

**INTERIM REPORT**  
**Task Force on Independent Authorities**  
**Appointed by Senator Jon S. Corzine**

**I**

**Introduction**

In announcing the creation of this Task Force on June 6, 2005, Senator Jon S. Corzine noted the increase over the years in the number of independent governmental entities that “have capital and operating budgets totaling billions of dollars . . . [but that] operate outside the standard structure of the executive branch of state government. . . .” He said that, while the independence of these entities may be necessary or useful “because of the unique mission of an agency, [there have been instances in which inadequate] fiscal, legal and management controls -- and the lack of transparency and accountability --” have prevented achievement of the goals for which the agency was created and sometimes “have led to wasteful, unethical, and . . . potentially criminal practices.”

Observing that far too often independent governmental bodies – comprising in essence an “invisible government” -- have been “used as a convenient place to dole out political patronage jobs and lucrative no-bid contracts away from public scrutiny,” he pledged that if “elected Governor, these types of abuses will not be tolerated . . . [and that in] making appointments to these agencies . . . [he would] select people based on merit and competence . . . who have the professional qualities and the integrity to ensure that the agencies serve the public interest. . . .” Senator Corzine asked the Task Force “to look for ways to strengthen the legal structure, leadership capacity, fiscal controls, management efficiency, and planning capabilities of these independent agencies . . . [with the] goal of [making them] more ethical, efficient, accountable, and effective government [agencies]. The people of this state deserve no less.”

This is an Interim Report of the Task Force. We fully agree with the goals outlined by Senator Corzine and offer the following recommendations in furtherance of these goals. We urge the Senator to adopt these recommendations and implement them if he is elected Governor of New Jersey.

In this report, we address the circumstances of Independent Authorities, not other types of independent governmental agencies that deserve, and should receive, separate attention.<sup>1</sup> By “Independent Authorities” we mean those legislative creations authorized to issue bonds, or to incur other debt, for the construction and operation of capital projects. We believe Independent Authorities are the most important of the agencies within the “invisible government” because of their social reach and impact, including their authority to incur significant bonded and other debt.<sup>2</sup>

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1. There are scores of other independent entities – boards, commissions and other agencies – that are not authorized to issue bonds. Some are advisory. Many may be obsolete or unnecessary. All have some financial and social impact. As noted later in this report, we recommend that, if Senator Corzine is elected Governor, he include as part of his transition a separate review of these other agencies with an eye to eliminating those that serve little or no useful purpose and to consolidating others where such action would promote more efficient, effective and economical public service.
  2. There are other public entities operating outside the standard structure of the executive branch of State government that are not “authorities” but that, like the Independent Authorities addressed in this report, are responsible for substantial public expenditures and have significant social reach and impact. For example, the University of Medicine and Dentistry of New Jersey (UMDNJ) is a billion-dollar-plus enterprise. Although we were not tasked with analyzing public higher education institutions like UMDNJ because of the many separate considerations involved with governance of these institutions, we second Senator Corzine’s conviction to deal with the situation at UMDNJ. In doing so, we recommend that Senator Corzine require UMDNJ – and all other state supported higher education institutions – to comply with the standards of ethics, effectiveness, and transparency of operations that should apply to all activities of government.

## **II**

### **Independent Authorities**

#### **Historical Context**

The creation of Independent Authorities was a response to the increased public demand for new and rehabilitated public infrastructure as the 20<sup>th</sup> century unfolded. Independent Authorities have been used to finance, construct, and operate capital improvement projects to be paid for from their own revenues which traditional government would otherwise have had to undertake and pay for with tax dollars. These independent entities undertook a myriad of public projects of many different types, ranging from transportation facilities to public office buildings, hospitals, college classrooms and dormitories, as well as both water and sewer systems.

The independence of Authorities was also seen as a distinct benefit, as providing the means for project managers to use their expertise free from the inhibiting pressures of electoral politics and unencumbered by restrictions, such as debt financing limitations, that regular governmental units would face were they to undertake the capital projects themselves. In addition, and perhaps most importantly, the original concept of “independence” was to create pure “revenue stream” financing in which the Independent Authority would satisfy the debt service for bonds issued by the agency to pay for the cost of building the public project from the revenue stream generated by the operation of the project. Tax dollars were not to be used to pay the debt in case revenues were inadequate, or in situations in which the agency otherwise defaulted. And so, it was intended that the government was to make no independent commitment to guarantee the payment when due of authority interest and principal obligations.

## New Jersey

New Jersey was no exception to the trend. Indeed, New Jersey was a co-creator of the first of these independent entities – the Port Authority of New York and New Jersey – which was formed in 1921 and whose initial undertaking was to build the Holland Tunnel.

Since 1921, many Independent Authorities have been created or authorized by the New Jersey Legislature. The Authorities have had, and still have, a profound and pervasive impact upon virtually every aspect of life in the State. New Jersey Independent Authorities have constituted and operated projects as diverse as transportation, water and sewage, healthcare and entertainment. Identifying but a few Authorities will serve to illustrate the point: Turnpike Authority; South Jersey Transportation Authority; New Jersey Transit; Economic Development Authority; Educational Facilities Authority; Casino Reinvestment Development Authority; Schools Construction Corporation (a sub-unit of EDA); State Building Authority; Sports and Exposition Authority; county improvement authorities; county and municipal utilities authorities; and local water, sewerage and parking authorities.

The enormity of Independent Authority involvement in New Jersey life is further brought home when one considers, as Senator Corzine noted, that Independent State Authorities literally own and/or control billions of dollars in public assets. They also have incurred – and still have outstanding – billions of dollars in bonded and other debt that now totals \$20 billion.<sup>3</sup> In addition, there are also billions of dollars of assets and debt attributable to the operation of county utilities authorities, municipal utilities authorities, improvement authorities, sewer and water districts and authorities and other local governmental bodies that undertake public projects. A sobering thought is that the public is financially at risk for much of this debt. The reason is

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3. The total of outstanding Independent State Authority debt (\$20 billion) is nearly *seven times* the amount of outstanding voter-approved, general obligation debt (\$3.2 billion).

that, as time passed, pure revenue bond financing was supplemented by other forms of debt financing that obligated the State to pay if revenues proved to be inadequate. These included bonds backed by the State's moral pledge of payment, straight State-guaranteed contract bonds, and State-backed debt instruments (leases, for example). These realities provide a further inducement and imperative to pursue initiatives designed to ensure that Authorities are well-managed and fiscally sound.

### **III**

#### **Operation of Authorities**

State and local Independent Authorities have, without question, served the public and have advanced the public interest. The construction and operation of public works facilities have been, and are, obviously essential. Moreover, the separation of these agencies from electoral politics, and from other restrictions, such as constitutional debt financing limitations, that attend the operation of traditional governmental units has proved to be a significant factor in the ability of Independent Authorities to do their work successfully.

By the same token, however, this independence – this distance from thorough oversight and restraint – has sometimes caused difficulties in regulating the operation of Authorities and has inhibited the government's ability to hold Authorities and their members and officers fully accountable to the public for their actions. Independence also has sometimes clouded the transparency required to enable the public to scrutinize authority activities in meaningful fashion. Thus, these authorities have become an “invisible government.” They carry out important functions and incur debt, yet the public is often not well informed about their operations.

Moreover, while many of the individuals who have been appointed to Authority Boards have worked hard and effectively, most often without compensation, there were others who were appointed without careful attention to their qualifications and who lacked the management and

other skills necessary to discharge Board responsibilities with competence, let alone with creativity. Worse, there are also the unscrupulous few who have used their power and the absence of meaningful oversight and transparency to manipulate and maneuver in order to serve their private, not the public's, interests. Accordingly – whether because of incompetence or a larcenous heart – public monies are at risk and sometimes have been misdirected or dissipated as victims of waste, fraud or other abuse.

Recent examples of problematic conduct include the Schools Construction Corporation (“SCC”) and the E-Z Pass Contract for installation of the electronic toll-collection system on the New Jersey Turnpike, Garden State Parkway, and other toll roads. These examples also demonstrate that incompetence and waste do not have political allegiance but have occurred during the gubernatorial administrations of Democrats and Republicans alike – SCC during Governor McGreevey’s administration and E-Z Pass during the watch of Governor Whitman.

The recent Report of the Office of the Inspector General (April 21, 2005) on the operation of the Schools Construction Corporation, the agency responsible for overseeing \$8.6 billion of funding for school construction, reveals a sad picture of mismanagement and waste. The Inspector General found that internal management and financial controls were primitive and not even sufficient to ensure that the public monies would properly be spent for the intended school construction purposes, that an internal auditing capacity was lacking, that significant deficiencies existed in the process of awarding contracts, and that employee hiring and compensation practices were irregular and improper. Governor Codey recently put new leadership in place, but much damage has already been done, as reflected in the recent announcement that there are insufficient funds to complete hundreds of anticipated projects because the construction monies had been so badly administered and applied.

The June 2004 report of the State Commission of Investigation (“SCI”) on its multi-year investigation of the 1998 E-Z Pass contract award by a consortium headed by the New Jersey Turnpike Authority and the Department of Transportation likewise tells a troubling story. The SCI condemned the decision to award this contract on a professional-service basis – and therefore without an open public-bidding process – and found that the lapse caused the procurement to fall “prey to human error, and to obvious mismanagement and manipulation by senior personnel at the New Jersey Department of Transportation . . . and the New Jersey Turnpike Authority. . . .” Noting various conflicts of interest, and suggesting the award may have been influenced by extraneous and improper considerations, the SCI concluded that the contract, which ultimately bore an unwarranted \$1.2 billion price tag, “was the product of an ill-advised, inappropriate procurement process that lacked proper safeguards to ensure accountability and to protect the public’s interest.”

There have been other examples involving State agencies over the past 20 years as well. For example, fraudulent activities were detected by SCI investigations into the affairs of New Jersey Transit in 1993 and the Casino Control Commission in 1995 (New Jersey Transit subsidy funds siphoned off for personal use, and internal Casino Control Commission records falsified in order to award “golden parachutes” to former Commission employees).

Local Authorities have not been immune. In the early 1980s, the SCI conducted a comprehensive investigation into the operation of county and municipal utilities authorities and found inadequate monitoring of grant funds, lack of oversight of capital construction projects, shoddy management, a serious potential for collusion in bond financing, costly overuse of bond anticipation notes, multiple conflicts of interest, political influence-peddling in appointments and contract awards, bid-rigging, and the near total lack of expertise and positive qualifications

among authority members and employees.<sup>4</sup> And a 1992 SCI Report concerning the Bergen County Utilities Authority suggested that, in many respects, the problems had not been remedied because deficiencies similar to those addressed by the SCI in 1983 – managerial incompetence, mismanagement, conflicts of interest, improper political influence on operations – had continued.<sup>5</sup> The Utilities Authority was faulted for crafting an unnecessarily elaborate and extravagant solid-waste disposal program that “needlessly cost the ratepayers of Bergen County millions upon millions of dollars.”

A fair reading of history, then, points to instances of poor and improper functioning of Independent Authorities during both Democratic and Republican administrations and at both the State and local levels. These lapses are not acceptable. We must therefore try to do better to prevent future occurrences.

## **IV**

### **Recommendations**

While there is no doubt in our minds that Independent Authorities serve useful purposes and their continued operation is important to the public weal, we also are convinced that substantial reforms are required to meet the objectives of transparency and effectiveness outlined by Senator Corzine as well as to eliminate the potential for waste, fraud and other abuses that Senator Corzine has vowed to eradicate. We believe that were Authorities to be properly staffed and operate honestly and effectively in accordance with proper standards and financial controls, much more would be accomplished to further the public interest.

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4. The Local Authorities Fiscal Control Law of 1983 addressed some of these problems, particularly by tightening oversight of bond issues and budgets.
  5. The SCI commented that these defects were not unique to the Bergen agency but were mirrored in most utility authority operations around the state.



Following are our recommendations, which would require, among other things:

- a process of merit and quality in choosing individuals for management and Board appointments;
- background checks on Board members and key executive personnel prior to appointment;
- stronger internal financial and other controls to guarantee that public funds will be used to advance the particular public purpose or project for which they were intended;
- strict adherence to competitive bidding statutes with restricted use of the “personal service contract” exemption;
- awarding of contracts exclusively on a merit basis;
- proper procedures to govern the hiring of employees and engagement of consultants;
- procedures to screen for and eliminate conflicts of interest; and
- a ban on the practice of accepting political contributions from firms that conduct business or plan to conduct business with the authority, a practice known as “pay-to-play.”

### **Appointment Process**

Perhaps the single most important objective, as articulated by Senator Corzine when he created the Task Force, is to ensure that only qualified, talented, responsible and honest individuals are appointed to seats on the Boards of Independent Authorities and to executive management positions.

Seeking out “the best and brightest” without regard to political affiliation – a process adopted by President John F. Kennedy in making his cabinet choices – would, in itself, go a long way toward achieving necessary reform. When all is said and done, the simple truth is that people make most, if not all, of the difference. One can devise and install exemplary processes, but none will succeed absent having competent and honest people in charge of the operation. By the same token, competent and honest people will invariably find a way to do what is right and best regardless of what regulations are in place. So, the most sweeping, fundamental and effective action that should be taken is to change the partisan political mindset about Authority appointments that has been evident too many times in the past. Authority Boards and staff are not to be patronage dumping grounds. They are not to be compromised by those with conflicts of interest, nor are they to be beset by those without the management and other skills to do the job.

Accordingly, we advocate the establishment of a **Talent Bank** of potential appointees as executives and members of the Boards of Independent State Authorities (and, for that matter, to other prominent public positions). We believe this approach will produce the broad base of talent and expertise required to effectively govern and manage State Authorities if there is a strong commitment to look outside the usual places – a commitment that Senator Corzine has made in stating that appointments will be based only on merit and competence.

As Senator Corzine stated in his economic policy speech in March, New Jersey is “home to one of the most diverse, best educated, highly skilled, and most ambitious and hopeful populations in the world.” To take full advantage of these qualities of the State’s population, recommendations of candidates for inclusion in this Talent Bank should be solicited from all sectors – business, non-profits, academic institutions, labor, government, etc. – and should

include as broad a cross-section as possible. This process will reach a circle of qualified, experienced people outside the political ambit and accordingly not readily considered in the past, when strictly political patronage considerations too often prevailed.

Also, the Talent Bank should be organized according to disciplines and on the basis of categories of individual skills and expertise in those disciplines. But in matching the skills and expertise of candidates in a particular discipline with Boards that are involved with that discipline, care must be taken to avoid appointments that would inevitably result in conflicts of interest repeatedly arising.

We also recommend that no person be appointed to an executive leadership or board position on an Independent State Authority until a comprehensive background check is conducted and reviewed. This process should be modeled on best practices in the private sector and in other states.<sup>6</sup> Further, we recommend that county and municipal elected officials responsible for making appointments to county and local independent authorities likewise commit to making appointments based only on merit and to establishing a Talent Bank or similar method for ensuring consideration of a broad and diverse group of potential appointees.

### **Education**

**Ethics:** We subscribe to the themes articulated in Governor Codey's Executive Order No. 41. We urge that educational courses in ethics be continued for all members of Independent State Authorities and that senior management officials be included as well. We also recommend the extension of this education process to members of the boards of local independent authorities and their senior management officials.

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6. Background checks also should be required for appointees to senior staff positions in the Governor's Office and at the cabinet departments.

**Management and Governance:** We recommend that an educational institution, such as State-supported Rutgers University or a county-college consortium, devise and operate a short, but comprehensive, course on management and corporate governance and finance and that attendance be mandatory for the persons mentioned above.

### **Board Composition**

We have addressed above the need for merit appointments. We add here two additional recommendations:

**Senior Management:** We believe that no agency officer or employee – including the chief executive officer, the financial officer, the executive director, the comptroller or other member of senior management – should be permitted to serve on the Board of Directors or other governing body of an Independent Authority. It is the responsibility of the governing unit to oversee, supervise and regulate the activities and conduct of agency officers and employees. It is neither desirable, nor healthy, to permit an officer or employee to be in a position to influence or to participate in his or her own regulation. The conflict, or the appearance of one, is obvious.

**Cabinet Officers:** Most Independent State Authorities include a cabinet officer (or officers) as an ex-officio member. This provides the Governor and his or her administration with a ready source of information about agency affairs and permits the administration to comment upon proposed agency action before it in fact occurs. Every, not just most, Independent State Authority should have a cabinet officer (or officers) as an ex-officio member.<sup>7</sup> We urge the Legislature and/or the Governor to do what is necessary to achieve this result.

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7. The board of the South Jersey Port Corporation does not include a cabinet officer as an *ex officio* member.

### **Counsel for Independent Authorities**

The Attorney General is the lawyer for all agencies of state government and it would be beneficial to extend his or her oversight of attorneys to include oversight of in-house counsel of Independent State Authorities.

In addition, when an Independent State Authority does not have a full-time in-house legal department, we recommend that a deputy Attorney General be assigned by the Attorney General to serve as in-house counsel to the Authority and thus that outside counsel not be retained for this purpose.

We believe implementation of the above suggestions will better ensure that legal advice provided to Independent State Authorities shall be independent, objective and consistent with advice given to cabinet departments and other agencies of the executive branch.

### **Board Member Duties**

Effective management and financial controls must be universally required, not a matter of the motivation or personality of Board members. Accordingly, we believe the following duties and responsibilities should be published as being among those required of the members of the Boards of Directors of Independent Authorities:

- **Management Oversight** – to exercise direct oversight of the body’s chief executive officer, chief financial officer, and other senior management officials.
- **Financial and Management Controls** – to make certain that fundamental financial and management controls are in place and, if not, to install them.
- **Contracts** – to maintain policies and procedures concerning the letting of contracts and the qualifications of contractors that shall, among other things, mandate that competitive bidding statutes shall be scrupulously followed, that

contracts shall be awarded only on a merit basis, and that the letting of professional service contracts shall be restricted as much as possible.

- **Professional Service Contracts** – to maintain and, if necessary, promulgate, install and implement, a system of checks and balances that shall ensure that extraneous considerations do not influence the award of professional service contracts or decisions to proceed on a professional service basis, that such contracts will be let exclusively on a merit basis, and that a report will be prepared for each professional service contract detailing the facts establishing the need to proceed in this fashion and the basis upon which the awardee was selected.
- **Employment Procedures** – to establish, maintain and implement policies concerning personnel matters, including job descriptions and qualifications, hiring practices, compensation, and expense reimbursement.
- **Code of Conduct** – to ensure that an ethics code in accordance with Executive Order No. 36 (2005) is established and enforced.
- **Transparency** – to require management to post notice of Authority Board meetings and a copy of the minutes of those meetings on the agency website.
- **Conflicts of Interests** – to require Board members and key management personnel, on an annual basis, to disclose any individual dealings which they have had, or are having, with the Board and, if none, to certify to this effect.

### **Annual Accountability Reports**

**Operations:** We recommend that management be required annually to prepare a comprehensive Report on agency operations. The report should contain a certification, signed by management and Board members, that during the year they have followed the standards,

procedures and internal controls put in place to govern operations. Copies of the Report should be distributed to authority members as well as to the Governor, the Treasurer, the Attorney General, the State Auditor, the Inspector General (and/or the elected State Comptroller), the Chairman of the SCI, and the bipartisan leadership of the Legislature. A copy should be posted on the agency's website.

**Controls:** Management should also be required to include as part of the Annual Report a section identifying the internal controls that have been put in place to govern expenditures, other financial matters and transactions, and financial reporting.

### **Contracts**

The need to adhere to bidding processes (and to limit use of the professional service exemption) as well as to award contracts on a merit basis is more particularly discussed under Board Member Duties, above, and is simply reaffirmed here.

### **“Pay to Play”**

We agree with Senator Corzine's recommendation that the practice of soliciting political contributions from current or potential vendors or developers (and of vendors or developers acceding to such requests), known colloquially as “pay to play,” must be eliminated at all levels of government in New Jersey and involve all public officials, both elected and appointed.

### **Oversight**

**Vetoing Minutes:** Currently, the best tool for gubernatorial oversight of Independent State Authority operations – quite apart from the pragmatic impact of the power and prestige of the Office generally – rests in the power of the Governor, provided by the Legislature in the statutes creating and governing Independent Authorities, to override agency action by vetoing the minutes of meetings in whole or in part. While the power is not an entirely adequate

weapon,<sup>8</sup> we believe it is an important one. To exercise the power effectively, the Governor should assign adequate personnel to specific Authorities in order to understand Authority plans and operations and then review the minutes of Authority meetings for the purpose of recommending gubernatorial action when appropriate.

**Audits**: We recommend continuation of the requirement articulated in Executive Order No. 122 (2004), that Independent State Authorities create independent Audit Committees to commission and oversee audits of agency financial statements and affairs. We believe that the following additional requirements should be added:

- the audit shall be conducted annually;
- the audit shall be approved by the board;
- the audit shall be accompanied by a written certification of both the chief executive officer and the chief financial officer that the financial information provided to the auditor and contained in the audit was accurate and correct, that such information fairly represented in all material respects the financial condition and operational results of the agency for the year in question, and that no material fact was omitted; and
- copies of the audit report shall be posted on the agency's website and submitted to the Governor, the Treasurer, the Attorney General, the State Auditor, the Inspector General (and/or the elected State Comptroller), the Chairman of the SCI, and the bipartisan leadership of the Legislature.

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8. Bond covenants often play a limiting role; the window for action is of necessity short because the orderly flow of business cannot be long kept in limbo; and it is difficult for the Governor's office to monitor the numerous activities of numerous agencies on an expedited basis so as to guarantee that intelligent choices can uniformly be made as to whether or not the veto power should be exercised.



**Elected State Comptroller:** The office of an elected State Comptroller (as proposed by Senator Corzine) should, we believe, be approved. The Comptroller should be directed to oversee the operation of Independent State Authorities (as well as State governmental agencies and departments) with the objective of preventing fraud, waste and abuse in the letting of contracts from occurring and thus before the contracts are let.

**Inspector General:** Pending the creation and operation of the elected Office of State Comptroller, the existing Office of Inspector General should be continued and charged with such oversight responsibilities.

**State Auditor:** The State Auditor performs a vital function. There are presently several audits of Independent State Authorities that are ongoing. We believe the work of the State Auditor, as an independent agency responsible to the Legislature, should be continued. These services would be in addition to audits undertaken under Executive Order No. 122 or by present and future oversight agencies. We also believe the resources of the State Auditor should be increased to permit more, and more expeditious, audit reviews to be undertaken and completed.

**Performance Audits:** The auditing process outlined above – as well as the financial and managerial oversight reports and certifications required from the Authorities – will serve to make certain that proper financial controls are in place. But these audits will not – and are not intended to – reveal whether all of the monies within agency control are being applied wisely and properly. Such information will be revealed by performance audits, which are designed to improve the efficiency and effectiveness of operations, as well as to detect waste, fraud or other abuse.

Performance audits are obviously important, and the elected State Comptroller will undertake them. But until the office is constituted and filled, we recommend that the State

Inspector General be given this responsibility and the resources to discharge it. Consideration should be given to seeking the assistance of the SCI to help deal with this need.

**Local Finance Board, Division of Local Government Services:** Under the Local Authorities Fiscal Control Law, the Local Finance Board has regulatory oversight over the budgets, proposed bond issues (or other proposals to incur capital debt) and financial affairs generally of county and municipal utilities authorities and other local authorities with the statutory power to issue bonds or incur capital debt.

The local Independent Authorities – as is the case with their State counterparts – control billions of dollars of public assets, are responsible for the operation of essential public facilities and have outstanding mountains of bonded and other debt for which the State – and its taxpayers – could potentially be responsible. It goes without saying then, that the oversight provided by the Local Finance Board is critically important. The Local Finance Board must have adequate resources to permit it to perform its important oversight responsibilities comprehensively, effectively and expeditiously.

### **Self-Regulation**

The price in people and dollars to assess, evaluate and oversee agency operation, as well as to provide law enforcement investigative and prosecutorial oversight, can be extraordinarily high. Oversight – whether in the form of audits, monitorships, investigations, reviews or other assessments to determine compliance with standards – are time and manpower intensive. Moreover, it is axiomatic that overseeing complex operations means obtaining accurate information. This is seldom an easy task, particularly when there is reason to believe misconduct has occurred and that persons in the organization are motivated to conceal it. A single in-depth investigation to uncover misconduct or to establish the causes of other dysfunctions in an organization can, for example, take months and tie up a disproportionate share of the monitoring

agency's staff and other resources. Thus, government agencies in the business of conducting this kind of oversight with their own staffs could find themselves bogged down in the minutiae of a few large projects that have required urgent attention and discover that they must leave the rest of the organizations subject to their jurisdiction virtually unmonitored.

One solution – which we recommend be explored – would be to promulgate standards for identifying, investigating, reporting and resolving potential problems and to charge the regulated agencies with the responsibility to install and implement the regimen. The role of government (*e.g.*, the State Comptroller, the State Auditor and/or the Inspector General, as the case may be) would be to evaluate the results of those internal agency efforts, not to conduct them, and thereby cover far more ground with the same resources than otherwise would have been possible.<sup>9</sup>

Accordingly, we believe a Committee should be constituted by Senator Corzine, if he is elected, and tasked with evaluating the feasibility and desirability of a self-regulation program. If the verdict is a favorable one, the Committee should move on to outline a model or models of action and procedures.

### **Gubernatorial Oversight**

We recommend that the Governor utilize constructively all of the tools at his or her disposal – both those presently existing and others that will become available if our recommendations are accepted – to ensure that capital projects are selected wisely and

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9. The idea of using qualified private monitors to evaluate compliance – “private inspectors general” if you will – should also be explored as a means of further conserving government resources without lessening the scope and intensity of compliance review. The approach might be cost effective and would permit scarce government resources to be applied to the most difficult cases, such as supervising organizations that cannot be trusted to monitor themselves effectively.

economically,<sup>10</sup> to better coordinate the myriad activities of Independent Authorities, and, whenever possible, to make agency projects compatible and/or complementary in order to increase the benefit of their operations to the public.

We also recommend gubernatorial restraint. The Governor should not use the great power of his or her Office to intrude unduly into the affairs and operations of Independent State Authorities. Just as the agencies themselves have sometimes engaged in undesirable practices, so too have Governors in the past gone too far in trying – sometimes for extraneous and unacceptable reasons – to influence and control agency operations. In addition, at times, Governors have treated Independent Authorities as opportunities for political patronage. Gubernatorial muscle has been employed to force the appointment of people who lack expertise and qualification and even to pressure for the creation of new – and usually totally unnecessary – employment slots to accommodate political needs. So, just as we need quality and merit in appointments to Boards and to management, so too we need responsibility in the Governor’s Office.

### **Policy Direction and Planning**

Governors have long used periodic cabinet meetings both to give policy direction to the cabinet departments and to help coordinate planning among cabinet departments. This type of direction and coordination is equally important among the Independent State Authorities, especially those that have related missions. We recommend that the Governor conduct periodic meetings of the chairs and executive directors of the Independent State Authorities and also direct that the chairs and executive directors of Authorities that have related missions meet on a regular basis as well.

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10. Merit selection of qualified and honest agency overseers will, without question, meet this need as well.

## V

### Consolidation and Individualized Review

In addition to the reforms recommended above, there is other important work that should be undertaken to promote efficiency and proper performance by Independent Authorities. Given the time and resources required, we believe this work would best be conducted in the context of the type of overall structural review of government operations that generally occurs in a gubernatorial transition.

**Weed and Seed:** The voluminous list of State independent agencies needs review with an eye to recommending the elimination of those that serve little or no useful purpose and to consolidate the functions of others where appropriate.

**Individualized Review of Independent Authorities:** The surest way to guarantee proper performance by independent agencies is to promulgate regulations geared to the particularities of each agency's composition, powers and objectives. This herculean task necessitates careful review of the statutory framework of each agency as well as of the internal procedures, processes and codes of conduct, if any, that the agency already has in place. An important part of the task is also to make individualized risk assessments to identify areas of governance and operation in specific agencies that are most susceptible to fraud and waste so that an appropriate plan can be developed to deter, detect and correct impropriety.<sup>11</sup>

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11. Risk areas can vary widely according to the nature and location of the organization and the work in which it is engaged. For example, typical risk areas for organizations that engage in construction, maintenance, or similar activities would include: billing, change orders, procurement, subcontractor selection, dealings with unions, dealings with government inspectors, trade wages and benefits, cash payments, quality control, environmental safety, and waste hauling and waste disposal. It is important to obtain a thorough understanding of the potential for wrongdoing or other noncompliance and the existing internal controls system that is supposed to guard against such problems.

The suggestion, then, is that individual reviews as outlined above be done commencing with the largest of the agencies. With this information in hand, particularized remedial and effective regulations may be proposed on an agency-by-agency basis.

## **VI**

### **Conclusion**

It is important that processes and procedures necessary to the accountability, transparency and exemplary service required of Independent Authorities be clearly stated. Such an approach will go a long way toward ensuring that those processes and procedures will be universally followed and to bolstering public confidence in government.

We have over the last 25 years witnessed some incidents of mismanagement, waste and fraud in some of the operations of some of the Independent Authorities, and adoption of the foregoing recommendations will be of assistance in arresting those practices in the future. We emphasize that, by making these proposals, we do not intend to do a disservice to those many Authorities whose management and Boards have been serving the public diligently and well. Our primary intention is to assist in ensuring that Authorities will operate with maximum efficiency because we will be depending on them for important betterments to our economy and quality of life. We need rail improvements for both commuters and freight. We need expanded port capacity. We need more rational and quicker road travel. We need breakthroughs in affordable housing, brownfields redevelopment, incentives for business and job development, and pollution control.

The Authorities are often the backbone of the State's efforts to achieve these betterments and they have to be made as straight and strong as possible.

Task Force on Independent Authorities Appointed by Senator Jon S. Corzine:

John Degnan  
Robert Del Tufo  
Zulima Farber  
Richard Leone  
Rosemary McFadden

Richard Roper  
Edwin Stier  
Carl Van Horn  
Stanley Van Ness  
Barry Zubrow

September 16, 2005