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Office of Legislative Services
Office of the State Auditor**

**Department of Environmental Protection
Green Acres Program**

July 1, 2012 to January 31, 2015

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State Auditor**

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The Honorable Stephen M. Sweeney
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The Honorable Vincent Prieto
Speaker of the General Assembly

Mr. David J. Rosen
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Enclosed is our report on the audit of the Department of Environmental Protection, Green Acres Program for the period of July 1, 2012 to January 31, 2015. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in cursive script, reading "Gregory Pica".

Gregory Pica
Assistant State Auditor
June 9, 2015

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Scope

We have completed an audit of the Department of Environmental Protection, Green Acres Program for the period July 1, 2012 to January 31, 2015. Our audit included financial activities accounted for in the state's General Fund and 16 non-major governmental funds identified in Appendix I.

The prime responsibility of the Department of Environmental Protection, Green Acres Program is to achieve, in partnership with others, a system of interconnected open spaces, whose protection will preserve and enhance New Jersey's natural environment and its historic, scenic, and recreational resources for public use and enjoyment. The program provides grants, loans, and administrative support to assist local governments and non-profit organizations to acquire or develop land for recreation or conservation purposes. The program also acquires land for the same purposes. Total expenditures during our audit period were \$216 million. The major components of expenditures were grant payments to local governments and non-profit organizations, and state land acquisition costs. Total revenues were \$171 million during our audit period. The major components of revenue were bond sales and federal revenue.

We also reviewed certain general controls over the Green Acres Program information systems including security management, physical security, contingency planning, change management, and logical access.

Objectives

The objectives of our audit were to determine whether financial transactions were in compliance with enabling legislation, were reasonable, and were recorded properly in the accounting systems. We also tested compliance with the governing administrative codes applicable to grant and loan application documentation. An additional objective was to determine the adequacy of select general controls over the Green Acres Program information systems including security management, physical security, contingency planning, change management, and logical access.

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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the Green Acres Program. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, 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 on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing.

Conclusions

We found that the financial transactions included in our testing were in compliance with enabling legislation, were reasonable, and were recorded properly in the accounting systems. In addition, we found grant and loan applications were in compliance with the applicable governing administrative codes. We also found the select general controls over the Green Acres Program information systems including security management, physical security, contingency planning, change management, and logical access were adequate. In making these determinations, we noted certain internal control weaknesses meriting management's attention.

Deposits

Deposits are not being made timely.

The department received over \$11 million in fiscal years 2013 and 2014 for Green Acres loan repayments from local governments. We tested \$3.9 million of deposits and found 17 of 35 checks, totaling \$2.3 million, were not deposited timely. These checks were deposited on an average of 4 work days after receipt, and some were deposited up to 9 work days after receipt. Department of the Treasury Circular Letter 12-02-OMB requires state agencies to ensure that all funds are deposited the same day as received. When checks are not deposited timely, there is a higher risk of checks getting lost or stolen. In the Fall of 2014, the department began encouraging electronic payments through notices included in the bills. We determined the percentage of electronic payments received for the program had increased from 48 percent in January 2014 to 69 percent in January 2015.

Recommendation

The department should continue their efforts to encourage electronic payments. All checks received by the department should be deposited according to the guidelines established by the circular letter. In order to accomplish this, the department should consider obtaining devices which would enable it to scan checks to a bank for deposit upon receipt.



Project Inspections

Properties are not being inspected timely.

The Green Acres Program is not current in its required inspection of properties. According to N.J.A.C. Title 7 Chapter 36 - 25.1(c), the department shall inspect funded parkland every three years to ensure compliance with the terms of the project agreement. There are 3,425 total properties on the Bureau of Stewardship's inspection database that are required to be inspected on a three-year cycle. However, 1,826 inspections are currently overdue. The backlog of inspections is primarily due to manpower issues, as only two part-time employees are responsible for inspecting all properties. When inspections are not completed on time, the risk that properties are not being used for conservation and recreation as intended is increased.

Recommendation

We recommend the program allocate sufficient resources so it can inspect properties on the cycle set forth by regulation.



Appendix I

**Department of Environmental Protection
Governmental Funds – Green Acres Program
Total Expenditures July 1, 2012 to January 31, 2015**

<u>FUND NAME</u>	<u>EXPENDITURES</u>
General Fund	\$14,961,787
State Land Acquisitions and Development Fund	\$282,550
Green Trust Fund	\$9,729,445
Cultural Centers and Historic Preservation Fund	\$66
1989 New Jersey Green Acres Fund	\$984,049
1989 New Jersey Green Acres Trust Fund	\$10,375,898
1992 New Jersey Green Acres Fund	\$0
1992 New Jersey Green Trust Fund	\$9,988,562
1995 New Jersey Inland Blue Acres Fund	\$0
1995 New Jersey Coastal Blue Acres Trust Fund	\$599,136
1995 New Jersey Green Trust Fund	\$8,929,872
1995 New Jersey Green Acres Fund	\$8,040
2007 Green Acres Fund	\$30,356,915
2007 Blue Acres Fund	\$4,572,980
2009 Green Acres Fund	\$69,089,849
2009 Blue Acres Fund	\$9,778,445
Garden State Green Acres Preservation Trust Fund	\$46,274,677
Total	<u>\$215,932,271</u>



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May 28, 2015

John J. Termyna
Assistant State Auditor
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Termyna,

Thank you for the opportunity to review and respond to the draft audit report regarding the Department of Environmental Protection, Green Acres Program, for the period of July 1, 2012 to January 31, 2015.

We are pleased that the audit concluded that the financial transactions and balances included in your testing were in compliance with enabling legislation, were reasonable, and were recorded properly in the State's accounting systems. Also, you found that grant and loan applications were in compliance with the applicable governing administrative codes.

The audit report also noted several matters which merit management's attention. We hereby offer the following information on current program status, as well as our planned corrective actions to address these issues and their corresponding recommendations.

Deposits

The Department agrees with the auditor's recommendation. It should be noted that Trust Funds Management, the unit that receives and processes loan repayments, experienced a significant turnover in staff during the audit period which may have delayed check deposits. Staffing has since stabilized, with current employees possessing the knowledge and experience required to ensure checks are received and deposited appropriately.

As part of their recommendations, the Office of the State Auditor requested that DEP consider obtaining devices which would enable it to scan checks to a bank for deposit upon receipt. In December 2014, DEP considered purchasing "Remote Deposit" devices, however since we have been successfully encouraging borrowers to switch to electronic payments, we did not feel the associated costs for acquisition, maintenance and supplies of such machines were proportionate to the benefit we would receive. As such, we will continue our efforts to encourage electronic payments for loan repayments. As indicated in the audit report, the percentage of payments received electronically increased 44% from January 2014 (48%) to January 2015 (69%). We expect this percentage to continue an upwards trend. Trust Funds Management will continue to reach out to those municipalities who only make payments via check to advise of the availability and ease of electronic payment.

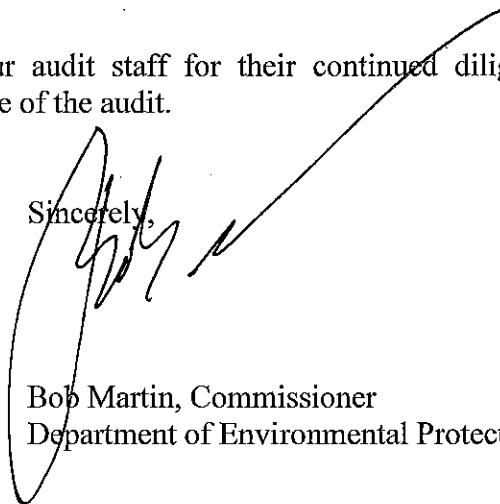
Please note that there are certain circumstances where same-day deposit is not feasible. Checks received in the afternoon mail, between 3-4pm, while logged when received, must still go through a cursory review and approval process. Even if all payment information is accurate, the deposit would not be made until the next business day. Additionally, there are instances where checks are received without any supporting documents or identifying information. These payments require additional research from Trust Funds Management staff which also delays processing and deposit. In situations where checks must be held in the office overnight, they are kept in a locked safe within Trust Funds Management.

Inspection of Projects

The Department agrees with the auditor's recommendation. As indicated in the audit report, the backlog of inspections is due primarily to manpower issues. In early 2015, the Green Acres Program reassigned a full-time staff member to the existing inspection team which previously consisted of two part-time employees. The Department believes this action will lead to the Green Acres Program meeting and maintaining their requirement for parkland inspections.

In closing, we would like to thank your audit staff for their continued diligent work and professionalism exhibited during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Martin", is written over the word "Sincerely," and extends to the right across the line of the typed name.

Bob Martin, Commissioner
Department of Environmental Protection

C: Magdalena Padilla, Esq., Chief of Staff
Richard Boornazian, Assistant Commissioner, Natural and Historic Resources