Office of the State Auditor
Audit Report
Department of Environmental Protection
Selected Programs
July 1, 1993 to April 30, 1995
# Department of Environmental Protection
## Selected Programs
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The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

We have completed an audit of the Department of Environmental Protection, Selected Programs for the period July 1, 1993 to April 30, 1995.

We found that the financial transactions included in our testing were related to the agency’s programs, were reasonable, and were recorded properly in the accounting systems. However, we did note areas where improvement is needed. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair  
State Auditor
Department of Environmental Protection
Selected Programs

Scope

We have completed an audit of the Department of Environmental Protection (DEP); Bureau of Parks, Bureau of Forestry, Division of Fish and Game, Office of Marina Operations, Office of Shellfish Management, Natural Resource Engineering, and Office of Hazardous Substance Control for the period July 1, 1993 to April 30, 1995. Our audit included financial activities accounted for in the state's General Fund, the Cultural Centers & Historic Preservation Fund (1987 Green Acres), the Hazardous Discharge Fund of 1981, the Hazardous Discharge Fund of 1986, the Hazardous Discharge Site Cleanup Fund, and the New Jersey Spill Compensation Fund.

Expenditures of the divisions during the twenty-two month audit period were $302 million.

The prime responsibilities of the Bureau of Parks, Bureau of Forestry, Division of Fish and Game, Office of Marina Operations, Office of Shellfish Management, Natural Resource Engineering and Office of Hazardous Substance Control are to provide opportunities for recreation and enjoyment of natural and historic resources, and promote a healthy and sustainable ecosystem.

During our audit period, revenues of the bureaus and divisions audited were $113 million. The major components of revenue were Hunters and Anglers license fees, federal funds, and direct billings of parties responsible for contaminated sites.

With the exception of the Office of Hazardous Substance Control, our scope was limited to the revenue functions performed by the divisions. The department has centralized recording procedures within the Bureau of Revenue which is audited separately.

Personnel testing was limited to interviews with field staff to ascertain their existence and verify that the duties they were performing coincided with the agency's programs.
Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency’s programs, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 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 and 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 control structure.

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 stratified and large dollar transactions were examined. Other transactions were randomly selected.

Field visits were limited to five state parks, one state forest, three wildlife management areas, and one contaminated site under remediation.

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

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

We also found that the agency has resolved the significant issues noted in our prior report except for the matter related to land assets. This issue has been updated and restated in this report.

Details of our findings and recommendations follow.

Land Assets

Finding

Our audit of the Department of Environmental Protection, Natural and Historic Resources, July 1, 1990 to February 29, 1992, cited a difference in the fixed asset list submitted by DEP to the list published by The Department of the Treasury, Office of Management and Budget (OMB) in the New Jersey Fixed Asset System (NJFAS). As a result, an attempt was made to reconcile the lists, but negotiations lapsed in May 1993, citing the impending installation of the Comprehensive Financial System (CFS) as the reason for not reaching a solution.

There is a variance of $5.9 million between the DEP and OMB valuations of land parcels, and DEP has not certified the land portion of the NJFAS for the last four years. The system maintained by the Bureau of Real Property Management (RPM) does not agree with either DEP or NJFAS.

Recommendation

We recommend that DEP, OMB and RPM resume their efforts to reconcile the DEP Land Asset list to the satisfaction of all concerned in order to fairly and accurately present the state’s assets.
Assets Between $1,000 and $20,000

Finding

The Bureau of Central Services and Property Management’s fixed asset inventory system is not current, as required by Treasury Circular Letter 91-32.

The inventory is not updated timely when new assets are purchased and when equipment is retired to surplus. This increases the opportunity for loss and theft.

Recommendation

We recommend that the department comply with Treasury Circular Letter 91-32. An equipment inventory that is updated on a regular basis is required.

Ferry Contract

Finding

A contractual agreement exists between the Division of Parks and the Port Imperial Ferry Corporation to carry passengers between Liberty State Park and New York City. Terms of the contract require Port Imperial Ferry to submit:

< Monthly payments and revenue statements.

< Certified independently audited revenue statements at year end-September 1994.

Neither of these conditions has been met. Only one payment in the amount of $846 was made in January 1995 for calendar year 1994. The required detailed and sworn revenue statements were not remitted as of the close of our field work.

Recommendation

We recommend that the Bureau of Parks require contract compliance by the Port Imperial Ferry Corporation.
Calculation of Surcharge Revenue

Finding

Public Law 1990, Chapter 78 (N.J.S.A. 58:10-23.11h) established a surcharge of $.0025 per barrel of hazardous substance subject to the Spill Compensation Tax. The revenue generated by this surcharge is to be used to fund a program to prevent the discharge of hazardous substances.

The Division of Taxation, which collects the Spill Compensation Tax revenue, has not reported to DEP the actual amount of surcharge revenue that has been collected each year because it has not established a procedure to determine the funds raised by the surcharge. The division provided estimates of the surcharge revenue to DEP for fiscal years 1991 and 1992, but has not reported thereafter. DEP personnel estimated the surcharge revenue collected in fiscal years 1993 and 1994 based on the methodology used by Taxation. However, this methodology overstated the amount of the surcharge revenue because it is based on incorrect assumptions about the way in which the surcharge was paid.

In fiscal year 1995, the Division of Taxation began reporting the actual number of barrels of hazardous substances that were transferred. Our comparison of these fiscal year 1995 totals to the estimates for the prior years indicated that the estimates overstated annual surcharge revenue by $1.7 to $1.8 million. As a result, DEP transferred more Spill Compensation funds than required to its Discharge Prevention, Control and Countermeasure (DPCC) program.

Recommendation

We recommend that the Department of Environmental Protection transfer the balance in its Discharge Prevention, Control and Countermeasure reserve account to unrestricted Spill Compensation accounts.
Purchase Procedures

Finding

The Division of Fish and Game and the Division of Parks circumvented Department of the Treasury, General Service Administration purchasing regulations. The Division of Fish and Game during fiscal year 1994 split five purchases into 19 invoices each less than $150 in order to avoid price competition.

In the Division of Parks, Spring Meadow Golf Course split the job of painting several buildings at the site into eight separate jobs, none over $2,500, to avoid obtaining sealed written quotations. Telephone quotations were taken, and one vendor who was listed as low bidder was awarded all the jobs.

Recommendation

We recommend that both divisions comply with the purchasing regulations and obtain price competition when required.

Clothing Allowance

Finding

The current three year union contract provides each ranger and conservation officer with an average clothing allowance of $1,335 annually. The state is responsible for supplying the initial uniform issue to new employees. The clothing allowance is for uniform replacement and maintenance.

The Department of Environmental Protection is purchasing Division of Parks and Forest rangers’ and Division of Fish and Game conservation officers’ replacement uniforms in addition to their above clothing allowance at a cost to the state of $46,000 annually. The additional clothing purchases have continued for a number of years, with the authorization of management.

Recommendation

We recommend that the department discontinue its practice of purchasing uniform items beyond the union contract requirements.
Allocation of Expenses

Finding

The Department of Environmental Protection maintains a cost allocation system for the purpose of charging federal and fee programs their share of direct and indirect costs. Since the inception of the new accounting system, the cost codes reflect the current account numbers.

Because employees who process payments are instructed to pay invoices and charge whichever accounts have sufficient funds, the charges are not reflected in the correct cost centers and therefore are not charged to the correct programs. For example, a cost report ‘Operating Expenses for Division of Parks by Cost Center’ listed fuel and utility costs of $42,000 for the Walt Whitman House. Upon examination of the actual billings, the actual cost was $200. The remainder was for various other parks and historic sites. We found numerous instances of charges being made to the incorrect object, program and organization. There are also many employees being paid from one cost center and working at another.

Recommendation

We recommend that the department maintain a cost system that accurately reflects the costs of each cost center, enabling management to monitor their cost centers.

Monmouth Battlefield Leases

Finding

Three land lease agreements at Monmouth Battlefield expired in 1973, 1979 and 1983. A holdover clause exercised by both parties allows the tenant to farm the property at the previous terms and conditions. The rents have been increased once by verbal agreement by all parties pending new written leases. We further noted that liability coverage has not been increased since the original lease agreement.

Recommendation

We recommend that the department execute and maintain timely lease agreements that contain current rents and reflect realistic insurance liability coverage.
Appropriation Accounts

Finding

Some employees in the Site Remediation program have been paid from the incorrect appropriation account. Our sample of thirty employees disclosed five instances where an individual worked in one division within the Site Remediation program but was paid from the other division’s appropriations. There was no subsequent effort to adjust salary charges to the proper account for these employees.

When employees are paid from one division’s appropriations but work in another division, there should be a procedure whereby salary charges are adjusted to reflect actual costs, at least on an annual basis. If this is not done, the salary accounts will not reflect actual expenditures.

The Site Remediation program has identified all those individuals and positions that are currently being paid from improper accounts. They have forwarded a list of proposed position funding changes to the Office of Management and Budget and requested that the accounts be corrected.

Recommendation

We recommend that the position funding changes proposed by the Site Remediation program be implemented by the Office of Management and Budget.
Recording and Depositing Revenue

Finding

Revenue received for the site remediation program and the Hunters and Anglers license fees is not being deposited in a timely manner, nor is the site remediation revenue being recorded timely on the state’s financial system. State Treasury Circular Letter 94-24 states that ‘agencies are to ensure that all moneys are deposited on the same day as received, and that entries of revenues into the State financial system are to have dates that are consistent with the actual bank credit date to the State Bank account.’

Our tests revealed the following:

C 41 our of 43 sample site remediation revenue items totaling $1.2 million were not deposited on time, ranging from one to ten days late;

C 21 out of 21 sample Hunters and Anglers Fund revenue items totaling $1.4 million were not deposited on time, ranging from four to 19 days late; and

C 48 out 49 site remediation revenue items were not posted to the financial system (NJCFS) at the time of deposit. Instead, they were posted from one week to two months after they were deposited.

The untimely deposits result primarily from the number of procedures involved in the depositing process. Much of the revenue is collected by units within the programs, where it is recorded and then delivered to the Bureau of Revenue, which is located in the Division of Financial Management and General Services. The Bureau of Revenue, which also receives checks directly, verifies the checks delivered from other units and encodes remittances before it is ready to deposit the funds. In regards to the untimely posting of site remediation revenue to NJCFS, Bureau of Revenue personnel did not appear to be aware of the requirements of the circular letter as they relate to the posting of revenue.

Untimely deposits result in potential lost interest income for the state and increase the risk of lost or misappropriated funds. The state’s monthly revenue reports did not provide an accurate record of the revenue collected by the DEP Site Remediation program because of the untimely posting to NJCFS.
Recommendation

We recommend that:

< the department require that all checks be submitted to a central location; and

< Bureau of Revenue personnel be instructed to deposit and record all revenue in compliance with the terms of Circular Letter 94-24.

Time Sheet Submission

Finding

Time sheets for park employees are prepared prior to the end of the pay period. In order to transmit the original time sheets to the central office, time sheets are prepared from one to eight days early and forwarded to the parks regional office or directly to the division personnel support unit. This practice increases the potential for abuse of time and precludes management’s ability to correctly monitor leave time.

Recommendation

We recommend that the department develop a time reporting policy and implement procedures that allow for accurate and timely reporting.
Overtime Approval

Finding

There was insufficient control over the reporting and approval of overtime in the Division of Publicly Funded Site Remediation’s Bureau of Construction, which incurred approximately 3000 hours of overtime in 1994.

The Division of Publicly Funded Site Remediation requires that an overtime budget be pre-approved by the division director for each construction site. These budgets cannot be exceeded without prior approval. We found three instances, out of twenty, where actual overtime hours exceeded the budgeted hours. In addition, there was no evidence of approvals from the division director for five of six revised budgets. Bureau records of approvals for additional overtime were maintained informally and were discarded in preparation for the bureau’s move to the DEP building.

Our tests of overtime time sheets revealed that there was inadequate supporting documentation for two of the three Bureau of Construction employees included in our sample. The site log books maintained by these employees did not support the overtime reported on their overtime time sheets. These discrepancies were not discovered because the construction managers’ supervisors do not require any documentation of overtime worked before approving their employees’ time sheets.

These weaknesses have resulted in a loss of management control over the use of overtime within the Bureau of Construction at a time when the department is attempting to reduce the use of overtime. It is also possible that the department has paid for overtime which was not worked.

Recommendation

We recommend that the Bureau of Construction maintain records of all overtime approvals by the division director and that it more closely monitor the use of overtime. In addition, bureau supervisors should require documentation of the overtime hours reported by their employees.
Site Remediation Audits

Finding

Audits of Site Remediation contracts are not being performed in a timely manner by the DEP Office of Audit. As of April 1, 1995, there were 19 projects that had been referred for audit that had not been completed for at least one year.

The Division of Publicly Funded Site Remediation hires outside contractors to perform remedial investigations and cleanups of those sites where responsible parties have not been located. Many of the contracts that are negotiated are cost plus fixed fee rate contracts, in which labor rates, an indirect cost rate, and a profit percentage have been approved instead of a lump-sum amount for the entire contract. Final payments are not made to the contractors until an audit of the contract has been completed by the Office of Audit.

Our review revealed that the site remediation audits have not been completed for various reasons, including the following: difficulties in auditing contractors’ indirect cost rates and in reconstructing contractors’ cost records, and lack of sufficient staff.

As a result, these 19 contracts have not been closed out and the contractors have not received their final payments. This has a negative impact on the administration of the Site Remediation contract process. It is possible that it will become more difficult to attract and maintain qualified contractors for the state’s Site Remediation program. The delays in performing these audits make it more difficult to obtain the information required to complete the audits.

Recommendation

We recommend that:

- site remediation contractors be required to submit indirect cost plans and make supporting documentation available to the auditors;
- Office of Audit perform interim work on long-term projects; and
- resources for performing site remediation audits be increased, either by adding to the staff of the Office of Audit or by hiring external auditors to perform some of the audits.