



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

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**Department of Environmental Protection  
Natural Resource Management**

July 1, 2007 to September 30, 2009

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*New Jersey State Legislature*

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR  
125 SOUTH WARREN STREET  
PO BOX 067  
TRENTON NJ 08625-0067

---

ALBERT PORRONI  
*Executive Director*  
(609) 292-4625

OFFICE OF THE STATE AUDITOR  
(609) 292-3700  
FAX (609) 633-0834

STEPHEN M. EELLS  
*Assistant State Auditor*

THOMAS R. MESEROLI  
*Assistant State Auditor*

The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Environmental Protection, Natural Resource Management for the period of July 1, 2007 to September 30, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink that reads "Stephen M. Eells".

Stephen M. Eells  
Assistant State Auditor  
December 28, 2009

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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 for the period July 1, 2007 to September 30, 2009. The audit included 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, Natural Resources Engineering, and the Palisades Interstate Park Commission. The primary responsibilities relating to these programs are to provide recreational, historic and natural resources, and to manage and protect the state's forest, fish and wildlife resources. Expenditures for fiscal years 2008 and 2009 were \$143 million and \$131 million, respectively. Revenues for fiscal years 2008 and 2009 were \$57 million and \$55 million, respectively. The major sources of revenue are hunter and angler licenses, local contributions for shore protection projects, and park management fees.

### *Objectives*

The objectives of our audit were to determine whether the financial transactions were related to the 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 report dated April 30, 2004.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, 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. Additional guidance for conduct of the audit was provided by *Control Objectives for Information and Related Technology (CobiT)* issued by the Information Technology Governance Institute. In

preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies and procedures 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 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. Transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action taken by the agency and walked through or performed tests to determine if the corrective action was effective.

### *Conclusions*

We found that the financial transactions included in our testing were related to the 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. Since our prior audit, the agency has taken steps to have their leases recorded on the Department of the Treasury Land and Building Asset Management (LBAM) database system, but many of the leases have expired and have not been updated for their current terms. The agency has also increased marina berthing fees, but the marinas still need to be subsidized by state appropriations. We also noted improvement in the area of dam inspections; however, the timeliness of inspections for high and significant hazard dams remains an issue. The agency has also entered into rental agreements for

the Aeroflex-Andover airport; however, they have not kept these agreements current. These matters and issues relating to exotic wildlife permitting, credit cards, cash management, and fixed assets and equipment inventory have been updated and restated in this report.

## Office of Leases

**Lease agreements and insurance coverage should be kept current. Controls for rental income need to be established.**

The Office of Leases is responsible for handling all leases for the Division of Fish and Wildlife and the bureaus of parks and forestry. There are a variety of lease agreements including the leasing of land for agricultural use, historical structures, cottage and dock rights, residential properties, and marinas and agreements for easements and pipeline crossings. Tenants are required to sign a lease agreement, make their required lease payments, and maintain current comprehensive liability insurance naming the state as co-insured. In some cases special use permits are being utilized until a lease agreement is obtained. Our prior audit noted rent abatement concerns, the existence of expired leases, and tenants who did not maintain the required liability coverage.

The Office of Leases has complied with our recommendation concerning rent abatement issues and has focused on verifying and maintaining an inventory of their leases by working with the Department of the Treasury to record all their leases on the Land and Building Asset Management (LBAM) database system. Our current audit found that 112 of the 236 leases recorded on LBAM are expired. The tenants of these expired leases occupy the premises legally as holdover tenants and the agency continues to collect rent from these tenants. Twenty-two of 28 lease files reviewed did not contain a current certificate of liability insurance. In addition, 17 of 28 leases tested did not contain documentation to ensure that fair market rent has been charged. These 17 leases represent part of the backlog the agency is trying to update. The Office of Leases has been working with the Office of the Attorney General to rectify some of these issues; however, it has been a slow process. We also found that the Office of Leases does not have a system that can easily determine the rent receivables. They are working with the Department of the Treasury to develop a billing and collection system in LBAM and expect a pilot program to begin by the end of fiscal year 2010. The weaknesses identified

increase the risk of lost revenue 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 Office of Leases bring all expired leases up-to-date, request current liability insurance documents, and establish a system to monitor future compliance and to ensure rental rates are reasonable. We further recommend that the office continue their efforts to implement a centralized billing and collection system which would ensure rental payments are timely.

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**State Marina Operations**

**State-operated marina revenues are not covering operating expenses.**

The state owns six marinas. Three marinas (Senator Frank S. Farley, Liberty Landing, and Fortescue) are leased and operated by private vendors. The remaining three (Forked River, Leonardo, and Island Beach) are state operated. Our prior audit found a net deficit for the two state operated marinas at that time exceeding \$300,000 per year which had to be subsidized through state appropriations. With the addition of the third state operated marina at Island Beach, we now find that in fiscal year 2008 the three state owned marinas operated at a net deficit of \$400,000. The department has raised its berthing fees several times since our last audit yet the operating costs still exceed revenues. Management has indicated that substantial improvements to the infrastructure of the marinas would have to occur in order to enhance revenues.

In addition, for three consecutive years, one leased marina has been a year late in paying their year-end percentage rent due which has averaged \$282,000 per year. Once this was brought to the agency's attention they took action to develop a payment plan to recover the amount due.

*Recommendation*

We recommend that the agency evaluate the state operated marinas for a course of action to bring revenues in line with administrative cost or consider outside management of the marina facilities. They also need to monitor the terms of the leased marina agreements to ensure timely receipt of amounts due.



**Dam Inspections**

**E**nforcement efforts need to be improved to ensure that dam owners comply with inspection requirements.

One of the primary duties of Natural Resources Engineering is to monitor dam inspections required by the Dam Safety Standards, N.J.A.C. 7:20. The Bureau of Dam Safety and Flood Control has identified 1,724 dams that are classified into various categories.

<b>Dam Classification</b>	<b>Inspection Cycle</b>	<b>Number of Dams</b>
High Hazard-Large	1 year	33
High Hazard	2 years	182
Significant Hazard	2 years	345
<b>Subtotal</b>		<b>560</b>
Low Hazard	4 years	1164
<b>Total</b>		<b>1724</b>

Based on classification the owner is required to have a periodic inspection performed by a licensed New Jersey professional engineer. Our prior audit noted 48 percent of the high and significant hazard dams were past due on their inspections. We noted improvement in this area as 32 percent of the high and significant hazard dams were past due on their inspections. Seventy-four of these dams were more than one year past due on their inspection. These dams are required to be inspected at least every two years. The absence of timely inspections prevents the bureau from assessing the extent of damaged dams in the state. These inspections would note problems that dam owners may need to address to

prevent issues from arising which could pose a risk to property and public safety. The bureau can and has issued administrative orders in order to encourage dam owners to comply with the inspection requirements; however, there does not appear to be a definitive procedure to determine which dam owners will be issued these orders. The bureau has informed us that future procedures will include the use of a notice of violation and offer of settlement (NVOS). The NVOS will require the noncompliant dam owner to submit an inspection report within 60 days of receipt. If the owner fails to comply with the NVOS, the bureau will have the authority to initiate further action against the owner, and as a last resort, the issue will be forwarded to the Office of the Attorney General for resolution.

***Recommendation***

We recommend that Natural Resources Engineering increase enforcement efforts to ensure that inspections and any required corrective action is timely. They should also develop a systematic process for the issuance of administrative orders, and notice of violations and offer of settlement.

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**Exotic and Non-Game Wildlife  
Permitting**

**Permitting  
requirements should be  
enforced.**

In accordance with N.J.A.C. 7:25-4, individuals purchasing animals classified as exotic are required to obtain an annual permit. The purpose of this regulation is to help the Division of Fish and Wildlife protect the public by tracking information useful to prevent the spread of infectious 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 the appropriate fee to the Division of Fish and Wildlife. The fees range

from \$10 to \$20 annually per individual hobbyist. Annual renewals are sent to the hobbyists on record at the division.

Our prior report noted that there was no follow up on temporary permits to determine if individuals were properly applying for the permit and the enforcement unit was not involved due to the low dollar amount of the permits. That report estimated over 20,000 temporary permits that were not converted into annual permits resulting in approximately \$300,000 of lost revenue. For calendar year 2008 we reviewed 118 temporary permits and could only trace 13 to the permit database. We could not determine the actual number of temporary permits because they are not pre-numbered and are not counted by the division. Based on an estimate of 36,000 temporary permits issued in calendar year 2008, we estimate lost revenue of over \$300,000 due to individuals not obtaining the required permit.

***Recommendation***

We recommend the division implement a plan to enforce permitting to ensure compliance with regulations and tracking of exotic pets. They could seek a regulatory change to allow for permitting at the point of sale rather than using temporary permits.

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**Aeroflex-Andover Airport**

**Rental agreements,  
liability insurance  
certificates, and revenue  
controls are needed.**

The Aeroflex-Andover Airport, located within the Kittatinny Valley State Park, is operated by the Bureau of Forestry, 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. Our prior audit noted that there were no rental agreements.

Currently there are 49 rentals (hangar-9, tie-downs-37 and business rental-3) at the airport which generate about \$80,000 of rental income.

The tenants are required to enter into rental agreements. A review of tenant files found that only two of the 45 tenants had a current rental agreement. Sixteen had no agreement on file and 27 had expired agreements. We also found that 42 of the 45 had either an expired certificate of insurance or no certificate on file. Terms of the rental agreement specify that liability insurance must be maintained throughout the term of the agreement. Lack of management oversight of rental agreements and insurance could leave the state vulnerable to litigation in the event of an accident at the facility. Our review of the rental subsidiary records for January to August 2009 noted that 22 tenants made late rental payments. Receipts are collected at the airport by the same individual that maintains the subsidiary records. Proper controls would segregate these duties. We performed audit procedures to verify collection of the rental payments.

***Recommendations***

We recommend that management obtain rental agreements and certificates of insurance from all tenants. They should also segregate the cash receipt and record keeping responsibilities.

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**Electronic Licensing System**

**P**olicies and procedures should be adequately documented.

The Division of Fish and Wildlife (DFW) transitioned from a paper based licensing system to the Integrated Electronic Licensing System (IELS) in 2006. The IELS, which is owned and operated by an outside vendor, allows for the electronic purchase of hunting and fishing licenses and permits through local retail establishments and at DFW's web site. The application has helped DFW achieve increased efficiencies in the monthly collection and reporting of vendor sales. Our review of controls of the application disclosed that the DFW does not have written documentation of several components. Proper information technology governance requires that there be adequate

supervisory practices to ensure that roles and responsibilities are properly assessed, and that documented processes and administrative policies and procedures are in place for all functions. Personnel changes occurring after conversion to the IELS and staff constraints have impeded the completion of the documentation. Our review noted the lack of documentation in the following areas.

- The division does not have a documented contingency plan in place to cover procedures that would be necessary in the event that the division would have to revert to a manual process of issuing licenses.
- The division does not have documentation that details critical procedures, processes, and policies necessary for the automated issuance of hunting and fishing licenses.
- There are no procedures or policies requiring annual verification that the level of access to the application for division users is appropriate and necessary for their job duties and responsibilities.

Without adequate documentation the division may have difficulty managing the IELS application should there be a loss of critical personnel and access to the application may be granted to individuals without a valid business purpose. In addition, the lack of a fully documented contingency plan could impede the division's ability to quickly continue to issue hunting and fishing licenses if there was a loss of the IELS processing capabilities.

### ***Recommendations***

We recommend that the division assign sufficient resources to complete the documentation as soon as possible.

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## Procurement Procedures

**The use of hold checks should be discouraged.**

During our expenditure testing we found that the agency was utilizing hold checks on a regular basis. Our testing disclosed that a hold check was used for 10 of the 45 transactions tested. The Department of the Treasury Circular Letter 94-17-OMB specifies valid reasons for requesting that a check be held. Only one of the transactions tested satisfied that requirement. An analysis of the agency's fiscal year 2008 transactions found that 728 hold checks were requested totaling \$3.4 million. In fiscal year 2009 there were 629 hold checks which totaled \$4.7 million. The use of hold checks unnecessarily increases the risk of a lost or stolen check.

### *Recommendations*

We recommend that the procurement unit deny requests for a hold check unless a valid reason according to the circular letter is provided.

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## Credit Cards

**Use of retail credit cards should be discontinued.**

Our prior audit noted payments made to vendors for goods purchased using retail credit cards rather than the P-cards issued by the Department of the Treasury. Management has not ensured that this practice of using vendor credit card was discontinued. During our expenditure testing we identified eight credit accounts with five vendors. There are three accounts that are inactive. There are six accounts with outstanding balances totaling \$1,221. One bureau within the Division of Fish and Wildlife has 14 Home Depot cards spread between three regional offices. This lack of control creates a risk of misappropriation of state funds.

*Recommendations*

We recommend the agency immediately close all current retail credit card accounts and begin to utilize the P-cards only for future purchases in accordance with the Department of the Treasury Circular Letter 04-10-OMB/DPP requirements.

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**Cash Management**

**Cash receipts should be deposited timely.**

The Bureau of Coastal Engineering, located in Toms River, receives checks from municipalities for their share of shore protection projects. Checks are then delivered to the Office of Trust Fund Management, located in Trenton, for deposit and recording on the state's accounting system. We noted that it took an average of 4.37 days to make a deposit and an additional day to record the transaction. This is an improvement over the ten day average during our prior audit, but does not comply with the Department of the Treasury Circular Letter 94-24-OMB that requires all moneys be deposited the day received. The transfer and untimely deposit of these checks increases the risk of a check being stolen or lost.

*Recommendations*

We recommend the bureau deposit the funds locally or have them remitted directly to the unit which deposits and records the checks.

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**Fixed Assets and Equipment Inventory**

**Inventory records should be updated timely and independently verified for accuracy.**

Our prior audit of the fixed assets and equipment inventory indicated that the system was not current as required by the Department of the Treasury Circular Letter 91-32-OMB. The sample testing for the current review noted the following exceptions.

- Five of 32 items tested were not recorded on the inventory record.
- Eight of 44 items contained inaccurate

information.

- Five of 19 hardware items were not recorded on the Office of Information Technology inventory record.

Assets not properly inventoried are at greater risk of theft or misappropriation. These conditions indicate that procedures to monitor the fixed assets and equipment inventory need to be improved.

***Recommendations***

We recommend the agency implement procedures to improve the recording and monitoring effort over their inventory records in accordance with the Department of the Treasury circular letter.

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## State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

JON S. CORZINE  
*Governor*

Office of Management and Budget  
PO Box 420  
Trenton, NJ 08625-0420  
Phone (609) 292-2916  
Fax (609) 777-4395

MARK N. MAURIELLO  
*Acting Commissioner*

December 24, 2009

Mr. Stephen M. Eells  
Assistant State Auditor  
Office of the State Auditor  
Office of Legislative Services  
125 South Warren Street  
P.O. Box 067  
Trenton, New Jersey 08625-0067

Dear Mr. Eells:

Thank you for the opportunity to review and respond to the draft audit report regarding the Department of Environmental Protection, Natural Resource Management, for the period July 1, 2007 to September 30, 2009.

We are pleased that the audit concluded that the expenditure transactions included in your testing were properly program related, were judged to be reasonable, and were accurately 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, wherever feasible.

First, however, we appreciate the fact that the audit report recognizes the positive improvements achieved in virtually every area reviewed. Our Natural Resource Management staff continues to implement procedural changes in certain areas to ensure that our system of internal controls results in ongoing compliance with operating procedures and regulations.

I offer the following comments, current program status updates, and planned corrective actions regarding the specific findings and recommendations presented in the report.

## Office of Leases

As a result of the 2004 audit conducted by the Office of the State Auditor, the Department of Environmental Protection (Department) implemented many changes to the leasing program, resulting in significant improvements -- as noted in the 2009 audit and discussed in detail below. Notably, through the pursuit of back rental payments, creation of new leases, and other improvements, the Office of Leases has increased its annual revenue by \$700,000 since 2006.

In its first step to address the deficiencies cited in the 2004 audit, the Department restructured the Office of Leases, elevating the program to report directly to the Assistant Commissioner of Natural and Historic Resources and assigning new management to oversee the operations. This has resulted in increased oversight of the leasing program, refinement of policies, stricter enforcement against tenants, and an enhanced effort to pursue new leasing opportunities.

After the 2004 audit recommended that the Department create an inventory of leases, the Office of Leases created a lease database in the Land and Building Asset Management (LBAM) system maintained by the Department of Treasury. While the database is currently being reviewed and refined for accuracy, it is an enormous improvement to the leasing program, as it allows the Office of Leases to readily access data regarding individual leases, track rental payments and other lease issues, and generate reports to give the Department a more complete picture of the leasing program.

The 2009 audit recommended adoption of a system to track rental payments, but recognized that the Office of Leases has been working with the Department of Treasury to develop a billing and collection system in LBAM. Although this automated system is not yet operational, the Office of Leases has made a concerted effort during the past two years to collect outstanding rental balances from tenants. As a result of this effort, it has collected over \$300,000 in back rent from various tenants, including utilities.

The Office of Leases also began stricter enforcement against tenants who were failing to remit rental payments to the Department. In one instance, a tenant who had been previously permitted to abate its entire rent in exchange for performing routine maintenance on the property was notified that this is not an acceptable practice under the terms of the lease. This tenant now makes timely rent payments. For those tenants who do not cooperate with the Department, the Department seeks assistance from the Attorney General's office for the collection of back rent.

The 2009 audit found a large number of expired leases. While the Office of Leases acknowledges this issue, it is steadily addressing the backlog through renewals and new leases, publicly bidding them when necessary. The audit properly recognized that although there are many expired leases, the tenants on those properties remain on the land legally as "holdover" tenants and the Department continues to collect rent from them.

As the Office of Leases addresses each expired lease, it reestablishes the fair market rental value of the property. For example, a new lease with a utility company whose 50-year lease had expired recently generated \$85,500 in rental payments to the State, based on a formal appraisal. The Department of Treasury has also been assisting the Department in establishing the fair market rental value for new leases.

While the Department requires each tenant to maintain general liability and property insurance on the leased premises, it acknowledges that the files may not contain the most up-to-date insurance certificates, as the 2009 audit found. This does not necessarily mean that tenants are failing to carry the appropriate insurance coverage, however. In most cases, tenants provide their respective park superintendents with the insurance certificates, and the superintendents do not always forward copies to the Office of Leases. The superintendents have been advised to forward the insurance certificates, however, and have been making a more concerted effort to do so. In addition, whenever the Office of Leases directly receives a notice of termination from an insurance carrier, it immediately notifies the tenant of its responsibility to reinstate the insurance, and monitors the issue. It should also be noted that regardless of whether a tenant is maintaining insurance, the leased premises (excluding the tenant's personal property and agricultural crops) are insured by virtue of the Department being self-insured through the Division of Risk Management, Department of Treasury.

The Office of Leases recently initiated a new agricultural leasing program in wildlife management areas in response to concerns noted in the 2004 audit. The leases were publicly bid at live auctions, which, for the first time, provided all farmers with the opportunity to farmland in wildlife management areas. The Office of Leases established a fair market rental value on the agricultural use of wildlife management areas, and used these values as the minimum bid for each parcel. Previously, these lands were farmed by farmers under special use permits in exchange for leaving a percentage of the crop unharvested for wildlife habitat – with no cash payment. The 2004 audit criticized this practice due to the lack of monitoring of the unharvested areas. The new leases will generate approximately \$93,000 a year in addition to the tenants providing approximately \$146,554 of in-kind services to the Department.

In addition to continuing to address the outstanding issues noted in the audit report, the Department has pursued numerous other leasing opportunities, including public/private partnerships, to enhance the public's enjoyment of State parkland and wildlife management areas while at the same time generating revenue for the State. For example, the Department recently publicly bid the management of a golf course on State parkland in Salem County, which now generates a minimum of \$105,000 a year. New leases associated with the tourist ferry operation at Liberty State Park generate in excess of \$100,000 a year.

The leasing program has come a long way since the 2004 audit. The Office of Leases continuously works to address the remaining issues cited in the 2009 audit and further improve the leasing program -- with limited staff and resources. As it works to rectify

past deficiencies, the Department also seeks new leasing opportunities to enhance the program, benefit the public, and generate revenue.

#### State Marina Operations

The report cited that the three State-operated marina revenues were still not covering operating expenses. Various fees charged at the state-owned marinas have been increased in fiscal years 2006, 2007 and 2009 since the initial audit report was released. While the state marina revenues may not be fully covering their operating expenses, the gap has been greatly reduced. Additionally, the fees charged at the state marinas are appropriate for the type of amenities that are being provided. However, the report fails to recognize the broader value and roles of the state marinas in their fulfillment of the Department's mission to provide public access and recreational opportunities to all socio-economic levels.

#### Dam Inspections

The report expresses concern with compliance problems with DEP's oversight of required dam inspections. The DEP and the NJ Legislature prioritized dam safety after Tropical Storm Floyd in 1999, the heavy rains in northwestern New Jersey in August 2000 and again in Burlington County in July 2004. In 2005, the Legislature amended the Safe Dam Act to provide for enhanced enforcement of the dam safety statute and regulations. In the summer of 2008, DEP adopted new rules for the implementation of this new enforcement program. DEP has been marginally effective over the years in having dam owners comply with the Safe Dam Act by inspecting their dams as required and then upon determination of safety concerns, having the owners take corrective action. With the new enforcement provisions in place via new Safe Dam Act amendments, the Bureau of Dam Safety and Flood Control is currently issuing civil administrative penalties when dam owners or operators fail to adhere to established safety requirements. However, enforcement will continue to be an issue until additional staffing can be added to the program.

#### Exotic and Non-Game Wildlife Permitting

The Wildlife Permits Unit, Exotic and Nongame Permit Section maintains a revenue and permit tracking system and continues to send out primary and secondary renewal notices as well as notices of violation in an effort to gain compliance with regulations requiring a permit for the possession of certain species. Staff priority is to process applications, monitor and inspect facilities with potentially dangerous species to ensure public safety. However, the Unit is not adequately staffed to address the existing workload. It requires a minimum of three full-time positions to effectively operate the program. Compliance with the regulations can not be enforced to its fullest because of the time to annually review and process 922 commercial and 6,550 hobby permits applications, as well as to conduct inspections. The program is currently pursuing the hiring of a seasonal or temporary employee to assist with the non-compliance issue. This staff member will be responsible for sending applications to those people who purchased an animal, received a temporary permit, but never sent in an application and fee. Regulatory process changes will continue to be pursued through the rulemaking process as well as attempting to

implement the permits through the electronic licensing system that will require the cooperation of the private pet store owners.

#### *Aeroflex-Andover Airport*

The Auditors expressed various operational concerns at the airport including lack of updated rental agreements, late payments and a lack of segregation of duties with revenue collections and bank deposits. Since the recent audit findings, corrective actions have been taken, including the development of an RFP under review by the Attorney General's office, which will provide formalized concession agreements for the facilities located at the Airport. A new software program is being acquired to upgrade the tracking and notification capabilities by the staff for the rental agreements to ensure that all-proper insurance documentation and updates are monitored. Segregation of duties was addressed with the relocation of the Division office to Andover, which added supervisory and clerical staff within the property boundaries of the airport property. Also the use of a local bank in Andover has improved the process for making bank deposits.

#### *Electronic Licensing System*

The report expressed concerns over the lack of written policies and procedures for the Integrated Electronic Licensing System (IELS) or a contingency plan to cover procedures necessary in case the electronic licensing system were to cease for hunting and fishing licenses. The Department concurs with the recommendation to document current policies and procedures for managing the IELS and a manual system for issuing licenses. The goal is to have the documents in place by March 2010.

#### *Procurement Procedures*

The Department concurs with this finding and recommendation regarding the use of "hold checks". Through staff training, and by sharing Circular Letter 94-17-OMB with all field staff, the Procurement Unit will endeavor to ensure compliance with OMB guidelines in order to reduce the volume of hold checks.

#### *Credit Cards*

The audit reported that retail credit cards were continuing to be used by the field areas for purchases versus the use of the State-issued P-card. Numerous Fish & Wildlife field areas were utilizing retail credit cards. As a result of the audit finding, the DEP is currently scheduling training for staff to integrate them into the P-card system, which should be fully implemented by February 2010 as well as canceling all retail credit cards in December 2009. The State Park Service has been fully integrated into the P-card system and no longer utilizes retail credit cards.

#### *Cash Management*

The Office of Trust Fund Management will collaborate with the Bureau of Coastal Engineering to identify a more efficient means of handling shore protection loan repayments, in order to achieve compliance with Treasury Circular Letter 94-24-OMB.

Fixed Assets and Equipment Inventory

The Department, in spite of recent attrition in our Inventory Control section, will improve our recording and monitoring efforts over inventory records. Efforts will include formal documentation of timely audit follow-up, unannounced inventory spot checks and periodic compliance reviews of selected program areas to ensure that our initial recording of assets is accurate, and that records are maintained in accordance with Circular Letter 91-32-OMB.

In closing, I would like to commend both the field audit staff for their professionalism and thoroughness exhibited during the course of the audit, as well as, the management and technical review staff for excellent oversight and guidance during this engagement.

Sincerely,

*Peter F. Daly*

Peter F. Daly, CPA  
Controller

C: Mark N. Mauriello, Commissioner, Department of Environmental Protection  
Amy Cradic, Assistant Commissioner, Natural and Historic Resources  
Ved P. Chaudhary, Assistant Commissioner, Management and Budget  
E. David Barth, Director, Division of Budget and Finance