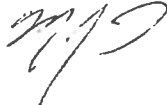


MEMORANDUM

December 22, 1989

TO: David Applebaum
Carl VanHorn
Scott Weiner

FROM: Michael J. Scheiring



Attached for your information is a proposed staff budget for the Governor's External Management Review Commission that was prepared by Bob Goertz. The budget assumes a total staffing of 8 people to assist the Commission. This would represent a cost of approximately \$550,000 without including the cost of office space and furnishings, telephones, etc; and employee benefits. I would hope that these cost items could either be donated or provided by the state. In addition, based on discussions with the various auditing firms the cost for the financial review/program audit would range from approximately \$1 million to \$1.8 million. The total budget for the Commission should be approximately \$2.4 million.

I trust this information is helpful. I will be out the week of December 25 through January 3 for the Christmas break. If you need to reach me during that period, you can contact me at 216-477-4558 or you can call my secretary, Sue Marren, who is always good at tracking me down, at 984-1110.

Have a Merry Christmas and a good New Year.

MJS/sem
Attachment
D-10/50

M E M O R A N D U M

TO: Mike Scheiring
FROM: Robert Goertz *RKG*
RE: Budget for Audit Staff
DATE: December 22, 1989

I worked over some budget numbers and believe that the estimates in Tim Carden's memo are on target for a 3 to 4 month effort. My breakout is as follows:

Director	\$80,000
Assistant Director	\$70,000
Senior staff (2) \$40,000 to	\$55,000
Junior staff (2) \$25,000 to	\$40,000
Senior clerical	\$25,000
Junior clerical	\$20,000

\$385,000

The annual cost would be approximately ~~\$360,000~~, in line with the spending for 8 staff at SLERP. The 4 month cost would be approximately \$120,000, the lower amount estimated by Carden.

General State experience is that nonsalary expenses are 30 percent of a direct services budget. Assuming this pattern to hold, overhead would be approximately \$150,000 annually. Again, the 4 month cost conforms to Carden's lower total of \$50,000.

What cannot be factored into the budget immediately is the cost of consultants. Carden's memo indicated a range of \$30,000 to \$60,000, while the memo from Van Horn et al mentions a minimum figure of \$1 million. After your discussions with various consulting groups, you may have a better feel for these costs than I do. If the audit is to cover all of State government and its major authorities, a higher figure is clearly more realistic.

The other item not factored into overhead is the cost of office space and furnishings. At SLERP, the Commission's budget renovated, rented, furnished the office space, and purchased the telephone system. My recollection of the costs for these items was approximately \$85,000. After the first year, the rent was picked up by the Central Rent Account, but presumably the second phase of the audit will not be a multiyear undertaking. I would hope that space could be found for the staff in existing State office buildings.

SLERP had relatively high bills for postage and Commission meetings because of the number of commissioners and the frequency of meetings. If the group overseeing the audit is relatively small (6-12 as suggested in one memo), these expenses would be reduced. Similarly, SLERP had relatively high photocopying expenses, including a lease-purchase on a machine. If one can be found, these overhead expenses could also be reduced significantly.