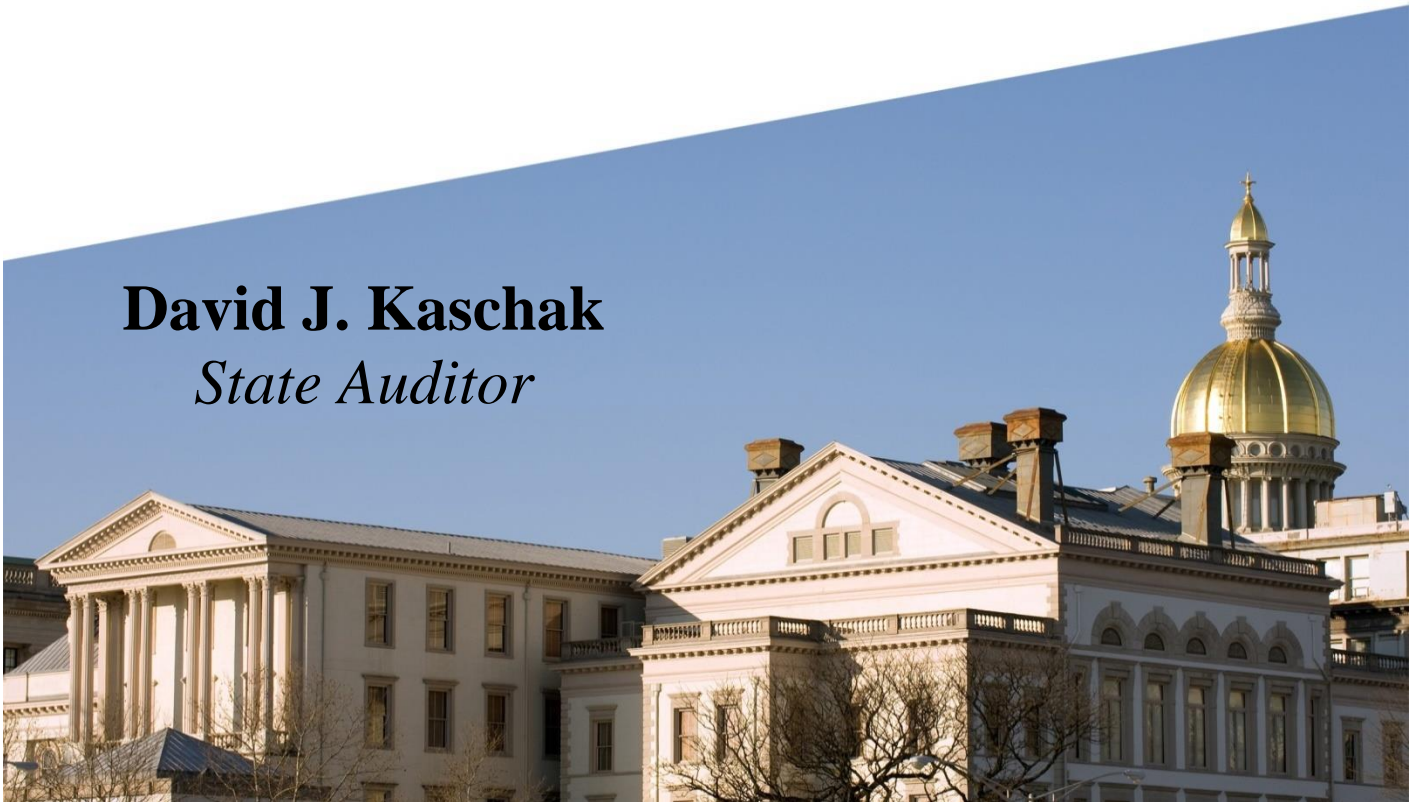


NEW JERSEY LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR

Department of Environmental Protection
Resilience Engineering and Construction
Bureau of Dam Safety

July 1, 2021 to October 31, 2024

David J. Kaschak
State Auditor



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OFFICE OF THE STATE AUDITOR
609-847-3470

David J. Kaschak
State Auditor

Brian M. Klingele
Assistant State Auditor

Thomas Troutman
Assistant State Auditor

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Environmental Protection, Resilience Engineering and Construction, Bureau of Dam Safety for the period of July 1, 2021 to October 31, 2024. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink that reads "David J. Kaschak".

David J. Kaschak
State Auditor
April 24, 2025

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Scope

We have completed an audit of the Department of Environmental Protection (department), Resilience Engineering and Construction, Bureau of Dam Safety (bureau) for the period July 1, 2021 to October 31, 2024. Our audit included financial activities accounted for in the state’s General Fund; the 2003 Dam, Lake, and Stream Project Revolving Loan Fund; the 2003 Dam, Lake, Stream, and Flood Control Project Fund; and the 1992 Dam Restoration and Clean Waters Trust Fund.

The primary responsibility of the bureau is to ensure the safety and integrity of dams in the state to protect people and property from the consequences of dam failures. General Fund revenue was for penalties collected for noncompliance with dam safety regulations. The other funds created through the sale of general obligation bonds are primarily used to provide low-interest loans to owners of dams for restoration and repair projects. The total loans receivable for these funds was \$34.6 million as of June 30, 2024. Financial activity related to the bureau for loan funding disbursements, loan principal repayments, loan interest revenue, and penalty receipts for fiscal years 2022 through 2024 are summarized below.

Fiscal Year	GENERAL FUND	DAM LOAN FUNDS		
	Penalty Revenue	Loan Funding Disbursements	Loan Principal Repayments	Loan Interest Revenue
2022	\$ 38,947	\$ 2,920,370	\$ 4,554,926	\$ 797,052
2023	23,750	385,810	4,445,073	855,638
2024	11,750	635	2,583,772	610,443
Total	\$ 74,447	\$ 3,306,815	\$ 11,583,771	\$ 2,263,133

Objectives

The objectives of our audit were to determine whether financial transactions were related to the bureau’s loan and construction programs, were reasonable, and were recorded properly in the accounting systems. Additional objectives were to determine whether adequate controls were in place to ensure state-wide dam safety is achieved for state-regulated dams in compliance with statutory and internal requirements.

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circulars promulgated by the Department of the Treasury, and policies of the bureau. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing. We also read the budget messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the program and the internal controls. To achieve our objectives, we performed various tests and analyses, as we determined necessary. Additional detail regarding our methodology and work performed can be found in the Appendix, as well as in the finding section when testing resulted in a reportable condition.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally and randomly selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

Data Reliability

We relied on data from the New Jersey Comprehensive Financial System. Our office assesses the reliability of the system's data annually, and we have determined it to be sufficiently reliable for the purposes of this report. We assessed the reliability of dam data maintained in a Microsoft Access database by comparing the data to inspection reports and interviewing agency officials knowledgeable about the data. The data from this database used for this report was as of April 2024. We determined that the data were sufficiently reliable for the purposes of this report.

Certain other data in our report were used to provide background information. Data used for this purpose were obtained from the best available sources. *Government Auditing Standards* does not require us to complete a data reliability assessment for data used for this purpose.

Conclusions

We found the financial transactions included in our testing were related to the bureau's loan and construction programs, were reasonable, and were recorded properly in the accounting systems. Additionally, we found the department has adequate controls in place to ensure state-wide dam safety in compliance with statutory and internal requirements. In making these determinations, we noted certain issues meriting management's attention regarding inspections, enforcement efforts, and the recording and maintenance of dam records in the state's asset management system.

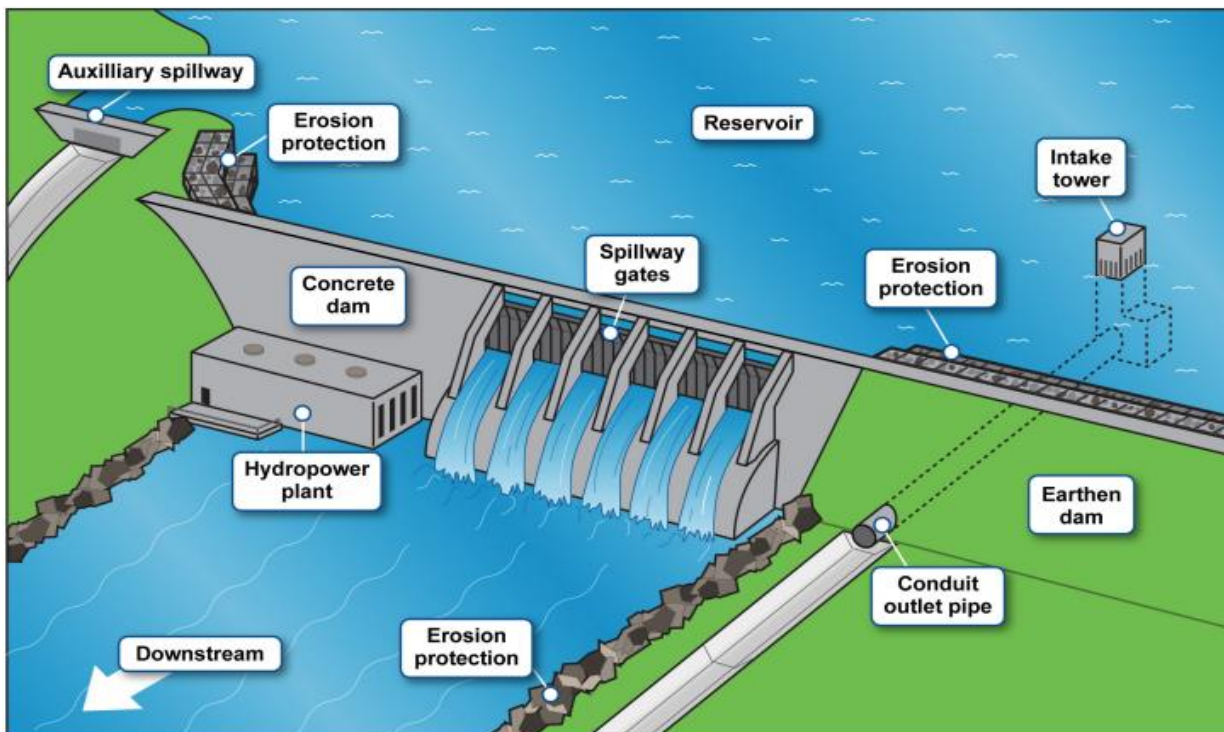
Background

The state's dam safety program is administered by the Bureau of Dam Safety within the Department of Environmental Protection. The primary objective of the bureau is to ensure the structural integrity and safety of dams throughout the state to safeguard people and property from

potential dam failures. To achieve this, the bureau reviews and approves plans and specifications for the construction of new dams, as well as the alteration, repair, or removal of existing ones. Bureau engineers evaluate each project, investigate site conditions, and assess recommended construction materials before granting approval to proceed with construction. In 1912, the state legislature instituted a law, known as the 1912 Safe Dam Act, relating to the construction, repair, and inspection of existing and proposed dam structures. The law was amended in 1981 and became known as the Safe Dam Act. The regulations known as Dam Safety Standards (safety standards), N.J.A.C. 7:20, were promulgated in May 1985.

The safety standards define a dam as any artificial dike, levee, or other barrier, together with appurtenant works, that is constructed for the purpose of impounding water, on a permanent or temporary basis, that raises the water level five feet or more above the usual mean low-water height when measured from the downstream toe-of-dam to the emergency spillway crest or, in the absence of an emergency spillway, the top-of-dam.

Dams play an important role in impacting drinking water, flood control, power generation, and recreation. Most dams within the state are earthen or concrete. Dams can have various features, such as spillway gates and conduit outlets, to control water releases, as well as auxiliary spillways to divert water flows in the event of expected maximum flood conditions. The following illustration depicts various dam types and features.

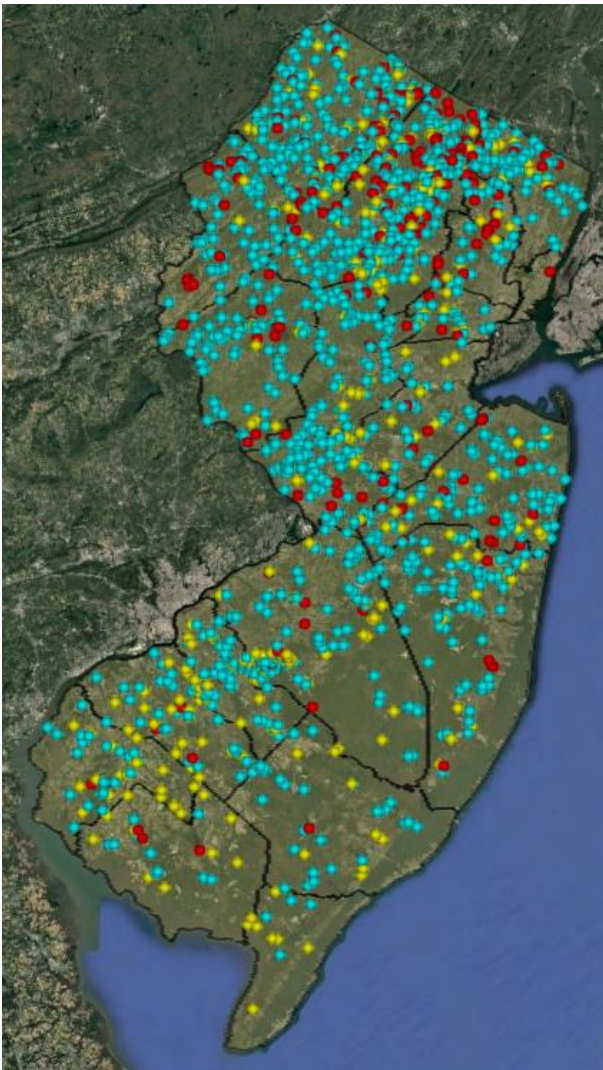


Source: U.S. Government Accountability Office | GAO-16-10

The state categorizes dams into four classes based on the potential for loss of life and property damage. Owners are responsible and liable for the operations and failures of their dams. Only

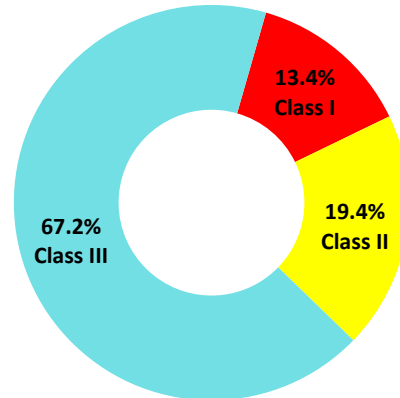
class I, II, and III dams are regulated by the bureau. Class IV dams are small with low hazard potential and no expected damage from failure. The following table describes the regulated classes of dams and the extent of loss of human life and economic loss from a failure.

Hazard-Potential Classification	Loss of Human Life	Economic Loss
Class I <i>High hazard potential</i>	Probable	Extensive property damage. Industrial or commercial facilities, essential public utilities, main highways, railroads, bridges, or recreational facilities below a dam.
Class II <i>Significant hazard potential</i>	Not envisioned	Significant property damage. Rural, agricultural areas, isolated homes, major highways or railroads, or interruption of service of relatively important public utilities.
Class III <i>Low hazard potential</i>	Not envisioned	Little or no additional damage to property. Limited to the dam itself, non-residential farm buildings, rural areas or agricultural lands, or non-major roads.



The adjacent map portrays all class I, II, and III dams within New Jersey. The map layer was created by running a google earth file provided by the bureau.

Hazard-Potential Classification		Count
Class I	High Hazard - Large ¹	33
	High Hazard	198
Class II	Significant Hazard	336
Class III	Low Hazard	1,161



There are 231 class I high-hazard dams, of which 33 are classified as large. The failure of these dams can have catastrophic impact, and higher population density and urban development further elevate the potential risks

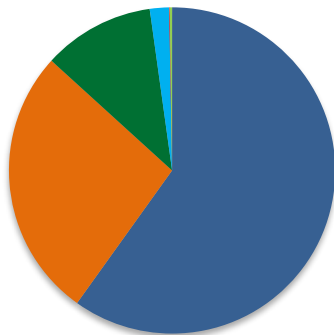
¹ Large Dams are defined as all dams that raise the waters of any stream more than 70 feet above its usual mean low-water height or impounds more than 10,000 acre-feet of water.

associated with these dams, thereby making their maintenance and monitoring paramount. A higher density of high-hazard dams can be seen in the northern part of the state compared to other regions. This concentration is due to the region's topography and the presence of numerous rivers and streams. There are 336 class II significant-hazard dams. These structures, while not posing an immediate threat to life, can still cause economic loss and environmental damage if they fail. Class II dams are substantially located in the northern and southern regions of the state. Representing the majority, there are 1,161 class III low-hazard dams. Their failure is unlikely to result in a loss of life or severe property damage. Class III dams are substantially located in the northern and central part of the state.

The following table shows the location of dams by region and hazard-potential classification, summarized by county and region.

Regions	Class I Large	Class I	Class II	Class III	Total by Region
North	27	135	129	499	790
Central	5	45	79	416	545
South	1	18	128	246	393
Total	33	198	336	1,161	1,728

Sixty percent of regulated dams in the state are privately owned by entities, such as individuals, homeowners' associations, and corporations. Twenty-seven percent are owned by municipalities, counties, and other local government entities. Eleven percent are owned by various state entities, with the remaining two percent owned by the federal government or public utilities. The department owns 139 dams, the majority of which are class III.



Primary Owner Type	Number of Dams and Percentage	
Private	1,035	59.90%
Local Government	464	26.85%
State Government	191	11.05%
Federal Government	33	1.91%
Public Utility	1	0.06%
Not Listed	4	0.23%

According to the bureau, many of the dams in the state are nearing the end of their design life. We calculated the average age based on the original construction date data available for 37 percent of dams listed in the database. The original construction dates for the remaining 63 percent of dams are unknown. The dams may have had construction and/or rehabilitation work since they were built. The average age of dams in the state is summarized in the chart on the next page by hazard-potential classification.

Hazard-Potential Classification	Average Age in Years	Year of Construction Range	Count
Class I - High Hazard - Large	90	1869-1990	30
Class I - High Hazard	94	1849-1994	143
Class II - Significant Hazard	95	1684-2000	201
Class III - Low Hazard	78	1700-2006	258

The bureau has established guidelines to comply with federal requirements for assessing the condition of dam structures. The safety condition assessment categorizes the state of dam structures into four distinct categories: satisfactory, fair, poor, and unsatisfactory. Each classification reflects the degree of compliance with safety regulations and the extent of necessary maintenance or remedial actions. Dams are required to have regular inspections performed by a licensed engineer. The required inspection report indicates the results of the inspection, documents the conclusions and recommendations, and reports the condition of a dam. The following table details the four categories of safety conditions.

Condition	Definition
Satisfactory	No existing or potential safety deficiencies are recognized. Acceptable performance is expected under all applicable loading conditions (static, hydrologic, seismic) in accordance with the applicable regulatory criteria. Minor maintenance items may be required.
Fair	Acceptable performance is expected under all required loading conditions (static, hydrologic, seismic) in accordance with the applicable regulatory criteria. Minor deficiencies may exist that require remedial action and/or secondary studies or investigations.
Poor	A safety deficiency is recognized for any required loading condition (static, hydrologic, seismic) in accordance with the applicable regulatory criteria. Remedial action is necessary . Poor also applies when further critical studies or investigations are needed to identify any potential safety deficiencies.
Unsatisfactory	Considered unsafe . A safety deficiency is recognized that requires immediate or emergency remedial action for problem resolution. Reservoir restrictions may be necessary.

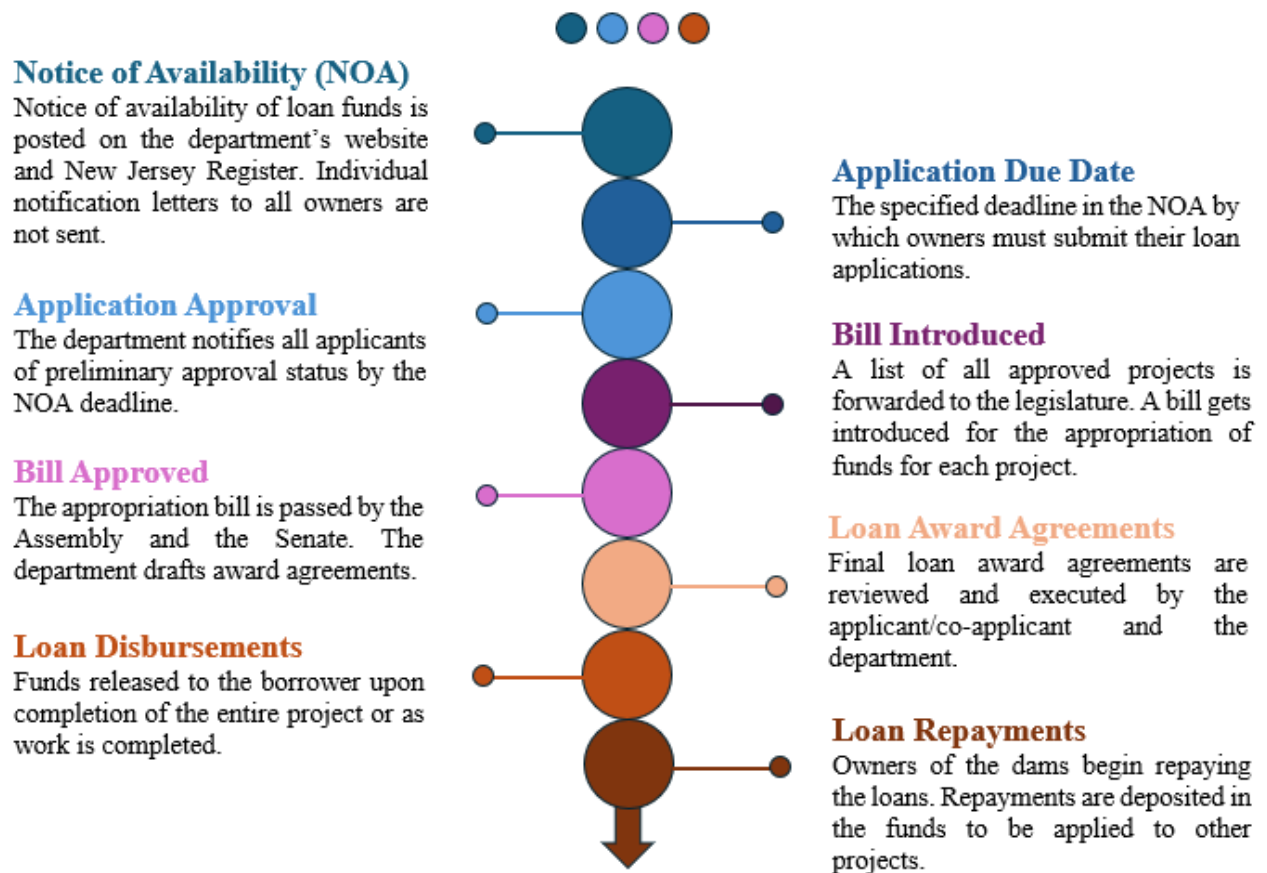
A condition rating of poor does not necessarily mean a dam is in imminent danger of failure or an immediate risk to the public. However, it does indicate a dam does not fully meet current regulatory requirements or further critical studies are needed. The table below shows current ratings by hazard classification.

Hazard-Potential Classification	Satisfactory	Fair	Poor	Unsatisfactory	Not Listed ²	Grand Total
Class I - High Hazard - Large	21	6	6	-	-	33
Class I - High Hazard	123	31	44	-	-	198
Class II - Significant Hazard	170	43	120	1	2	336
Class III - Low Hazard	212	110	154	14	671	1,161
Total	526	190	324	15	673	1,728

² Not rated or no condition listed in the database.

Many of these dams need expensive rehabilitation to meet current standards. If an owner lacks the financial resources to address deficiencies or do major rehabilitation, the owner can apply for funding to help with the cost of repairs required by the bureau. The bureau is responsible for the administration of the dam restoration loan program established with bonds in 1992 and 2003. The purpose of the program is to assist owners with a restoration project. A municipality must co-sign on loans for private dam owners. The loan program is a revolving fund, and more funding becomes available as loans are repaid.

The funding process begins with the bureau establishing application periods based on the availability of funds. Funding of loans is conditioned upon appropriation by the legislature. Following legislative approval, the funds become available for distribution to the approved applicants. Below is a graphical depiction of the loan process.



Public Safety

Safety Inspections

Failure to ensure inspections are completed timely can result in a delay in identifying conditions that potentially impact public safety.

The bureau regulates class I, II, and III dams; however, it is the responsibility of the owners and/or operators to obtain a state-licensed engineer to perform inspections at a frequency determined by the safety standards. According to inspection guidelines, dams should be inspected regularly to identify conditions that may adversely affect the safety of a dam and its ability to perform intended functions. The bureau's responsibility is to ensure the existing dams are inspected, adequately maintained, and operated according to safety standards. The inspection requirements depend on the size and hazard classification of the dam. Pursuant to regulations, dams should only be inspected from March through December. Regular and formal inspection requirements by hazard classification are detailed in the chart below.

Hazard-Potential Classification	Regular Inspection Requirement	Formal Inspection Requirement
Class I - High Hazard - Large	Once a year	Every three years
Class I - High Hazard	Once every 2 years	Every six years
Class II - Significant Hazard	Once every 2 years	Every ten years
Class III - Low Hazard	Once every 4 years	Not required

According to the safety standards, a *regular inspection* is the visual inspection of a dam by a state-licensed engineer to detect any signs of deterioration in material, developing weaknesses, or unsafe hydraulic or structural behavior. A *formal inspection* is the inspection by a state-licensed engineer to reevaluate the safety and integrity of the dam and appurtenant structures to determine if the structure meets current design criteria. This includes performing a field inspection and reviewing the records on project design, construction, and performance. A professional engineer from the bureau attends regular and formal inspections for class I large dams. Inspection reports for class I, II, and III dams should be submitted to the department within 30 days of the completion of the inspection. The report indicates the results of the inspection and documents the conclusions and recommendations.

We reviewed and analyzed inspection data for class I, II, and III dams as of April 2024 and found 642 of the 1,728 dams (37 percent) were overdue for inspection. The table on the next page shows dams with an overdue inspection by hazard classification.

Hazard-Potential Classification	Overdue Inspections	No Inspection Date	Up-to-Date Inspections
Class I - High Hazard - Large	16	-	17
Class I - High Hazard	30	-	168
Class II - Significant Hazard	67	1	268
Class III - Low Hazard	529	406	226
Total	642	407	679
Total as a Percentage - All Classes	37%	24%	39%
Total as a Percentage - Class I and II	20%	0%	80%
Total as a Percentage - Class III	46%	35%	19%

Owners are not inspecting dams as required. We found 80 percent of class I and class II and only 19 percent of class III dams are up to date with inspection requirements. The following table shows dams with an overdue inspection by hazard classification and owner type.

Hazard-Potential Classification	Federal Government	Local Government	Private	State Government	Grand Total
Class I - High Hazard - Large	0	2	1	13	16
Class I - High Hazard	2	13	15	0	30
Class II - Significant Hazard	1	34	31	1	67
Class III - Low Hazard	18	105	323	83	529
Total	21	154	370	97	642

Not all 642 dams with overdue inspections, though, failed to submit an inspection report; some are under construction or have been referred to the Office of the Attorney General (OAG) for further enforcement because of non-compliance. For example, dams under construction are not required to submit an inspection report. The engineer responsible for inspecting the construction must submit progress reports to the bureau monthly during the construction period. Based on the inspection data, 17 dams were under construction and 17 dams had been referred to the OAG for further enforcement. Additionally, the bureau does not have regulatory authority over federal dams, but internal reports are often provided by the federal government. Based on the inspection data, 21 federally owned dams are overdue for inspection.

The following table shows the time range inspections were overdue by hazard classification. We excluded dams that were under construction, dams that have been referred to the OAG, and federal dams from minimum and maximum calculations.

Hazard-Potential Classification	Minimum (Days)	Maximum (Years)
Class I - High Hazard - Large	18	0.5
Class I - High Hazard	2	2.5
Class II - Significant Hazard	8	13.9
Class III - Low Hazard	0	41.4

Each January the bureau sends out a mass notification to all owners with an overdue inspection. This notification provides the owners with an additional 90 days to submit inspection reports; however, at that point some inspections are overdue by almost one year. Notifying owners before the inspection due date rather than once a year could reduce the number of overdue inspections and potentially identify conditions impacting public safety earlier.

Penalties

The bureau does not consistently issue and enforce penalties as required by the standards.

In instances where owners fail to submit inspection reports, the bureau can use enforcement actions outlined in the safety standards, which include penalty assessments; however, penalties are not regularly assessed. As noted previously, each January the bureau sends out a mass notification to all owners with overdue inspections as a reminder providing an additional 90 days to submit the reports. At the end of the 90-day period, the bureau sends a Notice of Violation and Offer of Settlement (NVOS) to owners. The NVOS is issued to warn owners and provide them the opportunity to take corrective action to address the violation and pay any penalties associated with the violation. The NVOS gives the owner 60 days to achieve compliance.

Penalties associated with the NVOS are typically reduced to 50 percent of the penalty associated with the violation from the safety standards. The NVOS is not a formal enforcement order, a final agency action, or a final legal determination that a violation has occurred. If the NVOS is unable to compel compliance, the bureau issues an Administrative Order and Notice of Civil Administrative Penalty Assessment (AONOCAPA). This formal enforcement action will result in the assessment of the full penalty pursuant to the safety standards. Civil administrative penalties for failure to submit an inspection report in accordance with the safety standards are outlined in the chart below.

Hazard-Potential Classification	Penalty Amount
Class I	\$5,000
Class II	\$2,500
Class III and IV	\$1,000

For high-hazard (class I) dams, the bureau may skip the NVOS and AONOCAPA and proceed directly to legal action with the OAG for further enforcement.

We selected a judgmental³ sample of 25 overdue class I and class II dams with a next due date for inspection between October 1, 2021 and October 14, 2023 to determine if appropriate enforcement actions were taken. We reviewed the bureau's supporting documentation for each dam and noted civil administrative penalties were not assessed for eight dams. For those eight dams, the bureau relied solely on an annual mass notification to compel compliance. Another

³ Our sample was selected based on the next due date for inspections. We sorted dams by hazard-potential classification and the next inspection due date. We selected the five class I (high hazard - large), ten class I (high hazard), and ten class II (significant hazard) dams with the longest time since the last inspection.

four dams were issued an NVOS; however, two of those penalties were later rescinded, one was undeliverable, and one was returned and reissued to the current owner. Three additional dams had timely safety inspections, but the corresponding reports were submitted late. The remaining ten dams were either under construction for rehabilitation work or previously referred to the OAG for further enforcement.

Using formal enforcement actions could also achieve timely compliance because owners would face penalties for each day violations continue. In addition to these penalties, a notice of violation could be recorded on the property deed as an additional enforcement tool.

Recommendation

The bureau should ensure the inspections of dams are completed timely and should consider revising the notification process to a more regular interval rather than once a year. The bureau should also strengthen its enforcement process and procedures to increase compliance.



Capital Assets

Department-owned infrastructure assets are not properly accounted for in the state's Land and Building Asset Management (LBAM) system.

Certain department-owned dams are not included in the LBAM system. Pursuant to Department of the Treasury Circular No. 24-19-OMB, state agencies are responsible for the inventory, maintenance, and data entry of their assets into LBAM. Dams are considered infrastructure assets and are to be recorded in LBAM. The maintenance of accurate inventory records is essential to ensuring capital assets are accounted for in accordance with generally accepted accounting principles (GAAP). LBAM accumulates capital asset data and calculates the corresponding depreciation, which is ultimately reflected in the state's Annual Comprehensive Financial Report (ACFR). Additionally, when capital assets are sold or otherwise disposed of, the cost of the asset and the corresponding accumulated depreciation should be removed from the capital asset inventory. Assets should be updated on an annual basis as required by the Department of the Treasury Circular No. 24-20-OMB.

We obtained a list of 199 dams owned by governmental entities and identified 139 dams owned by the department. We compared those 139 dams to an LBAM report and found 22 were not recorded in the system. For dams to be entered into the system, the construction cost and completion date are required. The department's database had a completion date for only 8 of the 22 dams, and none of them included the cost.

The majority of the dams were entered into the system as part of an inventory update in fiscal year 2009. Based on our review of the system and discussions with bureau management, it is unclear if there has been a review or update of these assets since then. We were also unable to

determine if any improvements need to be recorded in the system because the bureau does not keep track of rehabilitation and maintenance costs. Additionally, five dams were deconstructed but not subsequently removed from the system.

Recommendation

We recommend the department implement procedures to improve the recording, updating, and monitoring of the inventory records of dams in accordance with the circulars.



Appendix

Methodologies to Achieve Audit Objectives

To determine state-wide safety and efforts to prevent dam failure, we judgmentally selected 25 dams in poor condition and reviewed corrective action taken to address deficiencies noted in inspection reports. Our sample included class I dams in poor condition based on the most recent inspection report. It should be noted, restoration and repair projects often take multiple years to complete.

To determine if an emergency action plan (EAP) was prepared, submitted, and reviewed for class I and class II dams, we summarized data for the 567 dams required to have a plan. We judgmentally selected six class I (large) dams marked as submitted and approved in the database to determine if these EAPs were complete. Additionally, we determined whether plans were on file and complete for two class II dams that did not have an EAP submission indicator in the database.

To determine if available funding was accurate, we ascertained whether unused loan funds were canceled and returned to the fund for re-appropriation. We reviewed all 21 loans totaling \$29.3 million from funding rounds 2012 and 2017 and compared initial obligation amounts to disbursed amounts to identify unused balances. We further reviewed an additional nine loans with open encumbrances totaling \$18.4 million to determine if any obligations should be canceled.

We selected all 11 loans in repayment status from funding rounds 2012 and 2017 for the following appendix items related to loan applications, loan agreements, and loan disbursements and repayments.

- To determine whether the restoration loan application procedures were followed, we reviewed applications for completeness.
- To determine whether restoration loan award agreements were complete and properly executed, we reviewed executed award agreements for appropriate signatures and all required information.
- To determine whether restoration loans were proper, we reviewed individual loan documentation, disbursement calculations, and retainage withholdings.
- To determine whether restoration loan repayments were calculated correctly and repaid timely, we reviewed loan repayment calculations for accrued interest, principal, and interest, as well as deposit documentation.

We randomly selected an additional 11 loans in repayment status to determine if accrued interest calculations were accurate and repaid timely.





State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

MANAGEMENT AND BUDGET

DIVISION OF BUDGET AND FINANCIAL OPERATIONS

428 East State Street-PO Box 420-Mail Code 428-04

Trenton, New Jersey 08625-0420

Tel. (609) 940-4130 • Fax (609) 633-3727

www.nj.gov/dep

PHILIP D. MURPHY

Governor

TAHESHA L. WAY

Lt. Governor

SHAWN M. LATOURETTE

Commissioner

April 21, 2025

Brian M. Klingele
Assistant State Auditor
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Klingele,

Thank you for the opportunity to review and respond to the draft audit report regarding the Department of Environmental Protection, Division of Resilience Engineering and Construction, Bureau of Dam Safety, for the period of July 1, 2021, to October 31, 2024. We would like to commend your staff for their professionalism, courtesy and constructive feedback.

We are pleased that the audit concluded that the financial transactions included in your testing were reasonable and were recorded properly in the State's accounting systems and that the Department has adequate controls in place to ensure state-wide dam safety in compliance with statutory and internal requirements.

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.

Public Safety - Safety Inspections

With regard to Safety Inspections, the audit report recommends that the Bureau of Dam Safety (Bureau) ensures the inspections of dams are completed in a timely manner and includes data on inspections for all three classes of dams regulated by the Department. The primary goal of the Bureau is the protection of life and property from the consequences of dam failure. In an effort to prioritize the protection of life and property, the Bureau focuses compliance efforts on Class I and II dams. These are the dams that have been identified as posing a risk to human life and property if the dams were to fail. By definition, the failure of a Class III dam will cause loss of the dam itself but little or no additional damage to other property.

The audit report notes that 20% of Class I and II dam inspections were overdue as of April 2024. However, included in this percentage are dams under construction that do not require regular inspections and dams

that were referred to the Office of the Attorney General for enforcement due to non-compliance. Excluding these dams, approximately 85% of Class I and II dam inspections are considered up-to-date and actions were taken to address the remaining dams. The audit report also notes a number of Class I Large dams are overdue for inspection. For the majority of these Class I Large dams, the inspections were performed on time, though the submission of the inspection reports was delayed. Inspections of Class I Large dams are completed annually as required with a licensed professional engineer from the Bureau in attendance. Any immediate concerns identified during these inspections are always addressed promptly.

The audit report focuses primarily on inspection reports, however, it is important to note that inspection compliance is just one responsibility of the Bureau. The majority of staff time is dedicated to reviewing engineering analyses to determine compliance with NJ Dam Safety Standards, reviewing permit applications for dam rehabilitation and removal, and coordinating emergency preparedness and response activities. As projects are permitted by the Bureau, staff engineers track construction progress and perform construction inspections to ensure conformance with approved plans. Engineering reviews and permitting associated with compliance upgrades on Class I and II dams must be prioritized to ensure the advancement of these public safety projects.

The audit report recommends revising the overdue inspection notification process to a more regular interval rather than once a year. The Bureau appreciates this recommendation and will modify notification procedures and frequencies. The Bureau concurs that an increased frequency of notifications could increase inspection compliance rates.

Public Safety - Penalties

The Bureau of Dam Safety acknowledges this recommendation. While the NJ Dam Safety Standards include various enforcement actions to compel compliance from dam owners, the audit report notes that more formal enforcement actions with full penalties for each day a violation continues could be implemented to achieve timely dam inspection compliance. The Bureau currently utilizes a Notice of Violation and Offer of Settlement (NVOS) as an initial means to compel compliance. NVOS's have been successfully utilized for over 15 years with remarkable effectiveness. Furthermore, NVOS's are not subject to an appeal, thus allowing the Bureau to expedite its enforcement efforts. Primarily, it is the Bureau's goal to obtain and review current dam safety information provided by a dam owner's submission of an inspection report (and other compliance related items) and, secondarily, to collect monetary penalties for non-compliance. Given the substantial financial obligations typically associated with dam ownership, it is the Bureau's intent to continue to work with dam owners through NVOS's, enabling their funds to be utilized toward taking any necessary action(s) for compliance in the interest of public safety. The Bureau acknowledges the ability to more heavily penalize non-compliant dam owners. When NVOS's do not achieve compliance, the Bureau will continue to utilize more formal enforcement actions with increased penalties.

Capital Assets

The Department appreciates the recommendation that it implement procedures to improve the recording, updating, and monitoring of the inventory records of dams in accordance with Circular Letters. The Department will review its existing policy and procedure for the physical inventory and reporting of fixed



assets, update as necessary and distribute it to staff responsible for updating LBAM. The Department will also confirm details on the dams missing from LBAM and make entries as appropriate.

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,

Stephen C. Matis

Stephen C. Matis, Director
Division of Budget and Financial Operations
Department of Environmental Protection

C: Adrienne Kreipke, Chief Financial & Operating Officer
Jennifer Moriarty, Assistant Commissioner, Watershed & Land Management
Clint Oman, Director, Bureau of Dam Safety
Kristi Tallone, Manager 3, Watershed & Land Management

