TO: Brenda Bacon
    Carl E. Van Horn

FROM: Michael J. Scheiring

DATE: October 15, 1991

SUBJECT: Draft Legislation - Institutionalization of Audit

Attached for your review is the initial draft of legislation to establish a permanent State Management Audit Commission to undertake performance audits and organizational reviews of state departments and programs. The objective is to establish a permanent, state-funded independent body to report to the Governor and Legislature that would undertake performance audits to identify ways to cut costs and improve management of state operations as well as to review and comment on possible changes in the organizational structure of state government instituted by the Legislature or Governor and to monitor the results of the Commission's recommendations.

The legislation is modeled after Executive Order 7 establishing the Governor's Management Review Commission, legislation proposed by the New Jersey state Legislature and legislation that was enacted in California to create a permanent "little Hoover" commission.

I would appreciate any comments or suggestions that you may have by Friday, October 18. I will set up a meeting shortly thereafter to discuss this legislation. Thank you.

MJS/sem-717
Attachment

cc: David Applebaum
AN ACT establishing the State Management Audit Commission and authorizing the Commission to undertake performance audits, organizational reviews, and other such studies and report on ways to improve the effectiveness and efficiency of state departments, programs, and operations.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1.a. There is established in, but not of, the Department of the Treasury (or the Office of the Governor), the State Management Audit Commission. It shall be the duty of the Commission to study and analyze, through performance audits and other means, all of the departments, commissions and authorities of State government, and the various other functions and activities of State government, to ascertain the means by and manner in which the services of the State of New Jersey may be afforded to its citizens in the most efficient, expeditious and economical manner.

For the purposes of this act, a "performance audit" means an examination of the operations and management of a principal department of the Executive Branch, or any program or activity administered by a department, to ascertain whether the department is being managed, or the program or activity is being conducted in an economical and efficient manner.

b. The Commission shall review any proposed organization or reorganization bill introduced in either House of the Legislature or proposed by the Governor under the Executive Reorganization Act. The Commission shall study the necessity, desirability, costs, of any proposed organization or reorganization of state government. The Commission shall promptly prepare and forward its recommendation on the proposed organization to the Governor and to the House in which it was introduced.
c. The Governor's Management Review Commission, established pursuant to Executive Order No. 7 of 1990, which is substantially similar to the State Management Audit Commission established by this act, is instituted and authorized to operate pursuant to this act. The Commission was established by executive order to provide for an independent operational audit of State government to identify ways to improve the productivity of governmental operations and to reduce the costs of government. Upon completion of the work of the Governor's Management Review Commission established by executive order, and rendering of a full report on its findings and recommendations, the terms of the appointed members of such commission shall expire.

d. The State Management Audit Commission shall consist of seven members. Five members of the Commission shall be appointed by the Governor with the advice and consent of the Senate, at least two of whom shall be from each major political party. One each shall be appointed by the President of the Senate and by the Speaker of the Assembly. Three of the members appointed by the Governor shall have a background that includes knowledge and practical experience, or both, in accounting, public administration, or business administration, or related fields involving the financial operations and the management of public/private entities. Each member shall serve for a term of five (5) years and until their successors are qualified, and provided further that at the time of the initial appointment of the public members, the Governor shall provided for staggered terms by appointing two (2) public members for a term of four (4) years, one public member for a term of three (3) years, and one public member for a term of two (2) years. Any vacancy among the members shall be filled in the same manner as the original appointment, but for the unexpired term only. Members may be appointed to successive terms. The Governor shall appoint a chairperson from among the Commission members. The members shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties, subject to the availability of funds thereof.

e. The Commission shall be authorized to appoint and employ an executive director for a term of five (5) years who can not be removed without cause. The Commission is further authorized to select and retain such agents, assistants, accountants and consultants and such other persons as it may deem necessary, without regard to Civil Service; and to determine their duties and fix their salaries or compensation within the amounts appropriated; and may utilize the services of executives and experts, and accept and use funds or other contributions, from
business and industry and other public or private sources as it deems necessary to carry out its functions. The Commission is authorized to call upon any department, office, division or agency of the State to supply such statistical data, program reports, or other information or personnel and materials as it deems necessary to discharge its responsibilities. The Commission is also authorized to incur expenses for purposes necessary to its work, subject to the availability of funds appropriated or otherwise made available therefor.

2. Each department, office, division or agency of State government is authorized and directed, to the extent not inconsistent with law, to cooperate with the Commission and furnish it such information and assistance as it may find necessary to discharge its responsibilities.

3. The Commission may conduct public hearings in furtherance of its general purposes at such place or places as it shall designate, at which it may request the appearance of officials of any State agency and solicit the testimony of interested groups and the general public.

4. The Commission shall make an annual report to the Governor and Legislature which shall include its recommendations. The Commission shall provide performance audits, organizational reviews, and other such studies to the Governor and the Legislature.

5.a. There is appropriated from the General Fund $4,000,000 to support the purposes of the State Management Audit Commission. The State Treasurer is authorized to establish a special nonlapsing account in the General Fund, for the purpose of financing the costs of the Commission established pursuant to this act. The State Treasurer may provide for the transfer, pursuant to law, to such account of amounts contained in items of appropriation that he identifies as in excess of the amount needed for their intended purpose as a result of savings attributable to implementation of the recommendations of the Commission referred to in subsection b. of section 1 of this act.

b. The Legislature shall annually appropriate such sums as are necessary to effectuate the purpose of this act.

6. This act shall take effect immediately.
The bill establishes a permanent independent State Management Audit Commission to replace the Governor's Management Review Commission which was created pursuant to Executive Order No. 7 of 1990 with similar duties. The State Management Audit Commission is charged to conduct operational audits, organizational reviews, performance audits and other such studies and report its recommendations to the Governor and the Legislature for improving the effectiveness and efficiency of state departments, programs, and operations in delivering services to the citizens of New Jersey in the most expeditious and economical manner.