

DIVISION OF STATE AUDITING

AUDIT REPORT

PALISADES INTERSTATE PARK COMMISSION

JULY 1, 1983 TO JANUARY 31, 1985

N.J. STATE LIBRARY  
P.O. BOX 520  
TRENTON, NJ 08625-0520



**NEW JERSEY STATE LEGISLATURE**

**OFFICE OF LEGISLATIVE SERVICES  
DIVISION OF STATE AUDITING**

074.90  
A912  
1945  
V.3009

LEGISLATIVE SERVICES COMMISSION  
CARMEN A. ORECHIO  
CHAIRMAN

ROBERT E. LITTELL  
VICE-CHAIRMAN

DONALD T. DiFRANCESCO  
MATTHEW FELDMAN  
WALTER E. FORAN  
S. THOMAS GAGLIANO  
GARRETT W. HAGEDORN  
JOSEPH HIRKALA  
JOHN F. RUSSO  
WILLIE B. BROWN  
JOHN PAUL DOYLE  
CHUCK HARDWICK  
ALAN J. KARCHER  
DENNIS L. RILEY  
ANTHONY M. VILLANE, JR.  
KARL WEIDEL



## State of New Jersey

### OFFICE OF LEGISLATIVE SERVICES DIVISION OF STATE AUDITING

STATE HOUSE ANNEX, CN-067  
TRENTON, NEW JERSEY 08625  
TELEPHONE: (609) 292-6430

JAMES J. DOLAN  
STATE AUDITOR

### DIVISION OF STATE AUDITING

### AUDIT REPORT

### PALISADES INTERSTATE PARK COMMISSION

JULY 1, 1983 TO JANUARY 31, 1985

974.90  
A912  
1945  
V. 3009

STATE OF NEW JERSEY  
PALISADES INTERSTATE PARK COMMISSION

AUDIT REPORT

I N D E X

Transmittal Letter . . . . .	3
Summary. . . . .	5
Findings and Recommendations	
Financial Accounting System. . . . .	7
Reconciliation of Accounting Records . . . . .	9
Purchase Authority . . . . .	9
Fixed Asset Inventory System . . . . .	10
Payments-In-Lieu-Of Taxes. . . . .	10
Financial Summary. . . . .	12
Departmental Response. . . . .	13

LEGISLATIVE SERVICES COMMISSION  
CARMEN A. ORECHIO  
CHAIRMAN  
ROBERT E. LITTELL  
VICE-CHAIRMAN

DONALD T. DiFRANCESCO  
MATTHEW FELDMAN  
WALTER E. FORAN  
S. THOMAS GAGLIANO  
GARRETT W. HAGEDORN  
JOSEPH HIRKALA  
JOHN F. RUSSO  
WILLIE B. BROWN  
JOHN PAUL DOYLE  
CHUCK HARDWICK  
ALAN J. KARCHER  
DENNIS L. RILEY  
ANTHONY M. VILLANE, JR.  
KARL WEIDEL



## State of New Jersey

### OFFICE OF LEGISLATIVE SERVICES DIVISION OF STATE AUDITING

STATE HOUSE ANNEX, CN-067  
TRENTON, NEW JERSEY 08625  
TELEPHONE: (609) 292-6430

JAMES J. DOLAN  
STATE AUDITOR

June 24, 1985

The Honorable Thomas H. Kean  
Governor of New Jersey

The Honorable Carmen A. Orechio  
President of the Senate

The Honorable Alan J. Karcher  
Speaker of the General Assembly

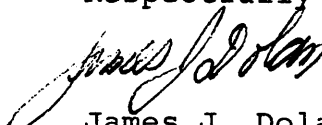
Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Gentlemen:

We have completed a financial and compliance review of the Palisades Interstate Park Commission for the period July 1, 1983 to January 31, 1985. The engagement encompassed (1) a review of internal control procedures, (2) a test of financial transactions, (3) a review of compliance with prior audit recommendations, and (4) a test of adherence to established State laws, policies, and procedures governing its financial transactions. Our review was limited to New Jersey operations and did not include those pertaining to New York State.

This report is submitted pursuant to the State Auditor's audit responsibilities as set forth in Article VII, Section 1.6 of the State Constitution, and N.J.S.A. 52:24-4, Legislative Services Law of 1978. The Commission maintains separate financial and accounting records for its New Jersey and New York operations. Portions of the Commission's New Jersey accounts are recorded as part of the General Fund for which the State Auditor expresses an opinion on the financial statements annually. The summary of revenues and expenses (Exhibit I) were abstracted from records of the Commission and is not intended to be in accordance with generally accepted accounting principles.

Respectfully submitted,

  
James J. Dolan  
State Auditor

Palisades Interstate Park Commission  
Distribution List

The Honorable Daniel J. Dalton, Chairman  
Energy and Environmental Committee  
Senate

The Honorable Anthony S. Marsella, Chairman  
Energy and Natural Resources Committee  
General Assembly

The Honorable Michael M. Horn  
State Treasurer

Mr. Richard B. Standiford, III, Director and Comptroller (3)  
Office of Management and Budget  
Department of the Treasury

Mr. Robert E. Hughey, Commissioner  
Department of Environmental Protection

Mr. Malcolm A. Borg, President  
Palisades Interstate Park Commission

Mr. Nash Castro, Executive Director  
Palisades Interstate Park Commission

State Library

PALISADES INTERSTATE PARK COMMISSION

SUMMARY

The Palisades Interstate Park Commission was established by N.J.S.A. 32:17-4 to preserve the natural grandeur of the Palisades of the Hudson River and the west shore line of the Hudson River. N.J.S.A. 32:14-1.1 provides that the Commission be assigned to the New Jersey Department of Environmental Protection and be independent of any supervision or control by the Department. The Commission conserves and maintains more than 2,400 acres in New Jersey and 77,300 acres in New York of cliffs, hills, lakes, and woodlands. The objectives are 1) to develop and provide recreational, historic, educational and natural facilities for public use, 2) to provide a system of highways to facilitate travel through and within the park, and to maintain parkway roads and bridges to ensure safe and efficient movement of traffic. Mr. Malcolm A. Borg was president of the Commission during the period of our review and Mr. Nash Castro was Executive Director.

Expenditures and encumbrances of the Commission from State of New Jersey appropriations were \$1.3 million during the seven months ended January 31, 1985 and \$2.7 million during the fiscal year ended June 30, 1984. Following is a summary of appropriations during the audit period:

	Fiscal Year 1984 as of January 31, 1985	Fiscal Year 1984
		(in \$000)
Original Appropriations	\$2,798.0	\$2,285.2
Supplemental Appropriations	-	-
Continuing Appropriations	31.2	391.4
Appropriated Receipts	-	-
Net Transfers	<u>40.1</u>	<u>106.5</u>
Total Appropriation Sources	<u>2,869.3</u>	<u>2,783.1</u>
Expenditures	1,343.8	2,737.6
Encumbrances	<u>-</u>	<u>-</u>
Total Appropriation Applications	<u>1,343.8</u>	<u>2,737.6</u>
Total Appropriation Balances	<u>\$1,525.5</u>	<u>\$ 45.5</u>
Composition of Appropriation Balances		
Continuing Appropriations	\$ -	\$ 31.2
Lapsed	-	14.3
Unexpended Balances	<u>1,525.5</u>	<u>-</u>
Total Appropriations Balances	<u>\$1,525.5</u>	<u>\$ 45.5</u>

The Commission's objectives are accomplished through its three main activities, (1) operation of park facilities, (2) maintenance of the parkway, and (3) policing of Commission lands. It employs approximately 100 full-time personnel for the New Jersey parkland operation and sponsors a Summer Youth Work Program for working on hiking trails and general rehabilitation. New Jersey appropriations provide for New Jersey related expenses associated with general management, patrol activities and crime control, and parkway improvements.

General operating revenue relating to New Jersey activities is accounted for in the Palisades Operating Fund. Revenue is derived from boat basin rentals, parking fees, marine gas and oil sales, concessions, and miscellaneous items. Receipts are retained by the Commission for general operating expenses which include salaries, purchase of gasoline for resale, and maintenance of boat basins, parking facilities, lunch stands and the Fort Lee Historical Park.

The Commission maintains a police court to enforce the traffic laws on the parkway and other roads within its boundaries and to ensure that park facilities are utilized in accordance with State laws and Commission regulations. Fines and court costs collected are appropriated for operations of the Police Court.

Gasoline service stations on the Palisades Interstate Parkway are operated on a concession basis. Concession revenues are calculated as a percentage of the markup over wholesale cost. Revenues derived from gasoline station concessions are appropriated for parkway operations and payments in-lieu-of taxes.

We have reviewed the system of internal accounting control of the Palisades Interstate Park Commission for the period July 1, 1983 to January 31, 1985. Our review was limited to the New Jersey operations and did not include those pertaining to New York State. As part of our review, we tested operational and administrative procedures and compliance with recommendations made in our prior audit report dated April 5, 1978. Our test of financial transactions showed that the Commission was adhering to established State laws, policies and procedures. The Commission's system of internal controls was adequate for their purposes, except for those areas cited in this report. Following is a summary of our findings:

1. The Commission maintains a separate set of accounting records for the operations relating to both New York and New Jersey. However, the basis of accounting currently in use is not in accordance with generally accepted accounting principles. Financial statements and schedules prepared from the accounting records of the Commission cannot be relied on to present fairly the financial position and results of operation, in accordance with generally accepted accounting principles applicable to governmental units. However, the Commission prepares their own internal

financial statements which they believe satisfies their financial information needs and budgetary requirements.

2. Reconciliations between the general ledger accounts and subsidiary records are not being performed on a periodic basis. As a result, we noted differences of as much as \$49,000 between the cashbook and general ledger cash balances. Cashbook balances appear to be correct and are reconciled monthly with bank balances, which we confirmed.
3. Purchases are not supported by evidence of approval by the fiscal officer and/or superintendent before the purchase is made. Our review indicated that approvals were being made subsequent to the receipt of goods. This practice results in decreased budgetary control.
4. Fixed asset inventory records are incomplete. Records are not updated periodically to include new acquisitions or deletions for disposed assets. These records are necessary for preparation of financial statements and for the safeguarding of the Commission's assets.
5. Payments in-lieu-of taxes are made to the local governments of Alpine, Englewood Cliffs and Fort Lee. Payments were \$87,084 and \$91,438 for Fiscal Years 1983 and 1984, respectively. We were unable to determine how these amounts were computed. We were informed by the Commission that the amounts to be paid to the above municipalities are determined by legislation.

Details of our findings and recommendations are presented below:

#### NO. 1 - FINANCIAL ACCOUNTING SYSTEM

##### FINDING

The Commission accounts for New Jersey operations through five different funds. The Revolving Fund records State Treasurer's appropriations and is also recorded by the State Treasurer as part of the General Fund. The Palisades Operating Fund is the general operating fund for the Commission. The Appropriated Revenue Fund and Miscellaneous Receipts and Expenditures Fund are used to account for specific revenues as designated in the appropriation act. The New Jersey General Gift Fund is maintained to account for donations and endowments. The basis of accounting used by the Commission, as noted in the following paragraphs, is not in accordance with generally accepted accounting principles. Financial reports are not based on a common and uniform classification system. Such a system is essential for proper disclosure to management, legislative



officers, financial analysts, and the general public. Consequently, financial statements and schedules prepared by the Commission do not present fairly the financial position and results of operations of the Palisades Interstate Park Commission, in accordance with generally accepted accounting principles applicable to governmental units. However, management believes that the financial statements and schedules prepared for internal use satisfies their financial and budgetary information needs.

During our review of the accounting system we noted that the system did not meet the standards of financial accounting and reporting for governmental units as promulgated by the Governmental Accounting Standards Board. Specifically we noted the following:

1. Monthly revenue in excess of expenses is recorded as income and subsequently closed to retained earnings. Such terms are generally associated with profit making entities. Per governmental accounting principles the "fund balance" designation is used to account for fund equity.
2. Fund reserves, which are designed for various purposes, are recorded by the Commission as long-term liabilities. Per governmental accounting principles such amounts are components of the fund balance and represent resources earmarked for future expenditures.
3. General fixed assets and related accounts of depreciation and amortization are recorded in the operating and special revenue funds of the Commission. Per governmental accounting principles fixed assets are recorded as expenditures at the time of acquisition and are accounted for in a General Fixed Asset Account Group.

Our review noted that the Commission does not prepare formal financial statements. There is no combined balance sheet prepared for all fund types and account groups. However, the Commission prepares an internal balance sheet for each of the funds. Individual or combined statements of revenues, expenditures and changes in fund balance are also not prepared. The Commission prepares a profit and loss statement for individual funds. Generally, except for proprietary funds, such statements are associated with nongovernmental entities.

We also noted that the Commission does not have annual audits performed of its operations. We could find no requirement in the statutes or the compact that requires an annual audit. We did note, however, that management reviews are performed periodically by both New Jersey and New York on their respective appropriations. In addition to these reviews the Commission engages annually an independent public accounting firm to perform agreed on procedures for selected accounts.

## RECOMMENDATION

We recommend that the Commission maintain a formal set of accounting records along with the preparation of financial statements that present fairly the financial position and results of operations of the Commission in conformity with generally accepted accounting principles for governmental units. Consideration should be given for annual audits of these financial statements as an independent verification of the Commission's financial activities.

## NO. 2 - RECONCILIATION OF ACCOUNTING RECORDS

### FINDING

Reconciliations are an important tool in the timely detection and correction of errors and irregularities. In our review, we found that reconciliations between the general ledger accounts and subsidiary records are only being performed intermittently and not on a periodic basis. As a result, we noted differences between the general ledger cash account and cashbook balances of \$49,025 at January 31, 1985 and \$45,965 at June 30, 1984. We note, however, that cashbook balances appear to be correct and are reconciled monthly with bank balances, which we confirmed.

We also noted that adjusting journal entries made during the review period were mostly for correction of posting errors made during Fiscal Years 1981, 1982 and 1983. At the end of our field work the Commission was still in the process of reconciling general ledger accounts.

### RECOMMENDATION

We recommend monthly reconciliation of general ledger accounts with subsidiary records.

## NO. 3 - PURCHASE AUTHORITY

### FINDING

Purchases are not supported by evidence of approval by the fiscal officer and/or the superintendent before the purchase is made. Our review indicated that approximately 50 percent of the purchases tested were not supported by a preapproved storekeeper's requisition, but indicated that approval was made subsequent to either the receipt of goods or billing by the vendor. We also noted that the Commission permits the Alpine Office to make emergency purchases through oral authorization. This practice appears to be the general rule for certain purchases rather than the exception. These purchasing practices result in a decreased budgetary control over operating expenditures.

## RECOMMENDATION

We recommend that the Commission adhere to policies which require approval of requisitions by the fiscal officer or the superintendent before purchases are made. In addition, emergency purchases, in which oral authorization are given, should be supported by subsequent requisitions and memoranda and filed with the business office.

## NO. 4 - FIXED ASSET INVENTORY SYSTEM

### FINDING

Treasury Circular Letter 83-8 dated August 3, 1982 requires each Department to submit a fixed asset inventory report on an annual basis. The report should contain the total cost of all fixed assets as of June 30 of each year. Fixed asset amounts should be recorded and accounted for in a General Fixed Asset Account Group.

In our review, we noted that fixed asset inventory records were incomplete as to current acquisitions. We also found that the fixed asset records contained inaccurate location references and items which had been disposed of. We further noted that the Commission does not conduct a periodic physical inventory to determine the propriety of the records maintained. Fixed asset records are necessary to safeguard the assets.

### RECOMMENDATION

We recommend that the Commission comply with Treasury Circular Letter 83-8, by updating the fixed asset inventory system for all new purchases and asset dispositions. We also recommend that records be maintained for all general fixed assets in the General Fixed Asset Account Group for management control and accountability purposes. Procedures should be established for an annual physical inventory of the assets. Cyclical counts for inventory purposes may be performed in order to minimize the work load throughout the year.

## NO. 5 - PAYMENTS-IN-LIEU-OF TAXES

### FINDING

N.J.S.A. 54:4A-5 provides for compensation to municipalities, wherein lands are held by the Palisades Interstate Park Commission, for the loss of tax revenue. Each year the Legislature makes an appropriation to the municipalities to compensate them for loss revenue by reason of exemption of such lands from taxation. Such sums are payable from the revenues derived from the operation of the gasoline station concessions in the New Jersey section of the Palisades Interstate Parkway. Our review

of payments made by the Commission in-lieu-of taxes, showed payments of \$87,084 and \$91,438 for Fiscal Year 1983 and 1984, respectively. These payments were made to Alpine, Englewood Cliffs and Fort Lee. We were unable to determine how these amounts were computed. We were informed that the above payments are not determined by the Commission, but rather by legislation.

#### RECOMMENDATION

We recommend that in-lieu-of-tax-payments be supported by an equitable method for the computation of such payment.

PALISADES INTERSTATE PARK COMMISSION  
SUMMARY OF NEW JERSEY REVENUES AND EXPENSES  
FOR FISCAL YEAR 1985 AS OF JANUARY 31, 1985  
AND FOR FISCAL YEAR 1984

EXHIBIT I  
(in \$000)

	July 1, 1984 to January 31, 1985	July 1, 1983 to June 30, 1984
Revenues:		
N.J. Appropriations	\$1,343.8	\$2,737.6
Concessions	229.1	289.0
Marine Gas and Oil	203.8	228.4
Boat Basin Rentals (1)	1.5	198.3
Fines and Court Cost	113.5	193.6
Parking	58.4	91.8
Interest on Investments	55.3	61.7
Other	18.4	24.1
Total Revenues	<u>2,023.8</u>	<u>3,824.5</u>
Expenses:		
Personal Services:		
Salaries and Wages	1,163.7	2,014.7
Materials and Supplies:		
Fuel and Utilities	63.2	159.1
Vehicular	45.0	101.9
Other	33.9	57.5
Services Other Than Personal:		
Insurance	-	122.0
Telephone	12.7	17.6
Data Processing	4.3	8.6
Professional Services	8.2	8.6
Other	8.0	11.9
Maintenance and Fixed Charges:		
Maintenance of Buildings and Grounds	33.3	82.1
Maintenance of State Roads	47.0	63.6
Other	26.3	38.0
Special Purpose:		
Purchases of Marine Gas and Oil	197.7	160.5
Payments to Municipalities in Lieu of Taxes	91.5	87.1
Other	-	54.1
Additions, Improvements and Equipment:		
Improvements-Parkway	81.8	463.9
Improvements-Buildings and Grounds	(29.6)	95.8
Other	3.7	63.2
Total Expense	<u>1,790.7</u>	<u>3,610.2</u>
Excess of Revenue Over (Under) Expenses	<u>\$ 233.1</u>	<u>\$ 214.3</u>

(1) Boat Basin rentals are accrued in March.

**Palisades Interstate  
Park Commission  
Administration Building  
Bear Mountain, NY 10911-0427  
914-786-2701**

Malcolm A. Borg, President  
Laurance Rockefeller, Vice President  
George W. Perkins, Jr., Secretary  
George E. Imperatore, Treasurer  
Mrs. Shirley C. Fisk  
Sidney Silverstein  
J. Martin Cornell  
Alfred N. Sanzari  
Paul C. Petrillo



Nash Castro  
Executive Director

DEPARTMENTAL RESPONSE

June 14, 1985

Mr. James J. Dolan  
State Auditor  
State of New Jersey  
Office of Legislative Services  
Division of State Auditing  
State House Annex, CN-067  
Trenton, New Jersey 08625

Dear Mr. Dolan,

We have received the audit report for the Palisades Interstate Park Commission covering the period July 1, 1983, through January 31, 1985.

The findings have been reviewed and for the most part accepted; however, we offer the following responses to the five principal recommendations contained in the report:

1. Financial Accounting Statements

The financial statements now in use have evolved as the best way to present the status of each fund to meet both internal and external reporting requirements. During the post-audit conference, Mr. Nicomini offered to send samples of statements that would bring us into conformity with your recommendations. Once they are received, we will restructure our statements to that format.

Until 1983, annual audits of Commission funds were performed by independent public accounting firms. At that time, the Commission became concerned with the increasing cost of these complete audits, as well as staff time required to prepare worksheets for the auditors' use. It was determined that it was no longer cost effective to do an audit on this scale and that a "special review" might be more appropriate since, as you state, there is no legal requirement that annual audits be performed. Items selected for audit are chosen by the auditors, not by members of the Commission's staff and vary from year-to-year.

2. Reconciliation of Accounting Records

We are striving to do more frequent reconciliations of General Ledger accounts within the limitations of reduced staff. In any event, reconciliations will be performed on a regularly-scheduled basis.

3. Purchase Authority

Prior to your audit, we had already taken steps to modify our purchasing system (See Attachment #1). We will continually strive to minimize confirming purchases, but recognize that emergency situations will occur so that they cannot be entirely eliminated. This is especially true in the automotive field where a myriad of make and model vehicles makes it impossible to maintain a sufficient inventory of repair parts. This recommendation further states that subsequent requisitions should be filed, and this has always been done.

4. Fixed Asset Inventory System

We have taken steps to comply with Joint Circular Letter 83-8, but its implementation was delayed since we were led to believe that compliance might not be necessary by memo dated September 21, 1983 (See Attachment #2).

5. Payments in Lieu of Taxes

These payments have always been determined by legislation and we will continue to be governed by whatever appropriation is made to each of the municipalities involved.

  
Executive Director



Office of the Superintendent

March 21, 1985

TO: SUPERVISORS, and all  
EMPLOYEES DOING PURCHASING

FROM: C. J. QUADRI

RE: PURCHASING PRACTICES

It has come to my attention that on an increasing number of occasions orders have been placed and goods or services received without processing through John Estocin until after the fact, contrary to established purchasing procedures.

I cannot emphasize too strongly the importance of following these prescribed procedures:

1. Supplies, equipment, or services must be ordered through John Estocin, who will then prepare a purchase requisition, from which a purchase order will be issued, provided sufficient funds are available. If you have pre-investigated a source of supply for the needed items or services, tell John what you have learned; he may be aware of a vendor offering the same goods or services at a better price; if not, he will be happy to order through your vendor.
2. On those occasions when it is necessary to pick up something from a vendor before a purchase order has been issued, it is mandatory that a parts requisition form be prepared in advance, and approved by management as to need and availability of funds before purchase can be made. Any purchases made without these approvals become the responsibility of the purchaser and will not be honored.
3. Deliveries of all purchases must be made to the Storehouse for proper tallying in order to verify receipt of the items ordered and completeness of the order. Without this process payments will be inordinately delayed due to lack of information concerning delivery.

These procedures are mandatory; no exceptions will be made.

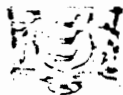
*C. J. Quadri*  
C. J. QUADRI

CJQ:bgk

ATTACHMENT #1



RECEIVED  
DEPT. OF CIVIL SERVICE



*Barbara V...*  
171

State of New Jersey

83 SEP 26 10:30

DEPARTMENT OF THE TREASURY

DIVISION OF  
BUDGET AND ACCOUNTING

STATE HOUSE  
CN 221  
TRENTON, NEW JERSEY 08625

EDWARD G. HOFGESANG  
DIRECTOR

September 21, 1983

TO: Department Heads, Directors of Administration  
and Chief Fiscal Officers

FROM: Edward G. Hofgesang, Director   
Division of Budget and Accounting

SUBJECT: Centralized Fixed Asset Accounting System

During the current fiscal year, the Department of the Treasury, Bureau of Accounting, will be working towards establishing a centralized automated fixed asset accounting system to account for fixed assets for financial reporting purposes. This system will allow for full compliance with generally accepted accounting principles, therefore, upon implementation of Treasury's centralized system, it may not be necessary for agencies to maintain their own perpetual fixed asset accounting system, currently required by Joint Circular Letter 83-8.

Agencies should reevaluate any efforts currently underway to establish or modify their individual perpetual fixed asset accounting system until representatives from the Bureau of Accounting can meet with appropriate agency personnel to discuss this matter. State agencies are reminded that the development of this centralized system will not relieve them from performing periodic physical fixed asset inventories or from submitting data to Treasury for the updating of the centralized system.

E. G. H.

EGH:cmh

ATTACHMENT #2