the division has no procedures beyond the bond collection. There is a \$135,000 potential loss based upon one division schedule. Currently, the division maintains agent information on a computer database and a manual record. These two records were not in agreement and as a result there was no overall schedule of amounts outstanding that we could rely on for accuracy.

Good internal controls would include a review of the bond amounts in force to reduce the risk of lost revenues in the event of agent default. A complete and accurate schedule of agent balances outstanding is necessary to maximize the potential collections.

Recommendation

We recommend that the division perform periodic reviews of bond amounts to ensure revenues are adequately safeguarded. Furthermore, it should resolve the variances between its internal records. We also recommend it turn over balances remaining after exhausting potential bond collections to the Department of the Treasury, Division of Revenue for their collection program.



Procurement Procedures

The organizations continue to circumvent the provisions of the Treasury purchasing guidelines.

In prior audits, testing of the procurement of goods and services from non-contract vendors has indicated non-compliance with Treasury Circular Letter 00-13-DPP Direct Purchase Authorization. We selected 55 transactions from document types Direct Purchasing Authorizations, Low Dollar Orders or Low Dollar Contracts for testing and noted exceptions associated with 27 of the transactions including:

- Use of Direct Purchasing Authorizations and Low Dollar Orders for seven transactions to purchase items totaling \$5,500 available through the distribution center or a state contract.
- Three purchases totaling \$31,000 were split into six transactions to remain below circular letter bid requirement thresholds. Telephone quotations provided to support two of the purchases were duplications.
- Claims of sole source vendors and no substitution requests were processed without adequate support or required waivers. These four purchases totaled \$34,000.
- Duplicate payments made to two vendors totaled \$12,800. One of these payments in the amount of \$12,625 was noted and returned by the vendor.

In addition to the exceptions documented above, we noted DPA purchases of aviation fuel by the Forest Fire Service exceeded \$50,000 for each of the last three fiscal years. Treasury Circular Letter 00-13-DPP notes that DPAs are for purchases that are not recurring in nature. Therefore, the organization should seek the Division of Purchase and Property's assistance in soliciting a contract for the purchase of aviation fuel.

Despite prior assurances that the divisions are cognizant of Treasury Circular Letter 00-13-DPP and that its provisions and bidding procedures are strictly adhered to, the number of exceptions noted indicates otherwise.

Recommendation

We recommend that the Department of Environmental Protection implement procedures to ensure compliance with the bidding and procurement provisions of Treasury Circular Letter 00-13-DPP. In addition, the department should solicit the services of the Division of Purchase and Property in seeking a contract for future aviation fuel purchases.



Credit Cards

Use of retail credit cards should be discontinued.

Our review of expenditures noted payments made to vendors for goods purchased using retail credit cards. For one vendor these payments averaged over \$100,000 per year for fiscal years 2001 through 2003. When the use of the retail credit cards was brought to management's attention they were not aware of the existence of these lines of credit and could not identify the cards' distribution nor produce department policies regarding their usage. The only authorized credit card for the purchase of goods is the P-card issued by the Department of the Treasury's Purchase Bureau. Other issues noted related to the credit cards included the following:

- Lines of credit were obtained without adequate authorization and included a variety of retail vendors.
- The fiscal unit made payment based upon register receipts submitted without receiving the actual credit activity statement. As a result, the department's fiscal unit was not aware of outstanding balances older than 30 days which totaled \$650.
- Credit limits ranged from \$1,000 to \$22,500.
- In addition, other exceptions noted included the use of a card issued to a former employee, payment of sales tax, interest accumulating on past due balances, and circumvention of procurement policies.

The lack of controls creates a risk of misappropriation of state funds and non-compliance with Treasury Circular Letter 00-13-DPP .

Recommendation

We recommend that the department enroll in the only authorized credit card program for the purchase of goods which is the P-card issued by the Department of the Treasury's Purchase Bureau.



Bureau of Law Enforcement

Telephone Reimbursements

T e l e p h o n e
r e i m b u r s e m e n t s
s h o u l d b e m o n i t o r e d
m o r e c l o s e l y .

The Division of Fish and Wildlife, Bureau of Law Enforcement provides the means to contact their conservation officers on a 24 hour basis. Each officer receives a pager, communication radio, and is eligible for reimbursement of telephone expenses. The telephone expenses can be both land-based and cellular service. Our previous audit noted there was not an operating procedure in place to distinguish

between costs eligible for reimbursement and those not eligible. The division since established a standard operating procedure and we included a review of compliance with the procedure during our engagement. During fiscal year 2003, conservation officers were reimbursed over \$20,000 for telephone expenses, with reimbursement totals ranging from \$30 to \$1,150 for an employee. A review of invoices noted various exceptions including reimbursement for ineligible costs, reimbursements in excess of policy allowance, and reimbursements lacking adequate supporting documentation. These exceptions indicated a lack of adequate monitoring prior to approval on the part of division supervisors. Without proper monitoring, including an overall evaluation of communications needs, the division may be wasting resources in this area.

Replacement Uniforms

Conservation officers and rangers are provided an initial uniform, valued at \$1,500. In subsequent years they are contractually entitled to a cash uniform allowance of \$1,435. During fiscal year 2003, maintenance allowances totaled \$61,705. In previous audits we reported that these positions were being provided replacement uniform items in addition to the cash allowance provision of their employment contract. The agency's response to the previous reports indicated that they agreed with the finding and would seek appropriate counsel prior to discontinuing the practice. The division could not provide any documentation that opinions were ever sought and the practice continues. Currently, a conservation officer is permitted to purchase up to \$300 worth of specialty and replacement uniform items in addition to his uniform allowance. Based on the number of conservation officers, this should cost a maximum of \$13,800. Our audit noted that the division expended over \$20,000 in this area during fiscal year 2003. In addition to still questioning the necessity to provide these additional

The division should seek a ruling which defines the uniform allowance.

benefits, we determined that the \$300 limitation was being exceeded. Lastly, we noted four vendor invoices that were either duplicated or slightly altered. Therefore, the controls over this program are not functioning.

Recommendation

The division should monitor telephone reimbursements more closely and consider placing a maximum on monthly reimbursement allowances. We recommend that the division obtain a ruling on the uniform allowance to ensure they are not providing additional benefits beyond contractual agreements. In addition, the division needs to increase its monitoring of purchases of non-uniform items.



Fixed Assets and Equipment Inventory

Our current review of the fixed asset and equipment inventory indicated that the system is not current as required by Treasury Circular Letter 91-32-OMB. Our sample testing noted the following exceptions.

- Seven of 17 items with a value less than \$20,000 observed during our field visits were not recorded on the equipment inventory list for the site visited.
- Six of 31 items valued less than \$20,000 selected from certifications sent to the individual facilities were not at the locations listed. Items relocated per the park's personnel were not adjusted on the certification returned.

This condition indicates that further monitoring of the fixed asset equipment inventories is necessary to identify losses.

**The department
should perform
i n d e p e n d e n t
verifications.**

Recommendation

We recommend that the division increase its monitoring effort over the asset inventories by performing independent verifications at field locations.





State of New Jersey

Department of Environmental Protection
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James E. McGreevey
Governor

March 29, 2004

Mr. Richard L. Fair
State Auditor
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Trenton, N. J. 08625-0067

Dear Mr. Fair:

Thank you for the opportunity to review and respond to the audit report regarding the Department of Environmental Protection, Natural Resource Management, for the period July 1, 2001 to November 30, 2003. We are pleased that the audit concluded that the financial transactions tested were indeed program-related, reasonable, and properly recorded in the State's accounting systems.

The Department would like to take this opportunity to respond to the findings and recommendations presented in the report in order to offer our planned corrective actions. I must also note that the audit coincided with an exhaustive review of Natural Resource Management functions, which was carried out by a DEP Task Force appointed in the fall of 2003. The specific goal of the Task Force was to conduct a comprehensive review of the structure, management, staffing, and responsibilities of the Division of Parks and Forestry. We will incorporate the audit recommendations with those decisions adopted by the Task Force in order to improve and strengthen all Natural Resource Management programs as we continue our proud history of conserving and enhancing our State's park and forest resources.

We have listed herein our specific responses to each finding and recommendation. While some responses may be lengthy, it is important to provide full disclosure of our planned corrective actions, where appropriate.

In closing, the Department accepts the findings and recommendations presented in the report and will strive to comply with those recommendations in order to safeguard the State's assets and interests. To that end, I have requested my Internal Audit Unit to provide appropriate follow-up relative to your recommendations and the implementation of our corrective actions identified in our response.

Sincerely,


Bradley M. Campbell
Commissioner

**DEPARTMENT OF ENVIRONMENTAL PROTECTION
NATURAL RESOURCE MANAGEMENT
AUDIT RESPONSE DOCUMENT**

State-Owned Property

The auditors recommended that the Department work with the Department of Treasury to establish a new database for land. We support this recommendation.

The Department has been working cooperatively with the Department of Treasury since September 2003 to develop a unified database. We are presently waiting for Treasury to provide tax parcel lists of properties reported by municipal tax assessors in Treasury's as being owned by our department or an unspecified state agency. Once received we will use that list to cross check against our property lists. Once this review has been completed, Treasury will use this list as an established reference point for how future data will be inputted.

State Marina Operations

The audit report addressed the financial differences between the Division of Parks and Forestry operated marinas (Leonardo and Forked River) and privately operated marinas. While we agree that these revenues were low in FY03, there are other factors to be considered.

The conclusion that “the cause for state operated marinas’ losses are a combination of low berth fees and high administrative costs” failed to consider the roles of the marinas in their fulfillment of the Division’s mission, the economic benefits of the recreational opportunities offered and the value of the interpretive outreach performed by the sites. Also, the Division of Parks and Forestry instituted a berthing fee increase that took effect in August 2003 that included an average increase of \$7.00 per foot at Leonardo and Forked River, which will be fully realized in FY04 recreational season. In fact, the present FY04 operating and salaries for Leonardo and Forked River State Marinas total \$611,055, which is the entire expenditure for FY04. However, revenue is currently at \$538,971, with additional revenue still to be generated before the end of FY04. It also appears the audit report may not have recognized during Leonardo Marina’s FY02 recreational season, that 40 berths were closed due to capital improvements. The marina experienced a 35 percent decrease in its revenue as well as the closing of the marina’s concessionaire operation during that time. At the end of FY04, the Division of Parks and Forestry will further evaluate the need for additional increases to berthing fees at the marinas if they operated at a deficit. The Division must assess and pursue necessary dredging of the berthing areas to maximize the potential to increase rents in slips where sedimentation causes problems at low tides.

If a fee increase is needed we will also address the inconsistency in the fee charge basis at the Forked River and Leonardo State Marinas.

As set forth in the State Park Service Administrative Code, there are two permit fee categories: pleasure seasonal berthholder permit fees and transient fees. The fees are based on per foot length overall. However, while the per foot overall length at Forked River specifically denotes the fee is based on applicable berth length for the pleasure seasonal berthholder permit fee and clearly specifies berth size under the transient category, that distinction was not made for the Forked River fees. Vessel size is specified under the transient fee category, while no distinction is made under the seasonal pleasure. Therefore, at Forked River we are charging by the boat size compared to the berth size being charged at Leonardo. This was an oversight when amending the fee schedule last year and basically continues what was in the previous Administrative Code. For consistency we will amend the Administrative Code to base the fee on berth size at Forked River at such time as we make other amendments to the State Park Service administrative code. The opportunity to do that is if the Department seeks an overall fee increase or a berthing fee permit fee increase above the CPI which would require rulemaking. An overall fee increase is presently under consideration, and as indicated previously, we will evaluate the need for additional berthing fees based at the close of FY04 if we continue to operate at a deficit.

For information and comparison purposes, below is the fee schedule for the berthholder permits at Forked River and Leonardo, and a sample of the fees charged at Senator Frank S. Farley State Marina managed by Trump Marina:

Forked River

Summer season (4/1 to 10/31)	\$52.00/ft length overall
Winter season (11/1-3/31)	\$18.00/ft length overall

Leonardo

Summer season (4/1 to 10/31)	\$55.00/ft. length overall
Winter season (11/1-3/31)	\$18.00/ft length overall

Transient fees are the same at both marinas:

Forked River – vessel based

Leonardo – berth size

	Daily	Monthly
40 feet and under	\$1.00 foot length overall	\$15.00 foot length overall
41 feet and over	\$1.25/foot length overall	\$20/foot length overall

Senator Frank S Farley (Trump managed)

Summer season (4/1 to 10/31)	20' slip/\$2519
	65' slip/\$7724

Year round (4/1 – 3/31)	20' slip/\$2936
	65' slip/\$9161

For comparison purposes, under the State's management, we are charging an average of \$53.50 per foot for pleasure seasonal at Forked River and Leonardo and at Senator Farley, Trump charges a fixed rate based on the slip size which when calculated averages \$125 per foot. For year round at Senator Farley, Trump charges \$146 per foot based on our calculations.

Office of Leases and Concessions/Leases at Wildlife Management Areas

We agree with the auditor's findings. The issue of expired leases, special use permits and rental abatements identified in the audit report was also raised internally and has been under review by the Department's Office of Audit and the State Auditor's office since December 2003. As a result of this self-directed review, the issues identified under the Office of Leases and Concessions, and leases at wildlife management areas will be addressed through several initiatives.

The initiative of assigning the administration of leases and concessions to a newly created office that reports directly to the Assistant Commissioner for Natural & Historic Resources will result in a coordinated process that will achieve consistency across programs.

The first stage of this coordination will be to identify and inventory all leases, special use permits, and concession agreements and make recommendations regarding extensions, evictions, and renewals as appropriate. Parks & Forestry has an established database that will be compared against existing files and further verified by communicating with individual park superintendents to determine that all leases have been identified. Fish and Wildlife is in the process of conducting a lease and special use permit inventory and establishing a database to capture this information. Concurrent to the inventory is the development of standard operating procedures regarding the approval and execution of leases and concessions to define the responsibilities of the Office of Leases and Concessions and the field staff in the administration of leases and concessions. Recommendations concerning outstanding payments, expired leases, and payment processing will be made at the conclusion of this process. In addition, the Attorney General's office is reviewing the statutes in relation to the existing lease process to determine the appropriateness of the process, and to ensure that there are existing authorities specific to rental abatements. The Department will amend lease language as recommended by the Attorney General's Office.

These combined initiatives will establish procedures for rent collection, rental abatement, and compliance with insurance requirements. It will also set forth a monitoring and enforcement process so that leases remain current, rent is collected timely and all lease requirements are fulfilled.

Aeroflex-Andover Airport –the auditor's findings that formal and new agreements at Aeroflex-Andover Airport should be negotiated by the Division of Parks & Forestry. The division has been working with these tenants to enter into lease agreements.

There are 53 aircraft storage permits issued of which 38 are tie-down spots and 15 are hangar locations. Of the 38 tie-downs, 34 agreements have been updated and 13 of the 15 hangar agreements also have been updated since the audit. The remaining agreements will be completed by April 1, 2004 or DEP will take enforcement action against the aircraft owners. Additionally, DEP is working with Treasury to develop specifications for a request for proposals for the three businesses operating at the airport facility.

Cash Management

License and Permit Fees - Fish & Wildlife's policy of keeping checks with permit/license applications until permits are issued will be amended to address this internal control weakness and ensure compliance with Treasury Circular 94-24-OMB. Upon receipt of permit/license applications, checks and/or money orders will be separated from the application, marked as paid and submitted to the Division's Revenue Bureau for deposit. The Bureau of Revenue will deposit all checks and/or money orders within 24 hours as required by 94-24-OMB. This process change will be applied to license and permit fees collected for the Hunters and Anglers Fund and for the special permitting of exotic and non-game animals.

Permits at field locations will be processed in the same manner. However, funds will be deposited daily at a local bank in a special account, and transfer of funds made remotely on a daily basis in accordance with Treasury Circular 94-24-OMB.

We agree that a check log is needed to accurately track the time between receipt and deposits for the approximate 5,000 checks Fish & Wildlife receives weekly. Given the amount of time it will take to log this volume of checks, Fish & Wildlife will explore no-cost options that will not impact staff's existing workload. We will identify proposed opportunities prior to FY05.

The OLS recommendation that receipts should be transmitted directly to the unit that deposits the funds does not appear to be feasible since payment must accompany the license/permit application in order to process the application. However, Fish & Wildlife will work with Financial Management to evaluate if such a change can be made.

An option we will explore that would reduce our handling of checks would be by offering payment by credit card when making permit applications by mail. This would reduce the volume of checks received, the time needed to log them in, as well as directing payment to the revenue account.

In addition, and the long-term solution that will address all these issues, is the proposed Point of Sale System (POS). Specifically, a POS will potentially eliminate the handling of all money by Fish & Wildlife staff since license and permits will be sold at vendor locations and payment made directly at the POS through credit cards.

Frequency of federal expenditure information – Financial Management response.

Parks & Forestry – Aeroflex – the auditors found that receipts for fuel, tie-downs and hangars from the Aeroflex Aviation facility are forwarded to a regional office for deposit causing additional time delays before receipts are endorsed and deposited. Additionally, they were concerned that receipts are collected by the same individual maintaining subsidiary records. We agree.

To reduce the deposit delay, DEP is working with Treasury to identify a local bank near the airport for revenue deposits. Additionally, the DEP initiated a personnel action to establish an Airport Manager position at the facility, which if approved would address the issue of the same individual collecting receipts also maintaining subsidiary records.

Receipts will be deposited locally, and the slips and support documentation sent to the division forest service office. The division office will generate the required reports and forward the documentation to the Trenton Office for processing the cash receipts. The division forest service office is scheduled to be relocated to Andover Airport by spring 2005.

Eliminating receipts at Andover and establishing an invoice system that directs payment to a central post office box in the Department’s financial management division is being considered. This method of collecting payment would resolve both of the identified internal control weaknesses. Payment by credit card would also eliminate the handling of cash as revenue would be directed to a State account.

Bureau of Coastal Engineering- During the audit it was discovered that a check log was not maintained at the Bureau of Coastal Engineering in Tom’s River where municipal reimbursement for shore protection projects are received. Also identified as an internal weakness was that an average of ten days elapsed between receipt of the checks in Tom’s River and deposit by the Office of Trust Fund Management.

During the course of the audit, the Bureau established a check log. To achieve compliance with Treasury Circular 94-24-OMB, the Division, in cooperation with the Department’s Division of Financial Management is considering a process for municipal reimbursements to be sent directly to the Office of Trust Fund for deposit. Also under consideration, is the establishment of an account at a local bank to deposit these funds.

Dam Inspections

The OLS audit identified that 954 inspections were not completed by dam owners in a timely manner and that 272 of these are categorized as Significant or High Risk. We agree that all inspections are not up-to-date. However, it is important to note that because of limited engineering and enforcement staffing, and our limited enforcement authority under the Safe Dam Act, the Department has been forced to prioritize its efforts in achieving full compliance with the Safe Dam Act and New Jersey Dam Safety Standards. The Department has focused its enforcement efforts on High Hazard and Significant dams. The majority of Class 1 (high hazard) dams have up-to-date inspection reports, and the Class II (significant) and Class III dam owners are under order to perform an inspection.

There are two Department actions that address these compliance issues. First, recognizing that in the majority of cases non-compliance is a result of lack of funds, the Department developed, promoted and successfully got passed a voter referendum that established a Bond Fund that provides loans to private and municipal dam owners to achieve compliance. In addition, as an enforcement incentive, the Department is proposing modifications to the Safe Dam Act to allow a more effective enforcement effort. The current law has limited the effectiveness of the Dam Safety program to complete its goal of total compliance.

Presently, enforcement provisions under the Safe Dam Act require resolution through the Superior Court. There is no legislative authority to issue penalties to dam owners who do not comply with the provisions of the Act. Therefore, the Department's enforcement ability is compromised. Under the Polluter Pays concept, the Department is proposing to amend our statutory authorities to include the ability to assess penalties in our regulatory programs where that authority is presently lacking. A penalty assessment would be a compliance incentive and improve the Department's enforcement ability.

Additionally, the Department has an established priority list for high hazard dam restoration projects that will be used under the new funding program from the 2003 Bond issue. The Department has sent a letter to all dam owners that has been referred to the Division of Law to advise them of the upcoming loan program. Should the owner not seek financial assistance for dam repairs those cases will be prosecuted under the existing statute.

Below is more detailed information related to the Department's program and status of dam inspections.

- New Jersey dam owners/operators are required to periodically inspect their dams under the supervision of a licensed professional engineer. The licensed professional engineers are private consultants or owner/operator staff.
- Large dams are structures that are more than 70 feet in height or store more than 10,000 acre-feet of water. Large dam owners/operators are by law required to have their structures inspected a minimum of once every year. A formal inspection is required every 3 years. Furthermore, these inspections require the presence of licensed engineer from the Department to accompany the owner / operator inspection team. All 34 of the large dams in New Jersey are deemed safe and in compliance with the Safe Dam Act and the New Jersey Dam Safety Standards.
- Class I dams (high hazard) are structures which, should they fail, would likely cause loss of life and extensive property damage. Class I dams are required to be inspected once every 2 years with a formal inspection every 6 years. Up to date inspections-163 of the 196 dams; approximately 50 need repairs. The Department has assessments of the 33 of the 196 dams without current inspections and is attempting to work with the

owners/operators to perform inspections and to achieve compliance. ***No high hazard dams are rated as unsafe.***

- Class II dams (significant hazard) are structures which, should they fail, would likely cause extensive property damage but are not envisioned to cause loss of life. Class II dams are required to be inspected once every 2 years with a formal inspection every 10 years. All of the 396 Class II dams in New Jersey are under order to perform an inspection. Up to date inspections-129 of the 396 dams; approximately 317 of the 396 dams need repairs. The Department has assessments of the 267 of the 396 dams that do not have current inspections and are attempting to work with the owners/operators to perform inspections and to achieve compliance. ***Two significant hazard dams are rated as unsafe.***
- Class III dams (low hazard) are structures which, should they fail, are not expected to cause property damage or loss of life. Class III dams are required to be inspected once every 4 years, although the inspection is not formal and does not require a detailed analysis. The majority of the approximately 1000 Class III dams in New Jersey are under order to achieve compliance. Up to date inspections- 438 of the 1000 dams; approximately 200 of the 438 need repairs. ***The Department has a very limited assessment of the 562 dams without current inspections and is not actively seeking compliance. None of 438 low hazard dams with current inspections are rated as unsafe.***
- ***The 114 dams owned by the Department have current inspection reports on file.*** The Bureau of Dam Safety and Flood Control, in conjunction with the Division of Parks and Forestry and the Division of Fish and Wildlife, perform these required dam inspections. Of the 14 high hazard dams, 9 need repairs. All 18 significant hazard dams need repairs. All 75 low hazard dams need repairs. ***No State-owned dams are currently rated as unsafe.***
- Owners/operators of all classes of dams are periodically reminded of their responsibilities under the Safe Dam Act and New Jersey Dam Safety Standards.
- Insufficient engineering and enforcement staffing and enforcement limitations of the Safe Dam Act has forced the Department to prioritize its efforts in achieving full compliance with the Safe Dam Act and New Jersey Dam Safety Standards. ***High hazard dams receive the first and most attention by the Department.*** The Department has established a priority list for high hazard dam restoration projects that will be used under the new funding program from the 2003 Bond Issue.
- ***The Department will propose modifications to the Safe Dam Act to increase the effectiveness of compliance and enforcement efforts- the addition of an administrative penalty provision.*** The current law requires that the Department pursue enforcement action through the Superior Court, involving the limited resources of the Attorney General's Office. This limits the effectiveness of the Dam Safety program to complete its goal of total compliance. The Department has sent a

letter to all dam owners that have been referred to the Attorney General's Office to advise them of the upcoming loan program. Should those owners not seek financial assistance for dam repairs, the Department will prosecute those cases under the existing statute- through the Superior Court. ***Currently, the Department has 40 cases referred to the Attorney General's Office; one case is in court.***

Farmland Assessment Act Inspections

The OLS audit found that inspections are not performed as required by statute. There is a financial impact to the municipality that in the event that a landowner is not meeting the conditions as outlined in their woodlands management plans, the landowner is obtaining favorable tax treatment for a time period exceeding the rollback. As a result, the auditors have recommended that the Forest Service increase the frequency of inspections. We agree that we need to increase the frequency of inspections, and support efforts to do so. However, we can not implement this recommendation without increased staff.

Woodland assessment inspections represent approximately one third of the workload associated with the Farmland Assessment program. The Forest Service is required to inspect all woodland assessed properties now covering approximately 248,000 acres once every three years. Currently, due to staffing limitations, less than a quarter of the annual quota of inspections is possible. The rest of the Forest Service's resources are focused on forest health and forest stewardship issues and the development of forest resource management plans for our State forestlands.

To achieve compliance, additional funding is needed. Therefore, I intend to meet with OMB at the end of April to discuss restoring general funds to this program to the legislature's original appropriation of \$150,000. Subsequent to the original appropriation in 1986, the Department's annual budget for this program has been reduced to \$75,000 and presently no appropriation exists dedicated to costs generated by this legislation. A \$150,000 appropriation is needed to enable the hiring of three full-time entry-level forester positions, the additional resources necessary to meet the annual woodland inspection mandate. Another option is to modify Chapter 201, P.L. 1986 woodland assessment amendment to provide for a \$75 inspection fee payable by the woodland owner. The funds would be used to maintain qualified full-time/part-time personnel whose primary function would be to perform woodland assessment inspections.

Exotic and Non-Game Animal Permitting

Fish & Wildlife is in agreement with the auditor's findings that there is lost revenue as a result of a lack of monitoring and enforcement. In FY03 only \$148,431 in fees was collected for the 9,000 hobby permits issued for the possession of exotic and non-game animals. This is a \$30,000 decrease from FY 02.

The division has already begun to explore opportunities to increase revenue. The point of sale system (POS) recommended by the Office of Audit has been under active development for the past two years with an increased focus in FY04. Utilizing a POS, clients would purchase a hobby permit at the time of purchase, which would eliminate the 20-day temporary permit and related permit application process. If implemented, a POS would generate an estimated \$400,000 to \$600,000 in exotic and non-game permit fees

associated with possession of exotic and non-game animals. The additional benefits of a POS would include proper monitoring of species possession, and the ability to enforce regulations. However, the exotic and non-game hobby permits will not be in the initial POS rollout. Therefore, while evaluating the future use of POS, the Division has identified that there is a need for regulatory amendments to the fee structure if we are to generate a consistent and reliable revenue source that sustains the program mandates. These amendments must and will occur regardless of POS.

The Exotic and Non-Game species rule amendment will focus on increasing revenue to a level that supports our mandates, establishing an administrative process that reduces our vulnerabilities related to cash management, improving permit compliance, and include an enforcement component. The established processes will be implementable with our without a POS.

Additionally, we will apply this same goal to the 850 permits Fish & Wildlife issues for exhibits, zoos, and scientific collection.

I anticipate publishing rule amendments in the New Jersey Register by December 2004.

Bonding of Hunting and Fishing License Agents

Audit findings indicate that there is no relationship of bond amounts to agent sales. In most cases total agent sales exceed the bond amount by the year-end. This does not mean that the current bond does not cover the initial allotment. Agents make payments throughout the year and order more licenses when their supply is depleted. This results in total sales accumulating to a much greater amount than the bond amount, but does not mean they have on hand more licenses than the bonds cover.

In the past, the Division issued additional licenses to agents that were delinquent in their monthly payment and even issued additional licenses to agents who were also delinquent in their year-end payments. This resulted in an agent owing the Division a much greater dollar value than their bond covered. We now do not issue current year licenses if an agent owes more than \$500.00 for the previous year account balance.

Please note that agents now sell deer permits but the Division has not increased bond amounts to cover both licenses and the new over-the-counter sales of permits. In this case, we agree that in most cases the bond amounts do not cover both licenses and permits. To rectify this, the Division is preparing to run a query of 2003 agent sales in dollar amounts by the end of FY04. These figures will be used to determine which agents need to increase their bond amounts. Once identified, certified letters will be sent to all the appropriate agents by end of CY04.

Corrective measures are also underway to address the lack of proof of bonds. Staff will begin the process of sending bond verification letters to the various insurance companies. They will track responses and, as necessary, follow-up with a second request. Upon failure of the insurance company to respond to a second request, the agent will be notified

to return all un-issued licenses and permits. A final reconciliation will be completed and, if necessary, a collection process will begin. Also agents will be monitored annually to make certain that bond amounts are sufficient to cover all licenses and permits issued during the year. We anticipate that this corrective measure will be complete by calendar year 2004.

The lack of agreement between the computer database and the manual records that existed during the audit, has been corrected. This situation was caused by a malfunction with the Hunters' and Anglers' Revenue of Conservation (HARC) system on the stockroom computer. The stockroom computer was not capturing data inputted by staff in separate workstations. This malfunction has since been corrected. The HARC system is still not a good system and unfortunately we will continue to have some inaccuracies until the Point of Sale system is implemented. The Point of Sale system is anticipated for implementation in mid-2005.

Procurement Procedures – Financial Management to respond to most issues

Parks & Forestry

The auditors reported that DPA purchases of aviation fuel by the Forest Fire Service exceeded \$50,000 for each of the last three fiscal years and recommended that the organization should seek the Division of Purchase and Property's assistance in soliciting a contract for the purchase of aviation fuel.

The Forest Fire Service (Service) purchases two types of aviation fuel, JP4 and 100LL-aviation fuel at two facilities. The JP4 fuel is for turbine aircraft and is used exclusively for Forest Fire Service aircraft. The 100LL-aviation gas is purchased for resale at the Andover-Aeroflex Airport. The Service's consumption of aviation fuel is under \$20,000 annually. The Service investigated developing an RFP for aviation fuel and discovered that an annual purchase of 100,000 gallons would be required for a refinery contract. The Service then researched a joint contract with other state agencies that use aviation fuel, but it did not generate sufficient interest. The Service solicits a minimum of three bids for each purchase of aviation fuel it purchases. The dollar amount of fuel purchased from every vendor is monitored in order to comply with Treasury requirements. However, we will work with the Division of Purchase and Property to establish a statewide aviation fuel contract for all state agencies.

Credit Cards

Parks & Forestry

We agree that the Department should enroll in the only authorized credit card program for the purchase of goods; the P-Card issued by the Department of Treasury's Purchase Bureau.

The State Park Service and State Forestry Service field offices utilize one retail credit card (usually Home Depot or Lowes) for purchases. There is oversight and purchase approval by the field and Trenton office staff. A monthly purchase limit has been established and is monitored for compliance. Lastly, the Division of Parks and Forestry did submit P-card applications to DEP's Management and Budget Office, but to date

none have been issued. Use of the retail credit cards will cease upon the issuance of the Department of Treasury's P-Card program.

Bureau of Law Enforcement (Fish & Wildlife)

Telephone Reimbursements – audit findings raised concern that there telephone reimbursements were authorized for ineligible costs, reimbursements in excess of policy allowance and reimbursements without supporting documentation.

Request for reimbursement varies with the staff depending on the individual officer's assignment, proximity to a regional office, and if the personal cellular phone is used for State business.

Although a policy for reimbursement limits was established, the Regional Supervisor has latitude to approve exceptions in specific instances. To correct this situation, the Division will revise the policy to address what specific exceptions are allowed and direct the Regional Supervisors to more closely review submissions for reimbursement.

It should be noted that Conservation Officers are not required, nor compensated for, 24 hour 7 days a week availability.

The auditors also recommended development of the Bureau's communication needs. This communication plan was developed and is the basis for our request and justification for State cellular phones, which would eliminate the reimbursement process, improve communication, enhance officer safety and reduce costs.

Replacement Uniforms - Article XXXIX of the Contractual Agreement with the Law Enforcement Unit for July 1, 1999 to June 30, 2003, which includes Conservation Officers, indicates the State agrees to provide a cash payment of \$1,435 for uniform maintenance. It has been a long standing policy (26 + years) that the Division provides a set amount, presently \$300 per officer, for replacement of initial uniform items and procurement of optional field items not initially provided to all Conservation Officers. Conservation Officers do not receive checks in this amount but order equipment off a list and the Bureau purchases the items. In all cases, \$300 may not be spent per officer per year.

Requiring officers to either obtain personally or repay the Division for uniform replacement items creates an administrative dilemma that may reduce our cash expenses but prove costly in effectiveness.

Uniform costs in fiscal year 2003 exceeded the \$300 per officer because the Bureau purchased new class A shirts, pants and hats for each officer. Since this was considered an initial uniform issue, the costs were not charged to the \$300 per officer annual allotment. The cost of these new uniforms was approximately \$8,900.

Fixed Assets and Equipment Inventory (Parks & Forestry)

Based on audit findings it was recommend that the division increase its monitoring effort over the asset inventories by performing independent verifications at field locations.

The Division of Parks and Forestry agree with the recommendation and is in the process of implementing a program to increase the monitoring on its fixed assets and equipment inventory in our field locations.