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PUBLIC HEARING

before

ASSEMBLY LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE

on

(DMV Computer System)

VOLUME I

October 3, 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 William P. Schuber
Assemblyman Thomas P. Foy, temporary appointee
by Assembly Speaker Alan J. Karcher

ALSO PRESENT:

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

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ASSEMBLYMAN JOSEPH L. BOCCHINI, JR. (Chairman): Good morning, ladies and gentlemen. May I have your attention, please? This is the second public hearing to be held by the Assembly Law, Public Safety and Defense Committee to elicit information and to investigate the recent computer problems within the Division of Motor Vehicles. During the last few weeks, the public has read in the newspapers that the new computer system at the Division of Motor Vehicles is unable to keep up with the work load of renewing Motor Vehicle licenses, registrations, and titles.

Before we proceed, I will ask Aggie Szilagyi to read into the record the names of the persons we have requested to be here to testify today.

MS. SZILAGYI: We have invited for today's hearing, Attorney General Irwin Kimmelman, Clifford Snedeker, former Director of the Division of Motor Vehicles, William Driscoll of Price Waterhouse, Robert Kline, Acting Director of DMV, Mr. Bianco from OTIS, and Mr. Farrelly from Applied Data Research.

We have invited for next week, Mr. Lawrence Bathgate, Mr. Clyde Folley, Mr. Fletcher Creamer, and Mr. Frank Holman.

ASSEMBLYMAN BOCCHINI: Before we proceed, I would like to bring to the attention of the Committee a letter which I forwarded to the State Commission of Investigation on September 25, wherein-- In the last paragraph, it indicates that if the State Commission of Investigation feels it is inappropriate or improper for this Committee to continue its investigation or for certain persons to attend the public hearing, to please let us know immediately. Simply, is it inappropriate or improper for this Committee to conduct its hearings on a topic involving the Division of Motor Vehicles while the SCI appears to be conducting its own investigation on the same related topic?

I received a response on September 30. Do all the members of the Committee have a copy of this letter? (affirmative response) The response is signed by James J. Morley, Executive Director, and states, in the third paragraph, that the Commission does not believe the question of whether this Committee should conduct hearings concurrent with its investigation is one of propriety, but one of practicality.

It goes on to indicate they would prefer that we did not, but they also emphasized they do not believe it is impractical or improper.

In view of the fact that we are not a law enforcement agency, as is indicated under Mr. Morley's letter, and in view of the fact that there was no similar great problem concerning the Taggart situation, it is the opinion of the Chair that this Committee most certainly should continue its hearings in relation to this topic, especially when you consider the vast number of motorists in this State who are being inconvenienced as a result of the present situation within the Division of Motor Vehicles.

ASSEMBLYMAN SCHUBER: Mr. Chairman, I would ask that the whole letter of September 30 please be read into the record. I believe one of the sentences says that for an independent investigation to be done at this time is disfavored by the SCI. So I think for the purpose of the record, that letter should be read in its entirety.

ASSEMBLYMAN BOCCHINI: For the purpose--

ASSEMBLYMAN SCHUBER: Please-- I thought I heard here last time -- I don't know whether or not it was Assemblyman Pelly -- but I thought he indicated that if the SCI--

ASSEMBLYMAN BOCCHINI: Mr. Schuber?

ASSEMBLYMAN SCHUBER: If I may finish, Mr. Chairman. I understood if the SCI was conducting such an investigation, that as a result of that, this Committee should not be looking into those particular issues.

ASSEMBLYMAN BOCCHINI: Mr. Schuber, Mr. Schuber, if you will pay attention to the Chair. The letter will kindly be introduced into the record and will be made part of the record.

ASSEMBLYMAN SCHUBER: Mr. Chairman, you were paraphrasing parts of it--

ASSEMBLYMAN BOCCHINI: If you would kindly take a copy of--

ASSEMBLYMAN SCHUBER: Mr. Chairman, you were paraphrasing parts of it which I don't believe were correct. I think the whole thing should be read into the record.

ASSEMBLYMAN FOY: Mr. Chairman, the letter speaks for itself. I don't know whether it needs to be read into the record or

entered into the record of this particular hearing. I think Mr. Schuber makes a good point, that all of our correspondence relating to this should go into the record. Further, I think it is important that we make available to the SCI whatever facts we uncover at this hearing. I would like to move, at the appropriate time, that we provide copies of the entire transcript and all of the documents we receive from the witnesses, any submissions, everything be provided to the SCI to assist them in whatever investigation they may be concerned with, with the authority the law gives them.

The law gives us certain authority. I think it is separate and distinct from the SCI. The Legislature created the SCI and, as a consequence, I think it is important that we work together and assist them. I agree with Mr. Schuber; let's put it all in the record, and let's make it available to them. Let's move forward.

ASSEMBLYMAN SCHUBER: Mr. Foy, and Mr. Chairman, through you, I think the issue here is not necessarily that one. But the issue is whether this Committee should continue its work based on the letter from the SCI. It has already been stated; you asked the question of them. They sent you back a letter. In fact, the SCI said that this type of probe is disfavored at this time when they are looking at these particular issues. I remember from the transcript -- which I must admit you did provide us this time -- that Mr. Pelly said that we should not interfere in places where the SCI is looking at it.

You folks had a lot of information about the SCI last week, and I was wondering how you got it. You also said that if the SCI was looking at this, these were areas we should not be looking into. Here is a case where the letter comes back and it says that this type of a hearing is disfavored.

ASSEMBLYMAN FOY: Well, they disfavor it, but if the Chair wants a motion I will move that we continue, and you can put yourself on record as being opposed to it with the SCI. I happen to be with the Legislature. I will make that a form of a motion.

ASSEMBLYMAN BOCCHINI: The Chair will entertain the motion.

ASSEMBLYMAN MARTIN: Mr. Chairman, may I speak on the motion?

ASSEMBLYMAN BOCCHINI: Is there a second on the motion?

ASSEMBLYMAN PELLY: I will second the motion.

ASSEMBLYMAN BOCCHINI: Assemblyman Martin?

ASSEMBLYMAN MARTIN: Thank you, Mr. Chairman. I think the point my colleague, Mr. Schuber, is trying to make is, in characterizing the letter, the important and pertinent part is the last sentence, which reads in part: "It would be preferable if your Committee would await the completion of our investigation before proceeding further." Since you apparently specifically asked the SCI what they were doing, I would think the implication was to find out exactly what they were doing, and if, in fact, they were covering the same ground, it would be redundant and, as they point out in their letter, it is both uneconomical and it makes no real sense to have the same investigation being conducted by two parties.

If, in fact, we are attempting to assist the Division of Motor Vehicles in straightening out what has been a mess in the computer system or of trying to install a new system, that is another issue. But, to cover the same ground as the SCI, to me that makes no sense at all.

ASSEMBLYMAN BOCCHINI: Well, Mr. Martin, you are a member of this Committee. It is not just a question of what I am attempting to do. It is a question of what you, as a member of this Committee, are also attempting to do. Obviously, faced with the problems we have in this State concerning the Division of Motor Vehicles -- the problems with the computer, the problems with people standing in lines, the problems with people having the possibility of being pulled over by the police and receiving summonses, and the myriad of problems which go hand in hand with a Division that is of a central issue within the four corners of this Committee -- I would certainly think that it is most appropriate to continue.

I would also point out, and I will emphasize to you once again, my letter was framed in the terms of propriety. They saw no impropriety. I will accept a call for a vote on the motion.

ASSEMBLYMAN SCHUBER: On the motion, Mr. Chairman, please-- I think there is a very basic issue here. We have an organization that has been set up -- the SCI -- which we have relied on in the past to take a look at various situations.

ASSEMBLYMAN BOCCHINI: It was set up by the Legislature; that is correct.

ASSEMBLYMAN SCHUBER: That is very true; it has been. In fact, we have asked them about whether this hearing should continue, and they sent us a letter back saying that it is disfavored that we should do it, and that we should await their findings. What did we set it up for then?

Mr. Martin and I are here because we want to find out, with regard to the computer system, the problems that are taking place and how we can remedy those problems so that the motorists out there are not inconvenienced. We are here for that particular reason, too. It is not your monopoly. But we are not here, Mr. Chairman--

ASSEMBLYMAN BOCCHINI: I did not suggest that it was.

ASSEMBLYMAN SCHUBER: Mr. Chairman, please let me finish. We are not here -- and let me make that very clear -- we are not here to be tokens in some political circus.

ASSEMBLYMAN FOY: Now, wait a minute; wait a minute.

ASSEMBLYMAN SCHUBER: And I think the motorists of this State--

ASSEMBLYMAN BOCCHINI: Mr. Schuber--

ASSEMBLYMAN SCHUBER: --should not be made the same thing.

ASSEMBLYMAN BOCCHINI: Mr. Schuber, I would advise you that what you are just saying is reminiscent of statements made by you in a certain matter concerning Taggart's, where you indicated that the Taggart deal was nothing more than a political show. Well, let me remind you, Mr. Schuber -- let me remind you very specifically -- that the SCI came back and said that there was an intentional non-disclosure by the Administration, and the SCI went one step further and sent it to the Mercer County Prosecutor's office, Mr. Schuber. If that is your contention once again, and you want to stonewall it for the Administration -- well, Buddy, you have the absolute right to do that.

ASSEMBLYMAN SCHUBER: Mr. Chairman, I am not your buddy. I am here as a matter of course to find out what the truth is with regard to a computer foul-up.

ASSEMBLYMAN FOY: Then let's get on with the truth.

ASSEMBLYMAN SCHUBER: I thought that was the purpose of this hearing, Mr. Chairman. What I find is nothing more than political rhetoric, which we had from you in the Sears matter.

ASSEMBLYMAN FOY: There is a motion on the floor, and I respectfully submit that the remarks being made by the Committee member are not pertinent or relevant to the motion. Can we have a vote, please?

ASSEMBLYMAN SCHUBER: I think they are very relevant, Mr. Chairman.

ASSEMBLYMAN MARTIN: I would like to speak on the motion, Mr. Chairman, that point being that if, in fact, as you have just pointed out, the SCI has been able to conduct an investigation of a previous matter, which you referred to--

ASSEMBLYMAN BOCCHINI: That has not been pointed out in relation to this matter.

ASSEMBLYMAN MARTIN: Then in that case, I would submit that since they had done a job which apparently you seem to think was an appropriate one, why not, since they have asked to do the same thing here, allow them to do their work as the Legislature originally designed the SCI to do.

ASSEMBLYMAN BOCCHINI: On the motion, call the roll.

ASSEMBLYMAN SCHUBER: Mr. Chairman, Mr. Chairman, one last thing.

ASSEMBLYMAN BOCCHINI: On the motion, call the roll.

ASSEMBLYMAN SCHUBER: I think the record should indicate that in the transcript you provided us, on Page 72, and on Page 74, when it was indicated that the SCI was looking at it Assemblyman Pelly said that we should not continue along these lines and interfere with their investigation. On Page 74 he said, in the same type of colloquy, "I suggested to this Committee that they no longer discuss the issue in light of the fact that it is before the SCI."

If that is the case and we have the letter of September 30, then what are we here for?

ASSEMBLYMAN BOCCHINI: Let me reply to you in this manner.

ASSEMBLYMAN FOY: We are here to uncover the facts, I think.

ASSEMBLYMAN PELLY: Mr. Chairman--

ASSEMBLYMAN BOCCHINI: Mr. Pelly, I think you can comment on this considering the fact that you are the person being referred to.

ASSEMBLYMAN PELLY: Yes, I would like to respond to that. My words, verbatim, were: "I suggested to this Committee that they no longer discuss the issue in light of the fact that it is before the SCI." The issue we were discussing at that point in time was whether or not we should be questioning those witnesses as to whether or not they had, in fact, been subpoenaed by the SCI. I agreed, at that point in time, that since we had made that determination, we would no longer ask any of those witnesses whether or not they had been subpoenaed or had been spoken to by the SCI. And I will continue to do that today.

ASSEMBLYMAN BOCCHINI: Before we take the vote, there is a little housekeeping here. If I may, I would like to read into the record a letter dated October 3, under the signature of Speaker Karcher: "Dear Joe: I am appointing Assemblyman Thomas P. Foy temporarily to serve on the Assembly Law, Public Safety and Defense Committee on Thursday, October 3. He will be substituting for Assemblyman Nicholas J. LaRocca, who I have been advised is unable to be here today."

ASSEMBLYMAN SCHUBER: Tom is a friend, but we recognize him as a designated hitter here for today's hearing, as was done at the last hearing.

ASSEMBLYMAN FOY: I don't want anyone to be concerned or to think that I am here because I have any particular skills. I happen to live closest to Trenton. I am just a little farm boy from down in Burlington County. I live about 14 miles away, and I guess I was the only one they could get a hold of today, Pat. I am glad to be here to help out. It is always good to be among friends.

ASSEMBLYMAN BOCCHINI: On the motion, please call the roll.

MS. SZILAGYI: Mr. Bocchini?

ASSEMBLYMAN BOCCHINI: Yes.

MS. SZILAGYI: Mr. Foy?

ASSEMBLYMAN FOY: Yes.

MS. SZILAGYI: Mr. Pelly?

ASSEMBLYMAN PELLY: Yes.

MS. SZILAGYI: Mr. Schuber?

ASSEMBLYMAN SCHUBER: No.

MS. SZILAGYI: Mr. Martin?

ASSEMBLYMAN MARTIN: No, for the reason stated before.

ASSEMBLYMAN BOCCHINI: Our first witness this morning was intended to be Mr. Driscoll from Price Waterhouse. I believe-- Miss Szilagyi, what time did you receive the letter from Mr. Boylan?

MS. SZILAGYI: At approximately 10:35 this morning.

ASSEMBLYMAN BOCCHINI: All right. The Committee hearing was scheduled for 11 o'clock, and at 10:35 the nonpartisan staff representative, Aggie Szilagyi, received the following letter. I believe it was hand delivered, is that correct?

MS. SZILAGYI: Yes.

ASSEMBLYMAN BOCCHINI: Did you receive any phone calls yesterday or the day before from Price Waterhouse or their representatives concerning this matter?

MS. SZILAGYI: No.

ASSEMBLYMAN BOCCHINI: You received this letter under the signature of Matthew P. Boylan: "Dear Mr. Bocchini: You are, I know, familiar with the discussions that have recently taken place between my client, Price Waterhouse, and the Office of the Attorney General. As a result of those discussions, Price Waterhouse has agreed to expeditiously remedy the new DMV comprehensive on-line driver owner system within the terms and conditions of its existing contract with the Division of Motor Vehicles and is now in the process of replacing the IDEAL language with COBOL language at its expense. You may also be aware of the self-serving statements attributable in recent newspaper articles to Applied Data Research, the provider of the IDEAL software that was in part being used in the implementation of the system.

"We have reviewed the transcript of Mr. Driscoll's testimony and have concluded that, in the absence of an identification of any specific areas of further inquiry that the Committee suggested would be forthcoming, the testimony that Mr. Driscoll provided was fully responsive and accurate with respect to the background and nature of the problems encountered with the system. In that regard, it is the intention of Price Waterhouse to honor its commitments to the Office of

the Attorney General and the DMV and promptly to provide the information being sought by the SCI.

"The enclosed statement has been prepared to summarize the testimony given to your Committee by Mr. William J. Driscoll on September 24, 1985, and, together with my letter of September 30, 1985, to Mr. Michael R. Cole, First Assistant Attorney General, is submitted to reaffirm the intention of Price Waterhouse to provide at its expense the additional work needed to have the system operational in the shortest possible time. In light of the statements attributed to ADR, which at the request of Price Waterhouse I now have under legal review, I have advised my client that in my judgment it would be inappropriate for it to seek in a legislative context to meet the inferences that seem to have been raised by ADR. That being so, I have advised Price Waterhouse representatives not to attend the hearing on October 3, and it has agreed to accept that advice."

I would ask that the Hearing Reporters receive a copy of the statement which accompanied the letter for inclusion in the record. Copies of that statement can also be made available to the media for their reporting purposes. However, if I may, I would like to point out in the September 24 transcript on this matter, on Page 47, Attorney Boylan, representing Price Waterhouse, had the following to say: "We are the three people present at the table, but Price Waterhouse will make available to your Committee any person, Chairman Bocchini, whom you think might contribute to an understanding of the technical problems or of any aspect of this relationship which is necessary for your Committee to fully understand the problems encountered and the remedies proposed."

It goes on to say, on Page 49, in the second paragraph, actually it is the first full paragraph: "We, as citizens, deal with the State through the Division of Motor Vehicles; that represents the State to us. Whatever the explanations, whatever the defenses, however great the commitment of Price Waterhouse, you, as representatives of the people, have to investigate this problem because the people are the ones who bring you the complaints, which I am sure prompted this and other similar hearings." He goes on to say in the last sentence of the

next paragraph: "If we do not have the answers available today, we will bring you whatever else you want from us."

Now, if you recall, I believe at the last hearing, because of the time element, we suspended the hearing and indicated that we would like to have the representatives back. From that date to 10:30, there was never any indication by the Price Waterhouse representatives that they could not, or would not be here. I can assure you that I will take every action necessary to have Price Waterhouse back in front of this Committee. If that necessitates bringing Price Waterhouse-- Gentlemen, Mr. Schuber and Mr. Martin, and my colleagues Mr. Foy and Mr. Pelly, I think this is an issue that this Committee, as a whole, not on a partisan basis-- The Governor last night in his statement said: "Price Waterhouse screwed up." Here we are, a Committee of the General Assembly, dealing with an issue that is of the utmost importance to more than 1.4 million people in this State. We're dealing with \$6.5 million worth of taxpayers' money. And, if it is necessary, we will subpoena Price Waterhouse and their representatives to get them back in this room. If we have to have a subpoena issued to them, we will certainly do that. I will request this Committee to do that, and you will see them back in this room, or some similar room in the near future. They are a very integral part of this whole process.

ASSEMBLYMAN FOY: Mr. Chairman?

ASSEMBLYMAN BOCCHINI: Mr. Foy.

ASSEMBLYMAN FOY: I concur with your remarks. I'll put it in the form of a motion that we request the appropriate subpoena power. I realize that we summoned them here today by virtue of a letter and we have certain authority pursuant to the statute with respect to that, but perhaps a subpoena will be more to their liking in terms of requiring their appearance here.

The reason stated by Mr. Boylan on their behalf about why they would not come here appears to me to be ludicrous as far as their decision not to come and the basis therefor. Specifically he said: "In light of the statements attributed to ADR, which at the request of Price Waterhouse I now have under legal review, I have advised my client that in my judgment it would be inappropriate for it to seek in

a legislative context to meet the inferences that seem to have been raised by ADR." What he is telling us is, basically we are probably going to sue them, and they are going to sue us, and, as a consequence, we are not going to talk to you because that may interfere with our civil lawsuit that may arise out of this situation. That is a highly inappropriate response to a legislative committee, to a body which represents the people of the State of New Jersey -- the Legislature -- in their attempt to get the facts out regarding this hearing. I am appalled by that response. I think it is wholly inappropriate, and I think it smacks of-- Don't accuse Mr. Schuber of stonewalling; talk about Price Waterhouse stonewalling. I mean, it's ridiculous.

I'll move that we take action to issue a subpoena immediately for a date for Price Waterhouse to come here. Let's clear the decks. Let's have Price Waterhouse here by themselves so that there is no opportunity for them to use an excuse like, "Well, the Attorney General may go after me. We don't want to be there at the same time he is there," or "ADR may be there," or someone else may be there. I'll put that in the form of a motion. Let's issue the subpoena and have them come back all by themselves so they will not have an excuse.

ASSEMBLYMAN MARTIN: I'll second the motion, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: On the motion -- any discussion? Call the motion.

MS. SZILAGYI: Mr. Bocchini?

ASSEMBLYMAN BOCCHINI: Yes.

MS. SZILAGYI: Mr. Foy?

ASSEMBLYMAN FOY: Yes.

MS. SZILAGYI: Mr. Pelly?

ASSEMBLYMAN PELLY: Yes.

MS. SZILAGYI: Mr. Schuber?

ASSEMBLYMAN SCHUBER: Yes.

MS. SZILAGYI: Mr. Martin?

ASSEMBLYMAN MARTIN: Yes.

ASSEMBLYMAN BOCCHINI: With that, we will move to our first witness. However, I would like to make it clear on the record that I think the behavior of Price Waterhouse this morning is disgraceful. I

don't know what they are trying to hide, if anything. If they think they have answered sufficient questions concerning their contractual relationship with the State of New Jersey and the performance of their obligation to the State of New Jersey, well, they must be kidding themselves. It has become quite apparent to the public and quite apparent to people in everyday life that there is a problem at the Division of Motor Vehicles. The taxpayers' dollars-- You know, I run into people on the street, fellows, every day, who say, "What the heck is going on?" It's a little stronger than what the heck is going on.

They don't want to be here, and I just think it is a disgrace. I don't know what they are trying to hide.

ASSEMBLYMAN FOY: Mr. Chairman, we are not going to play hide and seek with anyone. The people's business is as important, or more important than any business Price Waterhouse executives may have. A subpoena should be issued. Get a date that is fine for the Committee. If Mr. LaRocca can't make it again, I will be happy to join Pat, Bob -- all of you -- and come back to help out.

ASSEMBLYMAN MARTIN: Mr. Chairman, I don't think it is appropriate at this stage to make any insinuations. We don't know for what reasons they were advised by their counsel not to appear. I think a subpoena is appropriate given the circumstances, but I do not want to prejudge Price Waterhouse or anyone else before they have a chance to testify.

ASSEMBLYMAN BOCCHINI: I can appreciate that, Mr. Martin, but at the same time, I think, as we are all aware, that any statements made between Price Waterhouse and the other parties in the contractual relationship were certainly made a while ago. This, I believe, is Thursday, and here we are three or four days subsequent to what Mr. Boylan is speaking about and receiving a hand-delivered letter, you know, at the eleventh hour -- not even the eleventh hour, the twelfth hour. I think it was contrived; I think it was planned. I don't think they had any intention of coming here after they left here last week. That may very well just be a convenient excuse for them at this point in time, but that is one of the things we may discuss at a later time.

The representative from ADR will be our first witness.

MS. SZILAGYI: He's not here.

ASSEMBLYMAN BOCCHINI: He's not here?

ASSEMBLYMAN FOY: Mr. Chairman, out of courtesy to the Attorney General-- I mean, he is the Attorney General of our State.

ASSEMBLYMAN BOCCHINI: I understand that.

ASSEMBLYMAN FOY: Can we let him come up?

ASSEMBLYMAN BOCCHINI: Wait a second; I am just finding out that someone else isn't here.

Well, Mr. Attorney General, you're at bat, sir.

ASSEMBLYMAN SCHUBER: What happened to ADR?

ASSEMBLYMAN BOCCHINI: ADR--

ASSEMBLYMAN FOY: They read Matt Boylan's letter and figured they were going to get sued.

ASSEMBLYMAN BOCCHINI: Miss Szilagyi, will you kindly indicate in the record the conversation you had with ADR. I'm sorry; this is the first I heard of it.

MS. SZILAGYI: I spoke yesterday to an associate counsel at ADR who said that Mr. Farrelly could not make it because of a prior commitment. He will be happy to show up at another time.

ASSEMBLYMAN BOCCHINI: Will you kindly contact Mr. Farrelly and advise him that we will be having another hearing next week. I would like to know if he will be available for that.

ASSEMBLYMAN SCHUBER: Do we have a date for that hearing?

ASSEMBLYMAN BOCCHINI: Yes, that is just what I was going to suggest. Wednesday is the ninth, I believe.

ASSEMBLYMAN SCHUBER: Wednesday is bad for me. You may like that, but Wednesday is bad for me.

ASSEMBLYMAN BOCCHINI: How bad is it, Pat?

ASSEMBLYMAN SCHUBER: I have to go to The Bergen Record on Wednesday.

ASSEMBLYMAN BOCCHINI: Peter, are you going to give him a break with The Bergen Record next week? Can he be a little late, or a little earlier? This is an important Committee for him. (Assemblyman Bocchini is addressing someone in the audience. Response cannot be heard as person in the audience is out of the range of the microphone.)

ASSEMBLYMAN FOY: See, those of us who are lawyers sometimes have to earn a living, and I will be in court. So, I can't be here.

ASSEMBLYMAN BOCCHINI, You'll be in court; he'll be at The Bergen Record; where are you going to be, Frank?

ASSEMBLYMAN PELLY, I have two engagements during that day.

ASSEMBLYMAN BOCCHINI, Two engagements? Bob?

ASSEMBLYMAN MARTIN, I can be here on Wednesday, but I prefer Thursday.

ASSEMBLYMAN BOCCHINI, How is Thursday on everyone's schedule?

ASSEMBLYMAN MARTIN, Assuming that we don't have an Assembly session.

ASSEMBLYMAN FOY, What time would you be having the hearing? Perhaps we can do this afterward. We really ought to get along--

ASSEMBLYMAN BOCCHINI, All right. It's tentative for next Thursday. We'll set a time subsequent to this hearing. Mr. Attorney General?

ATTORNEY GENERAL IRWIN I. KIMMELMAN, Mr. Chairman, may I indicate that at the request of the Governor's counsel, our office did prepare a complete, detailed summary of the entire transaction relating to Price Waterhouse from the inception to the present time. It is a rather large package. We have been authorized to furnish each member of the Committee with a copy of this report, which contains all of the documents involved, including internal departmental memoranda.

ASSEMBLYMAN FOY, General, is this confidential for the Committee or is it going to be released to the public?

MR. KIMMELMAN, We consider it a public document.

ASSEMBLYMAN FOY, Okay, fine.

ASSEMBLYMAN BOCCHINI, This was compiled, Mr. Attorney General--

MR. KIMMELMAN, By our office, by Mr. Cole, First Assistant Attorney General, who is sitting next to me. It was submitted to counsel for the Governor, at his request, and it contains a complete analysis and chronology of all of the events surrounding the contract with Price Waterhouse.

ASSEMBLYMAN FOY, Mr. Chairman?

ASSEMBLYMAN BOCCHINI, If I may, when was that requested by the Governor's office?

MR. KIMMELMAN: Either late last week or early this week.

MICHAEL R. COLE: Mr. Chairman, if I may, it was requested Monday of this week, it was completed yesterday, and it was delivered to the Governor's office.

ASSEMBLYMAN FOY: First, certainly thanks for showing up, General. We're glad someone is here. Since we are just receiving this for the first time, and it looks to be rather lengthy, I would like to ask the Attorney General, I would like to ask the Attorney General from the start-- We may have some questions for you today, but subsequent to reviewing that report, we may need the opportunity to have you come back to answer some questions we may ask that arise from the report. We will get a mutually convenient date.

MR. KIMMELMAN: Have someone pick these up? I have one copy for each member of the Committee.

ASSEMBLYMAN BOCCHINI: Fine. (Mr. Cole hands copies of report to Ms. Szilagyi.)

Mr. Attorney General, we were going to ask the witnesses this morning if they would object to testifying under oath. I was wondering if you would have any problem with that.

MR. KIMMELMAN: I don't know whether that is necessary. I have no problem with it; my testimony would be the same.

ASSEMBLYMAN FOY: I think the reason the question has come up is, you're here and you're voluntary, but we are going to be subpoenaing other people. We just don't want anyone to have a loophole and be able to say, "Well, the Attorney General didn't do it, and Mr. Kline didn't do it, and this guy didn't do it. Therefore, we don't have to do it." They are going to be under a subpoena; they are going to be under oath. We would like to make it consistent, if you do not have a problem with it.

MR. KIMMELMAN: Administer the oath.

ASSEMBLYMAN FOY: Thank you.

ASSEMBLYMAN BOCCHINI: I don't think we need the formality of placing your hand on the Bible, Mr. Attorney General. Just simply raise your hand--

MR. KIMMELMAN: I solemnly swear that the testimony I will give before this Committee will be the truth.

ASSEMBLYMAN BOCCHINI: Thank you. Mr. Attorney General, in relation to January, 1983, the second contract. I think the public is fairly well aware, as is the Committee, that there was an initial contract with the Division of Motor Vehicles for \$88,000. That was a competitive bid, or at least it was competitive in the nature that there were six or seven parties which were requested to participate. Price Waterhouse, as you know, was the recipient of that original contract. Subsequent thereto, there was a contract in January, 1983, for \$700,000 to Price Waterhouse from the State. Who negotiated that contract?

MR. KIMMELMAN: I don't have the data or the information at hand at the present time with respect to that interim contract.

ASSEMBLYMAN BOCCHINI: Did you have any role in the negotiating of that contract?

MR. KIMMELMAN: No. I may have signed the bid waiver as the Department head.

ASSEMBLYMAN BOCCHINI: Did you review the contract?

MR. KIMMELMAN: The documents were submitted to our office and they were reviewed in our office. Also, there was a report to me by my staff. Without the documents in front of me, I can't amplify on the answer, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Did you sign off on that contract?

MR. KIMMELMAN: I believe I signed the request for a bid waiver, if that is what you mean by signing off.

ASSEMBLYMAN BOCCHINI: You were signature to the contract, I believe.

MR. KIMMELMAN: I don't recall that. Do you have a copy of the contract?

ASSEMBLYMAN BOCCHINI: Do we have a copy of the \$700,000 contract? We know he signed the \$6.5 million contract. (speaking to Ms. Szilagyi)

Mr. Kline, we requested that contract. Did you supply that to us?

ROBERT S. KLINE (speaking from audience; not near microphone): Which contract are you talking about?

ASSEMBLYMAN BOCCHINI: The \$700,000 contract.

MR. KLINE: That was requested from the Division of OTIS. That contract was not with the Division. We don't have that contract. That was Systems and Communications. You didn't request that contract from me, Mr. Chairman. That was not with the Division.

ASSEMBLYMAN FOY: Mr. Chairman, he doesn't have the data on that contract. Can you tell us where the data is? Who does have it?

MR. KIMMELMAN: That contract, I believe, was with the Division of Systems and Communications, which we refer to as SAC. It was, at that time, a part of the Department of Law and Public Safety, but it was transferred out of the Department of Law and Public Safety when OTIS, the Office of Telecommunications and Information Systems was formed. So, OTIS, at this point, would have that material.

ASSEMBLYMAN FOY: Okay. Isn't it your practice to keep copies of State contracts once filed in the Attorney General's office?

MR. KIMMELMAN: Well, it would be our practice to keep it with the Division to which the contract relates. But, the Division was transferred from our Department. So, the contract is still in existence, but not in our Department.

ASSEMBLYMAN FOY: I understand, but as the attorney for the State government-- I am a lawyer, and I keep copies of my clients' contracts in my office files. You don't do that for State government?

MR. KIMMELMAN: We do not keep separate files.

ASSEMBLYMAN FOY: No, okay. So, contracts that are let by various agencies are ~~just kept where they are.~~

MR. KIMMELMAN: They are made a part of the agency which is the contracting party.

ASSEMBLYMAN FOY: Okay.

ASSEMBLYMAN BOCCHINI: The Division of Motor Vehicles is a part of your Department, isn't it?

MR. KIMMELMAN: Of the Department of Law and Public Safety, yes.

ASSEMBLYMAN BOCCHINI: In relation to the \$6.5 million contract, who, from your office, negotiated that particular contract with Price Waterhouse?

MR. KIMMELMAN: Now, do you mean the contract that was ultimately signed in November--

ASSEMBLYMAN BOCCHINI: The contract that was signed on November 9, 1983.

MR. KIMMELMAN: That contract was negotiated by the staff of the Division of Motor Vehicles.

ASSEMBLYMAN BOCCHINI: Do you know who the staff of the Division of Motor Vehicles was?

MR. KIMMELMAN: I don't know the particular names and, of course, that negotiation was done with the assistance of our Deputy Attorney General assigned to represent the Division in this matter, at that time.

ASSEMBLYMAN BOCCHINI: Who was that? Mr. Cole?

MR. COLE: Do you want me to swear, Mr. Bocchini?

ASSEMBLYMAN BOCCHINI: Yes, please.

MR. COLE: I solemnly swear that the testimony that I am about to give shall be the truth, the whole truth, and nothing but the truth.

ASSEMBLYMAN BOCCHINI: Thank you.

MR. COLE: Mr. Bocchini, I serve as First Assistant Attorney General, and I have been, since 1981, Director of the Division of Law. I retain that title today. The contract you are referring to was negotiated-- The assistance of my office, the Division of Law, was required for those negotiations. It was provided under my direction. The particular Deputy involved was Deputy Attorney General Maureen Adams, who operated under my direction. ~~Every step taken in that contract was precleared and discussed with me.~~

ASSEMBLYMAN BOCCHINI: Other than the signing of the contract, General, did you participate in any other matters concerning this contract?

MR. KIMMELMAN: None whatsoever.

ASSEMBLYMAN BOCCHINI: So, in essence, are you advising me then that your signature was nothing more than pro forma and the actual context, the body, the substance -- you really had no idea what it consisted of?

MR. KIMMELMAN: Well, I had an idea what it consisted of because before I signed the contract I at least read it. I signed it

as the Department head, but not as the party who conducted the negotiations and set the terms.

ASSEMBLYMAN BOCCHINI: You signed this as a Department head. Consequently, you would be aware of all those persons, or at least have documentation, hopefully, of those persons who may have or who in fact did, sign off on the contract, is that correct?.

MR. KIMMELMAN: There is documentation. One thing, Mr. Chairman. Before the contract was signed, I signed the request for the bid waiver for permission to enter into the contractual negotiations without the necessity of bidding. With respect to that, I relied upon memoranda submitted to me by my staff. The First Assistant Attorney General at that time was Thomas Greelish, who was in charge of overseeing the negotiations through the Director of the Division of Law, which was Mr. Cole.

ASSEMBLYMAN BOCCHINI: That is the bid waiver.

MR. KIMMELMAN: Pardon me?

ASSEMBLYMAN BOCCHINI: The bid waiver memorandum.

MR. KIMMELMAN: Yes. Let me say this: In my capacity as the Department Head, I designated my First Assistant to have responsibility with respect to the Division of Motor Vehicles in relation to Price Waterhouse. Initially, it was First Attorney General Thomas Greelish, and after Mr. Greelish resigned, First Assistant Attorney General Michael Cole succeeded to that responsibility. Those gentlemen reported to me with respect to the signing of the initial bid waiver, and subsequently, with respect to the signing of the contract in November 1983.

I know you use--

ASSEMBLYMAN BOCCHINI: What is the date of--

MR. KIMMELMAN: --the word "pro forma," and in a sense, as a Department Head, it was my responsibility to sign the contract that came up through the Division.

ASSEMBLYMAN BOCCHINI: What was the date of the bid waiver memorandum?

MR. KIMMELMAN: July 19th, 1983.

ASSEMBLYMAN BOCCHINI: Is that included in the documentation that you gave us that was compiled and sent to the Governor's office, or Governor's counsel?

MR. KIMMELMAN: Oh, no. What was sent to the Governor's counsel -- Are you referring to the package we just delivered?

ASSEMBLYMAN BOCCHINI: Yes sir.

MR. KIMMELMAN: I don't know if it covers First Assistant Attorney General Greelish's memo; it may not. But I have a copy here if you like.

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Attorney General. But didn't you say that what was sent to the Governor's office was chronological--

MR. KIMMELMAN: Summary.

ASSEMBLYMAN BOCCHINI: --summary of what took place?

MR. KIMMELMAN: Yes. It may not have this particular memorandum because we did not consider this a key document.

But I can supply you with a copy, I can read you a pertinent paragraph--

ASSEMBLYMAN BOCCHINI: If possible, I would like to make that -- the entire document -- a part of the record.

MR. KIMMELMAN: You certainly are entitled to it. But let me read one or two key paragraphs to indicate to you how matters come up through the bureaucratic system to the Department head for his signature. I won't read the entire one.

The first one says, "I attach here with the various papers pertinent to the request for the Division of Motor Vehicles to waive advertising and award a contract to Price Waterhouse in the amount of \$5,995,000."

I think perhaps I should go on and read it: "As you are aware, Public Law 1983, Chapter 65, commonly referred to as the Adubato Bill, mandates that the Division of Motor Vehicles implement a surcharge program by January 1, 1984. As the supporting papers indicate, the applicability to implement that program is dependent upon the ability of the Division of Motor Vehicles to redesign its data base for registered drivers and to develop an accounting system. In order

to achieve such an objective, implementation of substantial portions of the Division of Motor Vehicles' master plan will have to be undertaken.

"Because of the time constraints, the only realistic alternative is to have Price Waterhouse, who is familiar with DMV's existing data base, undertake the project. Our own Division of Systems and Communications lacks the necessary resources to achieve the objective in the time permitting.

"I have reviewed this matter with Director Bianco of SAC" -- that is Systems and Communications -- "and he knows of no reason why you should not sign off on the waiver. In reviewing the submitted papers, there are two areas of concern, as pointed out in Director Bliss' memorandum to me..." Director Bliss, I say parenthetically, is my Director of the Office of Administration in the Department of Law and Public Safety.

"...as pointed out in Director Bliss' memorandum to me, which can be cured by contract drafting and should not delay execution of the waiver. These two areas are the language addressed to the guarantee or commitment of Price Waterhouse to deliver the completed project within the time frame requested, and a breakdown of the fee structure."

Last paragraph. "Because of the exigencies of time, and because of the projected dollar savings to the State through the computerized system, I recommend your approval. Such approval should be with the understanding that the contract documents will address the two areas set forth above."

Now, this is the type-- Pardon?

ASSEMBLYMAN BOCCHINI: Excuse me. That being the surcharge, and the comprehensive?

MR. KIMMELMAN: No. The two areas that he wanted the ultimate contract, or recommended that the ultimate contract cover, are a guarantee, or commitment, from Price Waterhouse to deliver the completed project within the time frame requested, and a breakdown of their fee structure. Both of those two concerns of then-First Assistant Attorney General Tom Greelish were covered in the ultimate contract document.

But, to be more responsive to your question, Mr. Chairman. The reason for the exigency, and the time problem, was that the Division of Motor Vehicles was mandated to implement the Adubato Surcharge Bill by January 1st, 1984, and here it was-- We were now June, 1983, some six or seven months before that mandated date.

ASSEMBLYMAN BOCCHINI: But, if I may, there is no problem, if my recollection serves me correctly, with the surcharge system. The surcharge system, I believe, under the terms of the contract in--

MR. KIMMELMAN: It performs--

ASSEMBLYMAN BOCCHINI: --You can yield to Mr. Cole, if you prefer, Mr. Attorney General, is in place.

MR. KIMMELMAN: The surcharge system performs the way it was designed to perform. There is no problem.

ASSEMBLYMAN BOCCHINI: So, then, the problem obviously comes in under the second part of the terms of the contract, more specifically--

MR. KIMMELMAN: Which was the implementation--

ASSEMBLYMAN BOCCHINI: --the comprehensive portion.

MR. KIMMELMAN: --the long-range master plan, which would be the complete computerization of the DMV. For so many years, the DMV was a hand, a manual operation, with respect to recording data and retrieving data.

ASSEMBLYMAN BOCCHINI: On August 26th-- Actually, before I get to that, last evening, I had the pleasure of listening to the debate before our respective candidates, and in the process of that discussion, I believe the Governor did indicate that Price Waterhouse had -- and Price Waterhouse testified before the Committee that they were going to fix the system, at their own expense -- and the Governor gave you credit for saving the taxpayers money, or at least, your office, as a result of negotiations, I presume, between Mr. Cole and Price Waterhouse as far as the problems that now exist, or that existed as of-- were recognized, at least, some time in August, that they would take care of those problems at no cost to the taxpayers, is that correct?

MR. KIMMELMAN: Yes.

ASSEMBLYMAN BOCCHINI: There has been an issue in relation to the non-performance section of the contract, which I-- Do you have a copy of that in front of you, the contract, Mr. Cole?

MR. KIMMELMAN: Yes, we have a copy.

ASSEMBLYMAN BOCCHINI: It has been questioned by members of this Committee, and members of the media, people from the public itself, why the State has not gone into the enforcement of the non-performance provisions of the contract. I believe that is on page 15, is it?

MR. KIMMELMAN: There is a liquidated damage clause on page 15, under item 11. Non-performance, Item 11a.

ASSEMBLYMAN BOCCHINI: Correct. And it would appear, based based on what our understanding is at this point, that there is no problem, at least that we are aware of at this juncture, as far as the surcharge system is concerned, is that correct, Mr. Cole?

MR. COLE: That is correct, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: There was a signoff process for the surcharge system, I believe; is that correct? Project manager, or somebody within the Division or the Department of Law--

MR. COLE: The contract specified certain milestones with dates, specifics that had to be met. And the system, when delivered, had to be accepted. Is that what you are referring to?

ASSEMBLYMAN BOCCHINI: Yes. Wasn't the system, the surcharge system, in fact accepted?

MR. COLE: Yes. I believe so. It has been operational since early 1984.

ASSEMBLYMAN BOCCHINI: In relation to the liquidated damages section, under Section 11b, concerning non-performance of the consultant in relation to the comprehensive system. What is the status of that at this juncture?

MR. KIMMELMAN: Well, Mr. Chairman, we are aware of the terms of the contract. We are aware of the rights of the State. We are aware of the responsibilities of Price Waterhouse. Mr. Cole, in August, put Price Waterhouse on formal notice that they would be held responsible for absolute adherence to the terms of their commitment, and that they

would be responsible for damages. Price Waterhouse ultimately, and as you saw in the letter delivered to this Committee today from Mr. Boylan, acknowledges that they are responsible for the delivery of a system that properly performs. They are undertaking steps right now, and have been for some time, to correct all the deficiencies in the system.

That being the case, it really is not legally proper for me as the attorney, to comment upon our legal strategies or speculate as to what our theories might be, because it is an ongoing matter. And if I speculated in public as to what our strategy might be, then I might possibly be prejudicing our rights at some time in the future. So with respect to that, I would appreciate, Mr. Chairman, if you would recognize our position and agree with it.

ASSEMBLYMAN BOCCHINI: I understand--

MR. KIMMELMAN: Insofar as not discussing the strategy in public.

ASSEMBLYMAN BOCCHINI: I understand what you are saying, in not discussing the strategy. Let me ask you this: Under the letter of August 26th, 1985, from Mr. Cole to the representatives of Price Waterhouse, he does indicate that it is costing-- the overtime process-- Let's see here. "The Division has been forced to pay approximately \$160,000 per month in overtime to process information at night because the system cannot perform all the required functions simultaneously during the working hours." Now, I would think that you would certainly agree that \$160,000 a month of taxpayers' money would be a measure of damages that this State is suffering.

MR. KIMMELMAN: That would be an element of damages to be considered in the final disposition of the claim. Let me just say to you, Mr. Chairman, and the members of the Committee, that at the present time the State is withholding, and has withheld, a very substantial sum of money from Price Waterhouse pending the completion of their obligation.

ASSEMBLYMAN BOCCHINI: The statements of the Price Waterhouse representatives, which I have termed, at least in my own thinking, as being nothing more than self-serving, that they are going to fix the

system and put the system back into the manner in which it is supposed to perform, at their own cost and expense, does not impress me, Mr. General. And they are only doing it, the way I analyze this contract, which we as the State and they as a party to that contract, agreed to do. So, the manpower, the hourly -- the hours, the dollars...Would you correct me if I am wrong in my thinking? When Price Waterhouse says, "We are going to fix this thing," are they doing anything special for this State? Are they doing what they were supposed to have been doing, anyway?

MR. KIMMELMAN: I indicated to you earlier that they are doing what they have agreed to do initially. We expect them to do that, and we will see that they adhere to their obligation.

ASSEMBLYMAN BOCCHINI: However--

MR. KIMMELMAN: I have answered your question. They were doing what they were supposed to have done.

ASSEMBLYMAN FOY: I have another question, and I don't want to get into your specific legal strategy, but I think that it is pretty apparent that if somebody breaches a contract, you sue them for breach of contract. There are lot of things you can sue for: actual damages -- the \$190,000 a month that is going down the drain because of their delays. How about -- My question is, is the Department undertaking any study to ascertain what in fact the actual damages are?

MR. KIMMELMAN: Yes.

ASSEMBLYMAN FOY: Let me extrapolate a little bit. I am concerned about what my little court in Burlington Township has to do in terms of postponing cases and having additional court hearings because we can not get abstracts for our police officers--

MR. KIMMELMAN: Mr. Foy --

ASSEMBLYMAN FOY: --in our municipality. That is costing us money. Is Price Waterhouse going to pay for that, and are we finding out about it, Mr. Attorney General?

MR. KIMMELMAN: Mr. Foy, we are aware of all of those factors. We are keeping track of items which may very well enter into the damage picture at the proper time.

ASSEMBLYMAN FOY: That is--

MR. KIMMELMAN: They are not escaping our notice.

ASSEMBLYMAN FOY: You are to be commended for that.

MR. KIMMELMAN: All right, thank you. But how they will be handled at that time, I can not speculate. I can not indicate to you what our strategy will be. That is not really proper.

ASSEMBLYMAN FOY: I agree with you...I agree with that.

MR. COLE: Mr. Foy, if I may. One of the difficulties with discussing legal strategy, or even potential elements of damage in a form like this is, you know that not all damages are ultimately going to be recoverable. They may be too indirect, too speculative. And the problem with trying to define what is and what is not-- I will tell you this, that I have been with State government eight years, and I take my responsibility seriously. I made a decision that it was better to defer on the question of damages, for legal, tactical and practical reasons. The practical reasons have been discussed. The practical reasons are, if you are going to fix the system, you are going to have a hard time doing it if you are in the middle of litigation, and you are going to have to talk through lawyers. You are just not going to get it fixed.

ASSEMBLYMAN FOY: I agree. I think the practical issue is being addressed in the proper fashion. I am just concerned about your internal efforts to attempt to ascertain from all 567 municipalities what it has cost them because of these delays. That is a measurable, quantifiable number, and we ought to have it. Whether or not some judge is ultimately going to award it, I don't know; whether or not you ultimately decide to bring a lawsuit against them, I don't know, and neither do you, at this juncture. But the fact of the matter is, the public deserves those facts, we deserve the figures, and we should have it available in our arsenal if it is necessary to pursue this matter into litigation. I think you will agree with that, won't you?

MR. COLE: Yes, I will.

MR. KIMMELMAN: That is correct. And the damages, in that sense, are mounting. And they are not capable of being ascertained in a dollar amount, fixed, at the present time, because it constantly changes.

ASSEMBLYMAN MARTIN: Mr. Chairman? Pursuant to that--

ASSEMBLYMAN BOCCHINI: Mr. Martin? One moment, please.

Tom, your firm does some municipal prosecuting work?

ASSEMBLYMAN FOY: Yes.

ASSEMBLYMAN BOCCHINI: Pat, does your firm do any municipal prosecuting work? I am just trying to get a --

ASSEMBLYMAN SCHUBER: Yes.

ASSEMBLYMAN BOCCHINI: --I know our office does.

And you mentioned that-- But when you brought that up, Tom, I could not help but think I have been running into a problem with the officers in the town that I represent, or our office represents as a municipal prosecutor, with the processing of the transcript, the driver's transcript, getting the certified transcript. And, depending on the mood of the judge sometimes, it is not a question of the overtime but coming back -- if you can get the postponement, or the delay within the process, but if it is not there, and you can not go forward, and you have people -- because the State is not in the position to be able to proceed with their case, you have people who in some instances who are going to be able to walk when they should be in front of that municipal court in relation to driving while on the revoked list, or driving while they were intoxicated-- Excuse me, while they were suspended as an intoxicated driver, which creates another problem that you can not even term in dollars and cents, I believe.

Assemblyman Martin?

ASSEMBLYMAN FOY: Is that a question for the Attorney General?

ASSEMBLYMAN BOCCHINI: No, it is a question --

MR. KIMMELMAN: I am listening.

ASSEMBLYMAN BOCCHINI: --It brings something to mind.

MR. KIMMELMAN: It is an indirect cost, an indirect item of damage. It may not be compensable in terms of dollars and cents. We just don't know.

ASSEMBLYMAN BOCCHINI: Oh, I acknowledge that. All I am suggesting, Mr. Attorney General, as to Mr. Martin and Mr. Foy, that we have that collateral problem, that is all.

MR. KIMMELMAN: What you are talking about is the resulting inconvenience to public agencies, and to members of the public.

ASSEMBLYMAN FOY: It is more than that. It is more than an inconvenience. It is a potential impairment of our law-enforcing capability in every municipal court in the State of New Jersey. People who are guilty are going to walk because they have a right to a speedy trial under our Constitution. That is what Price Waterhouse is doing by delaying this contract. That is what concerns me, Mr. Attorney General. The money is one thing; that is important to the taxpayers. But what about somebody who was in an accident, and has hurt somebody, and gets off because they can not get their abstract for six months from Motor Vehicles? That is the law enforcement issue; that concerns me more than money. And if it is not abstracts, it is their licenses we can not get out. It is a comprehensive system. I have no idea what law may come under that umbrella. That makes me nervous.

ASSEMBLYMAN BOCCHINI: Mr. Martin. I see Acting Director Kline--

ASSEMBLYMAN MARTIN: Yes, I defer--

ASSEMBLYMAN BOCCHINI: Would you care to yield to--

ASSEMBLYMAN MARTIN: Yes, I do.

ASSEMBLYMAN BOCCHINI: Mr. Kline? If you could, would you please come up to the table?

MR. KLINE: (speaking from rear) Mr. Bocchini, I have to rise because I understand the Assemblyman's point. However, we have no problem issuing abstracts--

ASSEMBLYMAN FOY: You have no problem? You have never talked to a prosecutor. If it is not under this system, you have a problem somewhere, Mr. Kline. Don't tell me you have no problem. Every municipality in this State has a problem getting abstracts from your department--

MR. KLINE: Mr. Foy, we process abstracts every night.

ASSEMBLYMAN BOCCHINI: Mr. Kline, and Mr. Foy-- If I may have your attention? Mr. Martin, I don't know if you made the right move by congeniality, but notwithstanding that--

ASSEMBLYMAN MARTIN: I would like to hear what Mr. Kline has to say.

ASSEMBLYMAN BOCCHINI: I would like to hear what he has to say also.

ASSEMBLYMAN MARTIN: I yield to Mr. Kline.

ASSEMBLYMAN FOY: No problem.

ASSEMBLYMAN BOCCHINI: Mr. Kline, if you would not mind being sworn in?

MR. KIMMELMAN: May I ask for the courtesy of having the Committee finish with my testimony?

ASSEMBLYMAN FOY: Yes. I think that is important. We can bring Mr. Kline up when it is his turn.

MR. KLINE: I just wanted to clarify that for the Committee, that is all.

ASSEMBLYMAN BOCCHINI: Well, you are next, so I know the Attorney General has to be out with Col. Pagano. We will call you back.

MR. KLINE: Thank you, Mr. Chairman.

ASSEMBLYMAN MARTIN: If I may, Mr. Chairman. Just a couple of questions with respect to the damages, here.

Without getting into specific strategies-- Obviously, one of the principles of law is to minimize damages. Under the approach that you have now, in attempting to see that the contract is carried out-- Does that in some way minimize the damages?

MR. COLE: Yes. And under the approach we have taken, the system should be remedied much sooner, much more expeditiously, than if you have to start all over again with a new vendor. That is certainly part of our thinking from a practical standpoint. It is also part of our thinking from a legal standpoint. We have an obligation to minimize.

ASSEMBLYMAN MARTIN: And if I understand your testimony, what you are-- Correct me if I am wrong. What you are saying at this juncture is that the specific damages, to the extent that they could be accumulated at this point in time, it is really premature to set a figure. But the State has reserved any and all rights it has to seek those damages against Price Waterhouse as a future time, is that correct?

MR. COLE: That is correct. And to protect that right, I have withheld in excess of \$1 million -- I believe it is \$1.4 million

-- in dollars due under the contract, plus agreed-upon change orders coming out of the surcharge system.

ASSEMBLYMAN BOCCHINI: In relation to that-- Are you finished, Mr. Martin?

ASSEMBLYMAN MARTIN: Yes.

MR. COLE: And I will not pay over any of those moneys until I am satisfied that all of the State's interests have been adequately compensated, and that the system is as we bargained for.

ASSEMBLYMAN BOCCHINI: One second. In relation to that, you have held back a million-four. Is the surcharge paid in full?

MR. COLE: No, it is not.

ASSEMBLYMAN BOCCHINI: Is the -- Out of the million-four, is part of that surcharge?

MR. COLE: It is an accounting mechanism. The surcharge system costs more money than it was supposed to. There were agreed-upon extras which have not been processed. The extras came about--

ASSEMBLYMAN BOCCHINI: Wait one second. It's more than \$6.5 million?

MR. COLE: No, no. The entire contract, had it been fully performed -- yes, it would have been.

ASSEMBLYMAN BOCCHINI: Well, then in effect, if the contract had been completed, and there was not the problem we had today, we would be paying more than \$6.5 million?

MR. COLE: There would have been a request for a supplemental waiver to cover agreed-upon extras in the construction of the surcharge system. They came about, parenthetically, because you may remember the bill was amended several times, and every time the bill was amended, there had to be a reprogramming effort.

ASSEMBLYMAN BOCCHINI: How much more?

MR. COLE: I don't know the number. I think, somewhere between \$125,000-\$200,000. But I can get the precise number for you.

ASSEMBLYMAN BOCCHINI: I would appreciate it. Now, in relation to the money that you are holding, the million-four -- What represents -- Is it broken down, surcharge, comprehensive? How much --

Let me retract that a second. Six-point-five million dollars. How much money was allocated for the comprehensive portion of this contract?

MR. COLE: I will have to ask for some assistance in giving you that number. Can you hold one second?

In general, not to exceed the \$6.5 million contract.

ASSEMBLYMAN BOCCHINI: So there was no division as to the amounts-- It was a \$6.5 million contract, and you just had to do Phase I being surcharge, Phase II being comprehensive?

MR. COLE: There were projections, I believe--

ASSEMBLYMAN BOCCHINI: I read that within the contract as far as the dates that certain things were supposed to be done and accomplished.

MR. COLE: I believe there were also some projections as to man-hours involved, so I suspect the bottom-line answer to your question is, it is calculable.

ASSEMBLYMAN BOCCHINI: Mr. Attorney General. How much is still due under the contract?

MR. COLE: Approximately \$1.4 million.

ASSEMBLYMAN BOCCHINI: So then what you are withholding, then -- They have been paid up to date, and you are withholding, then? What you are withholding is the balance that is due to them? They have been paid five--

MR. COLE: I dispute whether it is due them, because I do not have my system, but yes, that is correct.

ASSEMBLYMAN BOCCHINI: But they have been paid \$5.1 million dollars at this juncture, approximately-- Is that correct?

MR. COLE: Approximately.

ASSEMBLYMAN FOY: I have to ask a question. How did you conclude to hold the \$1.4 million? Simply because that is what was left?

MR. COLE: That is what was left.

ASSEMBLYMAN FOY: Not because there were 1.4 million transactions in the backlog. You did not charge them a dollar a transaction.

MR. COLE: No, I withheld every nickel that was left.

ASSEMBLYMAN FOY: They have already received three dollars per backlogged transaction for a system that does not work, and we have got \$1.4 million dollars of their money left. And they told you they are the kid who broke the window, they are going to fix it, and it is easier to have the kid who broke the window fix it, right? That is what you said before. You feel that you are going to save money by having Price Waterhouse try to undo what they have already done wrong.

MR. COLE: And from a legal standpoint, you are aware of the obligation to offer an opportunity for cure--

ASSEMBLYMAN FOY: Sure.

MR. COLE: --and you are also aware that if you do not, you jeopardize your ability to recover the full amount of what you expend yourself, plus the time.

ASSEMBLYMAN FOY: What will you do if they fail again?

MR. COLE: If they fail again, the full weight of our office will be around their neck. And I will tell you this, Mr. Assemblyman, I do not think Price Waterhouse can afford to fail again. Given the amount of publicity that this has engendered, their reputation is on the line; and I expect that that is not a bad thing to have on our side.

ASSEMBLYMAN FOY: I agree with you, but I do not really care what they can afford, I care what the taxpayers of this State can afford. And frankly, I don't know if we can afford this type of activity in the future, and that is one of the reasons this Committee is meeting, to review the facts in this case because we may need legislation regarding bid waivers. That concerns me, because we seem to have gotten ourselves in trouble twice now in one Department. I don't want to see it happen again; I am sure you don't, either.

MR. COLE: That is certainly an appropriate legislative inquiry.

ASSEMBLYMAN BOCCHINI: Mr. Cole, we have paid \$5.1 million dollars for less than half of the package. Now, if you analyze the comprehensive, and compare it to the surcharge program, it appears that the comprehensive has a great deal more to do with it than the surcharge program does. It appears that it covers a great number of

areas -- more transactions, more usage, etc. -- and we have paid \$5.1 million dollars and we have a system that doesn't work, the part of the system that is the most integral part of the system, is that correct?

MR. COLE: In my judgment, yes.

I should say, Mr. Bocchini, that the reason the money has been paid is that there are milestone dates as tasks are completed. The moneys for bills, the moneys were due and owing. It was not until the system became fully operational that the problems became apparent. In other words, it is one of those items where each individual segment looks fine in isolation; it is when you put the whole package together. So perhaps there is a lesson there, that in the future contracts should be structured with greater "retainage." But we have withheld whatever money was left in this contract to protect the State's rights.

ASSEMBLYMAN BOCCHINI: All right. Frank-- Mr. Pelly?

ASSEMBLYMAN PELLY: Mr. Attorney General, with respect to recovery under the damages of the contract-- As I read the master plan, it anticipated and contemplated a savings of about \$11 million dollars over a four-year period, to the taxpayers of the State of New Jersey. Are you considering that as part of the damages?

MR. KIMMELMAN: That will be considered. I can not tell you whether it will be an element of damages or not. That is an item that will be taken into account.

ASSEMBLYMAN PELLY: I would hope so.

ASSEMBLYMAN BOCCHINI: Mr. Attorney General, did you have any contacts with Price Waterhouse officials prior to the awarding of the January, 1983 contract-- the \$700,000 contract?

MR. KIMMELMAN: No.

ASSEMBLYMAN BOCCHINI: Did you have any contacts with Price Waterhouse officials prior to the awarding of the November 9th, 1983 contract?

MR. KIMMELMAN: No.

ASSEMBLYMAN BOCCHINI: You had no discussions regarding the contents of the contract with any of their representatives?

MR. KIMMELMAN: That is correct.

ASSEMBLYMAN FOY: If I may ask a question. You indicated that really, the three people principally responsible for the contract negotiations in order from, I guess, the lowest rank to the highest rank were Deputy Attorney General Adams, First Assistant Attorney General Cole, and former First Assistant Greelish. Is that correct?

MR. COLE: Well, not accurate. At that time--

ASSEMBLYMAN FOY: You see, we want to know who negotiated this contract. That is our problem. We know you did not, and we know you had a role at the top in terms of having responsibilities as a Department head. We want to know who it was who sat down and put together the terms of this contract.

MR. KIMMELMAN: All right. I would surmise -- and you will get the accurate information -- that Director Snedeker was involved; Assistant or Deputy Director, at the time, Bob Kline was involved; my Deputy Attorney General, Maureen Adams, was involved; Michael Cole, who was then and is now head of the Division of Law-- and Michael Cole then reported to First Assistant Tom Greelish, but Tom Greelish did not take part in the negotiations.

ASSEMBLYMAN FOY: I don't want to subpoena the U.S. Attorney, I'll tell you that.

ASSEMBLYMAN BOCCHINI: How about the Governor's counsel?

MR. KIMMELMAN: I don't believe so. Not to my knowledge.

ASSEMBLYMAN BOCCHINI: Attorney General, do you approve of awarding contracts without bid or at least some type of competition?

MR. KIMMELMAN: It depends upon the circumstances. The State law promulgated by the Legislature provides many circumstances under which contracts can be awarded without public bid. One of them, one instance is where professional services are involved.

ASSEMBLYMAN BOCCHINI: Let's talk about--

MR. KIMMELMAN: --are involved. Another one is where you have a time exigency, which will not permit the promulgation of specifications, where there is some urgency and then a contract may be awarded.

ASSEMBLYMAN BOCCHINI: I understand that.

MR. KIMMELMAN: There are very stringent procedures to be followed to go the route of a bid waiver, and they were followed in this case.

ASSEMBLYMAN BOCCHINI: Would you agree they were also followed in the original \$88,000 contract that Price Waterhouse entered into with the DMV at the time Joan Wiskowski was the Director?

MR. KIMMELMAN: Let me answer your question this way. There was no formal public bidding when Price Waterhouse was originally retained under the last few months of the last Administration, when Joan Wiskowski was Director. They invited-- they, meaning the officials of the Division of Motor Vehicles at that time -- proposals from seven of the top eight accounting firms, and they received proposals. Price Waterhouse was not the low bidder, they were the second lowest bidder; yet those in charge at that time selected Price Waterhouse, as the second lowest bidder. And by reason of its selection and work, Price Waterhouse is the firm which became intimately familiar with the Division of Motor Vehicles, with its mechanics, and with what it needed.

ASSEMBLYMAN BOCCHINI: Intimately familiar, indeed. I would indicate to you, Mr. Attorney General, that while there were seven people who were invited, the question -- and maybe you did not understand my question -- in relation to bid waiver contracts in the State of New Jersey, should there be some type of invitations, some kind of competition, in professional areas and areas such as the problem we have today, in the Division of Motor Vehicles?

MR. KIMMELMAN: I can not answer that question categorically, but we have a policy, in the--

ASSEMBLYMAN BOCCHINI: Excuse me. You do not have to answer categorically. In relation to this particular project.

MR. KIMMELMAN: In relation to this particular project, I have to indicate to you that the bid waiver process was the proper route to go.

ASSEMBLYMAN BOCCHINI: The bid waiver process was the proper route to go--

MR. KIMMELMAN: Yes--

ASSEMBLYMAN BOCCHINI: However--

MR. KIMMELMAN: --considering the facts and circumstances, which were presented at the time.

ASSEMBLYMAN BOCCHINI: Is it your opinion that no one else should have been brought in after the initial \$88,000 contract, when the design implementation study was put together, to ask an opinion as to what they thought of the Price Waterhouse original study?

MR. KIMMELMAN: That was not what happened, obviously, because the--

ASSEMBLYMAN BOCCHINI: That is exactly what happened.

MR. KIMMELMAN: No. You said, "Should someone else have been brought in?" I don't know whether that happened, because I did not conduct the negotiations or handle what was necessary for the-- to implement the master plan provided for the Division of Motor Vehicles.

ASSEMBLYMAN BOCCHINI: You are telling me -- You did not know what happened then; you know what happened now. You read about it every day in the newspaper. You know what happened, you know that Price Waterhouse had a contract, and you know Price Waterhouse went right down the line to the \$700,000 and the \$6.5 million contract. My question to you very simply is, based on what we know at this juncture, do you think your Department -- do you think the Division of Motor Vehicles, do you think the State of New Jersey -- acted prudently and sensibly by not seeking other people to give opinions as to whether or not the Price Waterhouse report was the proper way to proceed?

MR. KIMMELMAN: Under the circumstances which were apparent to us at the time, the Division of Motor Vehicles acted properly.

ASSEMBLYMAN FOY: Could I follow up on that? Notwithstanding what happened in the past, in this mess we find ourselves in now-- As a result of circumstances that have arisen, have you as Attorney General issued any opinion or a Department order regarding future practices as of this date?

MR. KIMMELMAN: We have not issued any formal opinion or departmental order, but I was indicating to you, in response to one question earlier, that we have a general policy in our Department that where professional services or technical services are required, the

preferable course generally is to seek bidding on an informal basis, to invite bids. Sometimes you can not follow that procedure, as it could not be followed in this case. But generally, that is our policy, and Mr. Cole can amplify it.

ASSEMBLYMAN FOY: Have you made any recommendations to the Governor's office in a report that Cary Edwards requested of you, regarding bid waivers or bid processes for your client, basically, the rest of the State of New Jersey?

MR. KIMMELMAN: No. The recommendations were not made, they were not requested. It was just a factual, brief presentation.

ASSEMBLYMAN FOY: They did not ask for any recommendation for proceeding in the future, to avoid this problem again?

MR. KIMMELMAN: That is a matter which would not be appropriate for me to comment on at this time.

ASSEMBLYMAN FOY: Fine. Thank you, Mr. Attorney General.

ASSEMBLYMAN BOCCHINI: Mr. Pelly.

ASSEMBLYMAN PELLY: Thanks, Mr. Chairman. Along those very similar lines, during the process wherein negotiations occurred, the bid waiver was signed, the agreements were signed, etc. did you have any indication that Price Waterhouse, prior to the New Jersey experience, had, in fact, no experience with the implementation of a computer system in any other state in these United States?

MR. KIMMELMAN: I wasn't part of the negotiations, and I wasn't part of whatever inquiry was made into the background of Price Waterhouse. I knew the name of the company by reputation.

ASSEMBLYMAN PELLY: During the contract signing, did you ask anyone whether or not Price Waterhouse had any experience? Did that--

MR. KIMMELMAN: That wasn't a consideration at the time the contract was presented to me for signing after it was completely negotiated. As a matter of fact, Price Waterhouse had been on the job performing even prior to the time the formal contract was signed in November of 1983.

ASSEMBLYMAN PELLY: To your knowledge, did anyone in your Department have any knowledge of Price Waterhouse's inexperience in that area, or even ask the question?

MR. KIMMELMAN: Someone else would have to answer that because I don't have personal knowledge concerning that factor.

MR. COLE: Mr. Pelly, I have seen the documents, with respect to this contract, and when Price Waterhouse presented its proposal on July 12, 1983, they included a section that dealt with the experiential factor. This listed two pages of client agencies. I don't know where the information comes that they have no prior experience with computers.

ASSEMBLYMAN BOCCHINI: What page are you referring to, Mr. Cole?

ASSEMBLYMAN PELLY: It came from Price Waterhouse during last week's testimony, Mr. Cole.

MR. COLE: They testified they had no prior experience with computers?

ASSEMBLYMAN PELLY: They had not installed any--

ASSEMBLYMAN BOCCHINI: That is correct. That was made quite clear in the record last week, I believe, that Price Waterhouse never--

ASSEMBLYMAN PELLY: Any computer system for any Department of Motor Vehicles in any state.

MR. COLE: I'm sorry-- Motor Vehicles.

ASSEMBLYMAN PELLY: Yes.

MR. COLE: I don't know whether they had any prior-- I have no reason to challenge that statement, but you phrased your question in terms of computer experience, and I believe they had a great deal of experience in designing computer systems, including the United States Post Office.

ASSEMBLYMAN PELLY: I apologize for that. Let me rephrase the question. Did anyone in your office throughout the course of events check to see if Price Waterhouse, in fact, had any experience, prior to the New Jersey experience, with a computer system in any Department of Motor Vehicles in any state in this country?

MR. COLE: I have to defer to either Mr. Kline or others on that. I did not personally check, and normally a Deputy Attorney General would not do that type of check. Their review is from a legal standpoint.

ASSEMBLYMAN PELLY: Do you have any knowledge of anyone having checked into that?

MR. COLE: I can ask.

ASSEMBLYMAN PELLY: I'll ask-- I can ask Mr. Kline when he comes forward. I think I did, didn't I?

MR. COLE: You will defer to Mr. Kline?

ASSEMBLYMAN BOCCHINI: We'll save that for when Mr. Kline testifies.

ASSEMBLYMAN PELLY: May I continue along another line? Gentlemen, as I understand it, during the course of events when it was recognized that there was a problem with people getting their registrations and license renewals, a directive was issued to law enforcement agencies that persons having these problems or documenting defects that in fact they had-- it was recommended that they not be issued tickets. Is that accurate?

MR. KIMMELMAN: It has nothing to do with licenses, just registration certificates.

ASSEMBLYMAN PELLY: Registrations. It was recommended that they not be issued a ticket. Is that accurate now?

MR. KIMMELMAN: Yes. I issued a directive to the law enforcement authorities.

ASSEMBLYMAN PELLY: What did that directive say?

MR. KIMMELMAN: I can't recall it verbatim, but--

ASSEMBLYMAN PELLY: Not verbatim, but as you recall.

MR. KIMMELMAN: It provided that if the person could not produce a current registration certificate if he were stopped, and the time frame in which he were stopped was such that he would have had to have a current certificate, if the application for the renewal certificate was in the process in the Division of Motor Vehicles, and he did not have the certificate in his possession, he should not be given a ticket.

ASSEMBLYMAN PELLY: If, in fact, a law enforcement officer ignored that-- (pause)

MR. KIMMELMAN: Directive.

ASSEMBLYMAN PELLY: Directive-- Would a law enforcement officer be permitted to give a ticket under those terms and conditions?

MR. KIMMELMAN: Well, there again you are asking me to speculate, because, since--

ASSEMBLYMAN PELLY: No, are there any statutes that would prohibit a law enforcement officer from giving a ticket under those terms and conditions?

MR. KIMMELMAN: I don't know if he would be prohibited, but the Attorney General is the law enforcement officer who can issue such directives, and they are followed.

ASSEMBLYMAN PELLY: And you acknowledge that despite that directive, a law enforcement officer could legally give a ticket--

MR. KIMMELMAN: In other words, in effect, I have asked the law enforcement officers to relax certain strict provisions of the statute in these specific instances.

ASSEMBLYMAN BOCCHINI: In effect you have asked the law enforcement officers to disobey the law.

MR. KIMMELMAN: I have answered the question, Mr. Bocchini, and not in your words.

ASSEMBLYMAN BOCCHINI: Would you term my terminology inaccurate?

MR. KIMMELMAN: I answered the question, Mr. Bocchini.

ASSEMBLYMAN BOCCHINI: Mr. Attorney General, I spoke with representatives of the New Jersey State PBA (Policemen's Benevolent Association), as well as the State Chief's of Police Association, in relation to a bill that every member of this Committee is a sponsor of, which would simply allow for an extension for those persons whose licenses have not been renewed, and have not received the process for it and their registrations have not been renewed. It was their feeling, based on two points: One, that they prefer to operate under statutory authority for a person whose license has expired, and not to issue that summons, and in addition the PBA was more concerned with some possible liability that they may have as a result of not issuing summonses to people who are driving with licenses or registrations that have expired.

Do you have any feeling in relation to their feelings?

MR. KIMMELMAN: They haven't indicated such problems to me.

ASSEMBLYMAN BOCCHINI: I have made the representation to you, do you question my representation as being an inaccurate one?

MR. KIMMELMAN: I'm not questioning your good faith at all.

ASSEMBLYMAN BOCCHINI: Then based on my representation, do you now have an opinion?

MR. KIMMELMAN: I haven't considered it.

ASSEMBLYMAN BOCCHINI: Would you consider it and advise me?

MR. KIMMELMAN: If it comes to me with a formal request, yes.

ASSEMBLYMAN BOCCHINI: I'm giving you a formal request at this junction, Mr. Attorney General.

MR. KIMMELMAN: May ask for the courtesy of a letter, so that I know exactly what I have been called to answer?

ASSEMBLYMAN BOCCHINI: On behalf of the Committee, Aggie, relating to the bill that we are all cosponsoring-- Also remind me to obtain letters from the State PBA for Mr. Kimmelman's own edification.

ASSEMBLYMAN MARTIN: Mr. Chairman, if I may through you--

ASSEMBLYMAN PELLY: Excuse me, I wanted to continue--

ASSEMBLYMAN MARTIN: It directly pertains to this. When you issued your order, to a certain extent, was that a practical matter in the sense that because, in court, motor vehicle cases are treated as quasi-criminal and require the State to prove somebody guilty beyond reasonable doubt? If, in fact, there were some problems having to do with massive numbers of registrations, you would be alleviating the inconvenience and frustration of motorists by having some of them have to appear in response to a summons and a complaint-- To go into court, and at that point in time it would take some further time to clarify the problem. Was that part of your consideration?

MR. KIMMELMAN: Mr. Martin, it wasn't to some extent a practical solution to a problem. It was completely a practical matter, and it had to be done for the protection of the motoring public, to insulate them from an unnecessary inconvenience which was not of their own doing.

ASSEMBLYMAN MARTIN: Just to follow up-- If in fact the Committee's bill -- which I co-sponsored with Chairman Bocchini's bill -- had been in place you would have accepted that as an alternative and the directive would have been unnecessary?

MR. KIMMELMAN: That is correct. If a bill or a law is in place, I accept it as guiding my conduct.

ASSEMBLYMAN BOCCHINI: So consequently the-- Well I won't-- Never mind. You are reading it right Pat.

ASSEMBLYMAN PELLY: Mr. Chariman.

ASSEMBLYMAN BOCCHINI: Yes, Mr. Pelly.

ASSEMBLYMAN PELLY: Mr. Attorney General, I have one other concern, and that deals with the issue of automobile insurance, and the continuance of automobile insurance for persons not having a valid, current registration, and/or license, as a result of our unfortunate experience. Do you see any problem as a result of that?

MR. KIMMELMAN: We haven't been informed of any such problem at the present time. It is not a factor or a consideration that I thought about prior to coming here this morning. It wasn't in the letter inviting me here as one of the areas in which I would be questioned. I would be happy to look into it for you.

ASSEMBLYMAN PELLY: I appreciate that. I would be particularly interested in the issue of cancellation of insurance policies. I think it is very germane to this issue, and in light of the fact that I see in Title 17 that there is a section which deals with possession of a valid driver's license and registration as a basis upon which insurance policies can be canceled, and I telegraphed the Insurance Commissioner a week or so ago and I have not gotten a response, and I would hope that this would prompt some quick response from some department to address the issue and report back to the public as to where they stand if, number one they get into an accident, and number two, if they are confronted with the issue of being canceled out by an insurance company who, in fact, may be looking for a reason to cancel or diminish the number of policies they hold on automobiles in the State of New Jersey. So, I--

MR. KIMMELMAN: I would hope that insurance companies wouldn't arbitrarily cancel policies for reasons which are beyond the control of the motorist which is what you are talking about.

ASSEMBLYMAN PELLY: Yes, I would hope that insurance companies would be kind, decent, and-- As a matter of fact I would

hope everyone in this world would be kind and decent, but unfortunately that is not the case.

MR. KIMMELMAN: No such instances have come to our attention, at least at the present time. I don't know about the Insurance Commissioner. She can speak if she is asked.

ASSEMBLYMAN PELLY: I would ask if you would be kind enough to pursue that issue.

MR. KIMMELMAN: Fine.

ASSEMBLYMAN PELLY: Thank you.

ASSEMBLYMAN BOCCHINI: What would your feeling be if that, in fact, did happen, Mr. Attorney General?

MR. KIMMELMAN: Well I just said that I would hope that insurance companies would not arbitrarily--

ASSEMBLYMAN BOCCHINI: I know that you said you would hope that they wouldn't. I am asking you if that does happen--

MR. KIMMELMAN: Whether we have any right-- We may have a right to look into it and to take some action. There again, you are asking me to speculate in the absence of specific facts.

ASSEMBLYMAN MARTIN: Mr. Chairman, I have a question.

ASSEMBLYMAN BOCCHINI: Yes sir?

ASSEMBLYMAN MARTIN: I have a question. Last week at the hearing, there was some reference made by the Division of Motor Vehicles, and I believe Price Waterhouse, to a target date of October 7 in which there was alluded, as I understood it, that certain remedial steps would be taken. Since October 7 is four days from today, are you aware of any facts that might clarify whether there will be some progress on the problem on that date?

MR. COLE: I assume you are referring to what has been characterized as a "bridge," which is a method of connecting the new data base to the old. That is on target and will be operational. I'm--

ASSEMBLYMAN MARTIN: To what extent will that help remedy the problem that has existed since this summer?

MR. COLE: It should alleviate the backlog and will enable us to use the old system to enter the data from that 1.4 million

transactions that everyone has talked about. It will then enable us to prevent any further backlog from accumulating for more than a two week period. So it is going to afford substantial relief.

ASSEMBLYMAN MARTIN: To the best of your knowledge that will be in place by next week?

MR. COLE: That will be in place by the target date, which is Monday. It is on target.

ASSEMBLYMAN BOCCHINI: Mr. Cole, for how many months has it been costing the taxpayers of this State \$160,000 in overtime?

MR. COLE: My figures are based from July and August.

ASSEMBLYMAN BOCCHINI: How about prior thereto? Not that much, or not at all?

MR. COLE: No, we always run overtime in Motor Vehicle because we rely on labor so much. We expend overtime every month. That number is my projection of our additional overtime cost since the system was made operational in July.

ASSEMBLYMAN BOCCHINI: If my recollection is correct, the testimony of Mr. Driscoll was such that-- It may be some time into the first quarter of next year before the system is completed. Assuming that to be the case, it could be anywhere from five to six months. So we are talking possibly upwards of a million dollars in overtime as a result of their lack of performance.

MR. COLE: I think we will have to see what the numbers show us because, obviously, as we make improvements the necessity of relying on overtime is going to diminish. The latest projections I have heard, although I have not seen in a formal plan, is that close to 29% of the programs in this system will be rewritten by November. I think the target date is mid-November.

ASSEMBLYMAN BOCCHINI: 29% will be rewritten by November?

MR. COLE: Yes, I think it is something like 33 out of 103-- whatever that number translates into mathematically. That will help.

MR. KIMMELMAN: Let me just interrupt you, Mr. Cole. In the statement delivered to you by Mr. Boylan -- that is the statement of Mr. Driscoll, which was next to the letter of October 3rd -- the letter of today.

ASSEMBLYMAN BOCCHINI: Yes sir.

MR. KIMMELMAN: On page 4, in the first full paragraph, it reads as follows: "It is expected that significant improvements in system performance will be achieved by mid-November, and the definitive plan implementing all improvements will have been approved and initiated within the next month." I assume Mr. Driscoll was talking about December.

ASSEMBLYMAN BOCCHINI: Yes, but approved and initiated. That doesn't tell me much other than somebody agrees that something is going to be done and somebody is taking some type of action to start to do something. That certainly does not suggest, to me, Attorney General, that there is an indication of when the job will be completed and we will be out of this mess.

MR. KIMMELMAN: Mr. Bocchini, I am only reporting to you what he says.

MR. COLE: As you may remember, we called on Price Waterhouse to give us a complete plan, including timing, within two months, I think. That would be November. We are not going to tolerate any excessive time. If it is a function of manpower, we are going to insist that they supply the manpower. Our goal is to get this system completed and operational expeditiously. We are not going to adhere to Price Waterhouse's schedule, unless we find that they can't do any better than that.

ASSEMBLYMAN BOCCHINI: Mr. Cole, I will direct this to you. Did you have any connection or discussions with your offices as far as OTIS was concerned in reviewing the Price Waterhouse system?

MR. COLE: Can you give me a time frame? OTIS was--

ASSEMBLYMAN BOCCHINI: In relation to the comprehensive proposal. If you look on page 7 of the contract -- and we talk about the comprehensive system -- there are 12 areas dealing with various dates of performance. Part of the contract refers to SAC, which is now OTIS, working in conjunction with the DMV in setting up the system. My question to you, very simply, is did your office from time to time check with OTIS, or at that time SAC, as to the progression of the system?

MR. COLE: By my office I--

ASSEMBLYMAN BOCCHINI: When I say your office I mean the Attorney General's Office.

MR. COLE: You don't mean the Division of Law, because we would not be involved in the implementation. You mean the Office of the Attorney General. We received all our reports through the Project Chairman, Mr. Kline-- He was designated as the Project Chair on this project.

ASSEMBLYMAN BOCCHINI: Mr. Kline was the Project Chairman.

MR. COLE: Yes.

ASSEMBLYMAN BOCCHINI: So each time anything referred to in this contract as having to be reviewed or approved by the Project Chairman was the responsibility of Mr. Kline.

MR. COLE: Mr. Kline. Mr. Kline used the expertise available to him.

ASSEMBLYMAN BOCCHINI: Attorney General, have you been subpoenaed by the SCI in relation to this matter?

MR. KIMMELMAN: No.

ASSEMBLYMAN BOCCHINI: Have you been requested to voluntarily come in front of it?

MR. KIMMELMAN: No request--

ASSEMBLYMAN PELLY: Excuse me. Mr. Chairman, at the last meeting I had suggested that we not ask questions along those lines and I want to once again reiterate that while you are indeed the Chairman and I respect that, in light of the SCI's investigations we refrain from subjects of that matter, as I said I would.

ASSEMBLYMAN BOCCHINI: Anybody else have a problem with me asking questions?

ASSEMBLYMAN SCHUBER: I think Mr. Pelly has made the point before and I assume-- Obviously the Attorney General has answered it and I don't think it is relevant to the fact-- I didn't think it was relevant then and I don't think it is relevant now based on the letters that were received. But it is up to the witnesses.

ASSEMBLYMAN MARTIN: I have a problem for the same reasons I said at the outset. I thought that areas of this investigation would be redundant. I would concur.

ASSEMBLYMAN BOCCHINI: All right, fine. I won't ask the question. I don't see the big deal about asking somebody if another State or independent agency or commission has asked them to come in front of them. The sanctity of the SCI may bother some people, but I don't necessarily see it that way. By way of public information I certainly don't think it hurts the public to know what the members of an Administration, elected officials, and so forth, are being asked to do in relation to an investigative body within the State Government. But--

ASSEMBLYMAN SCHUBER: Mr. Chairman, if I might please, let's let the record be straight on this. Our position on this matter is, very simply, this: The SCI is looking at the situation. An inquiry had been made by this Committee to them as to whether we should participate in the hearing alongside that. They sent us a letter back the--

ASSEMBLYMAN BOCCHINI: I don't want to refer it back to that discussion, Pat.

ASSEMBLYMAN SCHUBER: I appreciate it. What I am saying to you is they sent us a letter back saying we should not, and that that was disfavored. Now what--

ASSEMBLYMAN PELLY: That they didn't. They did not say that we should not--

ASSEMBLYMAN SCHUBER: Yes they did.

ASSEMBLYMAN BOCCHINI: We can debate that. Gentlemen, we can debate that--

ASSEMBLYMAN SCHUBER: What we are saying is that there are certain aspects of this, and we're not saying that this Committee shouldn't look at these things. We're not saying that, and that was not our argument. Our argument was simply that the SCI had asked us not to; that they were doing it, and when they issued their recommendations -- as I know has been done in the past with SCI recommendations -- then the Committee would take a look at it. Certainly that is public information, and the public should know it. But it should follow the normal procedures as to the way these things have been set up.

ASSEMBLYMAN BOCCHINI: Let's get back to some other questioning in relation to the contracts--

ASSEMBLYMAN SCHUBER: I don't know what we're fighting about. The Attorney General has already indicated that he--

ASSEMBLYMAN BOCCHINI: Mr. Attorney General, in relation to the contracts, in the liquidated damages clause -- without jeopardizing your position as to any future litigation -- do you think the enforceability of those sections under the non-performance or liquidated damages pursuant to the comprehensive section is something that we should be trying to push at this point, or are we better off waiting? And if we are better off waiting, why?

MR. KIMMELMAN: Mr. Chairman, for the reasons I expressed before, that is a matter that I do not think proper to be discussed in public.

ASSEMBLYMAN BOCCHINI: Okay. Are there any other questions for the Attorney General?

ASSEMBLYMAN PELLY: With your indulgence, once again, Mr. Chairman and Mr. Attorney General, I continue to be concerned with respect to the public's problems with the prospect of perhaps being ticketed and also their present and future insurance coverage. Not only their future, but if they should get into an accident today or tomorrow and not have a proper, current, valid document -- and I know my office as well as others is going to be called on it -- what do you suggest we tell them?

MR. KIMMELMAN: Well, I don't know in what context that will arise. I indicated to you earlier that such a situation has not yet arisen or been called to our attention. If there is such a problem, you may certainly feel free to communicate with me personally, and we will discuss it and decide whether there is a proper course of action for that person to follow.

ASSEMBLYMAN PELLY: So you suggest I tell them that I have been given permission by the Attorney General to call him personally--

MR. KIMMELMAN: You have been.

ASSEMBLYMAN PELLY: That's right, I have been given permission--

MR. KIMMELMAN: Well you have a right-- You are a member of the Legislature, and you have a right to call me and--

ASSEMBLYMAN PELLY: And you will tell me what to do at that point in time.

MR. KIMMELMAN: I might very well suggest to you what I think an appropriate course of action will be. Then again, I obviously have the right to say, "well this is a matter that we really are not free to comment on." I don't know. I would have to see the facts.

ASSEMBLYMAN BOCCHINI: At this point in time you can really give the public no assurances that they have no problems. Is that an accurate statement?

MR. KIMMELMAN: We don't know that there is a problem. I don't know that. It hasn't come up.

ASSEMBLYMAN PELLY: Well, have I impressed upon you enough the fact that there may potentially be a problem in the area of tickets being issued, no insurance coverage, liability in the event of an accident, and lastly the potential of policy cancellations wherein someone in State Government will address that issue, and address it expeditiously?

MR. KIMMELMAN: Mr. Pelly, you can speculate, and you have, as to all sorts of interesting possibilities. You are very imaginative. I don't know that they have yet occurred, and until that happens, I really think it is not appropriate for us to address ourselves to an entirely speculative issue.

ASSEMBLYMAN PELLY: Well, with all due respect, Mr. Attorney General, I recognize that to our knowledge they have not as yet occurred. But, I would certainly think it would be proper and appropriate that we look at the situation prior to its occurrence, especially in light of the fact that I cited to you a portion of the statute which deals with the issue of the inability to have a valid driver's license and/or registration is a basis for policy cancellation. I would think that would be incentive enough for someone to say, "I'm going to pursue this matter expeditiously, and I am going to issue some kind of a position or directive to the people of the State of New Jersey so they need not concern themselves." Or, in fact,

they should be concerned about it. I would think that something of this nature should occur.

ASSEMBLYMAN BOCCHINI: Mr. Pelly, if we could move along, the only thing I could tell you -- and I would say the same thing to the Attorney General -- if the bill this Committee sponsored collectively had been given the emergency by Mr. Hardwick and put through both Houses, and had been attended to the last time, you probably wouldn't have to discuss this at this juncture.

ASSEMBLYMAN PELLY: That is fine, Mr. Chairman, except it didn't happen, it's not going to happen, and we need to deal with the situation as it now occurs. I am trying to do something that--

ASSEMBLYMAN BOCCHINI: Ask your question, then, I'm sorry.

MR. KIMMELMAN: Mr. Pelly, look--

ASSEMBLYMAN PELLY: I'm not trying to be imaginative. If you think I'm far-fetched and imaginative, Mr. Attorney General, I will say that I beg to differ with you on that because I really think you need to pursue the issue.

MR. KIMMELMAN: Look, you are insisting on speculating, so let's speculate for just one moment.

ASSEMBLYMAN PELLY: I'm not speculating.

MR. KIMMELMAN: A person's driver's license expires at the end of October. He sends in his money for a renewal license, and it gets lost in the mail. It is processed but it gets lost in the mail. He is then stopped by a law enforcement officer the next month, when he should have November's driver's license. He doesn't know why he doesn't have it, he mailed in his money, but he doesn't have his license. His insurance company finds out about this and says, "Wait a minute, you don't comply with the statute so we're canceling your insurance". Is that your question?

ASSEMBLYMAN PELLY: No. My question is not with respect to--

MR. KIMMELMAN: Well that is the way it sounds to me.

ASSEMBLYMAN PELLY: My question deals not with one isolated instance, but with 1.4 million people who have the potential of being confronted with this. If it were one, I'd recognize it.

MR. KIMMELMAN: Well then, I think the Chairman of the Committee gave you the proper response.

ASSEMBLYMAN BOCCHINI: Any other questions?

ASSEMBLYMAN PELLY: That's all.

ASSEMBLYMAN BOCCHINI: Thank you. Attorney General, in view of the reported accounts of the contributions by Price Waterhouse, do you think the \$30,000 in the thirteen month period was any type of an impropriety and created a problem in relation to this whole difficulty and debacle that we have with the Price Waterhouse people?

MR. KIMMELMAN: That is not an issue that I care to comment on at this time.

ASSEMBLYMAN BOCCHINI: Did you attend the Governor's Ball in 1984?

MR. KIMMELMAN: Yes.

ASSEMBLYMAN BOCCHINI: Do you remember at which table you sat?

MR. KIMMELMAN: Yes.

ASSEMBLYMAN BOCCHINI: I'm just curious. Nobody offered to give me a ticket to go. Could you tell me where you sat or with whom you sat?

MR. KIMMELMAN: I sat with former law partners of mine, at their table, and I disqualified myself from any case which they have with the State of New Jersey. I have done that since I took office. And I sit at their table.

ASSEMBLYMAN BOCCHINI: Curiosity leads me to ask this. Did you buy a ticket for that?

MR. KIMMELMAN: That is really none of the concern of this Committee.

ASSEMBLYMAN BOCCHINI: I beg to differ with you. I think it is a great deal of concern of this Committee.

MR. KIMMELMAN: My personal contributions--

ASSEMBLYMAN BOCCHINI: Do you choose to answer the question?

MR. KIMMELMAN: Mr. Chairman, my personal contributions to a political party are my concern. If I do, in fact, contribute, such contributions are reported publicly.

ASSEMBLYMAN BOCCHINI: So you do choose not to respond.

MR. KIMMELMAN: It is not necessary for me to respond.

ASSEMBLYMAN BOCCHINI: Thank you very much. Are there any other questions for the Attorney General? (negative response indicated) Let's take a 5 minute break and then we'll see Mr. Kline.

(5 MINUTE RECESS)

AFTER RECESS

ASSEMBLYMAN BOCCHINI: If we can come back to order, please, Acting Director Kline. Mr. Kline, will you kindly take the oath for giving testimony?

MR. KLINE: Sure.

ASSEMBLYMAN BOCCHINI: Do you understand the testimony you are giving today is being recorded and will be transcribed. The testimony you give will be the truth, the entire truth, so help you God?

MR. KLINE: I do. I would just like to say I appreciate the opportunity to come again before the Committee, and I am appearing here today in my new capacity as the Ambassador to Secaucus. (laughter) I will be happy to answer any questions the Committee puts forth.

ASSEMBLYMAN BOCCHINI: I have to give you credit, Bob, you have maintained a sense of humor through the whole thing. You have been placed in a tough position, and I congratulate you on still being able to smile and deal with the problems that we have to deal with on this Committee. Mr. Kline, in our last Committee hearing, you indicated on page 8 of that transcript-- Do we have a copy of the transcript available for Mr. Kline? (copy of transcript is given to Mr. Kline)

MR. KLINE: Page 8? I have it.

ASSEMBLYMAN BOCCHINI: In the middle of that page, subsequent to my question to you just above that -- the second time my name is there -- I asked you the question, "Is it normal for the Division to negotiate a \$6.5 million contract without any front office input?" And

your indication to me was, "The contract itself?" My response, and then you go on to indicate, "As this was the only time we had ever done this, there was no input into the contract from the Governor's Office. And whether it is normal or not, in this instance, at least, there was no reason for them to be involved in negotiating a legal document. I don't think the Governor's Office in any administration gets involved in negotiating contracts. That is what the Department of Law and Public Safety is for, and the Office of Attorney General." Is that still an accurate representation?

MR. KLINE: Yes, that statement was accurate then, Mr. Chairman, and it is accurate now. I think I know what question you are going to ask me, so go ahead, and I'll give you the answer.

ASSEMBLYMAN BOCCHINI: On the document given to us today, which also carries on it an Office of the Governor's news release-- I believe you have a copy of it, is that correct?

MR. KLINE: I have everything but the news release itself. They keep you better informed than me.

ASSEMBLYMAN BOCCHINI: But you have the document, right-- the Price Waterhouse contract for implementation of surcharge legislation--

MR. KLINE: That is correct. I have that in front of me.

ASSEMBLYMAN BOCCHINI: From Mr. Cole to Carey Edwards, Counsel to the Governor. Is that correct?

MR. KLINE: That is correct. I have that in front of me. It is dated October 2, 1985.

ASSEMBLYMAN BOCCHINI: On pages 7 and 8 of the document, they make reference to discussions as far as the recommendation by Mr. Snedeker, to Mr. Merin, who was then Deputy Chief Counsel, in relation to the Price Waterhouse contract and the waiver.

ASSEMBLYMAN SCHUBER: Mr. Chairman, just for clarification, are we talking about the release now, or the accompanying document?

ASSEMBLYMAN BOCCHINI: The accompanying document, Mr. Schuber, dated October 2, 1985, page 7. On page 8, it indicates following the transmission of the June 7, 1983 memorandum to Deputy Chief Merin, further meetings were held between the Department personnel and the Governor's Office, concerning Mr. Snedeker's

proposal. It then goes on to indicate that according to documents that were reviewed by, I presume, Mr. Cole, there was a meeting on June 28, 1983, concerning a proposed contract with Price Waterhouse and the utilization of the bid waiver. The participants at the meeting were Greg Stevens, Chief of Staff, Kenneth Merin, Deputy Chief Counsel to the Governor, Attorney General Kimmelman, Tom Greelish, who was then First Assistant Attorney General, Clifford Snedeker, and yourself. The meeting was memorialized from a memorandum from the Attorney General to Director Snedeker, to Chief of Staff, Mr. Stevens, and apparently as a consequence of the meeting, a memorandum was also sent to the Governor on the 29th advising him of the Price Waterhouse proposal and its advantages, as well as the fact that a waiver of advertising would be necessary.

Now, according to what I read there, it appears that there is a discussion concerning a contract with Price Waterhouse, and the implementation of it. Is that correct?

MR. KLINE: No, that is incorrect, Mr. Chairman. There is no inconsistency from what is before you in the memo from Mr. Cole to Mr. Edwards on October 2nd, and to what I testified to before this Committee. The question put to me, I think by you last time, was, "Did the Governor's Office have input into the contract?" They had not input into the contract or those negotiations. What they did have input into was the bid waiver process, which is a normal process that goes through the bureaucracy, whether it's this bid waiver or any other bid waiver. If you had asked me the question, Mr. Chairman, I would have answered it, but we're talking about the contract and the contract solely. I don't see any inconsistency, whatsoever.

However, there were discussions -- at the very least -- as to how the contract was going to be handled.

MR. KLINE: That is not what the document you have before you, dated October 2nd, states what occurred. The discussions concerned a bid waiver, and the bid waiver process -- I would be happy to discuss it with you -- is a very extensive one. There were discussions held with individuals in the Department, Systems and Communication, which is the computer people, the Division of Law, and in

the Department of The Treasury, you have the Division of Telecommunications and Data Processing; you have the Purchase Bureau, and you have the Treasurer himself. These are all legal processes that have to be complied with before a bid waiver can be awarded. All these steps were taken. All the discussions were held. All the questions were answered. All the signoffs, which I mentioned, were executed, and the discussion in the Governor's office, and with the people on his staff, was strictly as to the bid waiver itself.

After all those processes were done and were to the point where they were going to be culminated.

ASSEMBLYMAN BOCCHINI: According to the memorandum, it says there was a discussion of a proposed contract the utilization of a bid waiver.

MR. KLINE: I think, obviously, a point probably would have been made that there would be contract subsequent to the bid waiver.

ASSEMBLYMAN BOCCHINI: So, if--

MR. KLINE: Excuse me, if I may answer, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Please.

MR. KLINE: As far as the question of input into the contract is concerned, or the terms of the contract, those were not discussed. What was discussed was that obviously there would be a contract afterward; nothing more than that.

ASSEMBLYMAN BOCCHINI: How long was the meeting?

MR. KLINE: I would say it was probably a meeting of about one-half hour, or 45 minutes -- to the best of my recollection; it was quite a while ago. It was an informational meeting.

ASSEMBLYMAN BOCCHINI: There is an indication on Page 9 that the meeting is memorialized in a memorandum from Attorney General Kimmelman and Mr. Snedeker to Chief of Staff Stevens, dated June 29, 1983.

MR. KLINE: That's correct. The meeting was memorialized by then Director Snedeker and Attorney General Kimmelman, to Mr. Stevens.

ASSEMBLYMAN BOCCHINI: Would you make available-- I don't know if we received that in the package we got this morning, but if you would check with the Attorney General's office, if it is not with what we have received this morning, would you--

MR. KLINE: I don't know what you are referring to. In other words, I didn't--

ASSEMBLYMAN BOCCHINI: What I would like is a copy of the memorandum from the Attorney General and Mr. Snedeker to Chief of Staff Stevens, dated June 29, 1983.

MR. KLINE: That's not in the attachment you have?

ASSEMBLYMAN BOCCHINI: No, it is not in the attachment. Gentlemen, can you check? Yes, sir?

EUGENE SULLIVAN: My name is Eugene Sullivan.

ASSEMBLYMAN BOCCHINI: Step forward, please.

MR. SULLIVAN: My name is Eugene Sullivan.

ASSEMBLYMAN BOCCHINI: Please come up to the mike, Mr. Sullivan. Your name again for the record, please?

MR. SULLIVAN: Eugene Sullivan, Assistant Attorney General, Division of Law.

The document you requested should be in the package which accompanied the memorandum.

MR. KLINE: Yes, I have it.

ASSEMBLYMAN BOCCHINI: Will everyone check his package?

MR. KLINE: I have it in my package, Mr. Chairman.

MR. SULLIVAN: Here it is. They just didn't put it together right. It is approximately halfway through the package. You know, there are a lot of documents there, so--

ASSEMBLYMAN SCHUBER: There is some documentation in the middle of this.

MR. KLINE: It's Kimmelman, Snedeker, June 29, 1983.

ASSEMBLYMAN SCHUBER: Yes, it has been submitted; I have it in my package. It's dated July 14, 1983?

MR. KLINE: June 29, 1983.

MR. SULLIVAN: With one exception that I can think of, every document referred to in the memorandum should be attached.

ASSEMBLYMAN SCHUBER: Oh, June 29; it's in our packages, about a third of the way through the documents.

MR. KLINE: It's on Office of the Attorney General stationery.

ASSEMBLYMAN SCHUBER: It's dated June 29, 1983.

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Bear with me for a second, Mr. Kline. I would like to read this.

MR. KLINE: Sure. I think the memo basically puts forth in writing what I have already stated.

ASSEMBLYMAN BOCCHINI: I think it is apparent that each of us, depending on our interest in the topic and our desire to ascertain what is going on, has a lot of homework to do with the package that was given to us today, at least as far as the June 29 memo to Greg Stevens from the Attorney General and Director Snedeker is concerned. Were you privy to any of the information contained in this memo prior to it going out, Mr. Kline?

MR. KLINE: Certainly; I attended the meeting, as related in the October 2, 1985 memo from Cole to Cary Edwards.

ASSEMBLYMAN BOCCHINI: On first blush, if I may-- I am somewhat troubled when I read the last sentence on the first page. It says: "In the event of inquiries from vendors, we think the Administration will be in a better position if we proceed with a waiver of advertisement, rather than utilizing an inadequate, informal bidding process." So, it was pretty much decided at that point in time that you didn't want to inquire from anyone else. Is that correct?

MR. KLINE: I think the context you are taking that out of, and the subject of the meeting, was how best to accomplish the legislation passed by this Legislature -- implementation of the surcharge.

ASSEMBLYMAN BOCCHINI: I see nothing in the letter that makes reference to any type of legislation or how best to accomplish it.

MR. KLINE: The subject of the memo, Mr. Chairman, says very clearly, "Waiver of Advertisement to Retain Consultants to Design a Comprehensive System for the New Jersey Merit Rating Plan Surcharge System and Implementation Division of Motor Vehicles Long-Range Master Plan." That is the whole subject of that meeting and the memo, and how best to accomplish that. That was decided through a bid waiver, which is a normal State process.

ASSEMBLYMAN BOCCHINI: According to the previous document--

MR. KLINE: Which previous document?

ASSEMBLYMAN BOCCHINI: In Mr. Cole's letter, or summary to Cary Edwards, he simply talks about a proposed contract with Price Waterhouse and utilization of the bid waiver procedure. I guess I am to assume from that that the intent was because of legislation.

MR. KLINE: That is correct. As you are aware, Mr. Chairman, if you go back to the Spring of 1983, the Division of Motor Vehicles was severely criticized by the then Speaker of the Assembly for not having instituted the surcharge system. It was in an effort to comply with the legislative request and to kind of quiet those criticisms to act as expeditiously as possible, and that is why we chose this route.

ASSEMBLYMAN BOCCHINI: On the next page, I am also, at first blush, perplexed because there is a statement in the first sentence that according to the Division of Purchase and Property, speaking about the June 29, 1983 memo: "There are precedents in other State departments for continuing a consultant without informal or formal, although none of these projects are of the same scale of the DMV master plan."

MR. KLINE: Would you like me to explain that?

ASSEMBLYMAN BOCCHINI: Please.

MR. KLINE: Sure. The Governor's office, rightly so, likes to question these things. I mean, since the Governor's office is in charge of State government, they do not arbitrarily just go and act at the instruction or dictate of a particular department or division. They try to scrutinize, question, analyze, and investigate these types of matters, particularly when you have a large type of comprehensive computerization project such as this, to see if what the department/division is recommending is the right thing to do.

So, it is very natural that this type of statement would be made in answer to questions posed by the Administration and the Governor's office, who try to ensure that the best way of doing this type of project is handled. I think it is very, very smart on the part of the Governor's office to question this type of thing and to ask detailed questions and to get answers.

ASSEMBLYMAN BOCCHINI: Do you still think it was smart of them to continue to allow you to operate and enter into that contract

after they were told that nothing of this size or scale had ever previously been taken on by any particular department? I guess it is a matter of the way you perceive the statement. To me, I perceive it as a statement of, "Hey, we have never done anything of this size. You know, it's a red herring; it's a red light."

MR. KLINE: There are a lot of things that we have never done before in State government, Mr. Chairman. If I may, this process -- this bid waiver process -- I think has been somewhat misunderstood through the press and through statements that are made. Again, this process is a long extensive process, in that all appropriate State agencies require, by statute -- statutes passed by the Legislature and still in effect and, to my knowledge, those which have not been changed by this Legislature-- They require a review by a lot of different people who have no real interest in what goes on at the Division of Motor Vehicles per se. What they have is an interest in making sure that these types of awards of contracts -- these waivers -- are done properly.

This was handled in that manner. All this was, was a review by the Governor's office to ensure that those types of procedures would be complied with, and they were. You have the waiver document in front of you in that package; all the appropriate signoffs from the Treasurer's office, the Attorney General's office, etc. The waiver is not signed by the Director of Motor Vehicles. The waiver is signed by a lot of different individuals who are at arm's length from this type of transaction. It is done according to statute, and that is all this was talking about, to ensure that that was the proper way to go, that it would be done in accordance with statute, and to fulfill the mandate we had by the Legislature, which was a very short time frame. We had less than a year to do it.

ASSEMBLYMAN BOCCHINI: I understand that, Mr. Kline. Something that I have never quite understood is why you, or Mr. Snedeker, or someone within DMV from the AG's office, never came back to the Legislature, never went to the Governor, and said: "We are going to have a problem." You know, if you don't open your mouth and you don't inform someone of it, how on earth do you expect anyone to be

able to take some type of corrective measure or to be able to undertake and consider the problem that you could have very well told us was going to be forthcoming?

MR. KLINE: Mr. Chairman, based on your experience in the Legislature, and based on my experience, I think you are aware that the Executive Department may often state to the Legislature--

ASSEMBLYMAN BOCCHINI: I'm talking in relation to this particular--

MR. KLINE: Why in relation to this one? I think there were statements made at the time the legislation was passed that this would be a very big project to do, and that it would require a lot of hustling on the part of the Division of Motor Vehicles. But, you know, a legislative mandate is a legislative mandate. I think the motivation -- and it was a good motivation -- to pass this particular type of legislation was there, and basically it is left up to the Executive and the departments and the divisions to carry out that mandate. That is what we did, by the book, by the numbers.

ASSEMBLYMAN BOCCHINI: You didn't carry it out because it is not done.

MR. KLINE: Oh, yes we did. January, 1984, we started assessing surcharges.

ASSEMBLYMAN BOCCHINI: But, we are not discussing surcharges at this juncture.

MR. KLINE: Well, the purpose--

ASSEMBLYMAN BOCCHINI: I think we are really talking about, and the problem we have in front of this Committee, for the most part, is the problem with the comprehensive plan. Am I correct?

MR. KLINE: Right, but you were addressing this memo, Mr. Chairman, and this memo-- You were addressing the aspects of this memo, and that is what I was trying to answer. Now, if you want to get into the comprehensive system, I will be more than happy to answer those questions.

ASSEMBLYMAN BOCCHINI: The memo deals -- if you are talking about a bid waiver and a contract-- The contract dealt with the surcharge system and the comprehensive system, am I correct?

MR. KLINE: That is correct, but the initial stage was getting the surcharges up so we could assess them. We did that; they were assessed, and we fulfilled that particular requirement.

The problem, as you know, is that historically the Division of Motor Vehicles has been a mess. Historically it has been a mess. Historically its computer situation was circa 1960. This is not new news, but what I am trying to say is, to accomplish the objectives of the legislation, we have to have the totals, and that is what this is all about.

ASSEMBLYMAN BOCCHINI: You, in effect, accomplished, from what I can gather-- I asked my Committee members to correct me if I am wrong, but hasn't DMV accomplished the implementation of the surcharge program? I don't think that is an issue. Is that an issue with you, Mr. Martin at this juncture?

ASSEMBLYMAN MARTIN: No, but I think, as I understood the witness, he was referring to the fact that the immediate problem they were dealing with in this July memo -- or this June memo -- was that problem, to get the thing in line so that they could implement the surplus by January 1.

ASSEMBLYMAN BOCCHINI: I understand that.

ASSEMBLYMAN SCHUBER: And I think further, Mr. Chairman, there is, if I remember correctly, at the time, and it was a while ago, but I think if you look at the records, the Speaker issued a press release criticizing Director Snedeker for not having implemented it at that time, somewhere in May or June, 1983. In fact, I have a Star-Ledger article in which he was very critical of the DMV for not having instituted the surcharge at that time. So, they were under direct pressure from the very body that you are indicating they should have come back to, when, obviously, that was not what was being said in the press at that time.

ASSEMBLYMAN BOCCHINI: But I think maybe you're missing the point. The point is, Mr. Kline, even though his Division was taking the heat, when they took the heat, they performed. They got the surcharge system in place.

MR. KLINE: All right, and the way we performed--

ASSEMBLYMAN BOCCHINI: The problem I have in my mind, Mr. Kline, is, why didn't you have enough sense to come back to someone -- it didn't have to be the Legislature -- and say, "Hey, we're going to get the surcharge system in place, but we are going to have a problem with the comprehensive system."

MR. KLINE: Well, because the two were inextricably tied together. You're talking about, you know--

ASSEMBLYMAN BOCCHINI: How is that? Let me ask you something, Mr. Kline, how can they be inextricably tied together, when one of them had a completion date in 1984, and the other one is supposed to be on line in 1985?

MR. KLINE: Because you're talking about computers, you're talking about common data bases, you're talking about a system for one Division -- the Division of Motor Vehicles -- and all of these things should interact. The problem with the Division has historically been that we have had separate data bases. One file cannot go to the other. It has caused delays; it has caused errors. The legislation passed by the Legislature, the intent, by the language in the surcharge-- Twenty percent of the money was dedicated for the modernization and computerization of the Division. We were merely fulfilling the legislative intent, and we thank the Legislature for that. I mean, the Legislature was very wise to put that in. So, the two are inextricably connected because it was always the intention of the Legislature to use this as a funding mechanism. If you go back to the years before, we could not get the appropriations to do this.

ASSEMBLYMAN BOCCHINI: Mr. Kline, could you have implemented the surcharge system without going into a comprehensive system?

MR. KLINE: We could have implemented a surcharge system that would not do the job or be as effective or fulfill the mandate of the legislation, if we had just done a jury-rigged, or a quick and dirty surcharge system. The surcharge system is somewhat of a quick and dirty system because a lot of the information that the surcharge relies on feeds from the data base that we do not have today, the data base and the accurate up-to-date information. You can't assess those surcharges, Mr. Chairman, unless you have accurate, timely information

that is error-free. That is why it is tied together. I mean, there is no question about it.

ASSEMBLYMAN BOCCHINI: Does that mean then that the surcharge system is not on line and functioning properly?

MR. KLINE: No. What it means--

ASSEMBLYMAN BOCCHINI: Wait a second. From what you said, you have to have the comprehensive system in order to feed everything into the surcharge system so we can accurately and in a timely fashion put out the surcharges. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And, if you don't have a system that is functioning properly, and by your own testimony I believe you just indicated that the surcharge system -- excuse me, the comprehensive system -- isn't getting the material in fast enough-- We are not getting our surcharge information out quickly enough, or on time. Is that correct?

MR. KLINE: Well, what I am suggesting, Mr. Chairman--

ASSEMBLYMAN BOCCHINI: Am I correct in stating that?

MR. KLINE: Well, you're partially correct, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: What part is correct?

MR. KLINE: Well, to say that we are not getting our surcharges out on time-- We are getting them out on time in accordance with the legislation. What I am trying to suggest to you, Mr. Chairman, is that the information could be produced faster, and it would be more accurate with the new comprehensive data base we would have. That is all I am suggesting, Mr. Chairman. For a 100% system we need that -- for a system that is totally accurate.

ASSEMBLYMAN BOCCHINI: Are we sending surcharges out now that could possibly be inaccurate?

MR. KLINE: Not inaccurate, Mr. Chairman. Maybe they are not put out as fast as they should be. Maybe some of the violations are not updated as quickly as they should be, or received as fast as they should be.

ASSEMBLYMAN BOCCHINI: That is inaccurate.

MR. KLINE: No, because when we bill the--

ASSEMBLYMAN BOCCHINI: It is just not complete.

MR. KLINE: It is not complete, all right. So, at some point in the future we will get to that particular transaction, and that is wrong. We want to have it done right, and right the first time. It is more efficient, more inexpensive to do it that way. You know that, and I know that.

ASSEMBLYMAN BOCCHINI: When did you sign off on the surcharge system?

MR. KLINE: The surcharge system was signed off, I believe, sometime in January. Is that correct? (Mr. Kline consults with associate, Ms. Cox, and receives an answer) Okay, it wasn't signed off in January because the Legislature, in its wisdom, decided to change the law. Then we had to do additional types of programing. When were we totally finished with that? (consults with associate again) All right. Ms. Cox is the Senior Assistant Director; she is who I am speaking to. She informs me that it was roughly April 1. I can get that for you, Mr. Chairman, if you want it.

ASSEMBLYMAN BOCCHINI: Yes, I would like to see that.

MR. KLINE: As you are aware, there were many changes to the surcharge legislation subsequent to January, and every time you have a change, it requires programing, design changes, and everything else. As a result, that costs money.

ASSEMBLYMAN BOCCHINI: How could we sign off on the surcharge system which, by your own admission, is sending out incomplete data?

MR. KLINE: Well, Mr. Chairman, the company, Price Waterhouse, was given a task to perform. It performed that particular task. It has not performed the last, or the most important task, which is the comprehensive, the overall system.

ASSEMBLYMAN BOCCHINI: Is it fair to categorize it as the most critical portion of the contract?

MR. KLINE: Oh, I won't argue with you on that, in the sense of the impact it has. I am just as disappointed, as dissatisfied, and as annoyed as you are about it.

ASSEMBLYMAN BOCCHINI: Mr. Cole indicated that approximately \$5.1 million of the \$6.5 million package has been paid out. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: He also testified that there are some additional charges for the extra work that was not anticipated.

MR. KLINE: Yes. What he is referring to there again is what is known as "enhancements." These would be things such as--

ASSEMBLYMAN BOCCHINI: That's a good word.

MR. KLINE: Well, that is what the fancy consultants call it -- enhancements. It is a euphemism for extra charges. What it results from, though, are the changes in legislation, changes made by the Legislature, because sometimes the Legislature changes its mind. As a result, we have to enact those changes, and that requires more money. When you sit down for a bid waiver, or for a contract, you have certain types of goals in mind. However, anyone that would enter into such a contract would make provisions for changes -- enhancements -- and that was done in this particular contract.

I am sure that you, Mr. Bocchini, as an attorney representing your client, would not just give out a fixed contract; you would ensure the fact that if, in fact, there were changes beyond the control of your client, he would be compensated for that, because you are a good attorney.

ASSEMBLYMAN BOCCHINI: I'm sitting here saying I wish I was the guy who negotiated the \$6.5 million contract for Price Waterhouse, because whoever he was, he certainly was a good attorney. It appears at this juncture that they got \$5.1 million of our money, and we don't have, on a proportionate basis, the same amount of work they should have put into this project.

MR. KLINE: I think it is incorrect to categorize it that way, Mr. Chairman. I am not here to defend Price Waterhouse, because I am not a defender of Price Waterhouse. That is not my function. What I here to do is to give accurate facts to you and to the public.

ASSEMBLYMAN BOCCHINI: In relation to the enhancements, how much, by way of enhancements, did we enhance Price Waterhouse?

MR. KLINE: Chris? I just want to make sure my figures are right.

ASSEMBLYMAN BOCCHINI: Take your time, Mr. Kline, please.

(At which time witness consults with Chris Cox)

MR. KLINE: All right, \$686,000.

ASSEMBLYMAN BOCCHINI: Six hundred and eighty-six thousand, on top of the \$6.5 million, correct?

ASSEMBLYMAN BOCCHINI: That's correct.

ASSEMBLYMAN BOCCHINI: So now we are at \$7,186,000, as opposed to \$6.5 million. Were those enhancements paid?

MR. KLINE: Again, the way we bill--

ASSEMBLYMAN BOCCHINI: Let me ask that--

MR. KLINE: Some of those enhancements were paid--

ASSEMBLYMAN BOCCHINI: Maybe I can circumvent that. Mr. Cole indicates that approximately \$1,400,000 has not been paid out.

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: Has everything else, including the \$686,000 in enhancements been paid out?

MR. KLINE: Some of the enhancements have not been paid out. You know, the whole think is mixed together, insofar as my understanding of the billing is concerned.

Some of the \$1.4 million may be for the enhancements. If you want, Mr. Chairman, I can provide you with those figures.

ASSEMBLYMAN BOCCHINI: Yes, please.

MR. KLINE: Okay. No problem.

ASSEMBLYMAN BOCCHINI: Now, in relation to the-- You know, I don't want to go back to the surcharge anymore, other than to say that it was put in place on or about the late winter, early spring of 1984, correct?

MR. KLINE: The surcharge system went into effect in January of '84.

ASSEMBLYMAN BOCCHINI: January of '84?

MR. KLINE: That's correct.

ASSEMBLYMAN BOCCHINI: In July of '85 the comprehensive was supposed to be in place, is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And it is not. So, we have a year and a half--

MR. KLINE: We have the system in effect; it is just not the system we want. Don't get the impression there is nothing there. There is a lot there; it just doesn't work efficiently.

ASSEMBLYMAN BOCCHINI: Right. It is just like having a car without a motor, I guess.

MR. KLINE: It has a car with a motor that does about 10 miles an hour, instead of what it should go.

ASSEMBLYMAN BOCCHINI: Right. On page seven of the contract, in relation to the comprehensive system, under A, "The design and implementation of the comprehensive system shall proceed in phases specified in the consultant's July 12, 1983 proposal, as supplemented in letters to the State from the consultant, dated July 21, 1983, and July 28, 1983, with each phase being completed and accepted by the State, according to the following schedule."

First of all, do we have, in relation to what was given to us by the A.G. this morning, the documents referred to in that first paragraph? Would you happen to know? Mr. Sullivan?

MR. SULLIVAN: I'm sorry, I didn't hear you.

ASSEMBLYMAN BOCCHINI: Could you join us again just for a moment? In looking at the contract, on page seven, the information referred to in that paragraph, under the comprehensive portion of the--

MR. KLINE: I think you have those documents. I think they were provided to you by Price Waterhouse, because it is the project plan, the requirements definition, the conceptual systems design -- it is a lot of lengthy books.

MR. SULLIVAN: If memory serves me correctly from my legal review of this matter, the requirements definition study is a large, loose-leaf notebook, two to three inches thick.

ASSEMBLYMAN BOCCHINI: All right. What color?

MR. SULLIVAN: I forgot the color.

ASSEMBLYMAN BOCCHINI: We can ascertain whether or not we have it. Is that--

MR. KLINE: That is the proposal.

ASSEMBLYMAN BOCCHINI: Okay.

MR. SULLIVAN: It has not been furnished. The next document, the conceptual system design document, is also a large loose-leaf notebook about two inches thick. They has not been furnished.

ASSEMBLYMAN BOCCHINI: Mr. Kline, when you look at the schedule -- you are the project manager, correct?

MR. KLINE: Yes.

ASSEMBLYMAN BOCCHINI: Was that schedule met?

MR. KLINE: That schedule was met, and there were certain areas that were signed off on, and there were other areas that were not signed off on.

ASSEMBLYMAN BOCCHINI: You just mentioned something, signed off. How many people signed off on the contract?

MR. KLINE: On the contract? You have that before you. That is the Attorney General, Price Waterhouse, the DAG, who reviewed it as to form.

ASSEMBLYMAN BOCCHINI: No one else reviewed and signed off on that contract?

MR. KLINE: When you say reviewed and signed off, do you mean on the actual--

ASSEMBLYMAN BOCCHINI: Approved it in some manner, way, shape, or form.

MR. KLINE: Well, I was involved with the contract. I told you last time. That has been stated again. The DAG, who was involved with me in negotiating the contract, was there and, obviously, had input, conveyed her thoughts to the Division of Law and Director Cole.

ASSEMBLYMAN BOCCHINI: Did anyone from the Governor's office sign off on this contract?

MR. KLINE: Absolutely not. They had nothing to do with it. I told you that last time, and I will state that again. All they did was review the reasons, the rationale, and the why of the bid waiver. That was it. They did not review a contract. That is not their function. You know, policy is one thing, and determining the best way to do something-- But, we did not ask them -- nor seek -- to review the contract.

ASSEMBLYMAN BOCCHINI: What design and implementation procedural check lists were employed by DMV, and who specifically was responsible for signing off on the various stages that were implemented by Price Waterhouse?

MR. KLINE: Those things were signed off by the Division, and by then Systems and Communication, which is the computer arm of the Department.

Chris, anybody else? (speaking to Ms. Cox) That's it.

ASSEMBLYMAN BOCCHINI: What design and implementation procedural check lists were employed by your Department, or your Division? Were there any?

MR. KLINE: Well, the Division and the staff of the Division -- in other words, those areas that were affected by the particular sub-system -- were very much involved in working with Price Waterhouse. So, as a result, there was all types of communication, verbal and otherwise, between those individuals -- for example, the violations sub-systems. You know the ones which send out notices that you have accumulated points for drunk driving.

ASSEMBLYMAN BOCCHINI: I understand that. What I am trying to find out--

MR. KLINE: No, there was no formalized check list.

ASSEMBLYMAN BOCCHINI: Who was checking as you were going along, "Hey, this is going right?" I mean you are the Project Manager, but you sure as heck aren't a computer specialist.

MR. KLINE: That's right. It was the people at SAC and the people within the Division. The people, combined, were looking over what was going on.

ASSEMBLYMAN BOCCHINI: Who in the Division?

MR. KLINE: The Division of Motor Vehicles?

ASSEMBLYMAN BOCCHINI: Yes.

MR. KLINE: Turn time involves Ms. Cox, Senior Assistant Director. The Assistant Directors who were involved in the particular areas were involved, insofar as knowing what was happening in their area.

Prior to Ms. Cox, there was an individual named Branigan, who was responsible for this task. He has since gone to NJIT.

At SAC, I think it was Mr. Meybohm. Al Bochese was subsequent to him. Was anyone subsequent to him? (consulting with Ms. Cox) Ralph Bencivengo -- there is turnover in State government.

ASSEMBLYMAN BOCCHINI: Did you ever check with other states across the United States as to what type of systems they had, if any?

MR. KLINE: I, in fact, went, some time ago, to a conference with other states -- particularly one other state, I believe it was Colorado -- and they had, as one of the aspects of this conference, a discussion about computer systems. For example, I think Ontario just computerized, and they talked about how they did it.

As far as talking to other states is concerned, we talked to New Jersey, I believe, and we talked to Pennsylvania. That was about the extend of it. We got their insight, because New York had--

ASSEMBLYMAN BOCCHINI: Did you get that in writing from them?

MR. KLINE: These were verbal communications.

ASSEMBLYMAN BOCCHINI: Did you ever discuss with them the type of language they were using in a comprehensive system?

MR. KLINE: No, because that was way after, obviously. That was first brought up at the point of contract, insofar as using the IDEAL language. So, prior to that there would be no need for it.

ASSEMBLYMAN BOCCHINI: Price Waterhouse led to the IDEAL language?

MR. KLINE: Pardon me?

ASSEMBLYMAN BOCCHINI: Price Waterhouse led to the IDEAL language?

MR. KLINE: Price Waterhouse not only selected it and recommended it, but it also required that it be written into the contract.

ASSEMBLYMAN BOCCHINI: The State then contracted with ADR?

MR. KLINE: As I understand it, Mr. Chairman, because I was not involved with the acquisition of hardware or software. I think -- and you will have to ask them -- the individuals at Systems and Communication, which is now part of OTIS, had a pre-existing contract. Since the State had acquired what is now known as a data base manager from ADR, they also acquired -- I think this was part of the same contract, but, again, you will have to ask them -- this under that contract. So, I don't know anything about the contract or how it came about. All I know is the acquirement of that was done through the computer people, and I think it was done under an existing contract.

ASSEMBLYMAN BOCCHINI: OTIS and SAC, in conjunction with Price Waterhouse agreed that the IDEAL language was to be used?

MR. KLINE: What was stipulated-- We were paying-- Let me put it this way, Mr. Chairman. We are hiring a world-wide consulting company.

ASSEMBLYMAN BOCCHINI: No, no, I don't want to hear about about Mr. Goodbar.

MR. KLINE: Mr. Chairman, I'll formulate my own answers.

ASSEMBLYMAN BOCCHINI: Fine.

MR. KLINE: I think it is unfair to me to--

ASSEMBLYMAN BOCCHINI: Fine, but I don't think that is responsive to the question. All I want to know is, did OTIS and Price Waterhouse determine that the IDEAL language was going to be used?

MR. KLINE: It was Price Waterhouse that was the consultant, which determined that IDEAL would be used.

ASSEMBLYMAN BOCCHINI: So, OTIS and DMV had no part in analyzing that.

MR. KLINE: This is what called the turnkey operation. We were deferential to the experts. That is why the State was paying them a lot of money. I think it would be--

You know, it is great to play Monday morning quarterback. In 20/20 hindsight, we shouldn't have been.

ASSEMBLYMAN BOCCHINI: It has been reported in the media that Joseph Farley, Vice President of Research and Development of ADR, when IDEAL was used in the DMV computer, said that his company had advised DMV and Price Waterhouse back in 1984 that the language was not sufficient to handle this type of program.

MR. KLINE: You know, I've read those statements with interest. As a matter of fact, I even listened to it last night when the guy on the tube said that.

ASSEMBLYMAN BOCCHINI: Is that accurate.

MR. KLINE: No, it is not accurate at all. As a matter of fact, in this documentation that you have been provided with by Mr. Cole, there is a letter from ADR dated February, 1985, I believe -- I am trying to get it -- that was to the computer people in the State. It is one of these things in here. (Perusing through papers)

ASSEMBLYMAN BOCCHINI: We'll get back to that in a moment.

MR. KLINE: No, no, no, that is all right. I am almost there. I think it is important because that is a total misstatement on the part of ADR, and I can understand the reason they would want to mistake that.

ASSEMBLYMAN BOCCHINI: We got two winners then, didn't we, with ADR and Price Waterhouse.

MR. KLINE: You're not going to get any arguments from me, Mr. Chairman. I wouldn't be sitting here today if we-- You know, and I know it.

ASSEMBLYMAN BOCCHINI: I think Mr. Smith has that for you.

MR. KLINE: Okay. This is a letter-- This is the first -- that we were aware of -- written communication to the Division. Again, it is not a definitive answer. Questions were obviously raised by Price Waterhouse to ADR as to, "We're having some problem with this language." In this letter dated February 19, 1984 to Mr. Alfred Bochese, Office of Telecommunications and Information Systems, OTIS -- I'll just highlight, I think, the most pertinent point. This is from that same Joseph Farley, Vice President and Director of Research and Development, ADR: "The question remains, however, as to whether the new application will perform acceptably by the summer." They are referring to the latest release -- this is what they call "releases" -- of IDEAL. "And, ADR remains unable to provide a definitive answer to this question." All right?

Now, if that is telling the State of New Jersey that it is not going to work, all they are saying is, "We don't know at this time." That is the first written communication that we even got that much.

ASSEMBLYMAN BOCCHINI: Who is Alfred Bochese?

MR. KLINE: Al Bochese, at that time, was head of the computer arm of the Department of Law and Public Safety, or Treasury -- that data center that runs our computers.

ASSEMBLYMAN BOCCHINI: He is retired now, isn't he?

MR. KLINE: He is retired now, and he is working as a consultant for us because he was intimately involved with the project.

ASSEMBLYMAN BOCCHINI: We just hired him back at \$25,000.

MR. KLINE: So?

ASSEMBLYMAN BOCCHINI: Is that correct?

MR. KLINE: Yes, he is our consultant -- Al Bochese. He was working on this; his retirement came up; and, this is something that we felt was important for continuity. It is unfortunate that he had to retire from the State, but the way the Civil Service is, it worked out to his betterment to do that.

Again, to answer that question that has been reported in the press, and what has been reported by a lot of people, ADR never told the Division of Motor Vehicles that IDEAL wouldn't work. I'll give you a little history.

Wait a minute, if I can, because this has been misreported. If you go back -- and all of the documents are in here -- to April of 1984, I attended a meeting at the urging of Price Waterhouse -- we set it up through Director Snedeker -- with the Chairman of the Board of ADR in Princeton. We had all the computer people who were appropriate from the State, all the people from Price Waterhouse, and all the people from the Division. What we were talking to them about was support, in other words, getting better support from IDEAL on their product, IDEAL, so we could get this thing going. At no time at that meeting in April of 1984 did anyone say to me or anyone else in that room, "Hey, guys, do you know what your problem is? IDEAL is not going to work." Do you know what they did say? "We're going to give you all the help you need. We're going to make this work. We want the State of New Jersey to be proud of this." They set up teams and everything else.

ASSEMBLYMAN BOCCHINI: Who said that, Price Waterhouse or ADR?

MR. KLINE: ADR.

ASSEMBLYMAN PELLY: When was that?

MR. KLINE: April of 1984. Oh, I'm sorry, May of 1984. We had about a two-hour or three-hour meeting. It was very easy for someone to say at that time, "Hey, guys, what are you using this for? It is not going to work."

Then we go to October of 1984 -- about four or five months before this letter -- and there was a meeting with Price Waterhouse, some people from ADR, and Mrs. Cox, and again, where are we? What is happening? Again, I don't know what the communications were between Price Waterhouse and ADR. I'm just telling you as they relate to the Division of Motor Vehicles. Again, the question was, "You know, we're waiting, ADR, for your help on this." The response was, "Well, we're having new releases come out, and we think this will help and that will help. Yes, it is not working right, but we're doing this. We're talking to people in Texas," and wherever else they are located. That is where that stood.

So, we got very, very displeased about what was going on, and we initiated a meeting that occurred in January of 1985, because at the same time ADR was saying to us, so was Price Waterhouse--

ASSEMBLYMAN BOCCHINI: Let me ask you this. I've been letting you go on, and I have no problem with you informing us, but, was there ever a system set up to test the language to find out under certain circumstances, under certain stress, under certain volume where we could have gone in, and in a short term inquire as to whether or not this was the proper system?

MR. KLINE: Well, they did system testing. They did what they call stress testing of the terminals. Those things were done. Again, obviously--

ASSEMBLYMAN BOCCHINI: Wait a second. They were done. What was the result of those tests?

MR. KLINE: We were doing those tests and finding out that they couldn't support the number of terminals. That is why we were saying to Price Waterhouse, "Okay." We were saying to ADR, and they were saying to ADR, "What is happening." They were saying, "New releases are coming out; we're fine-tuning; we're working, etc., etc., etc."

ASSEMBLYMAN BOCCHINI: But, did they present proof to you that it was working? You tell me that they said it was working.

MR. KLINE: Let me put it this way, Mr. Bocchini. You have a consultant. Let's forget they are Price Waterhouse. You have a consultant.

ASSEMBLYMAN BOCCHINI: That is pretty tough to do, isn't it?

MR. KLINE: Pretty tough to do what -- forget they are Price Waterhouse?

ASSEMBLYMAN BOCCHINI: It is pretty tough to do no matter who it is when they got it without any type of a bid.

ASSEMBLYMAN SCHUBER: I think that is unfair, Mr. Chairman.

MR. KLINE: No, no, no. It has nothing to do with how they got it. Mr. Chairman, if you me want to find out what happened, I'll be glad to. If we want to go and talk about the bid waiver law, which is a statute that was passed by the Legislature, or if you, Mr. Chairman, want to have hearings and discussing changing it, that is up to you. But, if you want to find out--

ASSEMBLYMAN BOCCHINI: This is part of that, Mr. Kline. I'll tell you very much so that this is part of it. It appears that the Legislature and the Governor, in allowing this type of law to be enacted and following it, at least in one instance, have created a problem that you are living with like a nightmare.

MR. KLINE: Mr. Chairman, I don't think it has to do with the bid waiver system. I think the problem has to do with the business judgment -- a bad business judgment, a wrong business judgment -- and I think that is all there is to it. It unfortunate, it is wrong, it is sad, it is disappointing, and it is unbelievable. It is unbelievable. It is as unbelievable to me as it is to you, but we are not going to sit back and say, "Well, it is done." We are trying to get the thing corrected, and we will get the thing corrected.

But, how it happened, you know, you have a consultant. We are not the first people to use consultants.

ASSEMBLYMAN BOCCHINI: But, I believe there was an interrelationship between OTIS and the consultant as to certain testing. Is that correct?

MR. KLINE: OTIS was to provide and SAC was to provide what is termed "technical support." In other words, they are working in the State environment. They have to make sure that the P.W. people, the consultant, have access to the computers and have enough time, things of that nature -- support them. If P.W. said, "Well, we had 20

programmers sitting around today, Kline, because we couldn't get to the computers because SAC people were doing something else," you know, they are charging the State money. So what SAC did was to ensure that they were productive in that they had access to those terminals in that environment and they could do their job.

SAC's role was technical support. P.W.'s role was a turnkey operation -- soup to nuts, the whole bit.

ASSEMBLYMAN BOCCHINI: You just brought something to mind. For \$6.5 million, what did they give us on the original contract? What were we buying for \$6.5 million?

MR. KLINE: What were we supposed to get?

ASSEMBLYMAN BOCCHINI: Besides a turnkey operation.

MR. KLINE: What were we supposed to get, Mr. Chairman?

ASSEMBLYMAN BOCCHINI: I'm just trying to figure out, how did we get-- You know, \$6.5 million. What were they doing for that?

MR. KLINE: Mr. Chairman, here is what we were supposed to get. I'll tell you; it is very easy. What we were supposed to get, other than the surcharge system -- of course, this impacts on the surcharge system -- is quick response time, which means that when you, as a customer, come into DMV, or you call up DMV, they can get your record up fast. That is number one.

Number two, when they get your record up fast, it is accurate. Okay?

ASSEMBLYMAN BOCCHINI: What I want to know is--

MR. KLINE: Number three--

ASSEMBLYMAN BOCCHINI: What I want to know is--

MR. KLINE: Wait a minute. If I can finish, number three, the information that goes into those agencies -- that goes into the central office -- is processed and updated on a nightly basis, not a weekly basis. All right?

ASSEMBLYMAN BOCCHINI: All right. You paid on performance.

MR. KLINE: That is an improvement.

ASSEMBLYMAN BOCCHINI: I presume you paid on performance in billing. Is that correct?

MR. KLINE: We paid on performance. They submitted bills. They were reviewed by the individuals whom I told you they were reviewed by, and then were signed off. Then it went through the normal process of Treasury. We don't pay bills; Treasury pays bills.

ASSEMBLYMAN BOCCHINI: Were those bills based on hourly rates?

MR. KLINE: Yes, yes, they were based on hourly rates, rates that were agreed--

ASSEMBLYMAN BOCCHINI: What was their hourly rate?

MR. KLINE: Rates that were agreed upon in the contract.

ASSEMBLYMAN BOCCHINI: I didn't see the rates. There must be an addendum to the contract.

MR. KLINE: Well, the contract-- Mr. Chairman, it is in the proposal because the proposal is an addendum to the contract. Those rates are in there. As a matter of fact, they used the rates that they had used two years before for the original master plan. If I can have a proposal, it is somewhere in there -- what the rates were. There is rate for partner; there is a--

ASSEMBLYMAN BOCCHINI: Sir, we have that available to us.

MR. KLINE: You have that.

ASSEMBLYMAN BOCCHINI: But, did they give us anything besides their ideas, their people, and the hourly rate?

MR. KLINE: Sure, sure. They did coding; they did programing. They had a lot of people there. They are doing all of this work. They did the work; they physically did the work. They got down in the dirt and they dug the trenches. They did it all.

What we provided was the environment; what we provided was the hardware. Everything else was done by P.W. It was a turnkey operation.

The reason is because the State, at that time, did not have the resources to do this for various reasons.

ASSEMBLYMAN BOCCHINI: Fine. OTIS couldn't handle setting up this type of operation.

MR. KLINE: Yes, that is right. The computer people could not do this the way Price Waterhouse was supposed to do this -- the way they promised to do this.

ASSEMBLYMAN BOCCHINI: I'm sure OTIS could--

MR. KLINE: Because they had to--

ASSEMBLYMAN BOCCHINI: Let me just say, I'm sure OTIS could have done it at least as good as Price Waterhouse has done it. At this point, we would still be \$6.5 million ahead.

MR. KLINE: The thing you have to remember--

ASSEMBLYMAN BOCCHINI: We may even have something working a little better.

MR. KLINE: Let me put it--

ASSEMBLYMAN BOCCHINI: I see couple of the OTIS people nodding their heads in the back.

MR. KLINE: Yes, they are nodding their heads, of course. Mr. Chairman, let me put it this way. If the people who were dedicated to run the Department of Law and Public Safety's computer center, which supports the State Police, the Division of Criminal Justice, etc. -- you know all of the divisions in there, including ours -- and, if you had to dedicate those people to doing this system -- programing, testing, and doing everything else in developing this system -- it would have impacted adversely on the whole Department -- the State Police and everyone else. That is the other reason this was done.

If we had the resources at that time, it would have been done. That is the whole point of OTIS, to get those resources, to build that computer center for the State. In time, hopefully we won't need these particular types of consultants. You know, we are dealing in 1982, not in 1990, or 1987, or 1985, or whenever this is going to be finalized. You can't close shop. It would be great if we could put a sign on the Division that says, "Closed for repairs." But, we can't do that. We have to function -- the State Police, and everybody else. That is what we did.

ASSEMBLYMAN BOCCHINI: Mr. Kline, it has been reported that you were a guest of Price Waterhouse at the 1984 Governor's Ball. Who invited you?

MR. KLINE: First of all, that is incorrect. I wasn't a guest of Price Waterhouse. Let me go over that.

First of all, it was reported on a news station, which will go nameless, that I was a guest of Price Waterhouse at the 1985 Governor's Ball. That is according to a list that the State Committee has. Well, Mr. Chairman, I didn't even attend the Governor's Ball in 1985. I never received tickets in 1985, so their computer is just as bad as the computer we have. (laughter)

To answer your question-- Maybe Price Waterhouse did their computer too. (laughter)

ASSEMBLYMAN BOCCHINI: Let's go back to 1984. You did attend in 1984, isn't that right?

MR. KLINE: I did attend in 1984, but I wanted to set the record straight on that.

ASSEMBLYMAN BOCCHINI: You did sit at one of the Price Waterhouse tables. Isn't that correct?

MR. KLINE: Yes. Well, I sat with my brother, and at the table were representatives of Price Waterhouse. One of them was a fellow named Rich Pye, who I believe I talked to quite a bit throughout the night. You may recognize the name. He is related to, I believe, the editor of The Star-Ledger. We had a good conversation; we talked about inspection. (laughter) That is the truth. We had a long talk.

ASSEMBLYMAN BOCCHINI: It sounds like fun. Let's back up a second.

MR. KLINE: Do you want to hear about 1983, because I would rather get this all out now than have all types of--

ASSEMBLYMAN BOCCHINI: Fine. Why don't you just talk, and I'll listen.

MR. KLINE: Okay, yes, rather than have all kinds of information. In 1983, I was a guest of the State Committee. At that time, I sat at a table with a fellow named Snedeker, and there was a fellow named Reed, who I think was the Deputy Adjutant General of the National Guard. There was nobody who had any affiliation with Price Waterhouse in 1983.

I didn't attend in 1982, so that is what the facts are. As far as my tickets are concerned, I didn't get tickets. Tickets were complimentary of the State Committee. You go there, and they say, "Is

your name on the list? Go to table 38; go to table 199." That is what we did. I hope that sets the--

ASSEMBLYMAN BOCCHINI: The table you went to was the table that was purchased by Price Waterhouse, whether or not the ticket you had in hand was one from--

MR. KLINE: I didn't have a ticket in hand.

ASSEMBLYMAN BOCCHINI: (continuing) --or, the manner in which you sat there, whether it was complimentary on the part of the State-- If you'll let me back up a second, you were here the last time when Mr. Driscoll testified that they bought \$15,000 worth of tickets, or 30 tickets, for the Governor's Ball in 1984. Correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And, with 30 tickets, I believe -- I haven't been there -- there are tables of 10. Is that correct?

MR. KLINE: Correct.

ASSEMBLYMAN BOCCHINI: And of tables of 10, Price Waterhouse had three of them. Is that correct?

MR. KLINE: If the tables were of 10, they would have three, yes. That is \$500 a person.

ASSEMBLYMAN BOCCHINI: I believe Mr. Driscoll said, "We utilized all of the tickets," if you'll go back and check the testimony. He said, "It is not that we were no-show purchases." You can check that in the previous transcript.

ASSEMBLYMAN SCHUBER: Mr. Chairman, in due respect to the line of questioning of the witness, I don't know where we are going with this.

ASSEMBLYMAN BOCCHINI: Where we are going--

ASSEMBLYMAN SCHUBER: He has already testified that he has no idea where the tickets came from.

ASSEMBLYMAN BOCCHINI: No, but I am trying to find--

ASSEMBLYMAN SCHUBER: You're basing it on something that we have no testimony on, and he obviously doesn't know. So, where are we going with this? If we are here to make a political point, fine, but if you are trying to get information, he has already told you that he doesn't know that.

ASSEMBLYMAN BOCCHINI: I'm trying to ascertain who on the State Committee told you that tickets would be available for you?

MR. KLINE: Mr. Usick Mark Usick. He is-- As a matter of fact, he called me this year. He called me on the phone and he said, "Are you going to the Governor's Ball? There are two complimentary tickets." I said I didn't think I would be attending, but I would let him know if I was. I guess as a result of that, it was put down. But, that was the extent of it.

ASSEMBLYMAN BOCCHINI: You received four complimentary tickets in 1984. Is that correct?

MR. KLINE: In 1984. That is right.

ASSEMBLYMAN BOCCHINI: And, you sat with the representatives of Price Waterhouse.

MR. KLINE: In 1984, there were individuals of Price Waterhouse at the same table as myself and my brother.

ASSEMBLYMAN BOCCHINI: Were the other two Price Waterhouse tables adjacent to or in the same area?

MR. KLINE: Oh, sure.

ASSEMBLYMAN BOCCHINI: Did you see Mr. Driscoll?

MR. KLINE: He was across the floor. Yes, he was able three tables away or two tables away. I didn't sit at his table. I wasn't put there.

ASSEMBLYMAN MARTIN: Along that line, I have not gone to the Governor's Ball, so I am not that familiar with it -- the procedure neither. Mr. Kline, when you went there, were you told that the table you were sitting at was a Price Waterhouse table before you went there, and that was your instructions? What information did you have beforehand?

MR. KLINE: Essentially what happens is, you are told that they are complimentary tickets, and you are basically given your seating assignment at the-- You know, there is a long group of tables, and you go in, you file in, you give them your name, and--

ASSEMBLYMAN MARTIN: Are you given a number for a table?

MR. KLINE: You are given a number, right.

ASSEMBLYMAN MARTIN: Are there numbers on top of the tables?

MR. KLINE: Exactly. Then, all of sudden, you show up and you see people. All right? There were people there from Price Waterhouse who I knew. There were people who were working on the project. I didn't know Mr. Pye before that though, and again, it was a very interesting conversation.

ASSEMBLYMAN BOCCHINI: You never inquired as to whom you would be sitting with then.

MR. KLINE: No, at that particular point, it was just that they were complimentary tickets.

ASSEMBLYMAN PELLY: Mr. Kline, are you suggesting, or are you saying that you had no idea that you were going to be sitting at a Price Waterhouse table, or with Price Waterhouse people, until you sat down or approached a table, saw it, and said, "Oh, they are familiar faces; they are from Price Waterhouse." Or, did you know it prior to that?

MR. KLINE: Essentially what you are saying is correct; that is right. In other words--

ASSEMBLYMAN PELLY: You had no idea you were going to be sitting with Price Waterhouse.

MR. KLINE: I had no idea that I would be assigned there. It didn't come as a surprise to me based upon how I had seen the Governor's Ball, and the State Committee made assignments the year prior to that. Again, it wasn't a shock; let me put it that way.

ASSEMBLYMAN BOCCHINI: You saw them make assignments. What do you mean by "make assignments"?

MR. KLINE: Again--

ASSEMBLYMAN BOCCHINI: People were assigned to certain tables, is that correct?

MR. KLINE: That is right. People were assigned to tables--

ASSEMBLYMAN BOCCHINI: When you say you saw them make assignments, how did you see them make assignments?

MR. KLINE: No, no, no. I didn't say I saw them. I said if you go to the Governor's Ball, if you attend the Governor's Ball, and you look around the room--

ASSEMBLYMAN BOCCHINI: I beg to differ with you. You did say it. If you didn't mean to say it, that may be something else, but you did say, "I saw them make assignments."

MR. KLINE: Well, then I misspoke. I did not see them make assignments. What I am saying is, in going to the Ball and seeing that people are at tables-- If you ask, this is where they have been assigned by the Committee. The State Committee, which has nothing to do with the Administration--

ASSEMBLYMAN BOCCHINI: I know; it is just a social affair.

MR. KLINE: That is the way it is billed, and that is the way it goes off.

ASSEMBLYMAN MARTIN: Through you, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Yes, Mr. Martin?

ASSEMBLYMAN MARTIN: Were you ever asked by Price Waterhouse to go to the Governor's Ball as a guest of theirs?

MR. KLINE: No, I wasn't asked by Price Waterhouse to go to the Governor's Ball. Mr. Driscoll, I'm sure, at some point may have made mention of the fact that they were going to the Governor's Ball.

ASSEMBLYMAN BOCCHINI: You mentioned that 15,000 times.

MR. KLINE: What is that? I mentioned it 15,000 times? Sure. You know, Mr. Chairman--

ASSEMBLYMAN SCHUBER: Mr. Chairman, if I may, Mr. Kline, did Price Waterhouse ever give you tickets to go to the Governor's Ball?

MR. KLINE: No, I didn't get any tickets at any time from anyone. I was given complimentary tickets, which means you don't get tickets. You go there and that is it, so I never physically had a ticket. No one ever gave me a ticket.

ASSEMBLYMAN MARTIN: When you went the time before, was that basically the same system that you went under -- the same process that you described?

MR. KLINE: The year before, in 1983, it was the same type of system. I'm sure if I went in 1985, it would be the same type of system. I don't think that is any type of great revelation. I had nothing to do with fund raising involving Price Waterhouse.

ASSEMBLYMAN BOCCHINI: You indicated-- I'm sorry. I thought you had finished.

MR. KLINE: Go ahead.

ASSEMBLYMAN BOCCHINI: You indicated that in relation to the system--

MR. KLINE: Pardon me?

ASSEMBLYMAN BOCCHINI: You indicated that you saw the system.

MR. KLINE: No. Let me take that back. I didn't see any system.

ASSEMBLYMAN BOCCHINI: Was there a system of putting people at certain vendors' tables?

MR. KLINE: No.

ASSEMBLYMAN BOCCHINI: Did it appear that way after you got there?

MR. KLINE: No. You know, you are putting words in my mouth, Mr. Chairman, and I don't appreciate it. Number one, I think I have been very candid with this Committee, and I volunteered information.

ASSEMBLYMAN BOCCHINI: I'm not saying you. I'm just trying to find out if you were being used.

MR. KLINE: No, I don't think I was being used, Mr. Chairman, and I take exception to that. I'm going to tell you why.

Number one, what Mr. Driscoll testified to last time, I think, has been misinterpreted by people. It is nice to do; we can all impute bad motives to public officials because it is easy to do that. He was asked whether or not -- this prior to the Governor's Ball, prior to their contribution, prior to their bid waiver -- there was any activity on the part of Price Waterhouse to this Administration, this Governor's campaign. The reason that was done is to ensure that there would be no criticism of such a big bid waiver. It was not done to signal anything or to suggest anything because in the review of this, everyone wanted to make clear -- absolutely clear -- that it was not done for political reasons or political motivation.

Subsequent to the award of the bid waiver -- it is public record -- Price Waterhouse contributed to this particular fund raiser. It is also public record that they were solicited by an ex-partner in a GOP fund raiser, not by Bob Kline, not by anybody else. They didn't get the contract for that reason, and there was no intention of them to

be signaled to give the contract. If anything, they were asked, and they told us that there was no political involvement prior to the award of the bid waiver.

In one of the memos that you have before you, there is a reference to the fact that one of the reasons the waiver can be granted is because there was no political activity on the part of Price Waterhouse with the gubernatorial campaign.

ASSEMBLYMAN BOCCHINI: What was the date of the bid waiver?

MR. KLINE: On July 27, 1983, it was finally signed by the Treasurer.

ASSEMBLYMAN BOCCHINI: Okay. That was just simply 27 days thereafter that they contributed \$15,000.

MR. KLINE: Evidently. They were solicited by fund raisers to do that.

ASSEMBLYMAN BOCCHINI: Mr. Pelly?

ASSEMBLYMAN PELLY: Mr. Kline, you said when you got to the table, you weren't surprised that you were seated with people from Price Waterhouse. Why were you not surprised?

MR. KLINE: Because it just seemed to me that a lot of vendors historically who do business, or who have contacts, whether it is with legislators or the Executive Branch of government, participate in political fund raisers. I don't think it is any revelation to you, Assemblyman, as it isn't to me. This is a process. It is perfectly legal; it is perfectly above board.

ASSEMBLYMAN PELLY: Let me ask you this: When you arrived at the table -- you say you saw two other tables, which was a total of three -- a quick calculation represents that \$15,000--

MR. KLINE: I didn't have my computer with me. I didn't calculate that.

ASSEMBLYMAN PELLY: Well, I don't have one with me either. I was able to do that, and I am not even an attorney. (laughter)

MR. KLINE: You don't have to apologize for that.

ASSEMBLYMAN PELLY: I have never. In any event, I apologize to these gentlemen. (laughter) In any event, it represented \$15,000 worth of Price Waterhouse contributions. You, in fact, had four

tickets, which represented \$2,000 worth, and you were seated at that table. Didn't it enter your mind, "Gee, we had just given a bid waiver for a lot of money to a company, and here they are making this substantial contribution?"

MR. KLINE: No, you are doing what the press has done.

ASSEMBLYMAN PELLY: Can I finish the question?

MR. KLINE: You have the facts wrong though.

ASSEMBLYMAN PELLY: Do you mind if I finish the question?

MR. KLINE: Yes, but it wasn't after the waiver. It wasn't 1983; it was 1984. So, can we at least get the facts right? I would appreciate it.

ASSEMBLYMAN PELLY: Yes, but irrespective of the date, you knew about the contributions that were being given. You knew the sequence. You knew when the bid waiver had occurred. Didn't it occur to you at any time that perhaps it might be -- while it is perfectly legal, as you put it-- Didn't you at any time think, irrespective of the fact that it was legal, maybe it was not appropriate?

MR. KLINE: You know, let me be rhetorical. Do you turn down contributions from people who you sponsor legislation for, or may impact upon?

ASSEMBLYMAN PELLY: I'll tell you one thing. I have turned down contributions from people whom I don't care to deal with.

MR. KLINE: Well, again--

ASSEMBLYMAN PELLY: Didn't it occur to you at any time that it might not be appropriate? I recognize it is legal. Didn't it occur to you that it might not be appropriate for you and three other guests to be seated at a table -- at the same table of a company that is participating to the extent of \$6.5 million worth of contracts with no bid in your very Division?

MR. KLINE: Let me answer the question. The answer to your question is no, and I'll tell you why. Number one, the bid waiver was--

ASSEMBLYMAN BOCCHINI: The answer to the question is no. Do you have another question?

MR. KLINE: Mr. Chairman, please. If you want me to answer, I'll answer.

ASSEMBLYMAN SCHUBER: Mr. Chairman, that is not fair.

ASSEMBLYMAN BOCCHINI: If you want to expand on it, expand on it.

MR. KLINE: Thank you, Mr. Chairman. Number one, the bid waiver was in July of 1983. The contract was in November of 1983. The Ball that you are talking about where I was seated at a table with people from Price Waterhouse was in August of 1984. It wasn't just right after the bid waiver. I think you are creating a mis-impression if you say that.

Whether I feel it was appropriate, I was not a fund raiser. I didn't solicit money. I didn't assign tables. I didn't make up charts. You know, I was there; I was an invited guest. I sat where I was put, and I think-- Is that inappropriate? No.

Did it have any influence on me? The contract had been awarded a year before. The bid waiver had been given out a year and a half before. There are maybe a half a dozen -- maybe 10 -- signatures on the bid waiver. None of them are mine.

Was it inappropriate? No. It has nothing to do-- One is not a quid pro quo through the other, and I don't have anything to do with the awarding of contracts or the approval of bid waivers in that I am not of the signatories to those.

ASSEMBLYMAN PELLY: You play no role whatsoever in any of that process through any input whatsoever?

MR. KLINE: I do not approve approve bid waivers, and I do not sign the contracts. Again, the answer to your question of, was it inappropriate, is no. Did it have any influence on the work of the Division. No.

An example of that is the liquidated damage provision. The liquid damage--

ASSEMBLYMAN BOCCHINI: That is not being enforced.

MR. KLINE: Well, the liquidated damage provision--

ASSEMBLYMAN SCHUBER: That was not what the Attorney General said, Mr. Chairman.

MR. KLINE: Yes. The liquidated damage-- And, you are a lawyer, Mr. Chairman. You know how it works. They are reserving

judgment. The liquidated damage provision was the first liquidated damage provision in a computer consulting contract to the State. Now, if that was favorable treatment, I don't think anyone is going to contribute anymore.

ASSEMBLYMAN PELLY: You played no role in the negotiations of that contract or any agreement. Is that correct?

MR. KLINE: Sure, I played a role in the negotiation of that contract in 1983. I said that, and I said that last time.

ASSEMBLYMAN PELLY: That is the point.

MR. KLINE: Did it have any bearing by sitting at their table in 1984? No, I don't think so.

ASSEMBLYMAN BOCCHINI: Let me ask this: Did it have any bearing in relation to non-- First of all, you didn't know where you were sitting, but you weren't surprised in 1984. However, at that juncture in 1984, from 1983 through 1984, in approximately 13 months there were \$30,000 in contributions to the Governor's Ball. Subsequent to 1984 and through 1985's Ball, there is at least another \$5,000 that has been contributed. Now we are in the midst of a crisis. Now we are in the midst of a crisis within that entire package. We have a situation where some people -- maybe some members of this Committee may see differently, and others in another light-- It appears that when I listen to self-serving statements by Price Waterhouse that we are going to put Humpty Dumpty back together again at our own cost, and pile on top of that the State paying \$160,000 a month in overtime, in looking at it from this standpoint -- after the fact -- what type of influence, if any, has that had as a result of no action other than threatening letters on the part of the State? Do you think it has had any type of insurance effect for Price Waterhouse?

MR. KLINE: The contributions? Is that what you are referring to?

ASSEMBLYMAN BOCCHINI: That is my question. Yes, sir.

MR. KLINE: It is absolutely ludicrous. It is ludicrous; it is slanderous; and to suggest that, Mr. Chairman, I think--

ASSEMBLYMAN BOCCHINI: I don't think I suggested that. I asked a question.

MR. KLINE: You know, you might as well call the whole--

ASSEMBLYMAN BOCCHINI: If I can, Mr. Kline, it is a question that other people have been asking, not just this Committee.

MR. KLINE: Well, you know, it is always easy to believe the worst about public officials, Mr. Chairman, or the worst about--

ASSEMBLYMAN BOCCHINI: I live through it with you.

MR. KLINE: But. Mr. Chairman--

ASSEMBLYMAN BOCCHINI: We may be elected, and you may be appointed, but we all go through the same problem. I can appreciate that.

MR. KLINE: Mr. Chairman, it had absolutely no bearing. It never had a bearing. It still doesn't have a bearing. I don't know how many times I can answer that. You choose not to believe. It is a political year; there is an election going on.

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Kline. I don't think anyone--

MR. KLINE: I don't think that is a secret either, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: (continuing) --said that I choose not to believe it.

MR. KLINE: Well, you keep repeating the question. I gave the answer. I've answered his question.

ASSEMBLYMAN BOCCHINI: No, you answered it in relation to one perspective. I asked it from another direction, and I anticipated the answer would be that. I don't have reason at this juncture to think that what you are saying is an inaccuracy or not an accurate representation. Please don't assume that to be the case, Bob, because it certainly isn't intended.

MR. KLINE: Mr. Chairman, would you propose that we just tell Price Waterhouse to pick up their marbles, go home, sue them, extract whatever we can extract from them, and then go out, buy, bid, however you deem is correct, and correct this? Do you think that is better for the citizens of this State? Do you think it is better for them to deal with this problem any longer than they have to? I don't think you do, Mr. Chairman. I think our motivations are the same.

Our motivation is to get the damned thing working. There is one sure, fast way of doing it, and that is to hold their feet to the fire, make them live up to the contract, and then get the thing going. If we don't do that, Mr. Chairman, and if we hire another concern, go out to bid, and do it that way, you can handle calls in my office for the next year to see if we are accomplishing anything.

ASSEMBLYMAN BOCCHINI: I think, at the same time, the issue of Price Waterhouse in relation to the problem, Mr. Kline, is valid. That is a present problem for you. It is a problem that you are concerned with and your Division is concerned with. I am not suggesting that you are not as concerned as the Legislature is. But the point is, hopefully, in addition to making sure that what is going wrong over there is corrected, let's see if we can come out of this with something that, up the road, won't happen again -- whether it be in the Division of Motor Vehicles, whether it be in the Department of Environmental Protection, whether it be over at the Public Advocate's office, or whether it be in any other Department in State government. The bomb happened to fall on you. We just want to make certain and hopefully be able to prevent, up the road, this same type of catastrophe. That is all.

I think it has been a long day, Mr. Kline. If anyone has any other questions of Mr. Kline, fine. If not, I would indicate to the Committee--

ASSEMBLYMAN SCHUBER: I have some questions, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: I'm sorry. Mr. Schuber.

ASSEMBLYMAN SCHUBER: Mr. Kline, let me ask you this. With regard to the first questions that were asked on the surcharge, you indicated that the modifications, or extra charges, would amount to about \$686,000, or \$680,000. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN SCHUBER: My understanding was, and correct me if I am wrong, that the reason for that was the changes that the Legislature made in the law as we went along with regard to your duty on surcharges.

MR. KLINE: That is correct.

ASSEMBLYMAN SCHUBER: That was solely the reason for those modifications in that amount. Is that correct?

MR. KLINE: That is the only reason.

ASSEMBLYMAN SCHUBER: All right. Were you aware, also, that the Speaker of this august body -- the General Assembly -- had criticized your Division, or at that time, Mr. Snedeker's Division, very roundly in May and June of 1983, for failing to have the surcharge system on line at the correct time?

MR. KLINE: That was one of our motivations.

ASSEMBLYMAN SCHUBER: And that is the reason you went through with regard to this system?

MR. KLINE: Exactly.

ASSEMBLYMAN SCHUBER: Thank you. I would point out for the record, Mr. Chairman, that the Speaker of this Assembly issued a press release in May, 1983, roundly criticizing the Division of Motor Vehicles for not implementing a surcharge system at that time. It was reported in most of the papers. The particular article I saw was from The Star-Ledger. I think this is in keeping with the testimony that Mr. Kline has made here today and on a previous occasion.

ASSEMBLYMAN BOCCHINI: What is the date of that again?

ASSEMBLYMAN SCHUBER: May, 1983.

ASSEMBLYMAN BOCCHINI: Thank you. Mr. Kline and members of the Committee, in checking calendars and so forth, I am going to have to ask you to make your calendars available for this coming Tuesday at 11 o'clock.

ASSEMBLYMAN SCHUBER: Tuesday or Thursday?

ASSEMBLYMAN BOCCHINI: Tuesday at 11 o'clock.

MR. KLINE: Fine, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: At that time we will have subpoenas issued to Mr. Driscoll of Price Waterhouse. Hopefully, they will be here.

ASSEMBLYMAN SCHUBER: Who are the witnesses going to be, Mr. Chairman?

ASSEMBLYMAN BOCCHINI: On Tuesday, potentially, we will have Mr. Bathgate, the witnesses who were not here this morning, those who

we have indicated will be reinvited, Mr. Schuber, in addition to Mr. Snedeker and Mr. Driscoll.

ASSEMBLYMAN SCHUBER: May I ask who the members of the Committee will be at that time?

ASSEMBLYMAN BOCCHINI: If Mr. LaRocca is available, I presume he will be back on the Committee. If he is not, and Mr. Foy is available, since he was here today, I anticipate that I would ask the Speaker to reappoint him for the purpose of the hearing. If someone else is not available-- If you are not available, I don't know who Mr. Hardwick will request to replace you. If Mr. Pelly is not available, I don't know who Mr. Karcher will request to replace him. I can tell you that I plan on being here.

ASSEMBLYMAN SCHUBER: I would request that the Committee hearing start a bit earlier than it did today if we are going to do this because if we are going to go through all of those witnesses--

ASSEMBLYMAN BOCCHINI: Actually, I thought I was affording you your drive time, gentlemen. I am only 10 minutes away from here.

ASSEMBLYMAN SCHUBER: I would just as soon start the hearing much earlier, Mr. Chairman, if we could.

ASSEMBLYMAN BOCCHINI: All right, let's move it up to 10:15 because I would like to spend an hour or so before I begin the hearing doing my own personal notes and so forth. Is 10:15 okay, gentlemen?

ASSEMBLYMAN SCHUBER: Mr. Chairman, Tuesday may be a problem for me. I don't even have a calendar here. Mr. Martin says it is a problem for him already.

ASSEMBLYMAN BOCCHINI: Well, Wednesday was also a problem for you.

ASSEMBLYMAN SCHUBER: Thursday wasn't, and that was the day we originally set.

ASSEMBLYMAN BOCCHINI: We can make problems every day; we all have problems every day. The only thing I can suggest is, if you can't make it, speak to Mr. Hardwick to request a person to replace you.

The hearing is adjourned.

(HEARING CONCLUDED)

APPENDIX



GENERAL ASSEMBLY
OF NEW JERSEY
TRENTON

SPEAKER
ALAN J. KARCHER
ASSEMBLYMAN, DISTRICT 19 (MIDDLESEX)
61 MAIN STREET
SAYREVILLE, N. J. 08872
TEL. 201-238-8745
609-292-6411

October 3, 1985

Honorable Joseph L. Bocchini, Jr.
Chairman
Assembly Law, Public Safety and Defense
State House
Trenton, New Jersey 08625

Dear Joe:

I am appointing Assemblyman Thomas P. Foy to temporarily serve on the Assembly Law, Public Safety and Defense Committee, on Thursday, October 3rd. He will be substituting for Assemblyman Nicholas J. La Rocca

Sincerely,

Alan J. Karcher

gm

/x

