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**PUBLIC HEARING**

before

**ASSEMBLY LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE**

on

(DMV Computer System)

VOLUME I

October 16, 1985  
Room 400  
State House Annex  
Trenton, New Jersey

**MEMBERS OF COMMITTEE PRESENT:**

Assemblyman Joseph L. Bocchini, Jr., Chairman  
Assemblyman Frank M. Pelly  
Assemblyman Robert J. Martin  
Assemblyman Thomas P. Foy, temporary appointee  
by Assembly Speaker Alan J. Karcher  
Assemblyman Walter M.D. Kern, Jr.,  
temporary appointee by Minority Leader  
Chuck Hardwick

**ALSO PRESENT:**

Aggie Szilagyi  
Office of Legislative Services  
Aide, Assembly Law, Public Safety  
and Defense Committee

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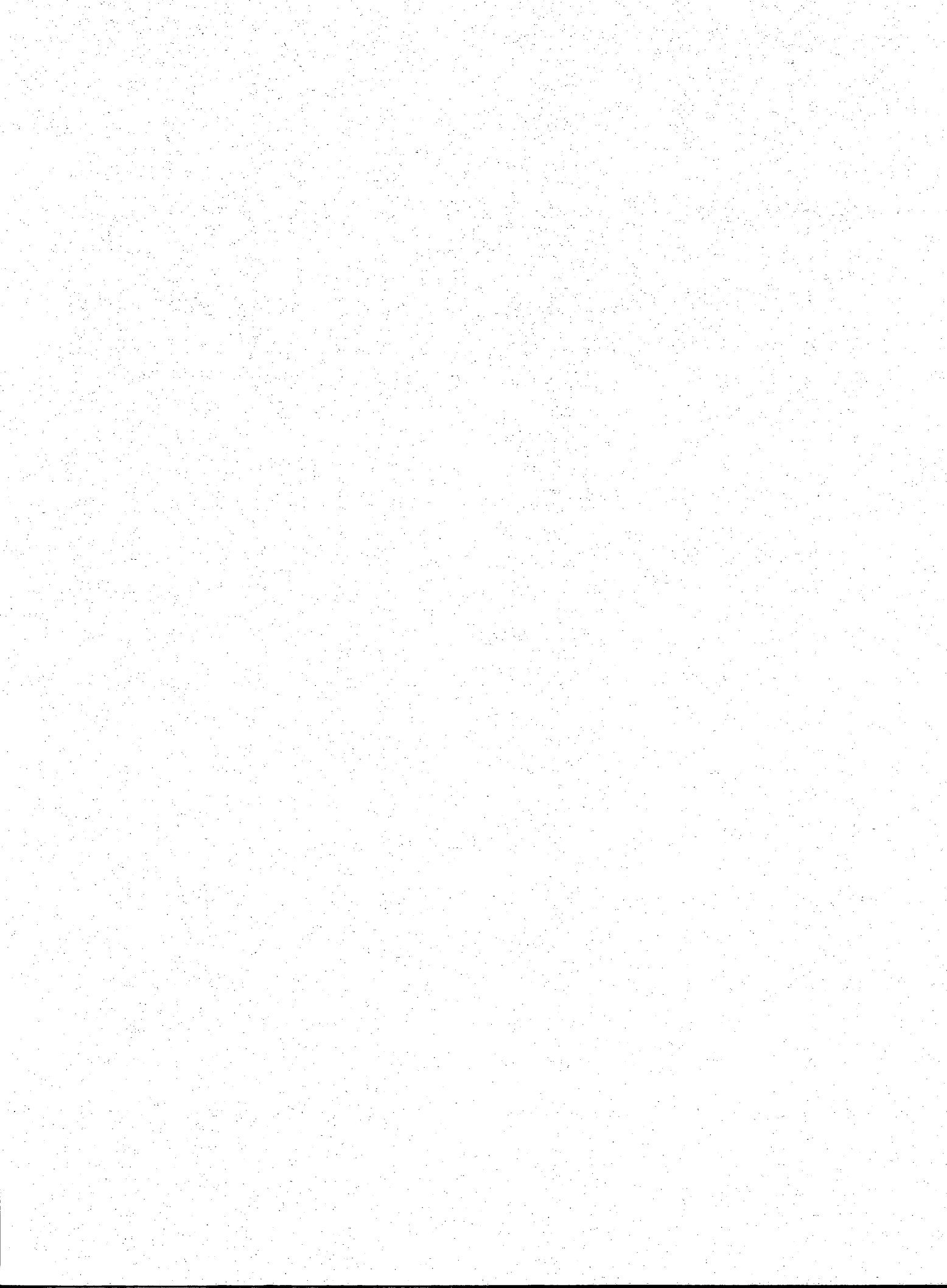
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**ASSEMBLYMAN JOSEPH L. BOCCHINI, JR. (Chairman):** It is just about two o'clock. I think, Mr. Brewster, we are going to have to begin.

**MR. BREWSTER:** Fine.

**ASSEMBLYMAN BOCCHINI:** As soon as your members get here, they can be brought up by you as to what has transpired.

This is a continuation of the hearings concerning the Division of Motor Vehicles, and the computer system malfunction, the breakdown of the computer system, and the investigation of this Committee in relation to that.

We have with us the Acting Director, Robert Kline, who we are always glad to see, and to have in front of this Committee. Mr. Kline, if you would please come up to the table.

**ROBERT S. KLINE:** I assume the Committee is going to make me an ex officio member considering I basically serve.

**ASSEMBLYMAN FOY:** Your attendance record is better than some of us. (laughter)

**ASSEMBLYMAN BOCCHINI:** By way of some housekeeping, I have a letter from Speaker Karcher appointing, once again, Assemblyman Foy to temporarily serve on the Committee, substituting for Assemblyman LaRocca, who is unable to be here. At the same time, we have a request from the minority that Assemblyman Kern be allowed to replace Assemblyman Schuber, who I have been advised by Mr. Brewster that Assemblyman Schuber has a pretty bad cold. We certainly hope he gets well quick. We certainly will accept and encourage the participation of Assemblyman Kern. I understand Assemblyman Martin is on his way.

**ASSEMBLYMAN FOY:** Mr. Chairman, is Mr. Kline on his own? If you want to bring some of your staff up here, they are free to come up with you.

**MR. KLINE:** Well, I think we will wait until the appropriate time, if I can't answer something.

**ASSEMBLYMAN BOCCHINI:** Mr. Kline, you previously testified in front of this Committee under oath. I will indicate for the record, as far as the Committee is concerned, you are still testifying in the same fashion. Is that correct?

**MR. KLINE:** Yes.

ASSEMBLYMAN BOCCHINI: Before we proceed, Mr. Kline, is there any statement that you care to make to the Committee regarding its previous hearings? I know I've read some comments in the paper regarding inferences by the Committee, and I did indicate to you at the last hearing that we would give you ample time at 10:30 last Friday, but apparently you had a long-standing commitment that you could not change and were unable to be here on Friday.

MR. KLINE: Well, I think, Mr. Chairman, I followed your advice at that time, and you said I should go out into the hallway, which I did. I answered questions from the press, and I think I did set the public record straight as far as what the facts were. Based upon my reading of the transcripts to that, I think that my facts, as I stated to the press, are still correct. I think I've accomplished what I wanted to do.

I would have preferred to talk to the Committee then. I feel at this point in time that we should just get on with the Committee's business. I'm available to answer any questions you have about this subject.

ASSEMBLYMAN BOCCHINI: But, at the same time, so we can— As we are appraising each other, as you did read the transcript, you are also well aware in the transcript that I did indicate to you at the bottom of Page 124, if the testimony of ADR was completed before 4:15 or 4:30 that we would take the testimony. ADR did finish at 4:15, but you were gone. So, I'm not saying you were right. I'm not going to say we were right, or your were wrong, or we were wrong. But, I did indicate, and the record did reflect that you would be given the opportunity had ADR finished prior to 4:15 or 4:30, and they did. Unfortunately, you were gone.

MR. KLINE: I have a feeling, Mr. Chairman, that we will probably be covering the same ground anyhow, so I will have more than ample opportunity today to cover that again.

ASSEMBLYMAN BOCCHINI: Okay. In the last series, or the last hearing on Friday, Mr. Kline, there were some statements presented by Price— Excuse me. First of all, do any members of the Committee have any questions regarding the Price Waterhouse statements in relation to

Mr. Kline and the memorandum concerning the "insurance versus good business, etc.?"

ASSEMBLYMAN FOY: Yes, I have some questions. Basically, you know, I read Mr. Kline comments in the paper, and he can reaffirm what I understand his position — that, in fact, the statements made by Mr. Driscoll about any conversations that he had with you are, in effect, as he reported them in the memo. You dispute what he said, and you disagree with it. Does that summarize it?

MR. KLINE: I think that Mr. Driscoll testified that the memos that he wrote, according to his own testimony, Page 8, he developed what he called "impressions." He further said in his testimony, in response to a question from Chairman Bocchini, concerning the term "good business to buy the tickets," that that was his conclusion and his words, not mine.

I think generally Mr. Driscoll's testimony, if people care to read the transcript as to what he did testify to under oath, generally bears out that the impressions that were given by certain questions of the Committee were unsubstantiated insinuations. I think that Mr. Driscoll basically said that those memos were his conclusions and his impressions. That is what they were.

ASSEMBLYMAN FOY: Let me ask you a couple of specific questions. One, did you ever see, or were you aware of his request for information of Price Waterhouse employees regarding their activity in the Kean Administration?

MR. KLINE: I never saw it. He told me that he was going to check to get that information, and that he, in fact, did it, and that there was no significant involvement by anyone in Price Waterhouse in the Governor's first election.

ASSEMBLYMAN FOY: All right. Let me ask you this question. Was this on his own initiative as you understand it, or was it at your suggestion or anyone in Motor Vehicles' suggestion?

MR. KLINE: This was his own initiative. I simply posed the question, again, for the purpose to ensure that there would be no criticism of the bid waiver because of its size, and, as a result, that is the method he chose on his own.

ASSEMBLYMAN FOY: All right. Secondly, the August 18th memo from Driscoll to Chandler, in which he reports on his conversations with you or his impressions from those conversations, did you ever see that, or did he ever discuss that memo with you?

MR. KLINE: No, the first time I learned about it was as a result of these hearings taking place.

ASSEMBLYMAN FOY: Okay. The letter from J. Fletcher Creamer to Mr. Driscoll, did you ever have any conversations with Mr. Creamer of the Governor's Ball Committee regarding this?

MR. KLINE: No, I never did. I don't know him. I wouldn't even know what he looked like if he walked in this room.

ASSEMBLYMAN FOY: Okay. Lastly, regarding the memo of September 6th in which he discusses who the invitees were to be, from the perspective of Price Waterhouse, had you been asked at that time — this is September 6, 1984 — by Price Waterhouse to join them?

MR. KLINE: No.

ASSEMBLYMAN FOY: How about your brother?

MR. KLINE: No. He testified, again, that that was furnished by the Committee, I believe, if you look at his transcript. That was shortly after— According to his testimony, again, he talked to the people at the Committee, so the Committee furnished those names to him. I had no involvement with that.

ASSEMBLYMAN FOY: Well, according to the memo, he suggested the names, and then the Committee told him that wasn't the way it was done, that they would be assigning people to his tables. Did you, in fact, end up sitting at his table?

MR. KLINE: No, I didn't sit at his table, no.

ASSEMBLYMAN FOY: Did you sit at a table of Price Waterhouse?

MR. KLINE: I sat at a table with people from Price Waterhouse.

ASSEMBLYMAN FOY: All right. Were you told to sit there by the Republican State Committee?

MR. KLINE: No, I just went to the Ball, as I testified before, went to the chart, found my table and went and sat down.

ASSEMBLYMAN FOY: So, it was your understanding that you were assigned to that table by whoever organized the Governor's Ball.

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: All right. You sat where you were obliged to sit by virtue of the seating cards.

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: All right. Okay, that clears it up for me. Do you have other questions regarding that?

ASSEMBLYMAN BOCCHINI: Bob, in relation to account reported in The Bergen Record— No, The Home News, you were reported as saying— Let me read a portion of this. "In a memo to another Price Waterhouse executive dated August 18, 1983, Driscoll wrote that Kline told him, although Price Waterhouse's participation at the Governor's Ball would have no impact on the present DMV contract at the State, because the size of the contract would be good business to do so."

In the same memo, Driscoll said, "Kline researched the contributions made by other accounting firms that competed with Price Waterhouse and identified three CPA firms who had already reserved two tables."

Was that an inaccurate representation by Mr. Driscoll in that particular memo?

MR. KLINE: Yes. It was his impressions, as I stated, and his conclusions.

ASSEMBLYMAN BOCCHINI: That was his impression from a conversation?

MR. KLINE: According to his testimony.

ASSEMBLYMAN FOY: Well, did you have that conversation with him?

MR. KLINE: As he testified, he did contact me. He did ask me my opinion, and I expressed to him that it was a decision of Price Waterhouse and Price Waterhouse alone. He further asked me as to how the Ball worked. In other words, what was it like, who attended, and I told him that it was very, very diversified. You would have all kinds of businesses, law firms, accounting firms, investment firms, doctors, dentists, etc.

He then asked me as to, you know, "Did the Administration participate in that? Were people present from the Administration?" In

other words, who else attended besides public individuals? I told him yes, members of the Administration did attend and did participate.

That was the extent of the conversation.

ASSEMBLYMAN FOY: You didn't specifically advise him that other Big 8 accounting firms were in attendance?

MR. KLINE: No, I did not.

ASSEMBLYMAN FOY: You didn't do any research from the records of the Republican State Committee or the Governor's Ball Committee to find out if Touche Ross was there or anything like that?

MR. KLINE: No, I did not.

ASSEMBLYMAN FOY: Why do you think he wrote this memo in such a fashion as to make you look like the bad guy in all of this? Do you think it was self-serving, this memo?

MR. KLINE: Well, I think he answered that question, and if you'll allow me a second to look up his specific quote. What he specifically said—

ASSEMBLYMAN BOCCHINI: You would be referring to testimony at the October 8th meeting, correct, Mr. Kline?

MR. KLINE: No, I'm talking about his impressions of August 18th, 1983. He said quite candidly before the Committee, one, on Page 20, "I have been guilty on occasion of often expanding on the basis of a few words being a little bit verbose with both my mouth, and sometimes with my pen. It is quite clear to me that he made a couple of comments, and I drew from those comments my impressions of them and translated them."

He further went on later to say, "What this memo served as" — if you'll just bear with me for one second; I want to get his exact words—

ASSEMBLYMAN FOY: What page is this, Bob.

MR. KLINE: Page 19, I'm sorry. What he is saying is, "To my recollection, we discussed this briefly." He is referring to the conversation. "As far as how important it was, things at the moment that are important to one person may not be important to another. It was important to me for me to record these events in a memorandum so that it would provide support and justification to my partners as to

why we went ahead" -- it was already done -- "and made this expenditure. I'm sure this brief discussion was not very important to Mr. Kline."

I think that is the rationale. You have a \$15,000 expenditure, and you have to have a justification.

ASSEMBLYMAN FOY: All right. Do you think he embellished upon the facts somewhat?

MR. KLINE: I think that is what he testified to, Assemblyman, under oath. I think you have seen witnesses do that under oath. It is not the first, and it won't be the last.

ASSEMBLYMAN FOY: And, you agree with his conclusions that he didn't think it was a very important discussion to you?

MR. KLINE: It wasn't. It wasn't an important discussion to me.

ASSEMBLYMAN BOCCHINI: Assemblyman? No? Mr. Kline, his memo is dated the 18th. His discussion with you was apparently between the 12th and the 18th. Do you recall which day it was?

MR. KLINE: I don't. You know, I don't remember the discussion or the date of the discussion. I just remember that it transpired. It was brief, quick, very general.

ASSEMBLYMAN BOCCHINI: The problem that I have, if you want to look at the question as to whether there is any validity in the good business comment, Mr. Kline, the check for \$15,000 is dated August 17th.

MR. KLINE: And, the memo is August 18th, the day after.

ASSEMBLYMAN BOCCHINI: The memo is August 18th. However, it is apparent that his conversation with you is sometime between the 12th and the 18th or 17th. Now, the very latest he could have spoken to you would have been the 17th, the day that he wrote the check, because on the 18th, he sent the memo. Is that correct?

MR. KLINE: Again, I don't remember when he spoke to me. You know, you could be right, Assemblyman. It could have been the 12th; it could have been the 15th; it could have been the 18th. I don't remember the date, and I don't think, based upon my reading of his testimony, that he remembers the date either. So, I don't know when it occurred.

ASSEMBLYMAN BOCCHINI: Was it a long-distance phone call? Do you know?

MR. KLINE: I have no idea, Assemblyman. You know, he is down in Trenton even now working on this project, and you know, he could have been in Trenton at the time.

ASSEMBLYMAN BOCCHINI: Is it a fair statement to indicate that you would have spoken to him, at the very least, no later than the 17th, and probably after the 12th?

MR. KLINE: I can only guess. It is a fair statement to make, Assemblyman, but, again, I don't remember when the conversation occurred. It wasn't something that was pressing on my mind. He called me; I responded to his questions; and, that was the end of it.

ASSEMBLYMAN BOCCHINI: But, it is a fair statement for me to make then.

MR. KLINE: Well, again, I don't remember, Assemblyman, when it was. I can't tell you how else I can answer it other than to say I don't remember. It was a very brief conversation.

ASSEMBLYMAN FOY: But, you said you got back to him. Did you have subsequent conversations with him?

MR. KLINE: No, I— The only thing I did was, you know, give him an opinion over the phone. I did not—

ASSEMBLYMAN FOY: You didn't do any research that advised, or get back to him in a subsequent phone call.

MR. KLINE: Exactly, I did not.

ASSEMBLYMAN FOY: So, he is incorrect, as far as you're concerned, when he says that you did.

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Excuse me a moment, Mr. Kline. Mr. Kline, at the last meeting on the 11th, Mr. Bianco, the Director of OTIS, testified in front of the Committee. Can we make available to Mr. Kline — Director Kline — copies of those memoranda that we reviewed with Mr. Bianco? Do you have those, Mr. Kline?

MR. KLINE: I don't know. I've seen the transcript.

ASSEMBLYMAN BOCCHINI: (speaking to Committee Aide) Do we have an additional set of them?

MS. SZILAGYI: Yes.

ASSEMBLYMAN BOCCHINI: You'll see there were a series of memos between the Administration, DMV, and OTIS concerning the selection of the consultant -- not the selection of Price Waterhouse per se, Director -- but the manner in which the decision was made as to stay in-house versus going to what was eventually the sole source contract to Price Waterhouse.

MR. KLINE: Yes, I saw this for the first time yesterday. It was dropped off to my office.

ASSEMBLYMAN BOCCHINI: Did your office receive a copy of this transcript yesterday?

MR. KLINE: I believe yes.

ASSEMBLYMAN FOY: I have the material in front of me. Let me start out with this first question. Who appointed you the Project Director of this particular project?

MR. KLINE: I would have to say it was the Attorney General.

ASSEMBLYMAN FOY: All right. The Attorney General. Was that upon the recommendation of the Director of Motor Vehicles, Clifford Snedeker?

MR. KLINE: Yes, it was.

ASSEMBLYMAN FOY: Okay, so Cliff Snedeker recommended you to head this project to Attorney General Kimmelman, and Attorney General Kimmelman appointed you as head of the project. Right?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: Was there any kind of written memorialization of that appointment, or was it just an internal understanding?

MR. KLINE: It was an internal understanding. It was then memorialized in the contract.

ASSEMBLYMAN FOY: All right. Do you know about when you were appointed as Project Director?

MR. KLINE: I would have to go back to the actual-- The memorialization was, I believe, in November in the contract, but it was done prior to that because it was a matter of getting things moving on the project right after the bid waiver was done.

ASSEMBLYMAN FOY: Did the Attorney General advise you as to what his expectations were, or what the scope of your duties and authority would be with respect to his project?

MR. KLINE: They told me very clearly that, "It had better work," and that I was responsible, and that was my— My function was to oversee it, and to ensure that it was a success.

ASSEMBLYMAN FOY: All right. Did you have any policy-making input as to the decision not to go with the in-house operation of SAC/OTIS, and instead to go with the outside consultant?

MR. KLINE: The ultimate decision wasn't made by me or the Division. I think that was done at a higher level. Did we have input? Yes.

ASSEMBLYMAN FOY: Okay. What was your personal recommendation with respect to the matter?

MR. KLINE: I recommended that we should go to an outside consultant.

ASSEMBLYMAN FOY: At the time, did you want Price Waterhouse?

MR. KLINE: We wanted to have an outside consultant. Price Waterhouse had done preliminary work. They had done the Long-Range Master Plan, as you are familiar with. They had done the Requirements Definition Study, and as a result of that, it was our opinion at the Division that they would be the most logical choice for this particular job.

ASSEMBLYMAN FOY: All right. How long had you been involved with dealing with Price Waterhouse people prior to that recommendation?

MR. KLINE: Well, my only involvement with dealing with Price Waterhouse, period, was from my inception as Deputy Director in, I believe, June of 1982.

ASSEMBLYMAN FOY: All right.

MR. KLINE: Prior to that, I had no involvement with Price Waterhouse.

ASSEMBLYMAN FOY: All right. When you became Deputy Director in June of 1982, who was it from Price Waterhouse that was overseeing their then current activities?

MR. KLINE: It was Mr. Driscoll.

ASSEMBLYMAN FOY: It was Bill Driscoll, so you were dealing with him from the time you became Deputy Director, which was in 1982. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: All right. So, you knew him. How often did you see him?

MR. KLINE: I would have to say that it was probably-- Is it prior to this contract that we are talking about?

ASSEMBLYMAN FOY: From when you became Deputy Director in 1982 up to the point this contract was awarded.

MR. KLINE: Not that often.

ASSEMBLYMAN FOY: You didn't converse with him on a daily basis?

MR. KLINE: No.

ASSEMBLYMAN FOY: Once a week?

MR. KLINE: I would say more like once a month.

ASSEMBLYMAN FOY: Once a month, okay. Did you have operational responsibility to oversee their initial work that they were performing back in 1982?

MR. KLINE: I had overall operational responsibility. There was another individual that had day-to-day responsibility.

ASSEMBLYMAN FOY: All right. In the June 7th memorandum from Clifford Snedeker, the Director, to Ken Merin, regarding the completion of the Motor Vehicles Long-Range Master Plan, the Director recites a whole series of problems regarding the Department, and he concludes that if there is not quick action, chaos will result in the total collapse of the system. Did you concur with that analysis?

MR. KLINE: Yes, I did.

ASSEMBLYMAN FOY: Did you help prepare this memo?

MR. KLINE: Yes, I did.

ASSEMBLYMAN FOY: What, in effect, was your participation in the preparation of this memo?

MR. KLINE: I'd say the memo was prepared by me and my staff.

ASSEMBLYMAN FOY: Okay. So, you really generated it for the Director's signature. Isn't that a fact?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: Okay. One of the discussions that arises in the memo is the entire issue of a bid waiver. Okay? Did you do, or have your staff do the research with respect to the waiver situation?

MR. KLINE: Yes.

ASSEMBLYMAN FOY: All right. Why was that?

MR. KLINE: Because that was part of the discussion in the memo as to how to go about modernizing the Division, the options, and to give those options to the Governor's office, specifically Mr. Merin so they could make an intelligent decision.

ASSEMBLYMAN FOY: All right. Specifically, the memo on, I guess it is Page 4, makes reference to—

MR. KLINE: The copies I have, Assemblyman, don't have page numbers.

ASSEMBLYMAN FOY: No, mine don't either. I'm just counting. It makes reference to the waiver justification law, which allows a waiver of advertising if more favorable terms can be obtained from a primary source of supply. Is that one of the bases upon which you felt the Director should go for a waiver with respect to this particular contract?

MR. KLINE: No, I think what we were doing, Assemblyman, was outlining in the memo all the possibilities again. That was one of the justifications provided by statute, as you are very familiar with. There is also a public exigencies section that was what the waiver was based upon.

ASSEMBLYMAN FOY: All right. Further down, under the heading, the issue is, "How to do it, not what to do." The second sentence says, "The option which would provide the most continuity and the earliest completion date would be for DMV to seek a waiver of advertisement under the authority of 52:34-9a and 10d in order to give Price Waterhouse primary responsibility for..." It sets forth a number of things. Was it your conclusion that providing a waiver to permit Price Waterhouse to have a sole source contract would result in more favorable terms from that primary source?

MR. KLINE: No, I think it was our conclusion that due to the public exigency, it was the wisest course to have Price Waterhouse get contract and use that as a basis for the bid waiver.

ASSEMBLYMAN FOY: That is not what you say. You say 9a, which is public exigency, and you say 10d, which is better terms for government.

MR. KLINE: Right. Well, those were two options at the time. Again, this was initial research, and this was more of a discussion. When it was actually finalized—

ASSEMBLYMAN FOY: So, saving money wasn't the issue.

MR. KLINE: Saving money was the secondary issue. The primary issue was implementing the insurance surcharge legislation and getting that done in a manner that wouldn't have broken down the computer system at the Division, and broken down the Division itself.

ASSEMBLYMAN FOY: Given the exigencies of the moment, did you or anyone at DMV consider requesting an extension of time through special legislation from the Assembly and Senate?

MR. KLINE: We have discussed that at a former hearing. I don't believe you were present at that time, and I think at that particular point in time, I testified that the Legislature, particularly the Speaker of the Assembly at that time, was extremely critical of the failure of the Division to implement the surcharge system. To be very frank, the Legislature was not sympathetic to the problems the Division had in that they wanted it done. The sponsor wanted it done, the Speaker wanted it done, and as a result, we got it done.

ASSEMBLYMAN FOY: Who did you speak to in the Legislature that you felt was unsympathetic? Did you go to Speaker Karcher?

MR. KLINE: I didn't speak to anyone, but I'm telling—

ASSEMBLYMAN FOY: You never asked, did you?

MR. KLINE: Assemblyman, if you want me to answer the questions, I will answer them.

ASSEMBLYMAN FOY: Go ahead.

MR. KLINE: All right.

ASSEMBLYMAN FOY: Did you ever ask? That is the question.

MR. KLINE: I personally did not ask, no.

ASSEMBLYMAN FOY: Did the Director ever ask?

MR. KLINE: To the best of my knowledge, he may have had conversations with Assemblyman Adubato. Assemblyman Adubato sent us a letter. The general consensus was that we should get it done.

One of the reasons for the provision in the legislation concerning 20% for modernizing and automating the Division was so we could get it done. I think that the consensus that we read, and from maybe one conversation or two conversations that the Director may have had with the sponsor of the legislation, we went full speed ahead.

ASSEMBLYMAN FOY: All right. On Page 5, the heading says, "Arguments in favor of DMV seeking a waiver of advertisement to retain Price Waterhouse as a consultant to assume primary responsibility for the detailed design, program design, detailed programming, system testing, and conversion planning for implementation of the DMV Long-Range Master Plan." Then it goes over to Number 7 on Page 6. Did you develop those pro Price Waterhouse arguments as to why they should get the waiver?

MR. KLINE: Yes, I and my staff.

ASSEMBLYMAN FOY: Okay. And you concur with all of what you set forth there back in 1983?

MR. KLINE: Well, hindsight is 20/20, Assemblyman, but, at the time, yes, I concurred with those statements, and I think they were valid statements.

ASSEMBLYMAN FOY: All right. With respect to the legality of the waiver, again on Page 6, you had a conversation with First Assistant Attorney General Thomas Greelish concerning the legality of the waiver. What was the substance of that conversation? Do you recall it?

MR. KLINE: We had a conversation at the time, as the memo states. The legal implications as to what was the basis for the waiver, and the First Attorney General, rightly so, would be the one that I would talk to that issue about. It was further addressed, I think, with individuals in the Division of Law. I think the reason for the conversation was simply that we had to go about this by the numbers, and we started with square one, which was the legality of the waiver. Was there justification for it? Should this be done in this

manner? We started with the legal questions, and that is why he was contacted.

ASSEMBLYMAN FOY: All right. Now, there is a heading entitled "Conclusion." The substance really boils down to one sentence: "I have serious reservation about SAC's ability to delivery on its promise." Then it recites a number of instances in which DMV felt that SAC was not competent to perform certain tasks that had been assigned to it. Did you do the research about SAC's incompetence or inability?

MR. KLINE: That was done by a member of my staff, but that was a general impression based upon just the operation of the Division. That was the impression of the Division at that time.

ASSEMBLYMAN FOY: And, you personally felt that SAC wouldn't be able to do the job. Is that right?

MR. KLINE: No question about it.

ASSEMBLYMAN FOY: Were you aware at that time that their proposal to complete the task was substantially less costly than Price Waterhouse's?

MR. KLINE: Yes, and I questioned that proposal. I'll be happy to go over it with you here.

ASSEMBLYMAN FOY: Okay.

MR. KLINE: I think the features of that proposal grossly understate what it would cost. It grossly understated it then, and it grossly understates it today.

ASSEMBLYMAN FOY: Do you think it was deflated?

MR. KLINE: Very much so.

ASSEMBLYMAN FOY: Now, do you recall having any discussions with the Director about this memo?

MR. KLINE: Certainly.

ASSEMBLYMAN FOY: All right. Was this memo submitted in response to a request by Ken Merin to provide a memo on this, or was this a voluntary effort on the Director's part to advise the Governor's office about the plan?

MR. KLINE: Again, I don't have any recollection of whether it was a specific request, or whether it was just generally in terms of

the discussions that were going on at the time. We all knew, meaning whether it was the Governor's office, the Attorney General's office, the Legislature, DMV, that we had a law to implement, and that we were going about finding a mechanism to do that. I think it all just fell into place.

Mr. Merin, at that time, I think you are aware, had a great deal of responsibility as Deputy Chief Counsel with the surcharge legislation, and it was quite natural that he would be interested in this, and we would be communicating with him.

ASSEMBLYMAN FOY: All right. Who did you expect was going to make the ultimate decision about how to proceed with this award of contract?

MR. KLINE: Well, at that period of time, we thought it would be someone in the Governor's office, whether it was the Chief of Staff, or whether it was the Governor's counsel, or whoever.

ASSEMBLYMAN FOY: Okay. But, this memo accurately reflects the position of the Director and you then as Deputy Director in support of going with Price Waterhouse. Is that correct? You wanted Price Waterhouse, at least as of June 7th, 1983.

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: All right. Then a subsequent memo went to Mr. Merin dated June 15th, 1983. Do you have a copy of that with you?

MR. KLINE: Yes.

ASSEMBLYMAN FOY: All right. Do you have any idea why that subsequent memo was prepared and dispatched to Ken Merin?

MR. KLINE: Well, I think it was a follow-up to the original memo, and some questions were raised, naturally, as a result of the first memo. There was some discussion. I remember there was a meeting between First Assistant Greelish and people at SAC and the Director and myself. Naturally, they asked questions.

ASSEMBLYMAN FOY: All right. Was there a meeting between the issuance of the first memo on June 7th to Ken Merin and prior to the second memo? Did you meet with Ken Merin on this issue?

MR. KLINE: I don't believe that we had a formal meeting. The meeting that we had was with First Assistant Attorney General

Greelish in his office. Ken Merin was present for a period of time. You had Mr. Meybohm, Mr. Bianco, who were then the Director and Assistant Director of SAC, Director Snedeker, and myself.

ASSEMBLYMAN FOY: All right. Did Mr. Memo ever— (laughter) Did Mr. Merin ever reply by memo to the original June 7th memorandum?

MR. KLINE: No, there was no reply from Mr. Merin.

ASSEMBLYMAN FOY: And you don't recall discussing it other than at the one meeting at Greelish's office. Is that correct?

MR. KLINE: No, in terms of having a formal meeting, no.

ASSEMBLYMAN FOY: All right. There was a second memo generated dated June 15th, and the subject was "Why the Division of Systems and Communications Cannot Implement the Division of Motor Vehicles' Master Plan by June 30, 1985." It goes on to set forth the belief that SAC -- that the Administration couldn't rely on SAC's promise. Do you agree with that?

MR. KLINE: Yes.

ASSEMBLYMAN FOY: Okay. What was the basis, the factual basis, for your belief that SAC, in fact, was not capable of performing this task?

MR. KLINE: Just our experience with SAC over the course of the year that we had been there. Based on the fact that we had a long list of projects, which we had in priority order, that were being worked on. Basically, as I have stated before here, if they were involved, based upon the limited resources that they had available to them -- through no fault of their own, I might add -- that they would be unable to maintain the activities of the Division, which as you are all aware, are very much related to computers, and do such a mammoth project as they were going to have to get engaged in.

So, it was simply a matter of what was the best way to get the computerization accomplished. It was not anything other than stating, based upon their resources, which were stretched very thin, that it was impossible for them to do this successfully.

ASSEMBLYMAN FOY: All right. By the way, did you generate this memo? Were you the one who prepared this for the Director's signature.

MR. KLINE: Again, with staff input, yes.

ASSEMBLYMAN FOY: Now, on the last page of the actual memo where it mentions what the bottom line is, or actually "Status of Decision," it says-- They talk about the June 9th meeting in Tom Greelish's office, and it says, "I did not argue these issues since I believe that this policy decision should be made at the highest level." Do you know what was meant by "the highest level?"

MR. KLINE: Well, I think the Governor's office.

ASSEMBLYMAN FOY: The Governor himself?

MR. KLINE: No. You know, the generic sense, the Governor's office. I mean, the Governor relies on staff, and these memos were sent to staff.

ASSEMBLYMAN FOY: All right. It says, "After you have reviewed this memorandum, I think that Greg Stevens, Cary Edwards, Bob Kline, you and I should meet to prepare a final briefing for the Governor." Did you, in fact, meet and prepare a final briefing for the Governor?

MR. KLINE: We did not meet with the Governor, no.

ASSEMBLYMAN FOY: Well, did you all have a meeting subsequent to this memo?

MR. KLINE: We had a meeting subsequent to this memo.

ASSEMBLYMAN FOY: Did you prepare any briefing materials for the Governor?

MR. KLINE: No, we did not.

ASSEMBLYMAN FOY: You never had a meeting with the Governor either, did you?

MR. KLINE: No, we did not.

ASSEMBLYMAN FOY: Okay. Who made the decision then?

MR. KLINE: The decision was made based upon a meeting that we had. Again, the chronology, I think Mr. Cole has given to you. There is a meeting in there, and the decision--

ASSEMBLYMAN FOY: Well, now, was this like the Kremlin? Was there a consensus of the Politburo that this is what you ought to do?

MR. KLINE: Yes, I think there was probably was. The Politburo got together and said, "This is the way to go," and it was translated down to us. I don't see anything unusual about that.

ASSEMBLYMAN FOY: Well, I didn't say it was unusual. I am just trying to find out who really made the ultimate decision, and it looks here as if it was a consensus among Cliff Snedeker, Bob Kline, Greg Stevens, Cary Edwards, and Ken Merin. Is that, in fact, who made the decision regarding the award of this contract to Price Waterhouse?

MR. KLINE: I would have to say that we didn't make the decision obviously. Cliff Snedeker and Bob Kline didn't. Based upon the memos, you know what our opinion was. The decision--

ASSEMBLYMAN FOY: Yes, you were for Price Waterhouse.

MR. KLINE: The decision was made by the Governor's office, and Greg Stevens and Cary Edwards were involved in the decision. Do I know if the Governor made the decision, or if Greg Stevens made the decision, or Cary Edwards? No, I do not know that.

ASSEMBLYMAN FOY: The point I am trying to get to is, offices don't make decisions; people do. So, we can't refer to a nonentity or a nebulous entity. I am trying to pinpoint the locust of decision-making with respect to this issue. I know what your opinion was; I know what Mr. Snedeker's opinion was. It went to people in the Governor's office. Somebody had to say, "Go for it."

MR. KLINE: Well, I think the Governors staff, meaning Mr. Stevens or Mr. Edwards, basically gave us that verbal go ahead.

ASSEMBLYMAN FOY: Let me ask you this question. Why did it get that far? Isn't this normally a divisional or departmental determination?

MR. KLINE: No. Again, this was a very important project. You have a Division that has been antiquated for 20 years, and finally, you are going to bring it to the 1980s. I think it is an important decision.

ASSEMBLYMAN FOY: Wasn't it really an important decision, not by cause of the nature of what was being done, but by virtue of the fact that it was a departure from the normal bid process? Isn't that why it went that far?

MR. KLINE: No, I would say that is only one aspect, Assemblyman. I think you know and I know--

ASSEMBLYMAN FOY: Well, isn't \$6.5 million peanuts by the standard of an \$8 billion budget? I mean, realistically, the Governor's don't run around making decisions about \$6 million expenditures. Division Directors do.

MR. KLINE: No, that is not true.

ASSEMBLYMAN MARTIN: Mr. Foy, if you want to editorialize—

ASSEMBLYMAN FOY: I don't want to editorialize.

ASSEMBLYMAN MARTIN: We don't have a chairman here.

ASSEMBLYMAN FOY: I am just trying to find out who made this decision—

ASSEMBLYMAN MARTIN: You're asking him in a—

ASSEMBLYMAN FOY: And why this decision went to the Governor's office when it is a routine decision.

ASSEMBLYMAN MARTIN: My view is, a \$6.5 million contract is a large contract, irrespective of whatever amount the State budget is. I think if that is his position, he is allowed to voice it without your comments as to some negative view.

ASSEMBLYMAN FOY: No, I am not commenting. I am asking whether he thought it was unusual that such a decision should go to the Governor's office.

ASSEMBLYMAN MARTIN: And he tried to give you an answer. Why don't you let him speak?

ASSEMBLYMAN FOY: Well, I am waiting for it. I haven't heard it.

ASSEMBLYMAN MARTIN: I think he has.

MR. KLINE: Well, if you want me to elucidate on it, I'll be happy to elucidate on it or expand on it. I can talk about.

You know, I think—

ASSEMBLYMAN FOY: I just want—

MR. KLINE: I think what it shows—

ASSEMBLYMAN FOY: Okay, tell me what you think it shows.

MR. KLINE: (continuing) --is an Administration that has an interest in what is going on, and what this indicates is that there was discussion, evaluation, questioning, criticism, and responses back and forth prior to a decision being made. No, it wasn't arbitrarily

decided one day by the Director of the Division of Motor Vehicles or the Attorney General that, "We'll go out and spend \$6.5 million." I don't think that is a bad thing. I think the way it was done, as I've said before, is by the numbers, and there was an active interest on the part of this Administration in modernizing the Division of Motor Vehicles, as there was by this Legislature, as evidenced by the fact that they gave us a funding mechanism to do this.

ASSEMBLYMAN FOY: All right. I'll accept that. Is that all right with you?

ASSEMBLYMAN MARTIN: Just allow him the opportunity to give his answers. That is all I am asking.

ASSEMBLYMAN FOY: That was a good answer. Let's move on to the next item in this packet.

Ken Merin, evidently as a result of receiving your missives of the 7th and the 15th, decided to do something within the Governor's office. He sent a memo to Greg Stevens and to Gary Stein and to Cary Edwards regarding the computerization of the Division of Motor Vehicles in which he transmits the package that he has received from your Division, and sets forth the following:

"DMV is facing a number of very serious issues, the most pressing of which is gearing up to be able to implement the Joint Underwriting Association by January 1, 1984. Over the past six months, Cliff Snedeker and Bob Kline have been attempting to bring the DMV into the 20th century." That is very commendable, Bob. I will editorialize because we are going to be in the 24th century in another 15 years -- the 21st century. "Both Cliff and Bob feel that the Division of Systems and Communications possesses neither the number of personnel nor sufficiently capable personnel to update the DMV software. The alternative to Systems and Communications is an outside consultant that would most likely be hired through a bid waiver process. Questions have been raised regarding the propriety of a bid waiver in the amount that will be necessary to implement the necessary software modifications.

"Please read the attached material. It is my recommendation that a meeting be held with Tom Greelish, Cliff Snedeker, and Bob Kline

in the very near future to ascertain a course of action. I will discuss this with you verbally over the next few days."

Did a subsequent meeting occur regarding this matter with yourself, Mr. Snedeker, Mr. Greelish, Stevens, Stein, Edwards, and Merin?

MR. KLINE: Yes, it did.

ASSEMBLYMAN FOY: When was that meeting?

MR. KLINE: I'll have to get that chronology that the Committee has. I don't have the date. It is on that chronology submitted Michael Cole. Got it?

ASSEMBLYMAN FOY: Okay. Do you recall what was discussed at that meeting?

MR. KLINE: Generally, it was question-and-answer type of meeting, and the whole issue was discussed as to Price Waterhouse versus Systems and Communications, you know, the need for the waiver, basically question and answer.

ASSEMBLYMAN FOY: All right. Merin, in his memo to the other people in the Governor's office, says that "Questions have been raised regarding the propriety of a bid waiver in the amount that will be necessary to implement the necessary software modifications." Do you know who raised those questions about the propriety?

MR. KLINE: No.

ASSEMBLYMAN FOY: Did you raise any questions about the propriety of the bid waiver?

MR. KLINE: No, I think that-- Again, I don't know what Mr. Merin meant, and I wouldn't interpret his memo, but I would just say that obviously there were questions about the project, including questions about the waiver. Those questions were discussed and addressed.

ASSEMBLYMAN FOY: All right. In fact, in neither of the memos that you worked on, preparing, and were supplied to him by Mr. Snedeker, no questions about the propriety of the bid waiver were raised, were they?

MR. KLINE: I didn't get your question. In other words, the memos were sent--

ASSEMBLYMAN FOY: In your memo of the 7th, or your memo of the 15th, did you raise any questions about the propriety of the bid waiver.

MR. KLINE: No.

ASSEMBLYMAN FOY: Why?

MR. KLINE: We addressed the issue of the bid waiver.

ASSEMBLYMAN FOY: You didn't feel there were any questions of propriety regarding it?

MR. KLINE: No, it is— By statute, there is process. Bid waivers are done quite a bit.

ASSEMBLYMAN FOY: Are they common in the Division of Motor Vehicles?

MR. KLINE: In the Division of Motor Vehicles? We don't give bid waivers; we don't give contracts, as I am sure you are aware. There is a process for that. We did not give this bid waiver. This is done through a very formalized process, signed by the Treasurer, the Attorney General. This is telecommunications, data processing, purchase and property, etc., etc., etc.

ASSEMBLYMAN FOY: All right. And, you made in both memos—

MR. KLINE: We don't give them.

ASSEMBLYMAN FOY: (continuing) —a rather strong advocacy for providing a bid waiver to Price Waterhouse, didn't you?

MR. KLINE: Sure, we wanted to get it done.

ASSEMBLYMAN FOY: Okay, so you were a participant in that process, were you not?

MR. KLINE: In the process of providing them with information to make a decision, yes.

ASSEMBLYMAN FOY: All right. Now, how often are bid waivers advocated by the Division of Motor Vehicles since you have been there in 1982?

MR. KLINE: I don't know. I'll do some research, but there have been bid waivers for some equipment and things like that, some supplies. I mean, it is done. It is done. You know, I can't--

ASSEMBLYMAN FOY: Well, we know it is done, and we know that it was done in this instance. Do you know whether or not it is ever

done to the extent of a project that has a \$6.5 million price tag? How often are they done?

MR. KLINE: Assemblyman, obviously that is why we wrote those memos. We had those meetings. We had those discussions, because it is a big project.

ASSEMBLYMAN FOY: Right, but neither you nor the Director ever raised any questions about its propriety. Correct?

MR. KLINE: It wasn't a question of the propriety; it was a question of saying, "This is the way the Division feels it should go, and these are the mechanisms, the alternatives, that the Administration has, and the decision has to be made."

ASSEMBLYMAN FOY: Well, now this is in June of 1983, and you are strongly recommending a bid waiver to a company for a \$6.5 million price tag, as opposed to internal action, which had a \$2.5 million price tag. Isn't that correct?

MR. KLINE: We were recommending a bid waiver, yes, for Price Waterhouse. That is correct.

ASSEMBLYMAN FOY: Okay. That is in June of 1983, right?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: Okay. The next memo in the series is June 16th. Somebody takes action. Gary Stein receives the package, and it says:

"Thank you for your memo of June 15 which contains the detailed memo by Cliff Snedeker as to the problems he is having in computerizing the Division of Motor Vehicles.

"I think that the responsibility for making a recommendation on this should be delegated to Al Fasola's office, since Al can draw upon the computer expertise of Science Management Corporation in evaluating the problem. This would give us the advantage of objective evaluation from people outside the Division of Motor Vehicles and unconnected with the Division of Systems and Communications.

"If there is no objection, I will send the package to Al and ask him to get back to us not later than next Friday with a recommendation."

Were you aware that the Governor's Chief of Staff -- I'm sorry, what is his title? -- Director of Policy and Planning at the time sent this memo to Al Fasola?

MR. KLINE: No, the first time I saw this memo and the one that is attached to it was yesterday.

ASSEMBLYMAN FOY: Okay. The next memo, June 17th-- Things move in rapid succession here. Gary Stein send a memo to Al Fasola, "Please call me after you have read the attached." There is then a notation on there, which we have been advised is from Al Fasola to Mike, who turns out to be Mike O'Neil with the Governor's Management Improvement Program, "Please make recommendation. They want by Friday." Okay.

The next item is a memo from Dennis Clark to Al Fasola -- okay? -- dated June 24th. This is in response to the direction to Mike O'Neil. This memo sets forth a number of specific facts regarding the evaluation of the problem, and it then goes on to reach some conclusions. It concludes:

"Verified by my inquiries, the SAC data center could not complete the entire implementation in the specified time frame. Some level of outside assistance would be required as has already been identified by SAC.

"Because DMV and SAC will have to live with the completed system, heavy involvement by those two divisions will be required in any implementation.

"Due to the Price Waterhouse involvement in development of the Master Plan, that firm would be the logical first choice to provide outside assistance.

"With the stated deadlines, the implementation must be started as soon as possible.

"Because of the size, duration and cost of the contract, a blanket waiver for the entire implementation may not be in the best interested of the State.

"Within the Department of Law and Public Safety, the appropriate divisions must assume the management responsibilities in the project consistent with their charter."

Recommendation: "A waiver be granted to Price Waterhous to participate in the first phase of the acceleration of the Master Plan, with consideration to additional waivers as the future phases become due."

Were you aware that that memo had been sent to Fasola?

MR. KLINE: The first time I saw that memo was yesterday.

ASSEMBLYMAN FOY: All right. You don't know what Fasola did with the memo. Is that right?

MR. KLINE: I have no idea.

ASSEMBLYMAN FOY: All right. The next item in the package is a memo from Donald Bianco to the Attorney General, who is your boss and Bianco's boss. Right? At the time?

MR. KLINE: At the time. That is right. He was Bianco's boss.

ASSEMBLYMAN FOY: June 27th:

"The author of the attached is a consultant from Science Management Corporation. I received his memo Friday afternoon.

"I've discussed the matter with Fasola since Stein directed the 'package' of Snedeker's letters to him for his involvement and I am comfortable with Fasola's assessment of the situation and his reaction to it.

"Please be assured Snedeker's letters are nonsense.

"I'll wait for your direction how to proceed."

Mr. Bianco told us when he testified that he never got a reply from the Attorney General as to his transmission of Dennis Clark's recommendation that only a partial waiver be awarded. Did the Attorney General ever discuss with you the issue regarding a partial waiver versus a complete waiver?

MR. KLINE: The issue was discussed.

ASSEMBLYMAN FOY: And what do you recall of that discussion?

MR. KLINE: Again, I think it was a question of what was the best way to go as far as approaching this, and the discussion was about what the project involved. The ultimate conclusion was -- because it was an integrated project, it was a comprehensive project; that while done in stages, each stage impacted upon the other; each system

impacted upon the other -- that the best way to go, and this was decided by everyone, including the Treasurer's office and the Department, was to go with one waiver.

ASSEMBLYMAN FOY: When did you have your discussion with the Attorney General?

MR. KLINE: I don't remember the date.

ASSEMBLYMAN FOY: Was it subsequent to June 27th?

MR. KLINE: Again, I don't remember the date. It was sometime prior to the waiver being reviewed personally by the Treasurer.

ASSEMBLYMAN FOY: Who was present at your discussion with the Attorney General?

MR. KLINE: Oh, this discussion was over the phone.

ASSEMBLYMAN FOY: Okay. Was it just between you and the Attorney General?

MR. KLINE: Yes.

ASSEMBLYMAN FOY: Did you advise Director Snedeker of the question raised by people in Al Fasola's office about—

MR. KLINE: Wait a minute. He didn't inform me about this, or about questions raised. He just talked to me about the bid waiver.

ASSEMBLYMAN FOY: He talked to you about the difference between a partial waiver and a complete waiver?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: How did that-- Did he call you, or did you call him?

MR. KLINE: He called me.

ASSEMBLYMAN FOY: All right, and is that how he started the discussion?

MR. KLINE: Again, to the best of my recollection, he inquired as to whether or not it would be advisable to go with one waiver or with two waivers. I voiced my opinion, and that ended the conversation.

ASSEMBLYMAN FOY: What was your opinion?

MR. KLINE: What I just expressed.

ASSEMBLYMAN FOY: Which is what?

MR. KLINE: That this system is a comprehensive system. It involves a complete redoing of the Division's computer system and, because of that, it was my humble opinion that it be done in one fell swoop.

ASSEMBLYMAN FOY: All right. You advocated that the whole ball of wax be done in a single waiver to the tune of \$6.5 million. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: Okay.

MR. KLINE: Well, at that time it wasn't \$6.5, it was \$5.99 something, and then, at the suggestion of the Treasurer, \$500,000 from an existing contract was rolled in.

ASSEMBLYMAN FOY: All right. The next memo is to Thomas Greelish, from you, and it is dated July 1. It says, "Kindly be advised that on June 30, 1983, I met with Deputy Director Robert Meybohm of the Division of Systems and Communications (SAC). At the same time, Director Cliff Snedeker was meeting with Director Don Bianco. Director Snedeker informed me that his discussion of the above referenced subject with Director Bianco was essentially the same as my conversation with Deputy Director Meybohm as set forth below.

"I informed Meybohm that the Administration had no option but to use a consultant for the implementation of the collection of surcharges for the JUA and the acceleration of the automation of the Division of Motor Vehicles. Under the proposed contract, Price Waterhouse (PW) would have primary responsibility for the implementation of the aforementioned automated systems.

"I further informed Deputy Director Meybohm that I would manage the project and oversee Price Waterhouse's involvement. SAC would have secondary responsibility throughout the entire project. In other words, DMV and PW would have full responsibility for the development, testing, and implementation of the system while working in cooperation with SAC who would contribute its expertise to both DMV and PW.

"Deputy Director Meybohm stated that both he and Director Bianco would give full cooperation to this project to insure its

success. The meeting ended with my assurance to Deputy Director Meybohm that I would be contacting him in the very near future concerning what SAC's responsibilities would be concerning implementation of this project and the schedule concerning same. I also told him that PW would be contacting him as they were starting work immediately on this project."

I have two questions regarding that. First, you advised him in the memo that you were going to manage the project and oversee Price Waterhouses' involvement. Is that correct? Had you received your directions from the Attorney General, at that point?

MR. KLINE: Yes.

ASSEMBLYMAN FOY: All right, was it that same telephone conversation? When did he tell you that he wanted you to run the project?

MR. KLINE: I don't remember exactly. The reason for this meeting was at the direction of Mr. Greelish. And that is why we had the meeting, so that we could make sure that we were all going down the same path, so to speak. And, as a result, it was memorialized and sent to him, since he requested the meeting to begin with.

ASSEMBLYMAN FOY: All right. At this point in time, the bid waiver had not been approved, had it?

MR. KLINE: That's correct.

ASSEMBLYMAN FOY: Well then, how was Price Waterhouse to start work immediately.

MR. KLINE: Well, this was under the existing contract. The \$700,000 contract of which only two—

ASSEMBLYMAN FOY: Well, why weren't they working anyway? I mean, they were getting paid for it.

MR. KLINE: They were working, but they weren't working on the surcharge system.

ASSEMBLYMAN FOY: I'm a little confused now.

MR. KLINE: Well, the original \$700,000 contract was for the requirements definition study, which is the first phase under the master plan.

ASSEMBLYMAN FOY: All right.

MR. KLINE: What that is is basically asking the user, "What do you want? How do you want the system to work?" Give us your wish list, so to speak.

ASSEMBLYMAN FOY: All right.

MR. KLINE: All right. So, that was a contract over a period of -- I believe -- three years. So, they were already there.

ASSEMBLYMAN FOY: Right.

MR. KLINE: As a result, we had the surcharge legislation to worry about, so Price Waterhouse started to get involved with that at this time, because we had a January 1--

ASSEMBLYMAN FOY: Was that under the scope of their previous \$700,000 no-bid contract?

MR. KLINE: No. Well, I don't know whether it was a no-bid or whatever, that wasn't with the Division. That was with Systems and Communication. But that was not under the scope of the contract--

ASSEMBLYMAN FOY: Did you direct Price Waterhouse on July 1 to commence work on this project?

MR. KLINE: I didn't direct them. I think that--

ASSEMBLYMAN FOY: Well, how do you know they were starting to work immediately?

MR. KLINE: Well, just from general discussions. I mean, I didn't go downstairs and say, "Okay, let's go, guys." I mean, we talked about it. We talked about it and--

ASSEMBLYMAN FOY: Okay, who is we?

MR. KLINE: Director Snedeker, myself--

ASSEMBLYMAN FOY: Bill?

MR. KLINE: Mr. Driscoll, and whoever was the project manager for them at that time -- I can't remember the individual's name.

ASSEMBLYMAN FOY: Okay. The next item that we have is also dated July 1, which is a letter to the Director -- Director Hofgesang -- from the Attorney General, advising that the consultant is going to be selected, that you will serve as the Department's project manager, and that you will coordinate the activities. The estimate at the time for the project was \$6 million. Do you know, at this date, what the estimate for the project cost is?

MR. KLINE: When you say at this date, today?

ASSEMBLYMAN FOY: Today.

MR. KLINE: You are talking today?

ASSEMBLYMAN FOY: Today. Or yesterday—

MR. KLINE: Including hardware — if we exclude hardware, the contract for this system is still \$6.5, with, I think, about \$680,000 for enhancements that were requested as a result of changed legislation. So, the contract is the \$6.5, plus that \$686,000, I believe, is the figure for the work that Price Waterhouse is doing.

ASSEMBLYMAN BOCCHINI: Plus hardware?

ASSEMBLYMAN FOY: Plus hardware.

MR. KLINE: Plus hardware.

ASSEMBLYMAN FOY: What's the hardware value of that, do you know?

MR. KLINE: Hardware comes to, I believe, about \$6 million -- Chris? (refers to Chris Cox) — \$5.8.

ASSEMBLYMAN MARTIN: That's not Price Waterhouse hardware, though.

MR. KLINE: No. That's what we would have had to buy regardless of who did it. We would have to buy that hardware. It's computers.

ASSEMBLYMAN FOY: We get to keep it, I mean, it is the State of New Jersey's.

MR. KLINE: That's correct.

ASSEMBLYMAN FOY: Okay.

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Foy. That is the hardware that you need in order to implement the Price Waterhouse system.

MR. KLINE: I think it is the hardware you need to implement the system. The system is the system.

ASSEMBLYMAN BOCCHINI: I don't think if you analyze that from testimony that was given last week by Mr. Bianco, he indicated that the total package, if it had been done in-house — including hardware — would have been something, I believe, under \$5 million. The hardware, as suggested would be needed for OTIS to do it was \$3.4 million, I believe. \$3 million. Am I correct, Bob? Do you recall that?

MR. KLINE: Well, if you want to address--

ASSEMBLYMAN MARTIN: You are correct, as far as what Mr. Bianco's original estimates were. That was also-- I think he was talking about the time in which the original proposal was, so it doesn't include whatever modifications have been made since that time.

ASSEMBLYMAN BOCCHINI: Well, the modifications-- We're not-- That's the \$600,000 additional cost--

ASSEMBLYMAN MARTIN: I'm not sure on what hardware--

ASSEMBLYMAN BOCCHINI: But if you look at the memo dated June 15, 1983, in the third paragraph, "That Donald Bianco, Director of Systems and Communications (SAC) has assured the Administration that SAC could complete the master plan by June of 1985 if the State appropriates \$2,096,000 for consulting and staff additions for SAC, and \$3,250,000 for equipment acquisition." In our further discussion with him he indicated that was hardware.

MR. KLINE: I'll be happy to address that, because, I think, that I have some--

ASSEMBLYMAN BOCCHINI: Please do.

MR. KLINE: (continuing) --I have some substantial--

ASSEMBLYMAN MARTIN: Let me just say I think this is important. Maybe this is one of the areas that you were referring to earlier about differences as far as estimates go, and if it is, maybe you can tie that in. Because, I would attempt to explore this subsequent tie today--

MR. KLINE: Sure.

ASSEMBLYMAN MARTIN: --when you said that you differ as far as what their projections were for both the hardware and the software packages from their own in-house operation.

MR. KLINE: Yes, I would like to do that, Assemblyman, because, I think, that it is relevant based upon the testimony last time. Let me preface it by saying this. I think the fact that this Administration has now, by Executive Order, and with the backing of the Legislature, created OTIS, and, in effect, taken all the data centers, including SAC which was in Law and Public Safety which was our computer arm, and State Police, and Gaming Enforcement, and all the others, into one new entity, in itself speaks volumes in that we were faced -- the

data center for Public Safety being SAC -- with strained resources -- limited resources. Again, it doesn't reflect upon the individuals who were there, it reflects upon the facts as they existed at the time. And, I think, as a result that is why the Legislature and the Executive created OTIS. But, let's go back to when we were talking about this type of project. There was no OTIS, and there was no consideration firmly being done, at that time, of OTIS, it was just ideas. So, we had to make a decision.

Now, this proposal that was submitted to us by Mr. Bianco and Mr.--

ASSEMBLYMAN BOCCHINI: Excuse me, as second, Mr. Kline, but aren't we essentially talking about the same people? Maybe a different title and different organization, but aren't we essentially talking about the same people?

MR. KLINE: We're talking about-- Well, let me tell you--

ASSEMBLYMAN BOCCHINI: The same experts-- Meybohm, Bianco, and the people involved in that organization.

MR. KLINE: As a result of OTIS we have had other people who were in other data centers now being put on this project, do it has given us more resources. I agree with you, Mr. Chairman, they are the same people -- there are some new people -- but, essentially, what it does is give a pool of resources. We have an individual who has been very helpful from the Department of Labor. Now, two years ago, we wouldn't have had this person's technical assistance. So, yes, it is the same people, and, I'm sure OTIS is just at its beginning and it is going to take some time before it is really doing what it is intended to do, but at this point in time OTIS wasn't in existence, and we had a computer arm that had limited resources, limited personnel, and one of the reasons they had limited personnel was because they just couldn't pay the salaries that private companies were paying to attract the programmers and the analysts and everyone else. So, in that light, you have to look at their proposal. You also have to consider the fact -- as I have stated before, here -- that we are dealing with an ongoing environment. I mean, Mr. Meybohm himself said this is a unique environment. It is 24 hours, seven days a week. We don't close,

because you have the State Police and you have DMV, and those things function all the time. So, we had a situation where we were going to do the biggest computerization project in the history of the State, and we had two alternatives. One was to use the scarce resources that we had, and take those people and devote them to this mammoth project, or to have an outside consultant who had already prepared preliminary documents and preliminary studies and a plan to computerize the Division. So, we chose and recommended the private consultant, to ensure that those resources that were limited already wouldn't be further limited and cause further problems with the operation of the Division.

Now, in addressing the plan that they presented to us— Let me give you one for instance. In their plan -- and it is not numbered, it is under equipment acquisition --

ASSEMBLYMAN BOCCHINI: You are speaking from what document?

MR. KLINE: This seven page document that they presented to you and that they presented to us--

ASSEMBLYMAN BOCCHINI: Okay.

MR. KLINE: --as to their plan. And again, I'm not questioning the motivation or the good faith of either Mr. Meybohm or Mr. Bianco, but we are talking facts, and we want to talk apples and apples and be very precise in what we are talking about.

ASSEMBLYMAN BOCCHINI: At least you guys are into the same fruits, because he was talking about apples and apples also.

MR. KLINE: Anyhow, on the last page, under "Master plan acceleration/equipment acquisition" -- and this is just an illustration -- they have, "power and air conditioning - \$100,000," okay, what does that mean? To upgrade the data center -- located out at West Trenton that I understand you visited, Mr. Chairman -- to do that it required extensive renovations. Renovations done under the control of SAC -- OTIS, now. And the reason for that is because these machines are very hot, and they have to have very very good air conditioning.

ASSEMBLYMAN BOCCHINI: They explained that system to us. The cooling through the floors--

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: Assemblyman Martin was with me.

MR. KLINE: Right. It is very extensive. They're water cooled or air cooled— some are water-cooled, some are air— All right. In their projection, they had power and air conditioning of \$100,000. The actual cost of upgrading the existing SAC Data Center to accommodate the new equipment, including electrical air conditioning — \$1 million, Mr. Chairman, \$1.8 million.

ASSEMBLYMAN BOCCHINI: I'm sorry, can you repeat that, Director.

MR. KLINE: The actual cost for upgrading the environment — "Power and air-conditioning" as they called it — \$1,800,000. Eighteen times what they projected. Again, I am not questioning the motivation, I am not questioning their figures done at the time, but if we look at the reality of it, we are way off. \$1,800,000, when it was projected to cost \$100,000. Let's look at another figure. Disk storage, \$600,000. You look at what we have today, disk storage, \$2 million. \$600,00— \$2 million.

ASSEMBLYMAN PELLY: Excuse me, Deputy Director, is that for the same kinds of disks that were anticipated under— Were they the same kinds of disks that were to be stored? Are we talking about apples and apples here?

MR. KLINE: We're talking, I believe, about apples and apples, because we are talking about a system that the blueprint for was Price Waterhouse's. And even if we're off, or if we are excessive, by, I don't know, \$500,000 say, or \$600,000 or \$700,000, we are still talking about a significant, deflated figure presented to us by SAC at that time. In one case it was \$100,000, now it is \$1,800,000 to upgrade the environment. We are talking about disk storage of \$600,000 when in reality it is \$2 million. I mean, these figures are very telling, I think.

ASSEMBLYMAN BOCCHINI: That is assuming that they were implementing the same system in the same manner.

MR. KLINE: Well, let's go to another page—

ASSEMBLYMAN BOCCHINI: Let me ask you, are we on the same wavelength? In other words, the costs you are giving?

MR. KLINE: I don't know if we are on the same wavelength, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: The costs you are giving, SAC makes a proposal based on how they could implement the master plan. Price Waterhouse steps in and gets the contract and proceeds to implement the master plan—

MR. KLINE: Well, all this equip—

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Meybohm and Mr. Bianco, I believe, made it a point to emphasize in the Committee that the avenue that they were taking and the needs that they would have had, were not the same avenue, and necessitate the same needs as Price Waterhouse utilized. That was the reason for the cost differential.

MR. KLINE: Mr. Bianco also testified that he would use Price Waterhouse. I don't think that we would come to a different result. He stated in his testimony that he would use Price Waterhouse and rely on them. And what did Price Waterhouse do—

ASSEMBLYMAN BOCCHINI: Once that was given, and Price Waterhouse was on-line, and et cetera, I understand that. But what I am saying is, I am not so certain, and I don't want to belabor the point because there are a few more areas we want to get into, but I don't believe that we are necessarily comparing two programs that were going to operate in the same fashion. I believe the ultimate objective of Mr. Meybohm and SAC was the same ultimate objective that Price Waterhouse advised DMV that they were going to end up at. The implementation of that master plan.

MR. KLINE: Well, Mr. Chairman, I think, again, the most telling is the environment, because, if in fact you put in computers and they have to be water cooled, these computers were purchased by Systems and Communications by the State under State contracts, these are computers that they were familiar with -- I mean, talking about IBM, NAS, whatever -- and, when they have the deflated figure of \$100,000 as opposed to \$1.8 million in their environment, I think that is very telling, Mr. Chairman. Again, not questioning their motivation. The objectives, you are right, were the same. The question is, could they have done what they promised to do? And we questioned their figures, and we questioned whether or not they were accurate. To give you another example, on the page before, "Outside

assistance," they are talking about design assistance alone, which amounts to 132 man months, which is 22,836 hours costing \$1,386,000-- That's just for design. Then they talk about staff additions -- nine analysts, seven programmers -- \$410,000, and that is obviously for programming. Price Waterhouse had 20 programmers, not seven, and they had 36,100 hours just for programming, at a cost of \$50 an hour, which I think even Mr. Meybohm would agree is reasonable. That is \$1.8 million just for programming. Again, I think if you look at the figures you can see they were grossly deflated, they were very optimistic, and they would have never been able to get where we are going based upon their particular proposal.

ASSEMBLYMAN FOY: I have a question. Mr. Kline, you were questioning SAC's abilities, and you were questioning SAC's figures. Now, you are not a computer expert, are you?

MR. KLINE: But I am an administrator, I am a manager.

ASSEMBLYMAN FOY: All right. And weren't you, in fact, getting advice about questioning SAC from Price Waterhouse, who was already in place?

MR. KLINE: No, I experienced first-hand SAC's ability prior to this project, and we had a basic problem of strained and limited resources. Every time we had to do something -- and you know all the legislation that impacts the Division -- every time, that had to go to the top of the priority list, and all the other bread-and-butter issues that can kill you, puts it aside. Why? They did not have the people. They did not have the programmers, they did not have the analysts. It's not their fault. The State just did not pay enough. Again, it was limited resources.

ASSEMBLYMAN FOY: Weren't, in fact, you advocating that the contract go to Price Waterhouse, who, in fact, had been in place and was really writing their own specifications for what had to be done? There is no way SAC could have competed with them, because Price Waterhouse was writing their own ticket, were they not?

MR. KLINE: I disagree. Price Waterhouse came up with a long-range master plan the last months of the Byrne Administration, that was lauded by not only the former director in the Byrne

Administration but also Mr. Bianco, and the other computer experts. So they thought they did a great job. Their blueprint was a great blueprint. Now it was—

ASSEMBLYMAN FOY: And they wanted—

MR. KLINE: —implementing it that came about.

ASSEMBLYMAN FOY: And didn't Mr. Bianco and SAC want Price Waterhouse to participate, to a limited extent?

MR. KLINE: Yes. According to Mr. Bianco's testimony, he said that what they would do is, they would take the people currently knowledgeable about the Division, and then, I quote, "backfill with new people." Now, what that means to me is that we take the people who have to run the damned Division, the computers, and then they have to go and have new people come in to actually do the day-to-day, bread-and-butter important things while the people who were knowledgeable about the Division are going out and trying to develop and implement this mammoth computer system. I think it is very unrealistic.

ASSEMBLYMAN FOY: All right. You deny that Price Waterhouse was counseling you about the SAC proposal. Who, then, was advising you that their proposal was inadequate?

MR. KLINE: Nobody had to advise us. I think it was just a matter of looking at it— First of all, what was the proposal? The proposal basically encompassed seven pages, without any documentation; and the presentation were these pages on an overhead enlarger, and basically just saying, "This is it and this is it."

ASSEMBLYMAN FOY: Well, what did you get from Price Waterhouse? They never submitted a proposal until after you agreed to give it to them.

MR. KLINE: We had the Master Plan—

ASSEMBLYMAN FOY: According to the chronology, from the Attorney General's office—

MR. KLINE: Mr. Foy, if you want me to answer, I will answer.

ASSEMBLYMAN FOY: Sure.

MR. KLINE: We had the long-range master plan, a ballyhooed document by everybody; we had a requirements definition study that they were doing—

ASSEMBLYMAN FOY: Who did that?

MR. KLINE: Price Waterhouse.

ASSEMBLYMAN FOY: Oh. They defined the requirements--

MR. KLINE: No. We defined the requirements, Mr. Foy--

ASSEMBLYMAN FOY: --and they gave you the definitions.

MR. KLINE: If you understand what I am saying, if you listen to my testimony--

MR. KLINE: Speak slowly, let me hear it.

MR. KLINE: If you listened to my testimony a few minutes ago, I said, what a requirements definition study is, is where the user tells the consultant -- the computer people -- what they want, how they want their system to work, what they need, how their business works.

ASSEMBLYMAN FOY: All right. I understand it now. Who told you that Price Waterhouse's \$6.5 million price tag and plan was a better way to go than SAC's \$2.5 million price tag and plan? Who told you?

MR. KLINE: Nobody had to tell us--

ASSEMBLYMAN FOY: You made the decision on your own. Sua sponte, as the lawyers say.

MR. KLINE: I think that we did-- sua sponte, as you suggest -- What we did was, based upon what we knew, based upon the operation of our computers at SAC, the limited resources, the opinion was formed very naturally based on first-hand experience. And let me ask you a question, if I might: If SAC--

ASSEMBLYMAN FOY: If I can answer it, sure.

MR. KLINE: Well, let me pose you one. If SAC --

ASSEMBLYMAN FOY: Right.

MR. KLINE: --had such great resources and such great ability, why did we have to overhaul our computer system to begin with, Assemblyman?

ASSEMBLYMAN FOY: I don't know.

MR. KLINE: It's a good question, though.

ASSEMBLYMAN MARTIN: Mr. Chairman, can I ask a question here?

In direct relation to this experience you are referring to, are you aware of any State agencies that, when they had the opportunity to rely either upon SAC or its successor, OTIS, chose to go with an outside consultant as opposed to you relying on the SAC people?

MR. KLINE: I didn't get your question, Assemblyman.

ASSEMBLYMAN MARTIN: Well, in your contemplation of the choice -- and that is what we have been talking about, a choice between either SAC or going to an outside consultant -- were you aware of any other agency which had chosen to take an outside consultant in lieu of SAC for any type of computer work?

MR. KLINE: Well, we were aware that the Administrative Office of the Courts had decided not to utilize SAC any further, and they decided to set up their own computer arm, themselves-- in other words, break away from SAC and they hired an individual who was responsible for that, and he was basically starting from scratch and they are still working on that, is my understanding.

ASSEMBLYMAN MARTIN: Let me ask you this. When, if at anytime, did you become aware that the Legislature itself, in choosing to review whether we should have computers in the legislative offices, chose to go with an outside consultant, which I understand was Coopers & Lybrand, as opposed to going with OTIS, which, apparently, was a decision made after determining and reviewing whether to go in-house or out-of-house.

MR. KLINE: I heard some comments to that effect, that the Legislature, too, chose the paths that we did, and I don't know the rationale behind that was, but they also--

ASSEMBLYMAN BOCCHINI: If I may interject at this point, gentlemen. It's a point well taken, but let's get back--

ASSEMBLYMAN MARTIN: I think it was an \$8 million dollar contract--

ASSEMBLYMAN BOCCHINI: Mr. Martin--

ASSEMBLYMAN MARTIN: --with a bid waiver, and if it was something--

ASSEMBLYMAN BOCCHINI: Mr. Martin, if you want to get cute about it, and I am going to set the record straight for you, my

friend. We used 12 firms that came in and participated in the discussion. The contract ended up to be for \$4.5 million dollars, I believe; and in addition, there is a one year warranty versus a 90-day warranty. There are drastic differences in those contracts, and I would love to debate that issue at length with you, in another forum if you so desire. I would like you to get back on track in relation to this--

ASSEMBLYMAN MARTIN: Mr. Chairman--

ASSEMBLYMAN BOCCHINI: As far as bid waivers are concerned, in sole-source contracts, and the fact that Price Waterhouse ended up in with this contract without any type of competitive solicitation. I understand the collateral issue concerning outside firms coming in, and I think it is something that we need to discuss in our-- in our panel discussions--

ASSEMBLYMAN MARTIN: My understanding, Mr. Chairman, was that this Committee was not just simply looking at Division of Motor Vehicles. I understood, from what you had said at a prior Committee meeting, that we would contemplate the whole issue of whether we should have bid waivers.

ASSEMBLYMAN BOCCHINI: Absolutely.

ASSEMBLYMAN MARTIN: My understanding is that the Legislature who was involved with the bid waiver process with a contract where they chose an outside consultant for several million dollars. And if that is true, and he had some knowledge of it at some point in time, and considering whether to continue with the Price Waterhouse contract, he should be able to tell us about it.

ASSEMBLYMAN FOY: Let me ask you a question. Did that happen in 1983? When did that happen?

ASSEMBLYMAN MARTIN: I am not sure when the first process began, and I am not sure if Mr. Kline knew about it, but I think it is a question which is worthy of posing to him to find out if he did have any knowledge, and when he did have such knowledge.

ASSEMBLYMAN BOCCHINI: I believe, Mr. Foy, the answer to that question, from staff here, is that it began in 1985. But the important thing in that process, Assemblyman, I think you need to keep in mind,

is that there was extensive discussion with several companies. And the essence, and part of the deliberations that we need to get into, is one, are you going to do away with bid waivers in totality, or if you are going to retain some type of bid waiver--

ASSEMBLYMAN FOY: Wait a minute. Excuse me, if I may interrupt. Let's go right to the horse's mouth. We are very fortunate to have Mr. Porrone here; perhaps, since he was directly involved in that on a nonpartisan basis, he could answer the question for us, Assemblyman.

ASSEMBLYMAN KERN: I am curious to hear the Chairman finish his response, Mr. Foy.

ASSEMBLYMAN FOY: All right, he could do that. But I didn't want-- Mr. Porrone was walking out, and I did not want to give him the opportunity to leave. I wanted him to be here to give us the opportunity and the benefit of his wisdom.

ASSEMBLYMAN KERN: Well, I would welcome his expertise, but I want to hear the Chairman first.

ASSEMBLYMAN FOY: Okay.

ASSEMBLYMAN BOCCHINI: The key point I am trying to make, Assemblyman, is, there was competition. There was competition in the Legislature's computerization. There is no competition involved in the Price Waterhouse-DMV computerization.

ASSEMBLYMAN KERN: Well, I take exception to that. You have a State agency in competition with Price Waterhouse. That is the testimony to date.

ASSEMBLYMAN FOY: At a price tag that is \$4 million cheaper. But we give it to the highest bidder, who did not bid.

ASSEMBLYMAN KERN: That is what I am trying to find out the rationale for, and I think Mr. Kline is trying to explain where the State agency's bid was deficient.

ASSEMBLYMAN FOY: Because he was advised by Price Waterhouse, or not?

ASSEMBLYMAN MARTIN: I think he has told us at least twice what his--

ASSEMBLYMAN BOCCHINI: If you--

ASSEMBLYMAN MARTIN: —answer was, Mr. Foy, and I don't think that is a fair characterization of what his answer was.

ASSEMBLYMAN BOCCHINI: If you want to classify SAC or OTIS, I guess it was SAC at that time, as being involved in a competitive bid with Price Waterhouse, you may make that generalization. I certainly have a great deal of problems with that, but that is my opinion, and you are certainly entitled to your opinion. If I might, Mr. Porrone-- If you want to spend a few more moments discussing the Legislature's implementation of the computer program for whatever comparative basis you are trying to formulate, I would welcome any questions you may have of Mr. Porrone, assuming Mr. Porrone is willing to voluntarily step up here and supply us with any information he may have.

ASSEMBLYMAN FOY: I don't— If it will satisfy Mr. Martin, fine. It doesn't— I am not even concerned with that. I want to get on with my line of questioning with Mr. Kline about Price Waterhouse.

ASSEMBLYMAN MARTIN: I don't want Mr. Foy's questions to go unanswered. As far as I am concerned, if he wants to pursue it, I would be most happy to hear the testimony.

ASSEMBLYMAN FOY: Maybe we can get just a minute's worth of encapsulation about how the Legislature proceeded to seek outside assistance in its computer contract. You want to tell us in a one-minute capsule, Mr. Porrone? That way, we will have the record clear.

ALBERT PORRONE: Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Mr. Porrone, for the record, would you just simply indicate your full name and title.

MR. KLINE: Are you going to put him under oath?

MR. PORRONE: Albert Porrone. I am the Executive Director of the Office of Legislative Services.

ASSEMBLYMAN BOCCHINI: If I may, Mr. Porrone. Mr. Kline indicated, was I going to put you under oath. Everyone else has been testifying under oath. If you have no objection to that, would you raise your right hand, please?

MR. PORRONE: None whatsoever.

ASSEMBLYMAN BOCCHINI: Do you promise that the testimony you give before this Committee will be the whole truth and nothing but the truth, so help you God?

MR. PORRONI: I do.

ASSEMBLYMAN BOCCHINI: Mr. Foy, questions?

ASSEMBLYMAN FOY: Yes. Mr. Porroni, Assemblyman Martin has raised a question about the procedure that the Legislature followed in the award of its contract, which I understand was no-bid, for the computerization of the Legislative offices. Can you tell us about that situation, briefly?

MR. PORRONI: Yes. The Legislature embarked on computerization about two years ago, thinking seriously about putting in a system where none existed. The first step--

ASSEMBLYMAN MARTIN: That would place it sometime in 1983?

MR. PORRONI: Assemblyman?

ASSEMBLYMAN MARTIN: Are you talking about sometime in 1983?

MR. PORRONI: Nineteen eighty-three, probably at the end of the year, Assemblyman. At that time, the Legislature convened a group of its key personnel, including the Executive Directors of the partisan and nonpartisan staffs, to discuss generally what might be the best way to accomplish this.

Early on, the Legislature talked with those representatives in the Executive Branch of the State government who had expertise in this area. And I should state for the record that the Legislature, at that time, had no technical expertise in the area of computerization or data processing, essentially for the reason that they had no system, and, of course, secondarily, that it is not the responsibility of the Legislative Branch to take care of those kinds of technical things.

At the time, it may have been OTIS, but my memory fails me a bit. It probably was their former Division of Systems and Communications from which we sought help. That help was, I should say, only seeking advice as to what their experience might have been in the Executive Branch having put in many systems.

My predecessor, Samuel Alito, convened a group of individuals within the Office of Legislative Services at the direction of the

Chairman of the Legislative Services Commission, Senator Orechio, and the Chairman of the Legislative Information Systems Committee, Senator Russo. We met with Mr. Bianco and members of that Division of Systems and Communications, essentially to explore ways in which to plan and develop a system based upon, at that time, the Executive Branch's experience.

We took the--

ASSEMBLYMAN BOCCHINI: Excuse me for one moment, Mr. Porrone.

MR. PORRONE: Yes.

ASSEMBLYMAN BOCCHINI: Those Commissions or Committees have bipartisan representation on each of them?

MR. PORRONE: That is correct, as all subcommittees of the Legislative Services Commission.

We took the information that we got at that meeting and brought it back to convene a group of those Executive Directors that I referred to previously to see what their reaction might be. The information that we got was that the best thing to do was to hire a consultant who would prepare a report, first of all in needs assessment -- what the Legislature needed in terms of an information system -- and then to proceed from that point to go through the process of selecting someone who could best meet that.

For one reason or another, at the time, the information was given across to all of these people, including myself, and it was decided that we could not make a decision at that time as that being the best way to proceed.

After that time, I was contacted by representatives of the IBM Corporation who had a service that they presented to those who were interested in developing a system. That service was to provide their personnel, who was an expert in developing systems, and also in a group dynamics type of technique to get together all of the major decision-makers in the Legislature and essentially try to form a plan from which to embark upon the system.

I solicited the responses of those, and I think at that point, I became the Executive Director of OLS. It was sort of a cusp period there. I solicited the response of those decision-makers, and

they all thought that was an excellent idea to get all of these varying groups together.

We convened a three-day seminar at the direction of this individual and essentially explored ways in which to develop the system. I should say that that was broadly representative of both parties of the Legislature, also the Administrative Officers of the Legislature — the Clerk and the Secretary of the Senate — as well as representatives of the partisan and nonpartisan staffs.

After three days, we developed a plan, which had several salient points to it, identifying key dates to be met to develop a legislative information system. One of the first of those action lines in that plan was the selection of a consultant to perform a needs assessment. We had an examination of the bidding laws done at that point, talked with representatives of the Division of Purchase and Property, and then proceeded to solicit a consultant from those whom we thought could best to the job of preparing the needs assessment.

During that process, I can recall consulting the then representatives of the Division of Systems and Communication just to see if we were speaking along the same lines in terms of those people who could best supply those services to us. And, these were consulting services.

We prepared a list of some 20 of these firms, among which were the Big 8 accounting firms' management consultants. We had an extensive process where we solicited their proposals. They submitted their proposals. We had a staff group digest those proposals, and finally got it down to about three firms that we thought could best perform the service.

We then selected one of those three through existing mechanisms, the Legislative Services Commission being the chief one among them, and awarded the contract to the firm of Coopers & Lybrand.

The next step in our procedure—

ASSEMBLYMAN MARTIN: Can I just break in here?

MR. PORRONI: Yes, Assemblyman.

ASSEMBLYMAN MARTIN: You were aware, were you not, that there was an in-house organization, SAC, which provides consulting for various types of computer programs, and you know—

MR. PORRONI: Yes.

ASSEMBLYMAN MARTIN: (continuing) —similar to what you were projecting?

MR. PORRONI: Yes.

ASSEMBLYMAN MARTIN: And, what was the basis for rejecting SAC?

MR. PORRONI: Actually, it was their own advice, Assemblyman. I can recall the advice of one of their representatives, saying that the best thing for us to do was to hire a consultant, and probably one that was fairly well-known, because it would provide us with the best solution for the planning of the system, and also would be, in a sense, more respected.

ASSEMBLYMAN MARTIN: More respected.

MR. PORRONI: Yes.

ASSEMBLYMAN MARTIN: Do you know what he meant by that?

MR. PORRONI: Well, I think it was on the basis the size of the system that we were planning. After all, it is very unusual to plan for the size of the system in State government that would cover an entire branch of government.

ASSEMBLYMAN MARTIN: What was the projected cost at that time?

MR. PORRONI: Oh, none, because we hadn't determined what our needs were. So, it would be difficult to put a dollar value on the expected—

ASSEMBLYMAN MARTIN: Would it be fair to say—

ASSEMBLYMAN BOCCHINI: Assemblyman?

ASSEMBLYMAN MARTIN: Well, he is moving on to a—

ASSEMBLYMAN BOCCHINI: I understand. I understand. But, I would like, if we can to have Mr. Porroni go through the chronology of what occurred. If you want to go back and ask him some further questions about it, that is fine. But, if we can just—

ASSEMBLYMAN MARTIN: But, he was talking about this in stages, Mr. Chairman.

ASSEMBLYMAN MARTIN: I understand that, but you still seem to miss the entire point. He had already indicated they sought

solicitations from 22 or 23 different people or firms concerning just the consulting.

ASSEMBLYMAN MARTIN: Well, my point, Mr. Chairman— I think there is a point—

ASSEMBLYMAN BOCCHINI: Please make your point.

ASSEMBLYMAN MARTIN: (continuing) —about the fact that there is an in-house consultant which other agencies have rejected, just like Mr. Kline said it earlier, with respect to the Administrative Office of the Courts. I think it is fair to explore that fact, which I think is a point that Mr. Foy spoke about for hours both today, as well as at previous hearings. And, I think we have an opportunity — at least I should have an opportunity — of looking at that point to a certain extent.

ASSEMBLYMAN BOCCHINI: Please make your point.

ASSEMBLYMAN MARTIN: And, I think the other point is about a bid waiver. If there is a form of a bid waiver here, I'd like to hear about that also because Mr. Kline talked about the reasons for his bid waiver. I think it is fair to see why, if there was a bid waiver or a form of a bid waiver, why it was done in this case.

ASSEMBLYMAN BOCCHINI: Fine, you will be able to—

ASSEMBLYMAN FOY: Well, he has answered the first question. He said that SAC told him they should get somebody else. They didn't want to do the job.

ASSEMBLYMAN MARTIN: That is why I asked the question, Mr. Foy.

ASSEMBLYMAN FOY: Well, he answered that one. Now, what is your second question? What was their bid waiver procedure? Answer the second question, if you can, Mr. Porrone. What was the bid waiver procedure?

MR. PORRONE: I would be glad to. And, Mr. Chairman, I might add that I don't mind at all going back and forth, but certainly, it is your discretion.

ASSEMBLYMAN BOCCHINI: I know you don't. I'm just trying to save a little time here. If we give you the latitude to say what you have to say, maybe some of the anticipated questions by Mr. Martin may

be covered. If they are not, he certainly has the right to go back and ask them.

MR. PORRONI: I think it is important to also note along those lines, Assemblyman Martin, that there were some other considerations for the Legislature at this point.

Separation of powers is one of them, which I know that you all respect. To have the Legislature in control of this project was very important, using, of course, as much expertise as we could from the executive agencies, but yet not getting into a situation where they might be advising us against our own best interests in terms of trying to maintain confidentiality of records and such other things.

I should also say to you that there is a staging for this whole process. The first would be consultant services, which under the State bidding laws would be classified as a professional type of service, which is subject to a waiver of public advertising. The policy reasons for that being that an agency ought to be able to select a firm that it wants and who can do the job in its discretion.

We could have very well, and legally, selected any firm that we wanted without any solicitation of any other firm. We did not do that because we knew that our system and the whole process would be subject to public scrutiny at some point, and maybe this is the point.

And, also, of course, to try to find out who would give us the best possible system. I should say to you that I think we have gotten the best possible system, and it will be implemented over the course of the next year or two. So, we could have selected that firm of Coopers & Lybrand without any kind of solicitation of other firms. But, we did not do that. We went for a broad solicitation, and, essentially because we didn't really know too much about the process, so it was education for us as well.

However, we did seek a waiver of public advertising, and we were granted such, although it is merely pro forma because it is a recognized exception to the bidding laws. And, that is reserving, of course, the question as to whether the Legislature is subject to an executive approval on such a thing, or whether the Legislature merely must prove that it solicited in an open and competitive manner. But, that is more a sidelight.

The second step after the consultant prepared this needs assessment was the preparation of an RFP document, and request for a proposal, from a vendor or vendors. We extended the contract of our consultant to do that, which is commonplace. They had done the needs assessment. We were satisfied with their work. It was acceptable to all parties within the Legislature, and they then proceeded to do the RFP. That, again, is a professional service as well.

Then, to get to the crucial step of, "Who are we going to send this RFP to?" we decided that we would try to proceed under a waiver provision of the bidding laws to do that. However, we decided again to solicit it broadly to those vendors who we thought could do the job. And, you will say, "How did we determine that?" The State has a list of those vendors who can supply systems, and, of course, that is a very extensive list, and not all of those perhaps 100 or 200 firms could put together a legislative information system.

So, with the help of our consultants, we pared that list down to something on the order of 25 or 30 firms. Before we solicited those firms, again, we consulted with the then OTIS organization, and they informally reviewed that, and said pretty much, "You've selected those who can put together that kind of a system, so you really haven't missed anybody. You have solicited in an open and competitive manner."

I should say to you that out of those 25 or 30 firms, we only got responses, after a mandatory bidders' conference, from roughly 12, not all of whom had complied to the minimal requirements of bidding. We then had our consultants evaluate those 12, using a rather complex scoring system, and then brought this back to our staff group, and eventually the Legislative Services Commission, who approved our selection of a vendor, Wang Laboratories.

We sought a waiver for this process from the Treasurer. It was granted upon advice of the Attorney General, and all of that documentation is available to this Committee, as it is to the general public.

ASSEMBLYMAN FOY: Thank you for that exposition. It was concise and thorough. We appreciate it. My next question for--

ASSEMBLYMAN KERN: Just another question. Were you under any time constraints with respect to this process -- self-imposed or statutory?

MR. PORRONI: Well, I would say self-imposed and statutory, Assemblyman. We very much were concerned with getting the Legislature on line commencing with this next legislative session -- getting the district offices outfitted, getting a staff or a Trenton component, and we sought the waiver on the basis of emergent public need -- that it was the appropriate time to do it, that it was necessary to get some pilot work done before the commencement of the session, and those arguments were made to justify the waiver. It was granted on that basis.

ASSEMBLYMAN MARTIN: You are not going to meet that deadline, are you?

MR. PORRONI: We are going to meet that deadline--

ASSEMBLYMAN MARTIN: With computers in the legislative offices by the next legislative session?

MR. PORRONI: We have computers already in the Senate, in about a third of the Senate offices. The remainder of the Senate offices will be outfitted within the next three or four weeks. The Senate was chosen by the legislative leadership because it was not to turn over, in terms of an election-- an intervening election this coming fall, whereas the Assembly would have. We just would not have known which Assembly members would be coming back.

ASSEMBLYMAN MARTIN: Let me just ask you this. With respect to the time constraints, which were self-imposed with some reference to statute-- What would have been the delay had you just gone to a general, open bidding as opposed to this apparently selective bidding system, where you invited bids from the 20 or so companies which you had sought the bids from?

MR. PORRONI: I don't believe that there would have been a significant savings of time. The real savings in doing this -- because essentially--

ASSEMBLYMAN MARTIN: I'm a little bit confused. Could you talk about the closed public scrutiny, the separation of powers --

which I can appreciate -- political consequences, and all kinds of problems that might arise from any type of improprieties. And I am not suggesting for a minute that there was anything-- Everything you have told me seems to be commendable, but I am still-- My question is still, why, given the fact if you could not possibly do it, you would not have just gone to a straight open bidding procedure?

MR. PORRONI: Again, there might not have been any real difference, except we wanted to be able to choose those companies who we thought could do the job, and we were looking for a single-vendor concept, to have one company control the entire project. And that is for accountability.

Now, I just want to develop that. Let's assume that we had gone the so-called normal route, which would have been to solicit 200 vendors-- you know, the Radio Shack down the street, who could not reasonably have done it, and perhaps would have submitted partial or otherwise incomplete bids. We would have been constrained to evaluate each one of those under the rules that we impose for ourselves. This would have taken us, perhaps, a long time. We don't know. We don't know how many responses we would have gotten. And that was the reason that we had to get the process waived. But I should say that, had we had a choice and knew that we were going to go for a waiver, at the very beginning and that we only wanted one vendor for one purpose, we could have done that and short-circuited the whole thing. But that would not have given the Legislature the best system.

What I am trying to say, Assemblyman, is that we did not have to, if we were to be granted the waiver and we knew that-- we did not have to solicit as many vendors as we did.

ASSEMBLYMAN MARTIN: I have one final question. Mr. Foy is always concerned when we used forms like "we," and he had made reference earlier to about-- when the fact that, apparently, at DMV a decision was made by people who were not computer specialists. The ultimate decision making, as I understand from what you are saying, was made by members of the Legislature on the Committee, with the advice and input of yourself and other memoranda that you could see. Is that correct?

MR. PORRONI: It is correct as to half of it. "Ultimate" is correct; as to the professional advice that we sought, of course, our consultant, Coopers and Lybrand, gave us that. They were to supply us with as much technical information as we thought was necessary for us to make the policy decision.

ASSEMBLYMAN MARTIN: Then you as executor with the Legislature, who are members of the Commission, made the decision.

MR. PORRONI: Yes.

ASSEMBLYMAN MARTIN: Thank you.

MR. PORRONI: You're welcome.

ASSEMBLYMAN KERN: One other question. This was an entirely new system from scratch. I noticed that in the chamber and in the partisan staffs, there are these monitors, and they have been there for some time.

MR. PORRONI: Yes.

ASSEMBLYMAN KERN: That is completely extraneous to what you have developed in this computerization?

MR. PORRONI: That is correct, Assemblyman. Those represented a first primitive effort to develop a bill status system. And I could say we learned a lot about that, but we now know there are better ways of doing it.

ASSEMBLYMAN KERN: That was not to be integrated with this other thing?

MR. PORRONI: Absolutely not.

ASSEMBLYMAN KERN: I see.

ASSEMBLYMAN FOY: I don't have anything further for Mr. Porroni. Can I ask a question of Mr. Kline?

Now, in your July 1, 1983 memo, you advised Greelish that you told Meybohm from SAC that Price Waterhouse would be contacting him since they were starting work immediately. At that time, Price Waterhouse did not have the contract for the work regarding the implementation of the master plan, isn't that correct?

MR. KLINE: I have to find the memo, Assemblyman.

ASSEMBLYMAN FOY: It's from you to Greelish, dated July 1, regarding the implementation of the surcharge system and the automation

of the DMV. You last sentence is advising Greelish that you told Meybohm, PW would start immediately. In fact, they did not have a contract at that point, did they?

MR. KLINE: Well, they did have a contract--

ASSEMBLYMAN FOY: Well, you told me about the \$700,000 consulting contract--

MR. KLINE: That's right, and that was the contract.

ASSEMBLYMAN FOY: They did not have the \$6.5 million dollar contract--

MR. KLINE: No, they did not, but they had the \$700,000 contract, and I think it was at-- After going over that with the people from SAC that it was agreed that they were there and that contract could be utilized for that.

ASSEMBLYMAN FOY: At the time you wrote the July 1 memo, had you received the proposal from Price Waterhouse regarding the \$6.5 million contract?

MR. KLINE: No, we had not.

ASSEMBLYMAN FOY: Okay. And in fact, you did not receive a formal proposal from Price Waterhouse until some two weeks after that, on July 14, isn't that correct? That the first time you saw a formal proposal for Price Waterhouse, about what they were going to do?

MR. KLINE: The proposal was dated July 12. I am assuming that July 12 was the date we received it; it was hand-delivered.

ASSEMBLYMAN FOY: Well, if you did not formally see what they proposed to do, how were you able to be such a serious and strong advocate of them doing whatever it was that they proposed to do, since you had not seen it in those two memos?

MR. KLINE: For reasons that I have already enumerated, which I will go over again. We had a choice, we could either have it done in-house, or we could have a private concern do it.

ASSEMBLYMAN FOY: Right.

MR. KLINE: Price Waterhouse, going back to 1981, was selected under an informal bid process, as you are aware, by the former administration to do the master plan. Subsequent to that, they gained another contract to do a requirements definition study of \$700,000. I

will allude to what Mr. Porrone was talking about, where you have a consultant that has this type of expertise where they have got the knowledge, they have got the expertise, they know the system, they know the environment. To bring somebody else up to speed on that is very timely. We were under a legislative deadline, and based upon the options that we had, which were basically to start from scratch and go out to bid, use Price Waterhouse, or use Systems and Communications, it was our opinion to go with Price Waterhouse.

ASSEMBLYMAN FOY: But, at the time you wrote these memos, on the seventh and the 15th, you did not have in hand what specifically Price Waterhouse was going to do for the \$6.5 million dollars, did you?

MR. KLINE: We had a general idea from Price Waterhouse, based upon discussions that we had since we were working with them. They knew what our objective was concerning the surcharge; they knew our system, they knew the working environment, and as a result, they were pretty much in a position to tell us what they could do. Obviously, you want that in writing, you want a formal proposal. We requested one from them, and they gave it to us.

ASSEMBLYMAN FOY: But at the time you were advocating their use by the Governor's office, in fact you did not have anything in front of you, as to what they were specifically going to do?

MR. KLINE: Well, before you go for a bid waiver-- I mean, if you look at the documentation, you could see, obviously, all these discussions took place prior to the awarding of the bid waiver. And, as Mr. Porrone just testified, I mean, a lot of preliminary things are done, discussed, questioned, looked into, researched, prior to the actual bid waiver itself. It is a normal part of the process. You don't award the bid waiver and then start doing all this.

ASSEMBLYMAN FOY: But don't you get a proposal as to the scope and the nature of the work, in advance--

MR. KLINE: Oh, we did.

ASSEMBLYMAN FOY: --before determining that we wanted somebody to do the work?

MR. KLINE: We did, Assemblyman.

ASSEMBLYMAN FOY: You got it on July 14. You sent these memos a month before.

MR. KLINE: We had it in writing on July 12.

ASSEMBLYMAN FOY: All right.

MR. KLINE: I just stated to you that prior to that, in discussions with the people at Price Waterhouse, we got their proposal verbally. We talked about it.

ASSEMBLYMAN FOY: Verbally. Okay. You at least had, from Systems and Communications, something in writing, even if it was only an overhead projection. You had something in writing from Systems and Communications, and you had a verbal expression from Bill Driscoll. Yet, you decided to go forward with Price Waterhouse's, even though it was \$4 million dollars more than SAC's. Right?

MR. KLINE: Unfortunately, you were out of the room, but at the time I explained to you how SAC's proposal and its figures were grossly deflated, and don't have any basis in fact. We are talking--

ASSEMBLYMAN FOY: How do you know?

MR. KLINE: --about 18 times. They deflated a figure 18 times what it actually cost.

ASSEMBLYMAN FOY: Well, how did you get the actual cost figure?

MR. KLINE: Now you call that a great proposal?

ASSEMBLYMAN FOY: Who gave you the actual cost figure?

MR. KLINE: Today? The actual cost figure today? It's a fact. It's here. It cost \$1.8 million.

ASSEMBLYMAN FOY: And it arrived as a result of Price Waterhouse's actions, didn't it?

MR. KLINE: No, it-- It was-- This is strictly upgrading the environment to put in hardware, hardware that is purchased by Systems and Communications, now OTIS. All right? So, the figure is \$1.8 million, 18 times what they projected it would be.

ASSEMBLYMAN FOY: Did you ever show Price Waterhouse SAC's proposal, and ask Price Waterhouse whether that proposal was sufficient to do the job?

MR. KLINE: No, because again, it was based upon the reasons that I have already stated before: that SAC had the responsibility of the day-to-day operation of the Administration; that that in itself was

a big enough job-- they were having difficulty doing that because of the limited resources; we had a priority list that was, you know, probably four or five pages long; and every time a new piece of legislation was enacted, that had to jump to the top of the list and everything else had to wait. And--

ASSEMBLYMAN FOY: All right.

MR. KLINE: --as a result, we had a very poor system.

ASSEMBLYMAN FOY: But the upshot of it all was that you did not want SAC and you did want Price Waterhouse, right?

MR. KLINE: The upshot of it all was that we wanted to get a comprehensive system; we wanted to fulfill the mandate of the Legislature and that in our opinion, the best way to do that was to go with one of the most respected firms in the country and the world-- Price Waterhouse. That's what we did.

ASSEMBLYMAN FOY: And what happened? Where are we today?

MR. KLINE: Well, hindsight is 20/20, obviously. But I still suggest that SAC could not do it, and that is why we have OTIS. Because if SAC was able to do the job, and if the individual data centers could do it, why do we have OTIS today, which the Legislature has supported in doing? Because they know -- you know and I know -- that they could not do the job.

ASSEMBLYMAN FOY: And we now know that Price Waterhouse could not do the job, don't we?

MR. KLINE: But they are rectifying it, and it will be done.

ASSEMBLYMAN FOY: Okay. They are still buying tickets, aren't they?

MR. KLINE: You will have to talk to the State Committee about that, Assemblyman. I think I have testified to that also.

ASSEMBLYMAN FOY: Okay. I don't have anything further.

I have to make a call, and I will be right back.

ASSEMBLYMAN BOCCHINI: Mr. Kline, I believe that Mr. Bianco's testimony -- I don't have the page of the transcript -- but he indicated that sometime at the end of June, 1983, he had a conversation with Mr. Driscoll, where he indicated to him that he was under the impression that SAC was going to be doing the job, and they might be

doing some consulting-- I may have that a little out of context, but I believe that Mr. Bianco did say that Mr. Driscoll indicated to him, "Yes, we will probably be doing it," and Mr. Bianco said, "Well, I think we will be doing it," and Driscoll came back with the comment, to the extent, "Well, we'll see." Had your offices, at that time, already been negotiating with them for the sole source contract?

MR. KLINE: No, we were not negotiating with Price Waterhouse, as I have testified to. First of all, I would not want to characterize Mr. Bianco's testimony or Mr. Driscoll's statements. I read the transcript; you will have to ask Mr. Driscoll or Mr. Bianco to explain fuller. At the present, I don't know what that means.

Obviously, Price Waterhouse was there working at the Division under an existing contract; obviously, we had communication with them; obviously, we talked to them about this. We had to implement the surcharge system; they were our consultants there now, and we engaged in conversations with them about it. It was very natural.

ASSEMBLYMAN BOCCHINI: What if they began working? The contract was for an amount not to exceed \$6.5 million, is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And they submitted monthly bills to your offices, correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Are you the project specialist?

MR. KLINE: The project manager.

ASSEMBLYMAN BOCCHINI: The project manager.

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: I notice the bills for the surcharge and the comprehensive auto line systems were-- each monthly billing was directed to you.

MR. KLINE: That is correct. And I then had them reviewed by the people down at Systems and Communications, who signed off and now the people at OTIS, who sign off prior to payment.

ASSEMBLYMAN BOCCHINI: Aggie, could you -- Do you have with you, Bob, a copy of the bills? I--

MR. KLINE: I think we submitted them.

ASSEMBLYMAN BOCCHINI: We had them-- We had them--

MR. KLINE: Right. But I don't have them--

ASSEMBLYMAN BOCCHINI: --you supplied them to us. Could you supply Mr.-- You know, it is a rather extensive list of billings, there. The very first one -- this one that I have in front of me, here -- indicates "bills for surcharge of comprehensive on-line systems...New DMV systems, July 83-85." I guess that comes from the copy that you outlined for us, Mark.

The first one indicates-- The first stapled series of billings show a letter from Price Waterhouse directed to Mr. Kline, which, I believe, pretty much is a-- another statement change, pretty much the same, throughout. "Enclosed is an invoice for services rendered during July 1983, for design system and implementation of the New Jersey Merit Rating Plan Surcharge System and Comprehensive On-Line Driver/Owner Information and Management System. The following is a detailed analysis of project staffing, and costs for both projects." It shows a listing of Mr. Schrage, Driscoll, Advani, Ramchandani, if I am pronouncing it right, and Gellman, their respective titles, their respective hourly rates. The hourly rate for a senior manager is \$130 per hour; partner is \$160 per hour for Mr. Driscoll and Mr. Advani. And a senior manager -- another senior manager, \$130; a consultant, \$70. Total hours, 155 hours; total amount paid, \$20,510; expenses, \$1,225.

On the third page -- let me see here -- the second page, I believe, is just a repetition of the first page. The third page are additional costs. That relates to the on-line system, when we take the hourly rates of those involved, the number of hours, the fees, the expenses. And then there is a note, typing reproduction, and miscellaneous expenses. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: The entire billing, evidently, for July is submitted on August 19, 1983, is, in the surcharge, \$20,510, \$1,225 for expenses, and that totals \$21,735; likewise on long line, the totals come down to \$56,946, with the grand total for the two systems of 681. In your estimation, in relation to the billing, is

that an adequate, a sufficient breakdown, as to what was done in relation to the work, for payment of that bill?

MR. KLINE: After these bills were received by me, they were reviewed by our Division of Internal Audit, which is an accounting arm -- again, the people at Systems and Communication. And, any type of additional documentation that we would request would be provided. These bills were essentially checked out and verified, so to answer your question, yes.

ASSEMBLYMAN BOCCHINI: They were checked out and verified, but you okayed them first, is that correct?

MR. KLINE: No, that is incorrect.

ASSEMBLYMAN BOCCHINI: You are the project manager-- Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: The bills came to you--

MR. KLINE: Yes, but--

ASSEMBLYMAN BOCCHINI: --is that right?

MR. KLINE: --but you made the statement that I signed them first, and I did not. They came to me and then they were disseminated.

ASSEMBLYMAN BOCCHINI: They were reviewed by you?

MR. KLINE: They were reviewed by me after I got everyone's comments concerning them.

ASSEMBLYMAN BOCCHINI: Whose comments would you normally get?

MR. KLINE: Well, in the beginning, the first project manager, who was Pat Branigan; then, subsequent to him, Chris Cox; it went to Internal Audit; it then went to Systems and Communications, and everyone would review it and sign off on it, and then it would come back to me.

ASSEMBLYMAN BOCCHINI: And this went on each month, is that correct?

MR. KLINE: That is correct. And we were very much behind in our billings, because we carefully scrutinized the bills to verify.

ASSEMBLYMAN BOCCHINI: I notice, when you go to the next month's billing, in September of 1983, it is pretty much the same

process; however, there appears to be at least some type of indication, on page 2, some of the things that were done. On page 2 there is a-- comments "with respect to the surcharge system Price Waterhouse performed the following activities during the month of August. No. 1, reviewed and discussed systems, requirements, definition, essential system design for the interim insurance surcharge system with DMV and SAC personnel." And it goes on to describe, in some detail, the surcharge portion and the on-line portion. At the same time, when you analyze in relation to any of the \$130, \$160 an hour persons, there is no real breakdown of what they did individually, is there? Other than the hourly rate and the number of hours that they put in that particular month.

MR. KLINE: Well, that is the nature of the contract, Assemblyman. And professional contracts-- you have a fixed total, and you are paying them on the basis of the number of hours that they spend.

Okay. Ms. Cox informs me that there were weekly meetings held with all staff to verify the figures. This is the type of review that she would do. There were separate written monthly status reports submitted, which went to her and went to me, so all this was part of the documentation that we would use in our investigation of whether or not the bills were substantiated by Price Waterhouse.

ASSEMBLYMAN BOCCHINI: Let me ask you something, Mr. Kline. You were an attorney before you became Acting Director and involved in State government. If you submitted a bill to somebody for "x" number of hours, for professional services, didn't you usually detail those bills as to what you would do? As an example, let's say you put in 10 hours at \$100 an hour, for a client. Do you think a client of yours would be satisfied to receive a bill from you, or any other Committee members up here who happen to be attorneys-- if we sent a bill out to a client saying that we were providing professional services at a rate of \$100 per hour, we put in hours, please pay us-- that they would pay us without some type of questioning?

MR. KLINE: As you know, Mr. Chairman, they were always satisfied. I can only say that the documentation, whether it is an

attorney, or whether it is a consultant like Price Waterhouse-- That varies from individual to individual. As I already stated, these bills were documented, they were checked, they were reviewed by accountants, they were reviewed by the managers who were involved with the project-- That's why, if you look at the invoices, you will see we were months behind. I did not take the bill, leave it on my desk-- It went through a long, extensive review process. And that is why I think we were somewhere about five or six months behind in our billing--

ASSEMBLYMAN BOCCHINI: Can you define--

MR. KLINE: --because we just did not hand the money over.

ASSEMBLYMAN BOCCHINI: If you look at the agreement, moving further into some of these bills-- If you have a copy of the agreement with you, then it would be on the first page of the agreement, No. 2, compensation. Do we have an additional copy for the Director?

ASSEMBLYMAN FOY: Why don't you read it, so we can all hear it?

ASSEMBLYMAN BOCCHINI: No. 2, under compensation-- It indicates that "consultant will be compensated for its work pursuant to this agreement in an amount not to exceed \$6,500,000. The provisions of any other paragraphs of this agreement notwithstanding, the consultant shall be compensated on a monthly basis for actual services performed. The consultant shall render billings every month, and each billing shall include the time and expense charged for services performed during the preceding month. The billing shall be detailed in accordance with procedures and formats prescribed by the State, so that bills may be processed properly through the State's systems for payment, cost distribution and job monitoring. The State will make its best efforts to process the consultant's bills expeditiously and payment thereon within 30 days of the State's receipts of the bills. It is understood that the compensation for services performed after June 30, 1984 is contingent upon legislative appropriations." It goes on to indicate, "The parties agreeing if there are changes in the scope of the project, a further reasonable amount of compensation may be agreed upon, subject to approval of the State Treasurer, that the project changes result in reduction of the project, that the parties

may agree to a reduction in compensation." Now, there does not seem to be anything in the contract, in that point of the agreement, where it refers to expenses. We are talking about a \$6.5 million contract--

MR. KLINE: I disagree. It is in the contract. If you know-- Incorporated in the contract, on the first page, is the proposal and some other supplements. One of the supplements indicates the out-of-pocket expenses, I think, of 8.8%, and that is included in the \$6.5 million figure, if I can correct you, Assemblyman.

ASSEMBLYMAN FOY: Well, let me ask you a question. Did you, in any way, limit the type of expenses that could be incurred by Price Waterhouse, in the contract?

MR. KLINE: The expenses, I think, are called out-of-pocket expenses, and as far as a limitation, I think we reviewed what the expenses were. There was no definition--

ASSEMBLYMAN FOY: You were aware--

MR. KLINE: --of what expenses were.

ASSEMBLYMAN FOY: All right.

MR. KLINE: It is a term of-- I am sure you are aware of it, Assemblyman.

ASSEMBLYMAN FOY: You approved bills and vouchers that permitted Price Waterhouse to deduct \$1,300 a month for maid service in their apartment, didn't you?

MR. KLINE: Price Waterhouse--

ASSEMBLYMAN FOY: Maids.

MR. KLINE: had--

ASSEMBLYMAN FOY: Our tax dollars are paying for maids.

MR. KLINE: Do you want me to answer, or do you want to answer?

ASSEMBLYMAN FOY: I don't have the answer, I am asking you. You signed off on them.

MR. KLINE: The--

ASSEMBLYMAN FOY: Tell me.

MR. KLINE: Price Waterhouse had out-of-pocket expenses that included commuting costs, that included living costs; they had people from all parts of the country over here working on this project. Yes, it included rent, all kinds of things.

ASSEMBLYMAN FOY: Apartment rent.

MR. KLINE: That's right.

ASSEMBLYMAN FOY: Where were their apartments?

MR. KLINE: Their apartments were located in Plainsboro, I believe. I forget the name of the complex.

ASSEMBLYMAN FOY: Where is the site that they were working?

MR. KLINE: They were working in DMV--

ASSEMBLYMAN FOY: West Trenton.

MR. KLINE: Downtown Trenton, and West Trenton.

ASSEMBLYMAN FOY: But they were living in Plainsboro, Middlesex County, and they were grabbing \$8,855 a month for apartment rental.

MR. KLINE: We are talking about quite a number of people, too. (speaks to Chris Cox) How many people were there?

Okay.

ASSEMBLYMAN FOY: Did you ever inspect the apartments they rented?

MR. KLINE: No, I didn't.

ASSEMBLYMAN FOY: Did you ever meet their maid?

MR. KLINE: No, I didn't.

ASSEMBLYMAN FOY: Did anybody from your staff ever see if they had a maid?

MR. KLINE: We had verification. Our internal audit people verified the expenses.

ASSEMBLYMAN FOY: How about the cars they were leasing? We were paying \$2,545 a month for leased vehicles, were we not?

MR. KLINE: That's right. And we helped get them the leased vehicles. We got it through the same contractor the State did, because it was very inexpensive in comparison to others.

ASSEMBLYMAN FOY: What kind of cars were they leasing? What kind of cars?

MR. KLINE: The cars that they leased, I believe, were Bonneville's in the beginning-- they are Pontiacs.

ASSEMBLYMAN BOCCHINI: What are they leasing now?

MR. KLINE: I don't know that they are leasing any cars at present time. Is there any documentation--

ASSEMBLYMAN BOCCHINI: No, the way that you said that-- the cars that they were leasing in the beginning.

MR. KLINE: Going back in the beginning, it was a Bonneville.

ASSEMBLYMAN FOY: We paid their electric bill, didn't we?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: We paid their telephone bill, didn't we?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: We paid for the rental of their furniture, didn't we?

MR. KLINE: That is correct. It is all in black and white, Assemblyman.

ASSEMBLYMAN FOY: We paid for their meals, didn't we?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: Okay. That all came out of the \$6.5 million contract, didn't it?

MR. KLINE: It was limited, Assemblyman, under the contract, to 8.8% of the contract, so they could have gone to Paris and they would have still gotten only the same amount. So I think you are suggesting something that is not there, Assemblyman. You know--

ASSEMBLYMAN FOY: It is there because you signed off on it.

MR. KLINE: It is there, but it--

ASSEMBLYMAN FOY: You approved all these bills.

MR. KLINE: --limited to 8.8% of the contract. Period.

ASSEMBLYMAN KERN: I would hope that we don't engage in a shouting match. I am sure the bill speaks for itself--

ASSEMBLYMAN BOCCHINI: It sure does.

ASSEMBLYMAN KERN: --and I think perhaps we could be much more deliberative in the process.

ASSEMBLYMAN FOY: I think it is 13%, is what is on here, as far as the expenses.

MR. KLINE: Eight point eight percent is in the proposal that is incorporated into the contract.

ASSEMBLYMAN FOY: On the bills they are multiplying the bills by 13%.

MR. KLINE: Well, they are limited under the contract. They can only get "x" amount of dollars.

ASSEMBLYMAN FOY: They can only get up to \$6.5 million dollars, right?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: They are getting up there pretty quickly when you are starting to pay for their apartment rental, aren't they?

MR. KLINE: But we are withholding \$1.4 million, aren't we?

ASSEMBLYMAN FOY: Yes, what are they, living in the street now?

MR. KLINE: At this point, they may be, because we are not paying the bills, are we?

ASSEMBLYMAN FOY: Let me ask you a question. Did you-- You say there was a verification of this. Did people go out and actually check, in the monthly rental payments or anything like that, from the apartments? Do you have verification that your people went out to see to it that the apartments--

MR. KLINE: I would have to--

ASSEMBLYMAN FOY: --were actually being rented? That the meals were actually being eaten?

MR. KLINE: I would have to check that for you,--

ASSEMBLYMAN FOY: That maids were actually dusting things off?

MR. KLINE: --Assemblyman. I would have to check that for you, Assemblyman.

ASSEMBLYMAN FOY: Will you please? And then come back to us with a report on it?

MR. KLINE: Sure.

ASSEMBLYMAN BOCCHINI: I notice that in addition to some of those other areas, we were paying for staff supplies, postage, secretarial-- What does "secretarial administrative" mean? Do you know?

MR. KLINE: I think it means typing, Assemblyman; getting letters out, preparing reports, documents-- the same thing it means to everybody.

ASSEMBLYMAN MARTIN: Mr. Kline, just so we are clear. What members of the firm were entitled to the living expenses? Where did you draw the line as to who was entitled to it and who was not?

MR. KLINE: We had people-- We had people here, programmers, analysts, that were coming from various parts of the country-- coming from distances where they would have to spend time. They would be living here, literally, and we had some 20-odd people that were just doing the general work-- the programming, the coding, things of that nature, located either at the Division at first, then at Systems and Communications in West Trenton, and those people were physically living here the whole week, the weekend, whatever it took. They were getting the job done, and this is a normal type of expense with this type of project. Whether it is Price Waterhouse, or Arthur Anderson, or whoever, they all have out-of-pocket expenses.

ASSEMBLYMAN MARTIN: Well, if I understood Mr. Foy's comments correctly, I gathered that there was an inference that this may be out of line as far as providing for such things as lodging and maid service and all the other accouterments of lodging. To your knowledge, within the Division and within the Agency and outside this Agency, is this a standard practice when people are brought into the area who do not reside in the general area?

MR. KLINE: To my understanding, it is a standard practice, Assemblyman.

ASSEMBLYMAN BOCCHINI: You are saying that this State, as a standard practice, provides cars, maids, apartments, telephones, postage--

ASSEMBLYMAN FOY: Toilet paper. We bought their toilet paper, too.

ASSEMBLYMAN BOCCHINI: --in addition to giving them \$160 an hour, \$130 an hour, or \$75 an hour, or \$100 an hour? Forget their hourly rate, whatever that might be. We still, in this State, you are saying as a matter of business involve ourselves in this type of contracts?

MR. KLINE: This was a turnkey operation--

ASSEMBLYMAN FOY: Sure is.

MR. KLINE: --and what they did was provide everything as far as the personnel, and the personnel-- I don't think it would have been productive for the State to pay to have somebody take an airplane, on a

daily basis, to go back and forth, Assemblyman, or to take the train everyday, or to drive 150 or 700 miles -- whatever the distance -- on a daily basis. I think, if you get out your computer, you would find that would be a little bit more expensive than what we did.

ASSEMBLYMAN FOY: But they were--

MR. KLINE: I think you know that, Assemblyman. And it depends on which part--

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Kline. Mr. Kline? We hired Price Waterhouse. Those people work for Price Waterhouse. If Price Waterhouse had to bring them in from Timbuktu, I don't really see where that should be the problem of the taxpayer here in the State of New Jersey. It is Price Waterhouse who--

MR. KLINE: It isn't the problem of the taxpayer--

ASSEMBLYMAN BOCCHINI: --we entered into the contract with. It is Price Waterhouse, who you thought was so great, and we are finding out now they are not so great. As the Governor said, they screwed up, and they screwed up and at the same time, we are bringing guys in from California, Mexico or wherever, so they can screw up and in addition, we are putting them up in apartments in Plainsboro.

MR. KLINE: Are you going to ask me a question or are you going to characterize my answer?

ASSEMBLYMAN FOY: My question is, what kind of TVs did we rent for them?

MR. KLINE: What kind of TVs--

ASSEMBLYMAN FOY: Yes. Did anybody go out and look and see whether they were color or black and white?

MR. KLINE: They were color.

ASSEMBLYMAN FOY: Color--

MR. KLINE: Right.

ASSEMBLYMAN FOY: Nine hundred and fifty-four dollars a month for TVs. How about, now, recreation fees? Now, what are recreation fees-- I mean, did we pay for their tennis?

MR. KLINE: I will have to investigate that, Assemblyman.

ASSEMBLYMAN FOY: All right, I would appreciate that.

MR. KLINE: I don't know that off the top of my head.

ASSEMBLYMAN MARTIN: Let me ask you this, Mr. Kline. If I understood you earlier, the bottom line was a dollars-and-cents issue as far as a contract--

MR. KLINE: That's right, it's a fixed contract.

ASSEMBLYMAN MARTIN: --and if I understood what you were concerned with -- and I will pose a question -- that, with a \$6.5 million contract and a percentage of it, which would go for various types of living expenses, do you think the contract was reasonable, and if it had been presented in another way in which certain living expenses were put on top of a fixed amount-- In other words the baseline contract would have been higher? Is that what would have happened, as far as what you would foresee, as opposed to putting it in this format? Another way you could have had a contract would have been to have a lower amount with a percentage available for living expenses, is that correct?

MR. KLINE: That is correct. Initially, when Price Waterhouse were negotiating this contract, they wanted to have the \$6.5 million contract and have the expenses taken on top of that. We negotiated with them and we would not allow that, and the fixed price for the whole system, including expenses, was \$6.5 million dollars.

ASSEMBLYMAN MARTIN: Was \$6.5 million reasonable, in your best estimate, at that time?

MR. KLINE: I think at that time, it was reasonable.

ASSEMBLYMAN FOY: Mr. Kline, isn't it a fact-- Now, you keep telling me eight and a half percent. Every one of these bills has expenses at 13%, multiplied against the charges. That is what it has on there.

MR. KLINE: All right, if I could for a minute--

ASSEMBLYMAN FOY: My question is, at that rate-- \$6.5 million dollars, 13% of that is nearly a million dollars for expenses. And wasn't the contract up to \$6.5 million?

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: They were not going to get \$6.5--

MR. KLINE: That is correct.

ASSEMBLYMAN FOY: But no matter what, it was up to. So, they were eating away the \$6.5 million by TVs.

MR. KLINE: Assemblyman, the expenses that you have before you are the expenses that they have enumerated for the people that they have there. The contract was fixed at \$6.5 million--

ASSEMBLYMAN FOY: Up to.

MR. KLINE: Up to \$6.5 million, but I think that we all knew -- and we are all very intelligent individuals -- that when a company gives you a proposal, and it says up to \$6.5 million, they are not going to come in for \$2 million, or \$3 million, or \$4.5 million. They are going to get \$6.5 million, and I don't think that is any great revelation on your part.

ASSEMBLYMAN FOY: No, no, except I am a little concerned about the fact that the taxpayers in the State of New Jersey were paying these people to live pretty high on the hog. I can't afford an apartment at Princeton Meadows, but they can, at the taxpayers' expense. Nearly 13% of the entire contract is down the drain on their living expenses -- their maids, their new color TVs, their new Pontiac Bonneville's or whatever they are, their brand-new apartments. I mean, somebody had to have control of this whole thing, and it seems to me to be a situation that was totally out of control. We paid for something we did not get, and we paid handsomely for it.

ASSEMBLYMAN BOCCHINI: Let me ask this, Mr. Kline. Did anybody, when they discussed expenses with Price Waterhouse, have an idea of what they were talking about by way of expenses? I mean, were color televisions negotiated, and meals negotiated, and cars negotiated, and recreational fees negotiated, and postage and stamps, telephone charges, negotiated? Were they part of the understood extras? Is there-- I don't have the contract in front of me, and maybe it is an addendum, but do you have available for us the addendum or the add-on that discusses expenses?

MR. KLINE: Again, that is a supplement -- you have it, I don't have it in front of me -- to the proposal of July 12. It is from Price Waterhouse, and it discusses very briefly that the expenses -- out-of-pocket expenses -- will be a rate which I believe to be 8.8%. It has it in there, and that is fixed, and that would be the end of it.

ASSEMBLYMAN BOCCHINI: But every bill has 13% on it, Bob.

MR. KLINE: Well, my memory may not be serving me correctly, you will have to look at the supplement. I thought it said 8.8%.

ASSEMBLYMAN BOCCHINI: If you can dig through that bills there--

MR. KLINE: Well, you have the-- You have the--

ASSEMBLYMAN BOCCHINI: If you can look through those bills there, because there is one bill dated March 22, 1984, and I see on the detailed analysis of Part 2 -- Part 2 being the comprehensive system -- it is the last page of the billing for March 22, 1984. (counts) It is the fifth page. It indicates-- I will wait until you get it.

MR. KLINE: I don't have March here. I have February and then it goes to May-- March 22, I have it.

ASSEMBLYMAN BOCCHINI: You have the page where it says Part 2--

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: "Detailed Analysis of Project-Related Expenses, February 1984?" What does the top--

MR. KLINE: Of February 1984? I thought you said March.

ASSEMBLYMAN BOCCHINI: February 1984.

MR. KLINE: February 1984.

ASSEMBLYMAN BOCCHINI: Yes, sir.

MR. KLINE: I have it.

ASSEMBLYMAN BOCCHINI: The first item is apartment rental, \$8,035, correct? Just to see that we have the same--

MR. KLINE: I don't think we have the same--

ASSEMBLYMAN BOCCHINI: It is Part 2, February, 1984.

MR. KLINE: I have January 1984-- Let me see-- I don't have that in this--

ASSEMBLYMAN BOCCHINI: I am the only one that has it?

ASSEMBLYMAN FOY: I have it.

ASSEMBLYMAN BOCCHINI: You have it?

ASSEMBLYMAN FOY: Apartment rental, \$8,035; car rental, \$2,914?

MR. KLINE: It says February 1984, "Detailed Expense Analysis," is that it?

ASSEMBLYMAN BOCCHINI, Right. "Division of Motor Vehicles, Detailed Analysis of Project-Related Expenses."

MR. KLINE, Right.

ASSEMBLYMAN BOCCHINI, February 1984. "Apartment rental, \$8,035. Car rental, \$2,914.67. ADR Consulting Services, \$1,687.50. ADR IDEAL Training Class, \$4,200." What does an ADR-- Was ADR training Price Waterhouse, or was Price Waterhouse billing us for being trained by ADR?

MR. KLINE, It is my understanding that what they did, that they had training sessions with ADR, in the use of IDEAL.

ASSEMBLYMAN BOCCHINI, So while Price Waterhouse was being trained in the use of IDEAL, they were billing us for that training session?

MR. KLINE, That is correct.

ASSEMBLYMAN BOCCHINI, We paid them to sit there and learn?

MR. KLINE, They, basically, had many questions concerning IDEAL. IDEAL and ADR offered them this type of support, and they requested that they be allowed to purchase this type of support. The specifics as far as the class and everything else, I would have to get you. Right now, I am only aware that there were classes, there were training, there were discussions at ADR, where I believe this course was held.

MR. KLINE, It's more like a seminar.

ASSEMBLYMAN BOCCHINI, But we paid Price Waterhouse \$4200 for training in IDEAL language. Was this the only time we paid them? Is that in other bills?

MR. KLINE, I don't know.

ASSEMBLYMAN FOY, No, wait a minute. I think you got this wrong. This is an expense that was submitted. If they went to class, they billed us at the \$130 an hour rate they got. This does not reflect that. These are some expenses they must have paid for materials, or something like that.

MR. KLINE, I can get that information for you, Assemblyman.

ASSEMBLYMAN BOCCHINI, Before you leave, Mr. Foy-- Let's see, what's today? Mr. Kline, will you be speaking to Mr. Snedeker?

I would like to see if we can arrange his appearance here, probably one day next week.

MR. KLINE: I would recommend that the Committee send a formal request.

ASSEMBLYMAN BOCCHINI: I'm only--

ASSEMBLYMAN FOY: Well, he still works for the State.

ASSEMBLYMAN BOCCHINI: --discussing this in relation to the discussion I had with you previously.

MR. KLINE: I know, but I would recommend that the Committee send a formal invitation to him.

ASSEMBLYMAN BOCCHINI: What I would like to do, Bob-- I don't know if Walt will be here next week, or if it will be Pat--

ASSEMBLYMAN KERN: It probably won't be me; it will probably be Pat. I am only substituting because he is ill.

ASSEMBLYMAN BOCCHINI: I think we have about a half hour to an hour -- maybe an hour's worth of questioning of Mr. Snedeker. I would like to be able to have the Committee meet for general discussion purposes in relation to some suggestions we might be working towards, i.e., bid waiver procedures, and some possible legislation in relation to bid waiver procedures. What are some of the other things I put down on that list? -- the Division of Motor Vehicles' agency systems, our opinion concerning what we have discovered thus far, and questions in general, relating to political contributions and vendors. But I would like to have that a working meeting.

ASSEMBLYMAN KERN: Are we going to look at Essex County too?

ASSEMBLYMAN BOCCHINI: Excuse me?

ASSEMBLYMAN KERN: Are we going to look at Essex County too?

ASSEMBLYMAN BOCCHINI: You can go wherever you want to go, Walt. At the same time, I would also indicate for those people present that I would like to speak to Mr. Snedeker next week. Also, with Fletcher Creamer, who is out of the country. He won't be back until the end of next week or the beginning of the following week.

ASSEMBLYMAN FOY: Can we do it Wednesday? I'll be here for a Labor Committee meeting in the morning. Could we do it in the afternoon again?

ASSEMBLYMAN BOCCHINI: Wednesday?

ASSEMBLYMAN FOY: Wednesday, the 23rd?

ASSEMBLYMAN BOCCHINI: I was just told that we did sent Mr. Snedeker a formal request. We will contact Mr. Snedeker, and hopefully he will be here without the need of any formal action by this Committee to have him here.

ASSEMBLYMAN BOCCHINI: One-thirty, Wednesday, the 23rd?

ASSEMBLYMAN KERN: That's tough for me.

ASSEMBLYMAN PELLY: How about the morning of the 28th, a Monday?

ASSEMBLYMAN FOY: The morning of the 28th is okay with me. I don't want these hearings to be construed as political, so I would like to avoid having them appear close to the election.

ASSEMBLYMAN KERN: That's a good idea. Why don't we wait until after the election?

ASSEMBLYMAN FOY: I would like to get them over with fairly quickly so I will have some time to campaign to get reelected.

ASSEMBLYMAN BOCCHINI: My sense of feeling, Walt, is that these hearings will probably continue into November, December, and maybe into the spring. Once we take the opportunity to closely go back over some of the transcripts and reconsider some of the testimony, there will probably be people who, throughout future months, we may be asking to come back to clarify some of the statements they have made.

ASSEMBLYMAN KERN: Hopefully I will be asked to serve on this Committee in the new session.

ASSEMBLYMAN FOY: As long as you are not asked to chair it, it would be all right. (laughter)

ASSEMBLYMAN BOCCHINI: Mr. Kline, in relation to--

ASSEMBLYMAN PELLY: What is the date of the meeting? Have you established the 28th?

ASSEMBLYMAN MARTIN: The 28th is okay by me.

ASSEMBLYMAN PELLY: The 28th at 10 o'clock?

ASSEMBLYMAN BOCCHINI: Fine, the 28th at 10.

Mr. Kline, could you, or I would appreciate your making available to this Committee-- We do not have a complement of that supplement. I am trying to locate it.

MR. KLINE: You should. I'll get it--

ASSEMBLYMAN BOCCHINI: You're talking about a supplement to the contract.

MR. KLINE: The supplement to the contract is part of the contract, and there were two letters that were part of the contract.

ASSEMBLYMAN BOCCHINI: I don't believe any of us have that.

MR. KLINE: Mr. Chairman, may I ask you a question? You have been referring to 13.3% on these bills. I have gone through all of them, and I don't see it anywhere. I must be missing something.

ASSEMBLYMAN BOCCHINI: Excuse me. In March -- I believe it started in March.

MR. KLINE: I can't find it.

ASSEMBLYMAN PELLY: I thought you submitted it.

MR. KLINE: What's that?

ASSEMBLYMAN PELLY: I thought you submitted it.

MR. KLINE: No; he said it was noted on there that they were 13.3%. I can't find that on any of the bills. That is what perplexes me.

ASSEMBLYMAN BOCCHINI: Expenses, 13%.

MR. KLINE: Where is that, Mr. Chairman?

ASSEMBLYMAN BOCCHINI: This says, expenses 13%. It is a cover letter. Let's see here, May 23, 1985, expenses 13%; June 28, 1985, expenses 13%.

MR. KLINE: Can you direct me where?

ASSEMBLYMAN BOCCHINI: I think you should--

MR. KLINE: I still don't see that, Mr. Chairman. I must be-- Did you say May, 1985?

ASSEMBLYMAN BOCCHINI: If we look through these, we'll find some more for you. I believe the characterization on every bill may not be accurate. Some do say 13%, Mr. Kline; March 14, 1985 says 13%.

MR. KLINE: All right. Well, Mr. Chairman, these are very recent. Again--

ASSEMBLYMAN BOCCHINI: March 26 says 13%.

MR. KLINE: These are all '85 bills.

ASSEMBLYMAN BOCCHINI: Yes, but if you look in those '85 bills, those expenses sure skyrocket.

MR. KLINE: Yes, but it wasn't prior to that. That is what I was concerned about because I do want to get you the correct information. I hadn't seen that.

ASSEMBLYMAN BOCCHINI: On the sample, the April 16, 1985 bill, you've got expenses of \$13,843.

MR. KLINE: Mr. Chairman--

ASSEMBLYMAN BOCCHINI: In addition-- Now I'm confused here. Yes, sir?

MR. KLINE: I'm glad you pointed that out to me because, you know, none of these bills have been paid yet. We'll have to go over that again. Up until this point in time, as you know, none of the bills have said 13%. I think it comes out to about 8.8%, as I said, but I will go over that for next time.

ASSEMBLYMAN BOCCHINI: But the others don't indicate anything.

MR. KLINE: Well, they have expenses, but if you take a percentage, it comes to about 8.8%.

ASSEMBLYMAN BOCCHINI: According to what I have asked from Mr. Galella-- I asked for the bills. I'll have to check the record, but it is my understanding that we paid out \$5.1 million, some of which may have been for maids, apartments, cars, meals, laundry, etc.

MR. KLINE: I'm not questioning the expenses; I am just questioning the percentage. That was my question to you, that's all. I just want to make sure that I provide you with the right information.

ASSEMBLYMAN BOCCHINI: Yes, but what I want to know is, when I asked Mr. Galella to supply us with the information, I asked him to supply all the billings, those which have been paid up to this point.

MR. KLINE: Okay. Well, obviously these have not been paid because we haven't--

ASSEMBLYMAN BOCCHINI: Are you telling me they haven't been paid?

MR. KLINE: No, they haven't been paid.

CHRIS COX: No, not since March; nothing since March.

ASSEMBLYMAN BOCCHINI: Nothing since March. But you do have a couple in January and February which show the 13% as well.

MR. KLINE: Well, you don't--

ASSEMBLYMAN BOCCHINI: Why don't I give you the opportunity to go back and reexamine that.

MR. KLINE: Yes, we'll have to look at it.

ASSEMBLYMAN BOCCHINI: I request that you supply us with the supplemental letter concerning expenses.

MR. KLINE: Sure.

ASSEMBLYMAN BOCCHINI: In addition, you indicated that there was a verification process of these billings. Could you run that by me one more time as to how that was done?

MR. KLINE: Mrs. Cox verifies what I said, that the bills were sent to our Internal Audit Unit, which consists of accountants. They verify them and sign off. Then, for the surcharge system, they go to the individual who is in charge of surcharge who is working with these individuals. He signs off, and then they go to computer people in Systems and Communications. They review them, then sign off, and they come back for me.

ASSEMBLYMAN BOCCHINI: When they came back to you, how did they come back to you, in what form? Did each of those people supply you with written documentation, "I have approved this bill"? How does that work?

MR. KLINE: They gave Mrs. Cox the written sign-off, and then she submitted them to me for my signature and basically informed me that all these people had signed off.

ASSEMBLYMAN BOCCHINI: Then you will be able to supply us with that information on a selected basis. Is that correct?

MR. KLINE: Pardon me?

ASSEMBLYMAN BOCCHINI: I said, you will be able to supply us that information, either in total or on a selected basis -- the information relating to verification of billings and the sign-offs.

MR. KLINE: Oh, sure. We can give you that.

ASSEMBLYMAN BOCCHINI: Does that mean, as an example, when R. Avanti, a partner, charged \$165 an hour for 24 hours, for a total fee of \$3960 in that particular billing-- It happens to be a billing dated March 14, 1985, which you may not have paid. What did we find out about what he did during those 24 hours? What verification do we have that he was doing--

MR. KLINE: Well, we know he was there; we know he was working on the premises.

ASSEMBLYMAN BOCCHINI: Do they punch a clock?

MR. KLINE: In a sense, they did not punch a clock, but we knew they were there. They were working with Division people. If they were not at the Division, they were working with SAC people, who would essentially be very much aware of who they were working with and how long they were there. These people-- Again, the reason they had living accommodations was because they were here day in, day out, at night, and on the weekends also. I mean, this was not a part-time type of situation.

ASSEMBLYMAN BOCCHINI: Do you go in on the weekends at DMV?

MR. KLINE: Unfortunately, sometimes I do.

ASSEMBLYMAN BOCCHINI: Do you know where Mr. Avanti lives?

MR. KLINE: Mr. Avanti lives in Connecticut somewhere.

ASSEMBLYMAN BOCCHINI: Do you know where Mr. Brant lives, or Mr. Calvo?

MR. KLINE: Mr. Calvo lives in Connecticut. We don't know where Brant lives.

ASSEMBLYMAN BOCCHINI: I think we want to study these a little more. I think you want to study these a little more. I would appreciate your getting the additional information to us. We will be in touch with you.

Are there any closing questions from any members of the Committee? (negative response)

(HEARING CONCLUDED)

