



Gov

STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR

GOVERNOR'S MANAGEMENT REVIEW COMMISSION

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MEMORANDUM

TO: Joseph Selema
FROM: Michael J. Scheiring *mjs*
DATE: November 19, 1990
SUBJECT: Audit Recommendations

On behalf of the Governor's Management Review Commission, I appreciate your taking time to stop by at the Commission meeting on Friday. The Commission members believe that the audit has been an unprecedented effort that has identified extensive opportunities to cut governmental costs and to improve the efficiency of state operations. They feel strongly that the audit efforts can go a long way in supporting and communicating the Governor's efforts to make state government operate in a more lean and responsive manner.

As I indicated, the Commission members are becoming anxious to see the Governor take action on the audit recommendations and expressed their distress that the Governor has not called upon them to talk about the audit efforts more publicly. With more reports coming out shortly, the Commission members perceive that their efforts are becoming backlogged and are concerned as to whether they are doing the right thing. Public release of these recommendations would do much to mitigate this.

I reassured them of the administrations delight with the audit and the usefulness of the recommendations that have been generated in aiding the Governor's efforts to balance not only the Fiscal Year 1992 budget but to deal with the budget deficit in the current fiscal year.

I have attached for your information a listing of the various audit efforts that notes those that have been completed. The crosscut issues of Training, Senior Executive Service, Sick Leave Injury, Sick Leave Usage and Professional Services have been released publicly by the Governor in October. None of the rest of the audit findings have been released since then. I would urge that the Governor announce the results of some of the audit reviews such as the audit on Vehicle Maintenance, Telephones and the Department of Transportation. Attached are copies of those reports and talking points that were developed for the Governor's and the Commission's use.

The administration may want to be cautious in having the Governor discuss some of these reports such as the ones on Fee Structure and Fringe Benefits. I will be pleased to discuss the matter further at your convenience.

MJS/sem-254

Attachments: Reports and Talking Points

cc: David Applebaum
Carl E. Van Horn
Andrew Weber

Attachments: Talking Points

bcc: Steve Clark

GOVERNOR'S MANAGEMENT REVIEW COMMISSION

FINDINGS - STATE TELECOMMUNICATIONS

- **TOTAL TELECOMMUNICATIONS COSTS FOR THE STATE IN FISCAL YEAR 1990 WERE \$48.4 MILLION**
- **THERE ARE 78,000 STATE WORKERS UTILIZING THE 59,000 PHONE LINES AT OVER 2,500 SITES**
- **THE BASIC PHONE SYSTEM IS WELL MANAGED AND OPERATES WITH A RELATIVELY SMALL STAFF**
- **OTIS HAS BEEN ABLE TO HOLD TELEPHONE COSTS AT THE SAME LEVEL FOR THE LAST THREE YEARS DESPITE AN INCREASE IN USERS OF 47%**

GOVERNOR'S MANAGEMENT REVIEW COMMISSION

RECOMMENDATIONS - STATE TELECOMMUNICATIONS

- **IMPLEMENT STATE-WIDE PRICING TARIFF FOR STATE CENTREX SYSTEM**
- **INSTITUTE ELECTRONIC TRANSFER OF BILLING INFORMATION**
- **EXPAND MESSAGE TOLL DISCOUNT TO ALL NEW JERSEY BELL DIRECT DIALED CALLS**
- **IMPLEMENT AT&T STATE CALLING SERVICE OFFERING LOWER LONG DISTANCE RATES AND BETTER SERVICE SUPPORT**
- **IMPLEMENT NEW CREDIT CARD TARIFF WITH 15% LOWER RATES**

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RECOMMENDATIONS - STATE TELECOMMUNICATIONS - PAGE 2

- **ELIMINATE LEASING OF TELEPHONE EQUIPMENT**
- **NEGOTIATE NEW CONTRACTS WITH NEW JERSEY BELL AND AT&T TO INCREASE REVENUES FOR COIN PHONES**
- **ACCELERATE THE IMPLEMENTATION OF THE GARDEN STATE NETWORK**
- **ESTABLISH A STATE-WIDE TELEPHONE POLICY FOR PERSONAL CALLS**
- **CONTINUE TO SEEK TECHNOLOGICAL SOLUTIONS TO LOWER ADMINISTRATIVE COSTS AND IMPROVE SERVICE**

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FISCAL IMPACT - STATE TELECOMMUNICATIONS

- **PROJECTED BUDGET SAVINGS OF \$3.5 MILLION IN FISCAL YEAR 1991**
- **PROJECTED BUDGET SAVINGS OF \$6.1 MILLION IN FISCAL YEAR 1992 AND THEREAFTER**

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FINDINGS - VEHICLE MAINTENANCE AND USAGE

- **VEHICLE MAINTENANCE AND USAGE REPRESENTED \$42.1 MILLION IN EXPENDITURES IN FISCAL YEAR 1990**
- **THE STATE FLEET HAS 18,000 PIECES OF EQUIPMENT. THERE ARE 9,000 PASSENGER VEHICLES, 5,000 NON - PASSENGER VEHICLES AND 4,000 NON - POWERED VEHICLES**
- **THERE ARE 698 EMPLOYEES SUPPORTING VEHICLE MAINTENANCE REPRESENTING \$14.9 MILLION IN SALARY COSTS**
- **THERE ARE 71 VEHICLE MAINTENANCE FACILITIES. MANY OF THESE FACILITIES ARE UNCOORDINATED, UNPRODUCTIVE, AND UNDERUTILIZED**
- **THE CENTRAL MOTOR POOL (CMP) OPERATES ONLY 4 OF THE 71 FACILITIES. THEY ARE RESPONSIBLE FOR APPROXIMATELY 30% OF ALL STATE VEHICLES**

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FINDINGS - VEHICLE MAINTENANCE AND USAGE - PAGE 2

- **MANY MECHANICS SERVICE ONLY 4 TO 6 VEHICLES PER WEEK**
- **THERE IS EXCESSIVE ADMINISTRATIVE OVERHEAD. THE RATIO OF MECHANICS TO SUPERVISORS IS 2.3 MECHANICS PER SUPERVISOR**
- **MOST OF THE FACILITIES DISCOURAGE OUTSIDE DEPARTMENTS FROM USING THEIR FACILITIES, GREATLY INCREASING OVERALL COSTS TO THE STATE**
- **THE STATE EXPENDED \$3.9 MILLION IN OUTSIDE VENDOR COSTS EVEN THOUGH A STATE FACILITY CAN REPAIR A VEHICLE FOR HALF THE COST**
- **THERE IS NO CENTRAL DATA BASE FOR COST AND INVENTORY INFORMATION. FACILITIES HAVE LIMITED OR NO JOB SCHEDULING AND PREVENTIVE MAINTENANCE PROGRAMS**

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FINDINGS - VEHICLE MAINTENANCE AND USAGE - PAGE 3

- IN JANUARY OF 1990, GOVERNOR FLORIO ISSUED EXECUTIVE ORDER NO. 4, WHICH CALLS FOR THE CMP TO ASSUME MANAGEMENT OVER ALL OWNED AND LEASED STATE CARS. THE ORDER DOES NOT INCLUDE TRUCKS AND BUSES
- GOVERNOR FLORIO SET A TARGET OF 1,000 SEDANS AND WAGONS TO BE REDUCED FROM THE STATE FLEET IN ADDITION TO 350 SURPLUS VEHICLES IDENTIFIED PREVIOUSLY FOR A TOTAL REDUCTION OF 15%, OR 1,350 BY DECEMBER 31, 1990
- A REDUCTION CAN ALSO BE ACHIEVED FOR THE NON-PASSENGER PORTION OF THE FLEET. THIS WILL REQUIRE FURTHER ANALYSIS BEFORE A SPECIFIC TARGET CAN BE SET
- THE STATE HAS BEEN OVER REIMBURSING COMMUTATION MILEAGE COSTS FOR CERTAIN EMPLOYEES

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RECOMMENDATIONS - VEHICLE MAINTENANCE AND USAGE

- **EXPAND EXECUTIVE ORDER NO. 4 TO INCLUDE NON - PASSENGER VEHICLES**
- **REDUCE PASSENGER VEHICLES FROM 9,000 TO 7,641**
- **REDUCE TRUCKS AND BUSES BY AS MANY AS 750 THROUGH A VEHICLE TO CREW ASSIGNMENT ANALYSIS**
- **REDUCE THE NUMBER OF MAINTENANCE FACILITIES FROM 71 TO 29 EFFICIENT, STANDARDIZED FACILITIES**
- **REDUCE VEHICLE MAINTENANCE EMPLOYEES BY 222**
- **REDUCE OUTSIDE VENDOR REPAIR SERVICES AND PURCHASES OF FUEL AND OIL**
- **REDUCE PARTS INVENTORY THROUGH CONSOLIDATION**
- **IMPROVE PRODUCTIVITY THROUGH BETTER SUPERVISION AND FLEET MANAGEMENT / WORK SCHEDULING SYSTEM**

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FISCAL IMPACT - VEHICLE MAINTENANCE AND USAGE

- **ALLOCATE STATE VEHICLES EFFICIENTLY AND REDUCE COSTS BY \$8.2 MILLION**
- **\$4,584,000 SAVINGS FROM THE REDUCTION OF 2,100 VEHICLES (1,350 LIGHT AND 750 HEAVY VEHICLES)**
- **\$1,150,000 SAVINGS FROM THE REDUCTION OF 46 MECHANICS**
- **\$2,475,000 ONE - TIME SAVINGS FROM THE RESALE OF SURPLUS VEHICLES**

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FISCAL IMPACT - VEHICLE MAINTENANCE AND USAGE - PAGE 2

• CONSOLIDATE VEHICLE REPAIR FACILITIES AND REDUCE COSTS BY \$6.5 MILLION

• \$4,000,000 SAVINGS BY REDUCING MANPOWER BY 176 EMPLOYEES INCLUDING 76 SUPERVISORY / MANAGERIAL POSITIONS

• \$1,500,000 SAVINGS BY REDUCING OUTSIDE VENDOR WORK

• \$ 380,000 SAVINGS BY REDUCING OUTSIDE FUELING

• \$ 620,000 ONE - TIME SAVINGS IN PARTS INVENTORY

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FISCAL IMPACT - VEHICLE MAINTENANCE AND USAGE - PAGE 3

- **SAVE \$5,000,000 IN PAYMENTS MADE TO EMPLOYEES FOR COMMUTATION MILEAGE**
- **INVEST \$1,000,000 TO DESIGN, DEVELOP AND IMPLEMENT UPGRADED VEHICLE MAINTENANCE INFORMATION SYSTEM**

TOTAL NET SAVINGS FROM RECOMMENDATIONS

\$18,709,000

APPROXIMATELY ONE - THIRD OF THE TOTAL ESTIMATED SAVINGS WILL OCCUR EVERY 6 MONTHS OVER A PERIOD OF 18 MONTHS