

January 9, 1990

M E M O R A N D U M

TO: JJF SPP, BB, DB, JS

FROM: DBA/CEVH

RE: Audit of State Government

especially re #
good but proceed with everyone i.e. informed; also give me a time schedule for actual things happen

Attached is another copy of our recent memorandum regarding the government "audit". Subsequent to that memo, we met with Scott Weiner and Michael Scheiring of Edison State College to discuss our next steps. As discussion points for Thursday's meeting, we would like to propose the following:

(1) PRIVATE FINANCING - We suggest the use of private financing, primarily from corporate sponsors, as opposed to requesting a State appropriation. As you know, a State appropriation will, of necessity, result in a higher degree of scrutiny by the Legislature, which we will want to avoid. Second, from a public relations standpoint, we should take advantage of our involvement from corporate and non-profit leaders, academics, etc., which is more difficult if we take public dollars.

Estimates for the cost of the audit, including procurement of a professional accounting/management firm and our own staff, have run varied from \$500,000 to \$2.5 million. We should establish a realistic goal for ourselves, with an understanding that should we not raise as much as we might expect, we'll have to either cut back on our professional services, or the accounting firm will have to provide those services gratis. (Most firms, given their eagerness, would provide a good portion of these services on a reduced-cost basis in consideration of future employment.)

(2) STAFFING - We would like to ask Michael Scheiring, who has a strong background in financing, to manage the audit process on a day-to-day basis. We could, in all likelihood, arrange for Scheiring to be placed on mobility assignment from his

current position at Thomas Edison State College, and loaned to the Department of the Treasury. Scheiring is interested in the assignment. There would be no cost to the State for Scheiring's services; the cost for furnishings, office equipment, office space and support staff could be paid for through use of existing State resources or from a corporate donor(s). Scheiring would be the daily contact for Executive Board members, those interested in volunteering their services, and State staffers assigned to monitor the process. (See next item.)

(3) MANAGEMENT - We have agreed throughout this process that the State and, specifically, the Governor's Office, should maintain a close watch over the audit process. As Scheiring would technically be located within Treasury, a representative from the Department should be assigned to be the liaison with the audit process. Likewise, someone within the Governor's Office -- from the Office of Management and Planning -- will be assigned as a liaison. In addition, a small staff working group would be assembled to oversee the process, including Brenda Bacon, Carl Van Horn and myself. Finally, the Trustees of the audit corporation (i.e. Angelo Genova, Ron Bookbinder) would be individuals close enough to our organization to insure cooperation.

Due to scheduling constraints, we were unable to meet with you this week, but will try to do so next week. Please advise if you have any questions.