

# REPORT

to the

Legislature of New Jersey

of the

Commission Created Under  
Joint Resolution Number Two

Session of 1929

*Joint Resolution for the Creation of a Commission on  
State Audit and Accounting System for the State  
and the Several Departments, Boards and  
Commissions Receiving State Moneys or  
Public Funds of Any Kind*

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## REPORT

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*To the Legislature of the State of New Jersey:*

Your committee, as authorized under Joint Resolution No. 2, Session Laws of 1929, respectfully reports as follows:

That it organized with the election of Frank D. Abell as chairman, Guy George Gabrielson as vice-chairman, and Dryden Kuser as secretary.

The first business before the committee was to assist the Governor in finding a competent organization to conduct an audit and survey of the organization and administration of the State government, authorized under Joint Resolution No. 3. The committee recommended and the Governor contracted with the National Institute of Public Administration to conduct the survey and audit. Work began upon the audit almost immediately and partial reports were ready for discussion by the committee and the Governor in September. Whereupon, the committee began a public investigation as authorized and directed in Joint Resolution No. 2.

It is not in the public interest at this time to publicly make known all of the findings and conclusions of the committee as a result of this investigation, particularly in view of the fact that certain public officials have not yet appeared before the committee. It suffices, however, to report that in almost every transaction investigated by your committee relating to the expenditure of public money irregularities of some description have been found. In many cases either violations or clear evasions of the laws already enacted to protect the expenditure of public funds have come to light.

In many other cases, where actual violations of the statutes have not occurred, public officials have been shown to have so conducted themselves as to leave little doubt in the minds of your

committee that their conduct was at least unethical, swayed by personal considerations and not in the interest of an economical administration of the affairs of the State.

In cases where the irregularities investigated were the acts of subordinate officials, the committee has found that their conduct was largely directed or impelled by their superiors or by persons politically powerful in the State government. Practices which are condemned by statute in the cases of municipal authorities are not restrained in the case of State officials.

The National Institute of Public Administration has but recently placed in the hands of the Governor and your committee its recommendations upon the reorganization of the State government. This document, consisting of four hundred and forty-nine typewritten pages, contemplates a thorough revision of the whole administrative structure of the State government and its organization into fourteen administrative departments. Since some of the changes recommended cannot be effectuated without amendment to the Constitution, and since a complete administrative code cannot be compiled and submitted to the Legislature in the short time to be allotted to the present session, it is the recommendation of the committee that only certain departments of major importance be reorganized at this session, the remainder of the program to await the next meeting of the Legislature.

We find that there has been an almost complete breakdown in the economical administration of the State government. This condition has existed under the past three administrations. We recommend that such parts of the proposed reorganization be immediately accomplished as will serve to correct the waste and illegal expenditure of the State's funds and to provide for such concentration of authority as will make it impossible in the future for those in charge of the administration to evade their responsibilities.

We recommend that there be created a department to be known as the Executive Department, with the Governor as its head, containing four bureaus:

1. Administration
2. State Police
3. Military Affairs
4. State Records.

The Bureau of Administration should operate as a central clearing house for the Governor. It should be his eyes and ears and in constant touch with the operation of all of the administrative departments.

The State Police force should be directly under the control of the Governor, and it is recommended that this activity become a bureau in the Executive Department. The issuance of permits to purchase firearms, the granting of certificates of registration as wholesale and retail dealers in firearms, the issuance of detective licenses, and kindred subjects, should be transferred to the Bureau of State Police. The supervision of boxing should likewise be transferred to the Executive Department, either as a separate bureau or under the control of the Police Bureau.

Military Affairs are constitutionally directly under the Governor, and while, by reason of the fact that certain officials such as the Adjutant-General and the Quartermaster-General are constitutional officers and therefore a complete reorganization of the military affairs cannot be effectuated at this moment, nevertheless, so far as may be constitutionally done, the military affairs should be concentrated in this department.

The Bureau of State Records comprises much of the work now done in the office of the Secretary of State, a constitutional officer. It should be noted, however, that while the method of appointment of the Secretary of State is prescribed by the Constitution, his duties are prescribed by the Legislature and therefore there is no reason why such activities as the recording and filing of specific public documents; the recording and filing of private documents which are matters of concern to the State as a whole; the administration of the general corporation act and the collection of the fees imposed thereunder; the administration of all State funds under the election laws; the acceptance of service

of summons and complaint in civil proceedings against non-resident motor vehicle owners, and the issuance of state railway passes, together with the issuance of commissions of notaries public, by the Governor, should not be grouped in the proposed Bureau under the immediate direction of the Secretary of State.

The second and, in the opinion of the committee, the most important recommendation to the Legislature is the immediate creation of a Department of Finance. This department should be divided into a Bureau of Budgeting, a Bureau of Accounting, a Bureau of Purchasing and a Bureau of Personnel. It is recommended that the State House Commission be abolished and all of its functions and powers be transferred to the Department of Finance.

The Comptroller has two functions under the law: First, to act as a controlling official, seeing that expenditures are legally made, and second, among other things, to act as an auditing official. The latter function, through custom, has become almost obsolete.

Much of the irregularities brought to light by your committee unquestionably resulted from the fact that the Comptrollers, through the activities of the State House Commission, have become executive officers charged thereafter with a review of their own acts as controlling officials. The present Comptroller has been but recently elected and has merely followed the routine marked out by his predecessors. In order, however, that the Comptroller should become a true check upon the other administrative officers, it is recommended that all of the Comptroller's ex officio duties be eliminated and that he be relieved of all administrative functions such as tax supervision and boxing regulation, membership on the State House Commission and various other boards and committees, and that he be restricted solely to the duty of preauditing and post auditing State accounts and the supervision of municipal accounts. For this reason we recommend that the Department of Municipal Accounts be transferred from the Treasurer's Department to the Comptroller's Department.

For the same reasons as stated in the case of the Comptroller, it is recommended that the State Treasurer be relieved of his ex officio administrative duties, similar to those of the Comptroller, and that he be restricted solely to the collection, custody and disbursement of State money.

It should not be entirely unknown to the gentlemen of the Legislature, but the report of the auditors emphasizes the fact that the State has no true budget and that only a small proportion of the annual expenditures of the State government are withdrawn from the treasury by specific appropriation as contemplated by the Constitution. Approximately twenty-two million dollars was appropriated by the last appropriation bill and, while even the auditors are unable to determine the exact amount expended, it is in the neighborhood of seventy-five million dollars. So confused and scrambled are the State's finances that after months of work the auditors have been unable to obtain a complete balance of the State's finances. A thorough and drastic reorganization is imperative, notwithstanding that many activities of the State government will unquestionably object thereto. And the committee, basing its observation on previous experience, warns the gentlemen of the Legislature that important and influential activities of the State government will undoubtedly seek to be eliminated from any comprehensive scheme of financial reorganization. Unless the Legislature is prepared to courageously meet this problem of a complete budget, the time and money expended upon the audit will have been wasted and nothing substantial can come of the recommendation of the Governor contained in his inaugural message looking to a financial reorganization that will be effective. Nor can this continued waste or misappropriation of public funds be prevented.

Such a reorganization necessarily implies that the total income and outgo of the State government be budgeted each year. This means that every dollar collected from any source whatsoever must be paid into the State treasury and become a part of the appropriation bill as outlined in the budget. This means that al

special expendable State funds must be abolished. This does not include sinking funds, trust funds or pension funds. The abolition of such special funds as the gasoline tax, the fish and game licenses, the bridge and tunnel, and other like funds, does not imply that the moneys collected for such specific purposes should be expended for other State activities. The committee makes no such recommendation. Every dollar collected for such specific purposes should be apportioned in the budget to accomplish the purpose for which the special funds were collected and to which they are morally dedicated, but such funds must pass through the State treasury and be expended by means of appropriations under the eye of the Legislature. Otherwise there cannot be a budget presenting a true picture of the financial condition of the State. Moreover, your committee has discovered numerous instances where extravagances have occurred in the expenditure of these unbudgeted special funds. Public moneys have been squandered upon projects that never could have received legislative sanction.

The committee also recommends a complete revision of the budget making procedure and the adding of provisions for the execution of the budget and requiring that the budget document be made up so as to exhibit the proposed expenditures and the anticipated income of the government in balanced relationship.

The problem of making the incoming Governor responsible for the budget in the first year of his term is not without difficulty. The best solution that your committee can devise is to provide that the incoming Governor shall immediately upon his election in November become a member of the Budget Commission, authorized to sit with the commission, the outgoing Governor, and the Budget Bureau, and thereby familiarizing himself with the proposed budget and giving him an opportunity, if he disagrees therewith, to present to the incoming Legislature his views upon the subject.

The committee, while not unmindful that it may be accused of bias in this respect, does not agree with the auditors' report concerning the recommended method of depositing State moneys and

requiring competitive bids for interest thereon. Those members of the committee with banking experience believe that inasmuch as the Treasurer is constitutionally responsible for the State's moneys, he should in fairness have something to say as to what institutions he considers suitable to act as depositories.

In the matter of interest, the committee feels that the State as a depositor should be entitled to exactly the same treatment as a private corporation or individual and that it should receive the same rate of interest that such persons receive upon their deposits. This may be easily regulated by repealing the act limiting the interest on deposits to two per cent. and permitting the State Treasurer to take the rates of interest provided by the various clearing house associations throughout the State.

The proposed Bureau of Purchases will result in important economies. The obvious intent of the State purchasing act has been largely evaded or nullified. A real, independent, central buying agency must be created with a responsible officer at its head. It is suggested that an advisory committee, consisting of the heads of the principal using agencies, be created to assist the purchasing officer in creating standards, adopting specifications, and guiding the purchasing officer in technical matters connected with their particular department.

We recommend that the State Printing Board, the office of State Printer, and the Department of Public Reports be abolished and their powers vested in the State purchasing office. We also recommend that all contracts for legislative printing and purchase of supplies for the Legislature be made through the purchasing bureau.

Bureau of Accounts. Create a Bureau of Accounts and install a complete general accounting system covering all departments of the State government. At the present time every department has its own accounting system, resulting in many duplications of work. A central bureau will result both in uniformity and in great savings by reducing the number of employees required to now conduct the accounting system.

We recommend the repeal of the requisition act when the new central accounting system provides for a definite checkup on the unexpended balances in the budget.

We do not agree with the auditors in their criticism of the recent sale of bonds before the money was actually needed. In our opinion the State Treasurer acted with sound business judgment and undoubtedly saved the State hundreds of thousands of dollars by his timely action.

The Bureau of Personnel would take over the work now largely done by the Civil Service Commission, and the bills already prepared along this line can be readily accommodated to effectuate this purpose.

We also recommend changes in the legislative rules to:

1. Establish a joint committee on budget as a substitution for the present Committees on Appropriations and Finances.
2. Require that the budget bills be reported out of the joint committee at least two weeks before adjournment.
3. Provide that the budget bills shall have no more than one reading on any one day, and that one such reading shall be at length in order to provide for adequate discussion upon the floor of the Legislature. This rule should not be suspended unless by vote of at least three-fourths of the members of either chamber.
4. Require that all proposals for appropriations be referred to the committee on budget, and that no general bills or resolutions contain direct appropriations. In order to end the abuse of passing bills authorizing various public projects and providing appropriations "when included in an annual appropriation bill" from being carried over from year to year, an act should be passed making all such bills inoperative when appropriations have not been granted in the budget in the same year that the bill was passed.

Your committee does not agree with the proposal that the appropriation bill carry lump sum appropriations. We believe that the detail method of appropriation will give a greater control by the Legislature over the budget expenditures. Nor do we

believe it possible to entirely discontinue the supplemental appropriation bill.

The recommendations concerning the creation of a department of taxation require further study upon the part of the committee, and a supplementary recommendation on this subject will be presented at a later date.

Your committee approves of the recommendations of the accountants for the creation of a bureau of professional registration in the Department of Education, thereby consolidating eleven present examining and licensing boards with their attendant staffs into one unit. We also recommend the abolition of the Public Library Commission and the transfer of its functions to a Bureau of Libraries in the Department of Education. We also recommend the transfer of the State Museum from the Department of Conservation and Development to the Department of Education.

When copies of the full report become available, we trust that the Legislature will give serious consideration to Chapter 21 containing the findings and criticisms of the auditors upon the Legislature itself. We believe that the rules should be revised and that all bills should be introduced early in the session. The committee recommends that after the time for the introduction of bills has passed, the Legislature take a recess of two calendar weeks in order to permit of committee hearings and the final consideration of the budget and that all bills that are to be reported upon be submitted by the committees upon the reconvening of the Legislature. In order that the members may be apprised of committee actions during the recess, it is recommended that the committees advise the Clerk of the House or Secretary of the Senate of their decision respecting the reporting of bills during the recess so that the members may be informed immediately of what bills will be the subject of action at the conclusion of the recess.

A rule is urgently needed requiring that all bills, when reported, shall be placed immediately upon the calendar for third reading by the presiding officer of either house, and that they be taken up in

the order of their reporting unless the house itself, by vote, decree a different order. The object of this rule is to prevent a presiding officer from arbitrarily preventing a vote upon legislation.

It has already been suggested that the practice of purchasing printing and supplies for the members of the Legislature through committees be abandoned, since it is obvious that petty abuses are creeping into the present system, and that such purchases be made through the purchasing bureau.

Your committee has held numerous hearings and taken much testimony which substantiates the recommendations hereinabove made. The work has been economically done, and less than \$8,000 of the \$15,000 appropriation to your committee has been expended up to date. There, however, remains much still to be done in order to complete your committee's investigations. It is, therefore, requested that an additional \$25,000 be placed to the credit of the committee so that it may continue its work during the coming year and providing for a further report either later in this present session or at the next ensuing session.

Your committee transmits herewith a draft of a proposed bill for the creation of a Finance Department and will at an early date present to the Legislature bills covering the other recommendations made herein.

Respectfully submitted,

Senator FRANK D. ABELL, *Chairman*,  
Assemblyman GUY GEO. GABRIELSON, *Vice-Chairman*,  
Assemblyman DRYDEN KUSER, *Secretary*,  
Senator EMERSON L. RICHARDS,  
Senator A. CROZER REEVES,  
Assemblyman WM. B. KNIGHT.