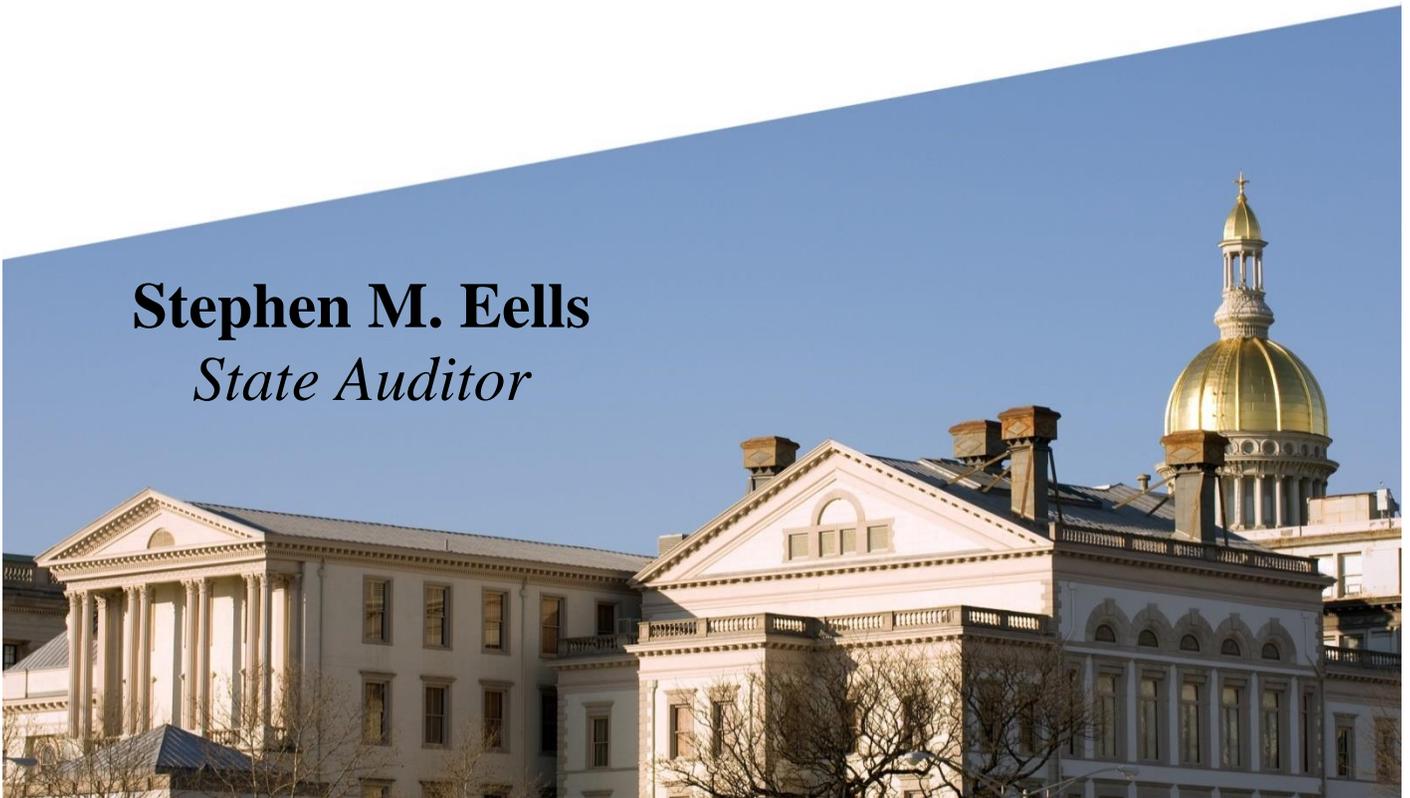


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of Environmental Protection
Division of Fish and Wildlife

July 1, 2015 to June 30, 2019

Stephen M. Eells
State Auditor



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The Honorable Craig J. Coughlin
Speaker of the General Assembly

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Enclosed is our report on the audit of the Department of Environmental Protection, Division of Fish and Wildlife for the period of July 1, 2015 to June 30, 2019. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
June 11, 2020

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Scope

We have completed an audit of the Department of Environmental Protection (department), Division of Fish and Wildlife (division) for the period July 1, 2015 to June 30, 2019. Our audit included financial activities accounted for in the state's General Fund. Annual revenues of the division averaged \$26.7 million. The major components of revenue were licenses, permits, and federal revenue. Annual non-payroll expenditures for the division averaged \$12.0 million. The mission of the Division of Fish and Wildlife is to protect and manage the state's fish and wildlife to maximize their long-term biological, recreational, and economic values for all New Jerseyans.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. Additional objectives were to determine the adequacy of select application-level general controls over the division's Integrated Electronic Licensing System (IELS).

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 findings and conclusions based on our audit objectives. We believe that 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 division. 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 reviewed financial trends and interviewed division personnel to obtain an understanding of the programs and the internal controls.

A non-statistical 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 and randomly selected for testing.

Conclusions

We found that the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain deficiencies meriting management's attention regarding compliance with procurement guidelines, revenue system reconciliations, and timeliness of deposits. In addition, we noted that the general controls over the division's Integrated Electronic Licensing System need strengthening.

We also observed the division has not initiated any license and permit fee increases since 2000, and that New Jersey is one of only three states bordering an ocean or bay that does not charge anglers any fees for saltwater fishing.

Procurement

The department did not comply with applicable purchasing regulations.

Internal Controls

We found the division's purchases were closely aligned with its mission. However, we did note that internal controls could be strengthened by updating current internal purchasing policies to require requesting divisions to provide adequate justification for proposed purchases. The department's individual divisions are diverse with many having unique procurement needs. A supervisor within a division would sign off on each purchase request, and the procurement unit relies on these signatures to ensure the purchase is necessary. The procurement unit ensures available funding and processes the transaction. We found some purchases contained documentation supporting the need to procure the goods or service, while some did not. By not requiring this type of documentation, the procurement unit could process potentially unnecessary expenditures.

Delegated Purchase Authority Purchases

Department of the Treasury Circular No. 16-02-DPP (circular) provides guidelines for the purchase of goods and services. The circular requires purchases be made first through one of the four primary contract methods prior to the use of a delegated purchase authority (DPA), and DPA purchases are not to exceed \$40,000. At least three telephone quotes are required for DPA purchases over \$1,000 and up to \$17,500, and three written quotes are required for purchases greater than \$17,500 and less than \$40,000. These thresholds are established to provide competition and to ensure the state obtains the lowest pricing. Requests to increase the \$40,000 DPA limit must be made by the department's Chief Purchasing Officer to the Department of the Treasury, Director of the Division of Purchase and Property (DPP) through the Assistant Director of the Contract Compliance and Audit Unit. If a purchase is from a sole source vendor, a memorandum of sole source justification must be written and signed by the Agency Approval Officer, and a letter from the vendor must be placed in the DPA file indicating why it is the only vendor that can provide the supplies or services. Purchases should not be divided by vendor, dollar amount, or items to circumvent the dollar limit imposed by the circular.

We sorted all DPA purchase orders for fiscal years 2015 through 2019 and selected orders greater than \$1,000 as our sample population. We then judgmentally selected 25 transactions, totaling \$393,400. Our testing noted four instances (16 percent) where there was no vendor invoice. Eleven of the transactions tested were indicated by the division to be sole source, however, all eleven were missing a sole source justification written and signed by the Agency Approval Officer, and ten were missing a sole source certification from the vendor. Of the 14 remaining transactions, we noted 6 (42.8 percent) which did not contain the three quotes required by the circular.

We noted an instance where the DPP approved an increased DPA for the division to outfit a mobile outreach trailer (pictured below) at an amount not to exceed \$200,000. Within the

beginning stages of the build, however, the division realized that \$200,000 was an insufficient amount to build a trailer that met the intentions of the program and requested an additional \$40,000. This additional cost was approved by the division director, but the division failed to obtain approval from DPP. The division circumvented DPP controls by splitting the purchase in order to process the payment in the accounting system. In addition, when the Request for Proposal (RFP) was issued for this build, the division included the anticipated cost of the trailer within the RFP. This practice is not in the best interest of the state, as prospective vendors may increase a potentially lower bid to meet the expected cost of the project as listed by the division.



[The Division of Fish and Wildlife’s Mobile Conservation Outreach Trailer]

Recommendation

We recommend the division strengthen internal controls by updating its internal purchasing policies and procedures and comply with applicable DPP procurement circulars when making purchases.



Revenue Reconciliation

Revenue processed through the division's licensing system cannot be reconciled to the New Jersey Comprehensive Financial System (NJCFIS).

The division utilizes a web-based system, the Integrated Electronic Licensing System (IELS), to issue various licenses and permits (privileges). The system is accessed from a computer or mobile device by license agents and by individuals obtaining a license or permit. Sales processed through IELS are transferred electronically to the state's accounting system (NJCFIS) each week. The division then manually allocates the revenue to the individual revenue accounts. Some privileges include an agent commission which can range from \$0.25 to \$1.00 per privilege. Agent commissions averaged \$275,000 annually and were netted against gross sales figures prior to being transferred each week.

We obtained a download of IELS gross sales, by fiscal year, from the division. We then removed applicable agent commissions for each privilege and added duplicate license sales, since they were excluded from our original download. Duplicate licenses cost \$2 each and are printed with the original license when the recipient requests an extra copy. Even after the adjustments to the IELS figures, we were unable to reconcile to NJCFIS, which exceeded IELS by \$958,337 in total from fiscal years 2015 through 2018. The following table shows the differences we noted between the two systems.

FY	Adjusted IELS	NJCFIS	Difference
2015	\$ 13,077,432	\$ 13,189,873	\$ 112,441
2016	12,892,797	13,111,113	218,316
2017	12,571,024	12,942,368	371,344
2018	12,301,525	12,557,761	256,236
Total	<u>\$ 50,842,778</u>	<u>\$ 51,801,115</u>	<u>\$ 958,337</u>

The division does not reconcile IELS transactions to NJCFIS and was unable to provide an explanation as to why the two systems do not reconcile. Reconciliations should be performed to ensure the proper funds are being transferred.

Recommendation

We recommend the division reconcile revenue accounts to ensure funds are being transferred from IELS to the state's accounting system accurately.



Untimely Deposits

Deposits at division field offices are not being made timely.

The division has three field offices in the state that sell hunting and fishing licenses and permits. We randomly tested \$196,041 of cash receipt transactions and found that 23 of 37 transactions (62.2 percent), totaling \$12,478, were not deposited timely. The number of days between the date of the sale and the deposit date ranged from 2 to 19, with an average delay of 5.6 days. According to Department of the Treasury Circular No. 12-02-DPP, agencies are to ensure that all state funds are deposited on the same day as received. When deposits are not made timely, there is an increased risk of them being lost, stolen, or improperly recorded. During our audit period, the division began using credit card machines at each of the field offices with the goal of encouraging more electronic payments rather than accepting cash and checks.

Recommendation

We recommend the division adhere to guidelines established by the circular and ensure all revenue is deposited the same day received.



Information Technology – General Controls

Application-level general controls for the Integrated Electronic Licensing System need strengthening and are lacking pertinent documentation.

General controls are the policies and procedures that apply to all or a large segment of an entity's information systems and help ensure their proper operation. Examples of primary objectives for general controls are to safeguard data, protect business process application programs, and ensure continued computer operations in case of unexpected interruptions. During the audit, the division utilized licensing software called the Integrated Electronic Licensing System (IELS) to issue hunting and fishing licenses (privileges) throughout the state. The system was implemented in 2006 and is no longer supported by the vendor. A Request for Proposal was issued in January 2018, and the division implemented its new system for processing its various privileges in October 2019. We noted the following IELS general controls need strengthening or are lacking pertinent documentation.

Access Request Forms

The New Jersey Office of Information Technology's Statewide Information System Manual (SISM) recommends agencies establish and document formal account creation and registration processes including a written or electronic request from an appropriate authorized manager. Currently, IELS user access is authorized by the project manager approving a prospective user's email request. System access is then authorized based upon the user's job description/function/role and the minimum amount of privilege necessary for the user's proper

job function/duties/requirements is awarded. The formal access request form should include requests for specific system activities with justification, which would eliminate the project manager from having to choose activity access levels based on job function.

User Identification

The SISM recommends agencies remove disabled user accounts within 90 days, and the use of group accounts and shared ids is generally prohibited. The IELS is unique in that when a user account is deleted, all work performed by that user is also removed. Therefore, the division's practice is to disable user accounts which are no longer required in an attempt to avoid losing critical information. In addition, active accounts that have no activity associated with them (inactive) increase the risk that an unauthorized user could exploit vulnerabilities within IELS thereby allowing for a potential disruption of service or breach of sensitive data.

We obtained a download of 133 IELS administrative user IDs and noted 41 which should have been removed. These accounts included 3 users with multiple IDs, 16 locked out accounts, 9 expired accounts, 2 reset accounts, and 7 generic or test accounts. These accounts belong to vendors who had obtained access to production, users who had forgotten their passwords and obtained new access, and previously utilized group accounts. One user was a liaison with the vendor and was supposed to only have access to the test environment but was also given access to production. The test accounts were created to test certain processes within IELS; however, the IDs were never removed upon conclusion of the test. The principle of segregation of duties should be adhered to when assigning functions, tasks, and responsibilities for critical business processes. Per the SISM, one specific concept of segregation of duties is to ensure that test functions are performed separately from production and development functions. Application development personnel should not have access to production data or systems-level technology. We also noted 12 additional user IDs which were associated with employees who no longer work for the department. If a user resigns or is terminated, the SISM requires the user's access be revoked (disabled) at the time the user's employment status is terminated.

Lack of Policy and Procedures

We found the division does not have an application security plan that assesses risk or details critical procedures, processes, and policies necessary for the automated issuance of hunting and fishing licenses. We also found there are no documented policies or procedures requiring annual verification that the level of access to the application for users is appropriate and necessary for their job duties and responsibilities. In order to maintain effective controls over user access to information assets, access privileges granted to users should be reviewed at least every six months. Evidence of account and privilege reviews that document the review occurred, who conducted the review, and what action (if any) was taken should be retained by the division. We also found the division does not have a documented contingency plan in place in the event that it would have to revert to a manual process of issuing licenses. The SISM requires agencies develop, implement, test, and maintain contingency plans to ensure continuity of operations for all information systems that deliver or support essential or critical business functions. Currently, the project manager maintains the majority of system responsibilities, and if the project manager

were to be absent for an extended period of time, there are no assigned tasks and associated personnel to continue functionality as intended.

Recommendation

Our review encompassed the application-level general controls of the system in use at the time of the audit. The following recommendations may be addressed with the new licensing system. We recommend the division

- Establish formal account creation and registration processes, which should document requests for specific system activities and be maintained for all users.
- Remove all disabled and inactive user IDs which would not result in the loss of historical data. Requirements of the new system should allow for unneeded user IDs to be deleted without losing critical information.
- Create and maintain an application security plan, risk assessment, and critical policies and procedures necessary for the electronic issuance of hunting and fishing privileges.
- Implement policies and procedures requiring semiannual verification that the access granted to each user is appropriate and necessary.
- Develop, implement, and periodically test a formal business continuity/disaster recovery and application contingency plan for the Integrated Electronic Licensing System processes and/or its successor system.



Observation

License and Permit Fees

Historical price sheets provided by the division indicate license and permit fees had increased steadily from 1979 until 2000 including 9 fee changes over the 22- year period. However, there have been no changes to any of these fees since 2000. Fees are set by statute, but changes must first be approved by the Fish and Game Council. The division has not proposed any fee increases to the legislature in over 19 years.

Additionally, there are 23 states which border oceans and bays. We noted most do charge fees ranging from a \$1.00 registration fee in Maine to a \$48.34 license in California, with an average of \$18.56 for all 20 states having a saltwater fishing license. New Jersey is one of only three states in the country, along with New York and Hawaii, that does not require any fee for saltwater anglers to register or obtain a license for coastal fishing. In May 2011, the department implemented the New Jersey Saltwater Recreational Registry Program through Administrative

Order No. 2011-05. This voluntary registry is not a license and is intended to help fishermen and policy makers work together to better account for the contributions and impacts of saltwater anglers on ocean ecosystems and coastal economies. We noted that in 2017 the registry contained 164,330 individuals. The totals from the registry are conservative because the registry is free, is not required, and does not account for out-of-state fishermen or those who pay to fish on party and for-hire fishing vessels.





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June 5, 2020

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Office of the State Auditor
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Dear Mr. Kaschak,

Thank you for the opportunity to review and respond to the draft audit report regarding the Department of Environmental Protection, Division of Fish and Wildlife, for the period of July 1, 2015 to June 30, 2019.

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.

The audit report did note 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.

Recommendation #1: Procurement

Strengthen internal controls by updating internal purchasing policies and procedures; comply with applicable DPP procurement circulars.

The Division of Fish and Wildlife (NJDFW) will review internal purchasing controls to improve compliance with applicable Division of Purchase and Property (DPP) procurement circulars when making purchases. Periodic training on proper purchasing procedures will be conducted with staff directly involved with purchasing. The requirements and approval process for sole-source vendor purchases will be emphasized. A written step by step process for delegated purchase authority (DPA) approvals will also be drafted including the process for increasing previously approved DPA purchases. The Central Procurement Unit

(CPU) within Budget and Financial Operations will review the internal purchasing policies and procedures to ensure they follow State procurement requirements.

Note that the CPU held two training sessions for staff of NJDFW in April 2019 to review current procurement guidelines and procedures. The results of these training sessions were most likely not reflected in this audit period. We anticipate this collaborative effort will result in increased compliance with State procurement guidelines.

Recommendation #2: Revenue Reconciliation

Reconcile revenue accounts to ensure funds are transferred to the state's accounting system accurately.

The NJDFW acknowledges the discrepancies between the Integrated Electronic Licensing System (IELS) annual activity download and data from the State's accounting system, the New Jersey Comprehensive Financial System (NJCFS). These discrepancies are due in part to limitations within the older IELS system reporting capabilities and, likely, to a lesser extent, to the manual cash receipt (CR) entries process required to allocate revenues into various accounts, revenue sources and sub-revenue sources in NJCFS. The current NJCFS system does not support automatic allocation of deposits into multiple revenue and sub-revenue sources. Credit card revenues are all deposited into a single sub-revenue source and manual CR entries must be utilized to redirect funds into the proper accounts. While the NJCFS limitations are not within the NJDFW's control, the Division is in the final stages of integrating a new electronic licensing system (NJELS), replacing the 10+ year old legacy IELS system. The new NJELS has much greater reporting capabilities. This upgrade should make accurate annual reconciliations easier to perform. Based on this finding, the NJDFW will reconcile reported license sale revenues with NJCFS revenues on a quarterly basis.

Recommendation #3: Untimely Deposits

Ensure revenue is deposited the same day received.

The NJDFW acknowledges deposits made beyond the required 24-hour period by some field offices. As NJDFW field offices are small and in remote locations, logistical constraints impede the ability to make same day deposits. However, when deposits cannot be made on the same day as receipt, there are compensating controls in place to ensure the funds are safeguarded. Each deposit is sealed in a plastic deposit bag and locked in a safe. A log tracking sheet documents the chain of custody from preparation to deposit. Furthermore, the DEP Internal Audit Unit performs periodic reviews of the cash handling procedures at NJDFW field offices.

NJDFW continues to promote the use of credit cards and online purchases and, as a result, has been able to significantly reduce the amount of cash revenue handled at field offices.

As NJDFW recognizes cash will continued to be used in some circumstances, an exemption will be sought to Circular Letter 12-02-OMB (which requires deposits within 24 hours of receipt) to allow a 72-hour window from receipt to make a deposit. OMB has granted such an allowance for the DEP Division of Parks and Forestry field offices.

Recommendations for Information Technology – General Controls

Establish formal account creation and registration processes, which should document requests for specific system activities and be maintained for all users.



Implement policies and procedures requiring semiannual verification that the access granted to each user is appropriate and necessary.

The above two recommendations can be addressed simultaneously. NJDFW is working on creating a 'Request for Access' form which will need to be approved by Bureau Chiefs and reviewed every six months. NJDFW has already drafted a policy that, once approved, will need to be signed and agreed to by all staff with access to any portion of the new license system. This policy will address staff access to and responsibility for proper use of the data/information in the system. These policies and best data management practices will adhere to guidelines of the state's cyber security training which is required of all non-field staff.

Additionally, the new license system has an improved capability to control access to the various aspects of the license system and its data, which will streamline and improve the processes of granting appropriate access to staff.

Remove all disabled and inactive user IDs which would not result in the loss of historical data. Requirements of the new system should allow for unneeded user IDs to be deleted without losing critical information.

The legacy IELS system was designed to pass stringent data management and security measures. In order for the system to pass the vendor's stringent audits they can never delete user IDs as the user ID is always associated with various actions such as sales, voids, and other functions. Maintaining all user IDs is a critical component to data security measures. The new system, NJELS, handles user IDs differently than the old legacy system. If a user is no longer employed by NJDFW or no longer requires access, their profile status is changed to inactive and the date of the change is retained within the system. The legacy system could not store dates associated with activity/profile changes to user accounts.

Create and maintain an application security plan, risk assessment, and critical policies and procedures necessary for the electronic issuance of hunting and fishing privileges

NJDFW, in conjunction with Treasury and the vendor of the NJELS, Aspira, are working together to develop security and disaster recovery plans. Draft versions have been created and are under review.

NJDFW will assign staff for the development of risk assessment plans and critical policies and procedures necessary for the electronic issuance of hunting and fishing privileges. NJDFW will work with Aspira on obtaining the plans and cooperate with all necessary parties involved to ensure the plans, policies and procedures necessary for the electronic issuance of hunting and fishing privileges meet all of NJ's requirements.

Develop, implement, and periodically test a formal business continuity/disaster recovery and application contingency plan for the Integrated Electronic Licensing System processes and/or its successor system.

The vendor of NJELS has both a regular and backup data farm and has a disaster recovery plan for the new platform. NJDFW has already requested copies for their files. However, NJDFW does not currently have a continuity plan in place should the vendor cease operations. Staff will be assigned to design, implement,



procure materials, and test a formal contingency plan to ensure continuity of business should the vendor suddenly go out of business.

Sincerely,



Ray Bukowski, Assistant Commissioner
Natural and Historic Resources



Adrienne Kreipke, Assistant Commissioner
Management and Budget

C: Catherine McCabe, Commissioner
Shawn LaTourette, Chief of Staff
Stephen Matis, Comptroller

