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PUBLIC HEARING

before

ASSEMBLY LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE

on

(DMV Computer System)

September 24, 1985
Room 348
State House Annex
Trenton, New Jersey

New Jersey State Library

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph L. Bocchini, Jr., Chairman
Assemblyman Nicholas LaRocca, Vice Chairman
Assemblyman Frank M. Pelly
Assemblyman Robert J. Martin
Assemblyman William P. Schuber

ALSO PRESENT:

Aggie Szliagyi
Office of Legislative Services
Aide, Assembly Law, Public Safety &
Defense Committee

New Jersey State Library

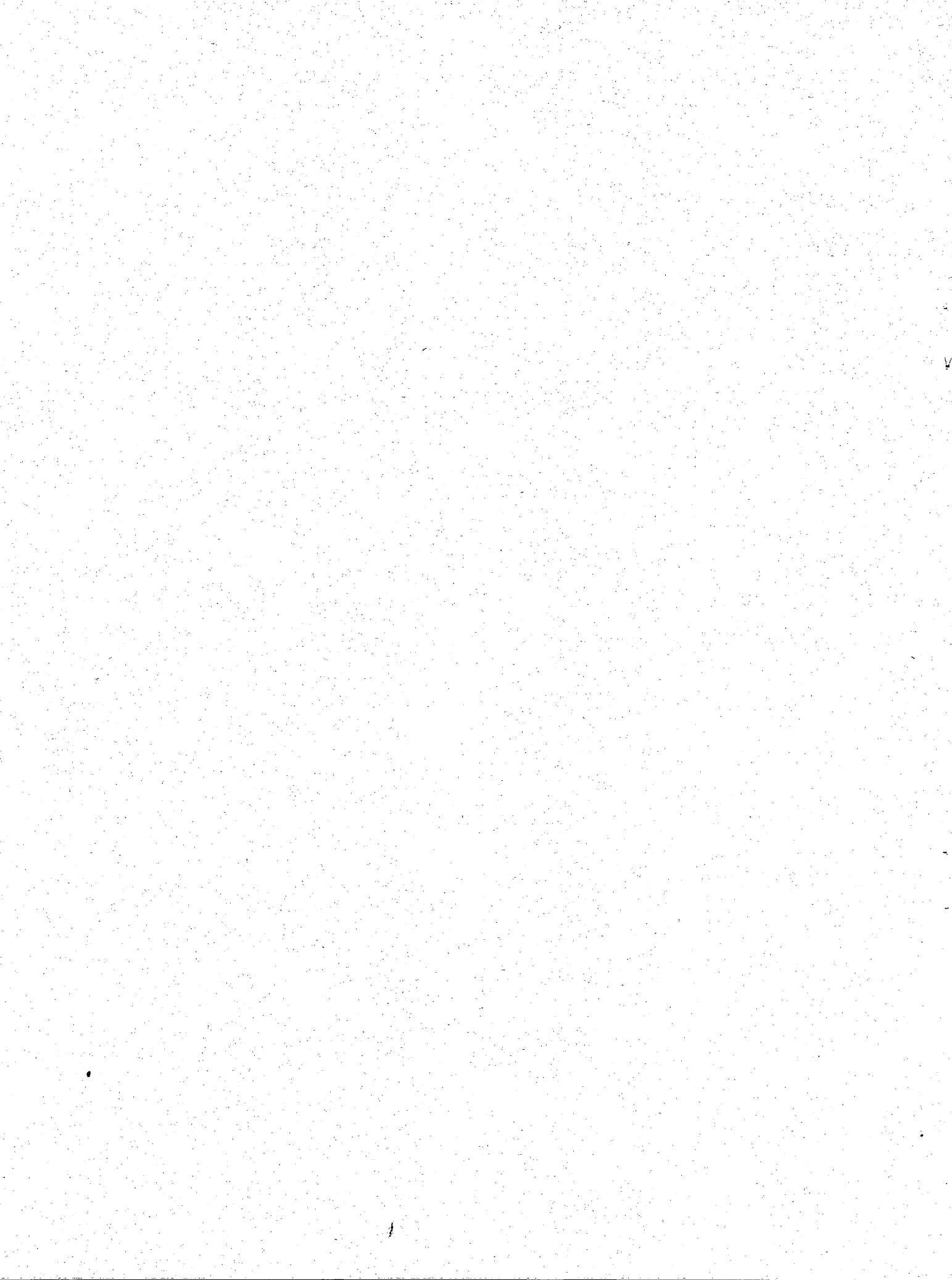
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ASSEMBLYMAN JOSEPH L. BOCCHINI, JR.: Let's get started. Thank you, ladies and gentlemen, for coming here this morning, especially Mr. Kline as well as the representatives of Price Waterhouse. I have a brief statement I'd like to open this hearing with.

The purpose of this hearing is to elicit information and to investigate recently highlighted computer problems at the Division of Motor Vehicles (DMV). In the last few weeks we have read in the newspapers that the new computer system at the Division is unable to keep up the work load of renewing motor vehicle licenses and registrations.

During this public hearing the Committee will gather information on that problem, as well as other computer problems which may inconvenience the motorists of this State in the future.

We have with us today, Robert Kline, the Acting Director of the Division of Motor Vehicles, and representatives of the national accounting firm of Price Waterhouse, who will provide us with background information, and hopefully answer all questions the Committee may have this morning.

I have stated this at prior Committee meetings, but it bears repeating. The Division of Motor Vehicles is an agency of government which reaches into almost every household in the State of New Jersey. The Division has over 20 million contacts annually with the public, either by mail, telephone, or directly. For many citizens in New Jersey, the Division of Motor Vehicles represents the principle point of contact with State Government. The Division's effectiveness as a public service agency, shown by timely dispatch of its business with integrity, efficiency, accuracy, and courteousness, is representative of the effectiveness of State Government operations in general. It is extremely important that the level of public service provided by the Division meets or exceeds the public's expectations.

This public hearing is in response to the general public's concern for a stable, efficient, and well managed Division of Motor Vehicles.

Before I proceed any further, if I might, I'd like to introduce the Committee Members. Assemblyman Pelly, Vice Chairman Assemblyman LaRocca, Assemblyman Schuber, and I believe Assemblyman Martin may be here— (as Assemblyman Martin enters) And with a grand entrance, Assemblyman Martin is now with us.

Gentlemen, are there any comments you would like to make before we begin? Frank? Nick? Pat? Robert? (negative responses indicated) Acting Director Kline.

ACTING DIRECTOR ROBERT S. KLINE: Good morning, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Good morning. Bob, do you have any type of preliminary statement you want to give?

MR. KLINE: I have nothing prepared, Mr. Chairman, I'd just like to briefly say that the Division of Motor Vehicles welcomes the opportunity to address this Committee. As you requested, we have provided you with some documentation, and we are more than willing to provide you with anything else you deem appropriate in your investigation.

In addition to my presence here today, there are other individuals who are more aware and involved in the computerization project that the Division is undergoing, both from the Division, and from the Office of Technology and Information Services (OTIS), which operates the computers that run the Division and put those documents out—

ASSEMBLYMAN BOCCHINI: You're referring to OTIS.

MR. KLINE: OTIS, right. And, obviously, the firm of Price Waterhouse is also here. I would like to say that in the last two weeks the Division did deem it appropriate to issue to the press and public a notice concerning the current status of the computerization at the Division. We did that because we felt it our obligation to do so, because we are experiencing, as has been disclosed and documented, problems with the computer system. However, at the same time I would like to say some misinformation has been given out, and I think that is due to the fact that it is not an easy subject to understand as a lay person. Mr. Chairman, both you and I find these matters difficult, and that's why we rely on experts. That is, in fact, why a consultant of

the stature of Price Waterhouse was hired to give the Division the technical expertise needed to bring about such a massive project. However, it has been reported that approximately 1.4 million documents have not gone out, and that is incorrect. What was stated in our press advisory is that the Division has issued those 1.4 million documents; however, they are not on the computer data base, and I think that's a significant distinction the public should be aware of. The problem is, of course, that you, as an individual, possess the document, and it is a valid document, but if for any reason you were stopped by a law enforcement officer the document would not show up on the computer, and it could cause a problem. That is why we, the Attorney General and myself, have issued the advisory to the law enforcement community saying that if an individual possesses a valid registration document, it should be honored. Again, the other pertinent information should—

ASSEMBLYMAN BOCCHINI: If I may, just an aside for a moment. Bob, I know you're aware of the legislation that I sponsored-- A quick question. We've written to the chiefs of the police departments across the State. What happens to somebody who's in Pennsylvania, New York, Washington, or wherever?

MR. KLINE: That advisory goes all through the country. As a matter of fact, Mr. Chairman, about two weeks ago we received an advisory from the Commissioner of the Department of Motor Vehicles for the State of California, asking us to honor some 65,000 registration documents that they had problems with. This is not unique to New Jersey. I think people in law enforcement and also people who work in various departments of motor vehicles throughout the country often experience incidents like this, and accordingly know how to deal with them in relaying this information across the country.

But just to conclude, I'd like to say what is also very pertinent is that we're mainly experiencing problems with registrations. I've seen a lot in the papers about licenses. The majority of the backlogged documents deal with registrations, not licensing. That is not to say there are not licenses that are not going out, or not being done correctly. Even with the old system and

I'm sure with the new system as well, there will always be documents, that for whatever reason, will be incorrect or go astray. When you are dealing with the volumes that we deal with-- we issue over 50,000 documents a day and we take in over 11,000 phone calls a day-- you are dealing with tremendous volumes, and obviously, you are never going to have perfection. The purpose for this system was to bring the Division into the 1980's. Within a period of time, and with the corrections that have been agreed to by the firm of Price Waterhouse working with the State computer people, you will have the state-of-the-art system that was contracted for. I think that is something the public has to be made aware of. We have hit a problem area, there is no question about it, but we are working on a regular basis; nights, weekends, etc. to get this system corrected. I would like to say, on October 7, the 1.4 million registrations that we announced were backlogged, will be--

ASSEMBLYMAN BOCCHINI: What date was that?

MR. KLINE: October 7. October 7, we will have those transactions, so that law enforcement and people within the Division will have those records on the inquiry stream, so that they can be seen and will not cause these people problems. So--

ASSEMBLYMAN BOCCHINI: Does that mean my legislative office will have about 20 calls less a day than now?

MR. KLINE: I hope so. It means that we will have about 5,000 less a day. By October 7 we will have the backlog available on the screens. So that is the first step in relieving this. Other than that, I'd like to say that we are available for any questions you may have concerning this matter.

ASSEMBLYMAN BOCCHINI: Okay. Bob, essentially, have you been able to ascertain the basic cause of the delay and the implementation of this whole process, from the perspective of the Division?

MR. KLINE: From the perspective of the Division, the problem is this. The response time on our computer terminal is too slow, and it varies. You should have a response time of approximately 3 to 5 seconds, and ours varies anywhere from 3 seconds to as much as 5 minutes, depending upon the time of day, week, etc. So that is obviously not appropriate.

ASSEMBLYMAN BOCCHINI: That was referred to-- I know you delivered a letter this morning from the First Assistant Attorney General Michael Cole, and I believe he made reference to that in his letter of August 26 to Price Waterhouse.

MR. KLINE: That is correct. The First Assistant on behalf of the State--

ASSEMBLYMAN BOCCHINI: Is Mr. Cole here, by any chance, this morning?

MR. KLINE: No, but Assistant Attorney General James Sullivan is here, and he is very aware of all the facts involved if you want to ask him any questions.

The response time is the first problem. The second problem that is critical to us is the number of terminals the system can support. Currently, we have approximately 200 terminals that the system now supports. It was always intended that we would have to have at least 400 terminals for the system to support, and expand up to as many as 1000. We had to provide those records on the computer terminal screen for law enforcement communities as well as the Division internally.

The third problem is the processing of the transactions. You go to an agency, you get your document, you pay your money, you then have those transactions put on the data base of the computer. With the old system we were talking about weekly processing, and obviously that is not up-to-the-minute type of information. One of the purposes of the project was to have current information, and this was done by the specification of daily updates. We're not getting that; that is another significant problem.

The cumulative effect of all these individual problems as far as the public is concerned and as far as we're concerned, is it slows the division down; it is inefficient. It doesn't do what we have to do.

ASSEMBLYMAN BOCCHINI: You're talking about the system.

MR. KLINE: The system. It slows the whole Division down. Everything is slowed, and as a result backlogs develop and grow; people's questions can not be answered in a timely fashion, documents get slowed down, and it is all related. But that's the problem.

ASSEMBLYMAN BOCCHINI: The Committee can understand the problems that you have, because I understand when you started in this position your hair was black. (laughter) I'm sorry, I couldn't resist it, Bob.

MR. KLINE: At this point I'm not going to dispute that because, after the last six months, I'm surprised there is any left.

ASSEMBLYMAN BOCCHINI: In relation to the contract itself, who represented the State, Director, in it's negotiations with Price Waterhouse?

MR. KLINE: I was involved in the actual negotiations, the contract, with Price Waterhouse. As far as--

ASSEMBLYMAN BOCCHINI: Were you attorneying in that capacity?

MR. KLINE: No. As far as the actual terms of the contract, Maureen Adams, who is the DAG (Deputy Attorney General), with the Division of Purchase and Property, also sat in and reviewed the contract and participated in the negotiations and was the final reviewer on the actual terms for--

ASSEMBLYMAN BOCCHINI: She signed off on that contract as to form only, I believe. Is that correct?

MR. KLINE: Yes, that's correct. There was no other reason for her to sign. The actual signatories on the contract were those of Mr.--

ASSEMBLYMAN BOCCHINI: Do we have a copy, Bob, of the signed contract? All the Committee has, I believe, is a draft agreement.

MR. KLINE: I have it here, but I'd like to have it back. We'll make a copy of it.

ASSEMBLYMAN BOCCHINI: Do you think we could have somebody-- (pause to arrange for copies made of document) Will this be the same document other than the signatures? (indicating other document)

MR. KLINE: It appears to be. It says draft on it, and of course, the date of the contract was sometime in November; it's on there--

MATTHEW P. BOYLAN: We have a fully executed copy if that would help you.

ASSEMBLYMAN BOCCHINI: Well, I think in terms of discussion purposes, I want to make sure we both have the same thing. If we refer to page 4— and you go to page 4— we should be looking at the same agreement. Is there any reason why we didn't get a copy of the signed one, Bob?

MR. KLINE: Well, you should have gotten a copy of the signed one. I was told that you had been provided with one, and why you weren't is beyond me. You should have gotten it.

ASSEMBLYMAN LaROCCA: In the meantime, Mr. Chairman, can someone represent to us that this is a conformed copy? Someone can conform at least one copy.

MR. BOYLAN: If you give me a second, I can compare--

ASSEMBLYMAN LaROCCA: Possibly fill in a date--

MR. BOYLAN: I am Matthew P. Boylan, an attorney with Price Waterhouse.

MR. KLINE: He's not with me, and I was wondering who he was.

MR. BOYLAN: I don't know you.

MR. KLINE: I don't know you either; that's why I asked.

MR. BOYLAN: I do have an extra copy-- They have 18 pages each if you want to compare one with the other.

MR. KLINE: Can I have my copy back so I--

MS. SZILAGYI: Your copy is coming.

MR. KLINE: Okay. Then I'll be more than happy to go over it with you. As far as Maureen Adams' role, Mr. Chairman, she was the individual from the Attorney General's Office who had primary responsibility for the legal aspect of the contract.

ASSEMBLYMAN BOCCHINI: Do you know who negotiated for Price Waterhouse?

MR. KLINE: Yes, Mr. Driscoll, and Mr. Williams who are here from Price Waterhouse.

ASSEMBLYMAN BOCCHINI: Mr. Driscoll? And Mr...?

MR. KLINE: Williams, Jeff Williams.

ASSEMBLYMAN BOCCHINI: Fine. Very good to see you gentlemen. Thank you for being here. Now, in addition, in relation to the negotiations, was it strictly a DMV negotiating process? I know

you mentioned Maureen Adams, but did anyone else from higher up in Law and Public Safety, or the Attorney General's (AG) office get involved?

MR. KLINE: No, it went through the normal process that all contracts go through. If you refer to the document I gave you, it went to the Director of the Division of Purchase and Property, who reviewed it; and it went to the Attorney General's Office, and it went through the normal bureaucratic process that all contracts go through.

ASSEMBLYMAN BOCCHINI: Did the Governor's Office also review this?

MR. KLINE: No.

ASSEMBLYMAN BOCCHINI: Is it normal for the Division to negotiate a \$6.5 million contract without any front office input?

MR. KLINE: Into the contract itself?

ASSEMBLYMAN BOCCHINI: Yes.

MR. KLINE: 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 the Attorney General.

ASSEMBLYMAN BOCCHINI: When did the computer problem first become known by DMV?

MR. KLINE: All right. In late May of this year we were getting (pause) -- Mr. Chairman, in late May of this year we were starting to get indications, strong indications, from our own computer people, from Price Waterhouse, and internally, obviously, that the number of terminals we had hoped to at least be up piecemeal, were not going to be supported by the system, and we started looking into that. We also noticed the processing of some of our driver history files was not getting done the way it should be done on a nightly basis. This caused me to have a meeting with the officials from OTIS, who run the system. Before there was OTIS, each department had its own office computers. There was Systems and Communication for Law and Public Safety, and regardless of whose system it was in the Department, the

computer people still have to run it, and regardless of who sets up the program, the computer people have to run it. So we met with our computer people, and started to inquire as to what was going on and how the problems could be alleviated. We had already talked to Price Waterhouse, and they were looking into it, but we wanted to get together with our own people to ensure that everything was being done that could be done. It wasn't really until the whole system was up in late June-- all of the sub-systems, because they put it up sub-system by sub-system, that we were clearly convinced that there were very, very large problems that impacted very much on our operations. So the computer people basically got together with Price Waterhouse, the people from OTIS, and gave this a good hard look. And it wasn't until sometime in August that we really had a firm understanding of what the problems were, and what the solutions had to be. At that point we alerted the public and the press.

ASSEMBLYMAN BOCCHINI: Let me back up-- Just from an historical perspective, the original study, for the computerization process, began in 1981?

MR. KLINE: That is correct. Under the current Administration, there was the selection to produce a document called the "Master Plan", which set forth the computerization of the Division of Motor Vehicles. Price Waterhouse received the contract under bid. I believe 7 accounting firms were participating in the bidding of this project, and they won out over the other 6. I don't think they were the lowest responsible bidder, I think there was a firm called Ernst & Whinney that was the lowest but, for technical reasons at that time the former administration selected Price and Waterhouse. So based upon that, they produced the document that you have in front of you. There is the long range master plan that was released to the public, I believe, in March of '82. At that time, the former Director in the Byrne Administration was still in office and the new Director hadn't come in yet. Once that was released, it was universally agreed that that was the direction the Division should take and Price Waterhouse then was contracted to do what is called a requirement study.

ASSEMBLYMAN BOCCHINI: Just to make sure I'm clear, the long range master plan, which was done by Price Waterhouse— the contract or bid on that was \$88,000, is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And they submitted their report.

MR. Kline: Yes, they produced the master plan.

ASSEMBLYMAN BOCCHINI: And there were 7 firms that were contacted in relation to the prospect of doing that particular report.

MR. KLINE: Yes, and again I wasn't around at the time, but by reading documents, many of which I think you have, there were 7 Big 8 Accounting Firms that were asked to participate, and as a result the Committee, which was comprised of individuals in State Government, including the Director of the Byrne Administration, selected Price Waterhouse to produce that document. Price Waterhouse would probably be better able to answer questions concerning that than I would, since they participated.

ASSEMBLYMAN BOCCHINI: Without-- There may be a redundancy, Director, to the extent that-- and to those representatives of Price Waterhouse, I'm sure that some of these questions will bear repeating from them-- however, after the long range master plan had been completed, the next step was a--

MR. KLINE: Requirement study.

ASSEMBLYMAN BOCCHINI: Okay, and--(pause) Could you give us some background on that?

MR. KLINE: The former Director of Motor Vehicles, Clifford Snedeker, in April of '82 went before the Joint Appropriations Committee and asked for funding of the master plan, and, in its wisdom, the Joint Appropriations Committee didn't see fit to give the Division funding to implement that master plan. As a result, alternate means of bringing this about were looked at, but Price Waterhouse was kept to do the requirements document, or at least start it, with some funding that the Division had in its appropriation from the current fiscal year. At that point, as you are more than aware, Assemblyman, the Legislature passed a law, the Insurance Surcharge Law, which--

ASSEMBLYMAN BOCCHINI: Before we get into that, in relation to the \$700,000 contract--

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: Who negotiated that? That was not bid, I believe.

MR. KLINE: I don't know who negotiated that contract. Again, that contract was not with the Division. I believe that contract was with Systems and Communications, which was then the computer arm of the Department of Law and Public Safety, if I'm correct. Yes.

ASSEMBLYMAN BOCCHINI: Is that correct?

MR. KLINE: That's correct. So—

ASSEMBLYMAN BOCCHINI: Is there anyone here from that former Department or OTIS who would know anything about that?

MR. KLINE: Yes, we have two individuals from OTIS, and one of the individuals was with Systems and Communications. Mr. Bianco and Mr. Jones.

ASSEMBLYMAN BOCCHINI: That particular phase, as is my understanding, was not a bid process.

MR. KLINE: I am not familiar with that, Assemblyman, other than the fact that it was for the requirement study. It was not a contract with the Division of Motor Vehicles, and it was done with the computer people at Systems and Communications.

ASSEMBLYMAN BOCCHINI: Is there a representative of OTIS here?

MR. KLINE: Don Bianco.

ASSEMBLYMAN BOCCHINI: Don, could you step up for a moment please?

MR. KLINE: Mr. Bianco is the Deputy Administrator of OTIS.

ASSEMBLYMAN BOCCHINI: Mr. Bianco, I know you weren't anticipating necessarily being called, but from the standpoint of some background information, and if you happen to know and you could help us it would be appreciated. But for the record, would you kindly give your name and position.

DONALD BIANCO: Donald Bianco, and I am the Executive Director of OTIS.

ASSEMBLYMAN BOCCHINI: Mr. Bianco, to your knowledge, was the \$700,000 contract with Price Waterhouse a negotiated contract or a bid contract?

MR. BIANCO: I'm really unprepared, but if my memory serves me correctly, it was a negotiated contract. It was a direct result of their work with the master plan.

ASSEMBLYMAN BOCCHINI: Would it be possible for you to supply me with any documentation in relation to that particular phase? (pause) Evidently, according to the document my aide just gave me of reports coming out of Purchase and Property, it was a \$700,000 agreement; there was a waiver on the bidding, to implement over 4 years a Division of Motor Vehicle Master Plan for computerization prepared by a vendor. Thank you, I don't think I have any other questions. If there's anything you want to add in relation to that--

MR. BIANCO: I remember it would have been a natural flow from the original contract. I can remember a lot of discussion on who would be most appropriate to do that, the organization then was a service organization to the Division of Motor Vehicles, and I know when we review the documentation we will see that.

ASSEMBLYMAN BOCCHINI: You strike a chord. You said it would be a natural flow. What's the rationale for that?

MR. BIANCO: Well, we engaged through a competitive bidding process the services of Price Waterhouse to outline a master plan for 4 or 5 years; I think it was a 5 year master plan.

ASSEMBLYMAN BOCCHINI: Yes, but that was an \$88,000 contract through the Division of Motor Vehicles, am I correct?

MR. KLINE: It was a bid. It went out to bid. Who the contract was with, I don't know, I've never seen the contract. It went through the normal bid process. It was a limited bid, because only 8 firms were allowed to participate. That was sometime in 1981. It was September of '81; going through our files is when we found out that this was bid.

ASSEMBLYMAN BOCCHINI: The question is, Mr. Bianco, even though Price Waterhouse was awarded through some type of bid process or process involving 6 other firms for the long range master plan contract, am I correct in stating there was no bidding process on the \$700,000 contract?

MR. BIANCO: There would be a waiver to bid. What I presume, as the documents indicate, and as I remember, is yes, it was a waiver.

ASSEMBLYMAN BOCCHINI: And was that urged through your Department, or do you know from where the urging came?

MR. BIANCO: I'm sure I remember I was in favor of it. Yes, I think it was rather a conclusion; a consensus. The Director and management of Motor Vehicles and ourselves, agreed with them. And, I guess, so did everyone else.

ASSEMBLYMAN BOCCHINI: Then the Director would have been?

MR. BIANCO: Joan Wiskowski.

ASSEMBLYMAN BOCCHINI: I believe this was in '83. Wouldn't it have been Mr. Snedeker?

MR. BIANCO: I don't have any notes with me at all, and I can't--

ASSEMBLYMAN BOCCHINI: I understand, and I apologize. It's not fair-- If you could check that out for me--

MR. BIANCO: I thought we were talking about the \$700,000, and you referred to that as the previous administration.

ASSEMBLYMAN BOCCHINI: The long range master plan was through the previous administration--

MR. KLINE: The long range master plan, Don.

MR. BIANCO: Was the \$88,000-- That was definitely the previous administration.

MR. KLINE: The \$700,000 one was done under this administration. The original question was, "who was it contracted with?" It was Systems and Communication. As Mr. Bianco stated, it was the recommendation of everyone that this was a natural flow from the original contract. But in answer to your original question, Mr. Chairman, "Did we negotiate it?" No, it went through the normal process of the computer arm of the Department.

ASSEMBLYMAN BOCCHINI: And at that time that was SAC?

MR. KLINE: Systems and Communications, correct.

ASSEMBLYMAN SCHUBER: This second contract we are talking about is a requirements contract that flows from the master plan that set up the general principle.

MR. KLINE: That's right. In other words, what are the requirements of the Division to automate--

ASSEMBLYMAN SCHUBER: Would this be similar to bid specifications of the type of system that you need?

MR. KLINE: It basically is like a wish list--

ASSEMBLYMAN SCHUBER: Of what you would need.

MR. KLINE: In other words, if you could have a new system that would do A, B, C, and D, what would you want, and how would you want it to work? And it basically is an extensive detailed interview process with participants from the Division, as to the type of system that they need and would desire. It flows from the initial document which sets out in general terms what the new system should be.

ASSEMBLYMAN SCHUBER: Am I reading you correctly that you are saying that as a result of the public bidding Price Waterhouse had done on the master plan, it flowed reasonably from your discussions within your Department and the SAC, that Price Waterhouse probably would be the best one to implement? Is that correct?

MR. KLINE: Yes, and the reason for that is just the learning curve and things of this nature, where if you go back and re-invent the wheel, or bring in another firm, there was no need for the State to spend \$88,000 on the master plan that Price Waterhouse produced. They started it, and everyone, former Administration to current Administration, said, "This looks like a good idea." Now to say, "well let's go with somebody else." you're re-inventing the wheel. So the wisdom of the time was, since they were very knowledgeable about the workings of the State Department of Law and Public Safety computer system, and the Division of Motor Vehicles, they would be the professional group to do this.

ASSEMBLYMAN PELLY: What is the relationship--

ASSEMBLYMAN BOCCHINI: If I may, gentlemen, I have no problem with anyone asking questions, I certainly recognize each one of you; but if you would kindly go through the Chair I think it will, in the long range process, allow for a more expeditious and orderly fashion. With that, Mr. Pelly?

ASSEMBLYMAN PELLY: Thank you Mr. Chairman. I don't quite understand what the relationship is between Price Waterhouse and SAC?

MR. BIANCO: Currently, or back at this time?

ASSEMBLYMAN PELLY: Both.

MR. BIANCO: Well at the time, we would have been advisors to our customer, our client, which was Motor Vehicles. We'd be technical, data processing, and information systems advisors. Our relationship to Price Waterhouse would have been one of co-advisors, or co-workers. We hired them for their expertise at that point in time.

ASSEMBLYMAN PELLY: You were two separate corporations.

MR. BIANCO: Oh, sure. SAC is a State organization.

MR. KLINE: It is part of the State facility.

ASSEMBLYMAN PELLY: Okay.

MR. BIANCO: We're a State organization. At that time we were part of the Department of Law and Public Safety. We have our areas of expertise. Price Waterhouse brought its areas of expertise to us.

ASSEMBLYMAN BOCCHINI: SAC is now OTIS, am I correct?

MR. BIANCO: SAC was now-- The Division of Systems and Communications was then assimilated by the new organization of the Office of Technology, Telecommunications and Information Systems. SAC begat OTIS. Something like that.

ASSEMBLYMAN BOCCHINI: You indicated there was a logical flow, etc., etc.

MR. BIANCO: I think more than logical; it was really a subsequent flow.

ASSEMBLYMAN BOCCHINI: Do you feel today that still was the right decision, in relation to the status of the system and the problems within the Division?

MR. BIANCO: I don't think the status today has anything to do with that decision 4 or 5 years ago. It absolutely was the right decision at the time. Given the same set of circumstances, I would recommend it again.

ASSEMBLYMAN BOCCHINI: You would recommend not to proceed-- and I believe you did this in conjunction with the Division of Motor Vehicles, and correct me if I'm wrong-- you would recommend not to proceed in asking any other computer companies or accounting firms to analyze the long range master plan? Let me stop at that question.

MR. BIANCO: Yes, I would not, at that time. I would do today what I did at that time given the same circumstances, yes. We agreed with the master plan. We worked with Price Waterhouse; their credentials were superlative. We looked at it, we worked with them, and we agreed with the master plan. They were not only the logical, but the substantially correct way to go to start the first step of implementation, for the reasons that Director Kline mentioned.

ASSEMBLYMAN BOCCHINI: Let me get this straight, maybe I'm-- It is your position that there was no need to bother to look into any other companies.

MR. BIANCO: At that time?

ASSEMBLYMAN BOCCHINI: Correct.

MR. BIANCO: To go to the second step of a many step process?

ASSEMBLYMAN BOCCHINI: Right.

MR. BIANCO: Yes, it was a very good decision, a prudent decision; and given all of those circumstances again I would make the same decision, yes.

ASSEMBLYMAN BOCCHINI: Thank you, Mr. Bianco.

Mr. Kline, to your knowledge, did Price Waterhouse -- prior to its involvement with the New Jersey Department of Motor Vehicles -- have any experience with motor vehicle computerization programs?

MR. KLINE: I really have no knowledge, nor had any knowledge of that at the time. I believe that they are only -- and again, I am going back three years now -- I believe that the only involvement they had, or the only expertise they had, was one of the individuals, and I don't remember his name, who was involved in the master plan. Subsequently, in some of the transition work into the requirements document, he was associated with the computerization project in another state -- I believe it was Ohio -- and had an extensive background in that. Other than that, I am not aware.

Essentially --

ASSEMBLYMAN BOCCHINI: Is that Motor Vehicles in Ohio?

MR. KLINE: Motor Vehicles in Ohio -- yes. And you would have to ask Price Waterhouse about that.

Essentially, what everyone relied on -- and I think that anyone, whether they view the Emmys or Miss America or whatever, knows that you have Price Waterhouse, which is one of the top accounting firms in the world.

ASSEMBLYMAN BOCCHINI: No one can deny the credibility of Price Waterhouse. Their national reputation is not at issue. I think the discussion, in perspective to the hearing, is, did we get the right person, the right company for this particular job? I say this with all due respect to Mr. Driscoll and all the other company representatives here; we are all human and we all have strengths in certain areas. We want to be certain, for what we are paying, that we got the strongest in this particular area. The problem that I have, as we proceed with this, is when we get to stage 2. Even though you had a long-range master plan, I can understand the idea that they were logical.

But to believe that no one else could step in and analyze what they did, in relation to the long-range master plan, and be able to say, "Yes, this is good; no, we might be able to do it better -- we see this problem with it..." The imagination could run wild, if you just want to anticipate questions. Those things, at this juncture, were never able to be discussed because there was no access to anyone else other than Price Waterhouse.

I congratulate Price Waterhouse because they were apparently able to do a very adequate job in convincing whoever needed to be convinced that they were the people to do the job, and you probably did not need to look any further. That is business; that is free enterprise and if they were able to do that to the Division, to the State of New Jersey, well, my hat is off to them.

But to the State of New Jersey -- I say, whoa. We are involved in a public trust here. We are involved in the expenditure of taxpayers' dollars, we are involved in something that has a broad-reaching effect; that is why we are here. Why didn't we bother to look into some other firms? It certainly was not going to cost us any money.

MR. KLINE: Mr. Chairman, I clearly understand what you are saying, and I want to say that there is no one-- except for a lot of motorists, obviously, who have been inconvenienced -- who is more frustrated or disappointed with this system than myself. We --

ASSEMBLYMAN BOCCHINI: You see, Bob --

MR. KLINE: If I can finish, Mr. Chairman?

ASSEMBLYMAN BOCCHINI: I'm sorry. Please.

MR. KLINE: Hindsight is 20/20, obviously.

ASSEMBLYMAN BOCCHINI: We are all agreeing on that, I understand.

MR. KLINE: We all agree on that.

I think, going back to the original master plan, which was, in fact, the starting point for this -- The former Administration, the former Director, the former individuals involved, clearly took the time and the energy, and went through a process to select one of the Big 8 accounting firms to do a study regarding the modernization of the Division of Motor Vehicles, which has been in a deep sleep for 20 years, vis-a-vis technology.

You get a firm selected by that group, and they are given a contract. They do a study, and it is very good in hindsight to turn around and say, "Gee, we should have gone and stopped there," and then, go and start the process again. At the time, considering the demands that the Legislature was putting on the Division vis-a-vis the insurance surcharge law, and based upon our consultation with the computer people in the State, it was deemed most appropriate to continue with this firm. Again, we are not talking about Joe Smith and Co., we are not talking about some unknown quantity. We are talking about one of the most respected firms in this country-- in this world-- which has already produced the basis for the rest of the work. Now--

ASSEMBLYMAN BOCCHINI: They produced-- wait a second. They produced an \$88,000 long-range master plan, am I right?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Which has subsequently led into a \$700,000 contract, then \$6.5 million in software -- I believe the entire contract of the hard product that is involved may take up to \$15 million, am I correct?

MR. KLINE: Correct.

ASSEMBLYMAN BOCCHINI: Now, to simply indicate to me that because the former administration had someone do a study, and that study is now, all of a sudden, all we need -- I have problems with that.

MR. KLINE: Well, again --

ASSEMBLYMAN BOCCHINI: I personally have problems with that. I don't know if anyone else at this table has problems with it, but I have very severe problems with that. The mere fact that somebody comes in and does a study does not necessarily mean that, based on their opinion, they are the absolute ones who should do the job. It may turn out in the long run that they were still the best ones to have done the job, that the other six or seven national firms would have only had a more traumatic experience.

MR. KLINE: Mr. Chairman, I think you recall, back in the period of time we are talking about, there was very, very severe criticism by this Legislature of the Division of Motor Vehicles for not being able to implement, on a timely basis, the new Surcharge Law that was passed. It set up the Joint Underwriting Association that was going to replace the Assigned Risk, and we had a fairly critical role in that we had to do the surcharge part of that, where we would be assessing motorists based upon --

ASSEMBLYMAN BOCCHINI: Didn't we give you one year under that legislation in order to implement it?

MR. KLINE: But we were supposed to start with that in January of '84. To do that, we had to get computerized, Mr. Chairman. And if we were going to sit around and go through the bureaucracy to do specs and everything else, you know and I know that would probably have taken a minimum of eight months to a year for this type of system. We would never have been able to implement it. This is one of the constraints we operated under.

ASSEMBLYMAN BOCCHINI: I can appreciate that, but at the same time we were talking about --

MR. KLINE: Price Waterhouse did the surcharge system.

ASSEMBLYMAN BOCCHINI: When we were talking about bids, at the same time, you could have put it through the waiver process, because we eventually waived everything right down the line on this; you could have had other companies come in, in relation to the other six or seven recognized as far as —

MR. KLINE: And we would have had to ask for a delay, and the implementation of the legislation, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Well, at the same time, why couldn't you have asked for a delay? At times, maybe the delay — 20/20 hindsight -- would have been better, because the final product would have been more efficient.

But, if I may revert back to the reference to the bid. The bid may not necessarily have had to have been a formal type of a bid; it is my understanding in the long-range master plan that it was not a formal bid, it was competitive proposals that were submitted.

MR. KLINE: Limited bid, informal bid, however they did it.

ASSEMBLYMAN SCHUBER: May I make a statement at this point?

ASSEMBLYMAN BOCCHINI: Please.

ASSEMBLYMAN SCHUBER: I am having a little bit of trouble with that analysis. Mr. Adubato, I think, was a prime mover of some of the surcharges, and he would have probably held hearings on his own as to why they wanted a waiver. So I think it is kind of self-serving to criticize them for something that they saw coming down the pike, with something that was a legislative requirement. I remember, at the time, there was criticism from the floor of the Motor Vehicles as to whether they would implement in time — to now turn around and say, because they tried to do that, we are now going to criticize them, I have some problems with that.

ASSEMBLYMAN BOCCHINI: I certainly don't think —

MR. KLINE: That is nothing new, Assemblyman Schuber. We are damned if we do and damned if we don't.

ASSEMBLYMAN SCHUBER: I can appreciate that.

ASSEMBLYMAN BOCCHINI: We are in a tough position, Bob, and no one can deny that. But I certainly don't think, Assemblyman Schuber, that Assemblyman Adubato would have wanted to see the State trip or

have a problem in relation to implementing the Surcharge Law that he sponsored.

At the same time, I also think that if it was such a vast problem, the Governor and probably the Administration could have been approached in relation to the signing of that particular legislation, through the process of the C.V., to send it back to extend the time. I know we can discuss it ad infinitum as to whether or not --

ASSEMBLYMAN SCHUBER: I appreciate that. My only statement is I think, in this particular case, poor Motor Vehicles is damned if it did and damned if it didn't. And that is the terrible dilemma that it is in at the present time, regardless of whether it is this Committee or some other committee at a future date that would have looked into that particular issue.

MR. KLINE: If I may interject, Mr. Chairman, in that particular legislation -- and Assemblyman Adubato is a good friend of the Division, and we respect him --

ASSEMBLYMAN BOCCHINI: Speaking in the past tense.

MR. KLINE: No, it is the current, too. He put into that legislation a provision for the modernization of the Division, with the intent of getting this thing rolling, and expecting part of that money to do that. So I concur with Mr. Schuber.

ASSEMBLYMAN LaROCCA: Mr. Chairman?

ASSEMBLYMAN BOCCHINI: Yes, sir.

ASSEMBLYMAN LaROCCA: Just along that line -- I was on that Committee, I still am on the Committee on Insurance; and the surcharge problem was dumped on the Division. But I still can not see why someone was not attuned to that, or did not bring it to our attention. True, we in the Banking and Insurance Legislation -- at that time, it fell on your Department, there. I agree with you; you are on the hot seat one way or the other, but when there is pressure from both sides of the legislative branch, maybe something should have come to our attention. I agree, this is 20/20 hindsight, but it certainly leaves a very bad taste in my mouth as to the insurance surcharge business, because we worked like hell on that with Mike and the rest of the Committee. Just a comment.

MR. KLINE: For your information, Mr. Assemblyman, that surcharge is working. That part of the system, we have no problems with.

ASSEMBLYMAN SCHUBER: One question. Up to this time, to the latest problem with the computer, and looking back with your experience with Price Waterhouse and the original proposal, the firemen's contract and down through the period of time through 1981, 1982 up until now — Have you been dissatisfied in any way with their performance, in any of the stages prior to this most recent problem?

MR. KLINE: Price Waterhouse has been very responsible in living up to terms of their contract. I have learned of late that in a system of this magnitude — and this is probably the biggest computer project that this State has ever undertaken — that when you have a project of this size, where you have so many sub-systems that go up one at a time, you expect certain problems. There are certain problems that are expected, and we did have small problems.

But when the system came together, when the final product was there, that is when it really came to light that the system just was too slow, too inefficient; and there were some indications of problems but nothing to really raise the red flag and say, "This is it." We knew that there were some limitations with the language IDEAL, but we did not know that until we had some of the systems up. As I said, in May we started getting strong indications of this. But the final determining factor, the straw that broke the camel's back, was when the system was up and networking together--

ASSEMBLYMAN SCHUBER: Well, I was referring to, and considering--

ASSEMBLYMAN BOCCHINI: One second, Assemblyman...I'm sorry.

ASSEMBLYMAN SCHUBER: At the secondary stages, after the original plan, the \$80,000 awarding at the second and third stages where the waiver went through instead of the competitive bidding -- at that time, was there any dissatisfaction as far as the Division of Motor Vehicles was concerned with Price Waterhouse?

MR. KLINE: No, Price Waterhouse was performing very well. They had dedicated people who had good qualifications, interacted well

with State personnel, and were performing their job. We had no indication of the problems that we are experiencing now. Anything on Price Waterhouse's part that was a precursor to this -- the answer to your question is, no.

ASSEMBLYMAN BOCCHINI: I'm sorry, Assemblyman, anything else?

ASSEMBLYMAN MARTIN: No, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Mr. Kline. In relation to your indications of June and the latter part of this summer, as far as the awareness of the problems and the realization of the problems, do you have a copy of the letter dated August 26, 1985, under the signature of Mr. Cole?

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: If I may, it appears to the Attorney General's staff that there might be some contradiction as to when the problem became apparent. If you look at page --

MR. KLINE: Well, if I can correct you, Mr. Chairman. We are mixing apples and oranges --

ASSEMBLYMAN BOCCHINI: If I might -- and you can clarify for me --

MR. KLINE: Okay.

ASSEMBLYMAN BOCCHINI: On page three of that letter, it does indicate that in a letter dated January 8, 1985, proposing implementation of alternatives, because of problems then becoming apparent, you confirmed that you had advised the Division of technical difficulties and limitations experienced by the project team in the use of the IDEAL programming software.

Now, I am a layman, but it appears that that is a very clear signal. And then if you turn -- and I will allow you time to --

MR. KLINE: No, unfortunately I don't have that letter right with me.

ASSEMBLYMAN BOCCHINI: I'm sorry.

MR. KLINE: Could you refer to that again?

ASSEMBLYMAN BOCCHINI: Sure. Page 3, the first paragraph, the first sentence.

MR. KLINE: Right. The letter dated January 8. Right, okay.

ASSEMBLYMAN BOCCHINI: I will give you a moment to ingest that.

MR. KLINE: No, I am familiar with the letter.

ASSEMBLYMAN BOCCHINI: On page 5, in the last paragraph and going down to the beginning of the last sentence there: "The Division only agreed to a stage two limitation. This is apparent from the January 8, 1985 letter which requested modifications because of the problems attributable to the IDEAL language. Our January 28, 1985 letter response and your March 15, 1985 follow-up letter which memorialized our ultimate agreement" -- etc., etc., etc.

So--

MR. KLINE: Okay. I can explain that.

ASSEMBLYMAN BOCCHINI: Thank you.

MR. KLINE: Okay.

What I was referring to before is quite simply, that we, meaning the users of the system -- users in the sense that we are the people on the front lines, who put these notices out and issue the documents -- really did not know if the system would work the way it was intended, the way we, as the user, intended it, until the system was actually functioning. What you are referring to as questions came up concerning the IDEAL language, apparently right at the core of this whole issue, that was selected by Price Waterhouse to be used as the programming language to run the system. Questions came up about it, and, dealing at arm's length with Price Waterhouse -- as we have been -- we questioned them as to some concerns that came up on its use, its effectiveness, and its ability to support the number of terminals that we were expecting to support. And Price Waterhouse, in this exchange, assured us that any types of problems that were, at that time, occurring with this language, would be remedied and we would not experience these problems when the system was up and running.

Now, what they suggested later on, as an attempt to alleviate the problems with IDEAL, was a modification they referred to as a phased-in implementation. And the phased-in implementation was when the system went up to 200 terminals, and then we would get up very quickly

to 400 terminals. But that did not happen. That is what that correspondence was about, and we very strongly communicated what we wanted to know, and we were assured by our consultant that this was going to happen -- that we were going to have the product we wanted. However, the modification--

ASSEMBLYMAN BOCCHINI: This was in January?

MR. KLINE: This was in January. These discussions occurred through March.

But, at that time the system was not up and running.

ASSEMBLYMAN BOCCHINI: If I may pause for a moment. Had a determination been made? Had the Division accepted the project as completed?

MR. KLINE: No, the Division still has not accepted the project as completed. Matter of fact, Mr. Chairman --

ASSEMBLYMAN BOCCHINI: I know in the letter that Mr. Cole wrote, that evidently Price Waterhouse was of the opinion that they had completed their -- Mr. Cole indicates to Price Waterhouse, "You, on the other hand, have recently taken the position that Price Waterhouse has fulfilled its contract despite the deficiencies, and that you are not responsible for your decision to use the IDEAL language."

MR. KLINE: Okay.

ASSEMBLYMAN BOCCHINI: And that is on page 2.

MR. KLINE: Right. You want me to comment on Price Waterhouse?

ASSEMBLYMAN BOCCHINI: No, no; I am just saying -- I am trying to clarify it from the standpoint that the Division took the position that they had not complied.

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: And they were at that time, evidently taking the position that they had complied.

MR. KLINE: They did take that position, but they have subsequently changed their position and they are what I would characterize as being responsible in doing everything right now to remedy the problems we are having.

That is what is going on today. There was that period of time when there were negotiations with the firm, and there were questions as to responsibility. You, as an attorney, Mr. Chairman, know that nothing is black and white, and there are areas of—

ASSEMBLYMAN BOCCHINI: If it was, you would all be out of jobs.

MR. KLINE: —there are areas of interpretation, and there was that period of time when the State was discussing, with Price Waterhouse, our respective obligations. The bottom line, the culmination of those discussions, is that Price Waterhouse has stepped up to the bar and is going to remedy the system; make it run the way we expected it to run, at no further cost or expense to the State of New Jersey.

ASSEMBLYMAN BOCCHINI: In all due respect to my very dear friend and colleague --

MR. KLINE: And I am not here to defend Price Waterhouse.

ASSEMBLYMAN BOCCHINI: I understand that. But, if we have taken the position that they have not complied with the contract, they have not performed under the contract, that which they are intending to do is no more than that which they are obligated to do under the terms of the contract. That is even without getting into the clauses concerning damages for non-performance.

MR. KLINE: You are absolutely right.

ASSEMBLYMAN BOCCHINI: Now, the payments -- I understand from what I have read in the press accounts that we are holding back 1.4 million.

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Have we made payments -- when in 1985 did we stop making payments?

MR. KLINE: I think -- I could check this, but I think we stopped making payments sometime around March or April. Part of that was just that there was a delay on our part. A bill was submitted in March; we may not pay it until April, May or June.

What happened was, it got to the point where around June, we realized -- and we started talking about this -- we did not make any

further payment to Price Waterhouse, and finally, when the Department and the lawyers and I consulted, we made a determination that we would not issue any further payment to the firm until these issues were resolved.

ASSEMBLYMAN BOCCHINI: Could you have someone from your staff, maybe Mr. Galella or somebody, ascertain the date of the last payment for us?

MR. KLINE: I may have that here.

ASSEMBLYMAN BOCCHINI: I don't necessarily need it today, Bob.

MR. KLINE: I may have that here; hold on one second.

Okay, the last payment was in April for work performed in February.

ASSEMBLYMAN BOCCHINI: So in effect, there have been no payments made for anything since February of 1985?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: Under the -- If we may revert to the contract for a moment, Mr. Kline.

MR. KLINE: Okay.

ASSEMBLYMAN BOCCHINI: According to Section...on Page 15.

MR. KLINE: I knew you were going to ask about that.

ASSEMBLYMAN BOCCHINI: You knew darned well I was going to ask you that one. They know I am going to ask them that as well.

MR. KLINE: I am glad you are.

ASSEMBLYMAN BOCCHINI: And I will bet you Mr. Boylan is ready with a good answer for me out there.

I am not here to argue a case as in front of a court, but it is intriguing to any attorney when he analyzes a liquidated damages clause. It says under Section A, Non-Performance of the Consultant on the Surcharge System: "If the consultant fails to complete the task as specified," and it goes into the amounts of liquidated damages to be determined as follows. Now, on February 1, 1984, "the consultant shall pay damages in the amount of \$50,000, an additional \$50,000 for each month that the above mentioned tasks are not completed."

In addition, on the non-performance by the consultant of the comprehensive system, there is a spelling out of liquidated damages to the extent it is \$10,000 in July and \$10,000 in August. In September of 1985, it starts at \$30,000 per month on the first of the month, and then at \$50,000 per month beginning on the first of the month, I believe, in October.

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: What, if anything, is the position of the Division in relation to that? Have you indicated to Price Waterhouse that it is your intention to apply the liquidated damages section of the contract?

MR. KLINE: First of all, Mr. Chairman, I am glad you pointed out that section. I think that section more than anything else demonstrates the arm's length nature of this whole transaction, because I am the individual that negotiated this into the contract. This is the first contract for consulting services in the history of the State of New Jersey to ever have a liquidated damages clause put in. And I think that more than shows the fact that we were dealing at arm's length --

ASSEMBLYMAN BOCCHINI: That is a pretty broad statement.

MR. KLINE: It is an accurate statement.

ASSEMBLYMAN BOCCHINI: I have no reason not to believe you, because I have never doubted your integrity, sir.

MR. KLINE: And the penalties are pretty hefty, Mr. Chairman, as you are aware.

Now, as to your question. In the letters between Mr. Cole and Price Waterhouse, it indicates the position of the State and that is, that the State is reserving judgment as to the enforcement of those liquidated damages -- that provision in the contract -- pending what is being done now. So we are reserving the right, we want to see what happens and where we are, because our interest -- as your interest -- is to insure that the motorists in this State are not being inconvenienced for an extended period of time.

And if we were to simply go and initiate that provision, Mr. Chairman, what we would have on our hands is a solution that the motorists of this state would find somewhat difficult to live with.

Since Price Waterhouse is being responsible, at this time, and we are getting the system remedied as expeditiously as possible, that is the State's main goal at this point. So we are reserving judgment on that provision.

ASSEMBLYMAN BOCCHINI: When did -- I notice the contract is dated November 9, of 1983 -- when did the negotiations for the contract begin?

MR. KLINE: If my memory serves me correctly, Mr. Chairman, those negotiations extended over a period of at least a month, so they probably started sometime in October and culminated in November. So it was about a month or so before; it could have been sometime in September. They were very long and extensive sessions, negotiating each and every paragraph with the consultant.

ASSEMBLYMAN BOCCHINI: They entered into the \$700,000 agreement in 1983, I believe; correct? Earlier in the year?

MR. KLINE: 1982, I think. 1982 was that contract.

ASSEMBLYMAN BOCCHINI: 1982?

MR. KLINE: Again, I had no knowledge of --

ASSEMBLYMAN BOCCHINI: It was January 1, 1983, that contract.

MR. KLINE: January 1983?

ASSEMBLYMAN BOCCHINI: Yes.

MR. KLINE: Okay.

You know, I can not address that contract, and again, that was not something that I was involved in. I think Price Waterhouse would probably be more able -- or Systems and Communications, now OTIS, would be able to better explain those negotiations.

ASSEMBLYMAN BOCCHINI: I know Mrs. Cox had indicated to you the background -- the payments had stopped as a result of commencing with the February payment. When they were withheld, did we just simply fall behind in the payments?

MR. KLINE: Basically, we were pretty much behind in our payments all the time. The bills for Price Waterhouse went through a thorough review process. They would come to the Division, be reviewed internally within the Division, and would then go the computer people at SAC. They would sign off; we would have a series of sign-offs and

then it would go through the appropriate individuals at the Treasury. That process in itself could take two months. So we are always behind.

ASSEMBLYMAN BOCCHINI: In relation to this contract on November 9, was that another logical progression or logical flow in the awarding of the contract to Price Waterhouse?

MR. KLINE: The contract itself?

ASSEMBLYMAN BOCCHINI: Yes. I mean, Price Waterhouse did the 1981 long-range study, and then on July 12, 1983, the design and implementation was submitted by them, and then in November 1983, at the same time, the State signed a contract with them for the total implementation of the project. Is that correct?

MR. KLINE: Yes. It was a logical flow in that at the time, there were extensive discussions with various individuals in the Department from SAC, the Division, and Telecommunications, which was merged into OTIS, but as to the best way to go about this, we discussed the possibility of using these documents and having the State computer people do the system. After much discussion, it was determined that the resources of State needed to do this just were not there, which is why we hired consultants. If in fact our own people did this, they would not be able to do anything else. While this is going on, the Division still has to function, and you still have to perform the duties, and at that time, our computer center was with State Police -- it still is -- and all the other Divisions in the Department of Law and Public Safety, and accordingly, those had to function.

So if you took all these people off other duties to work on this system, which is a gigantic system, something else would have suffered. We had discussions about that, and it was decided that we would go with a consultant and with Price Waterhouse, again, because they have done all this work, and to bring somebody else in, just would not make any sense.

ASSEMBLYMAN BOCCHINI: It's the old story -- get your foot in the door --

MR. KLINE: That is right.

ASSEMBLYMAN BOCCHINI: -- and it certainly looks like it is working out in this situation.

MR. KLINE: Mr. Chairman, this is not the first contract that this has happened with. I think if you look at other contracts of this Administration or other administrations with consulting services you will--

ASSEMBLYMAN BOCCHINI: Well, I can appreciate that, but I am really not interested in that by way of historical perspective. If you would like to supply them to me outside the scope of this hearing, I would certainly find that an interesting piece of trivia. But in relation to the topic at hand, it appears that on July 22, 1983, according to one of the press accounts, DMV got approval to waive bidding and to award the contract to Price Waterhouse. Is that correct?

MR. KLINE: That is correct.

ASSEMBLYMAN BOCCHINI: So consequently, I would think that as opposed to entering into the negotiations for this contract in September or October, it may have started in July, August, September, or maybe even prior to that.

MR. KLINE: As far as general discussion -- but as far as the nitty-gritty of the actual terms of the contract, the time frame that I gave you is correct.

ASSEMBLYMAN BOCCHINI: Let's get back to general discussion. What do you happen to remember in relation to general discussion?

MR. KLINE: Right.

ASSEMBLYMAN BOCCHINI: I have had clients who say, they may hire you. The suggested interest in a contract obviously was reported to have occurred July 22.

MR. KLINE: Yes, but just because you have the waiver, Mr. Chairman, you do not have to award the contract. Ultimately, if we could not come to terms with the firm of Price Waterhouse, we did not have to execute the waiver. We could have just decided to do something else.

So the fact that we had a waiver -- that is an approval, and that sets aside money as far as Treasury is concerned, but that does not mean that we had no choice but to go ahead with it. So the contract negotiations were very real; it is just because of the time frames that we had--

ASSEMBLYMAN BOCCHINI: So -- I'm sorry, Bob.

MR. KLINE: That's all right.

ASSEMBLYMAN BOCCHINI: So once again, there was no contact with the other six or seven major accounting firms in relation to this.

MR. KLINE: None. None whatsoever.

ASSEMBLYMAN BOCCHINI: In relation to the contract, I believe there is a warranty provision—

MR. KLINE: That is correct.

ASSEMBLYMAN LaROCCA: On page 13.

ASSEMBLYMAN BOCCHINI: It says, "The consultant shall warrant the surcharge system" — on page 13, section 5, paren. 5 — "the consultant shall warrant the surcharge system and the comprehensive system software shall operate in accordance with the agreed upon requirements, definitions, for a period of three months from the date of the turnover of the system to the State. This warranty shall be implemented only by the correction of errors in the software systems by the consultant." Can you explain that to me? Or can someone from Price Waterhouse, or one of my colleagues? I know we have a 90-day warranty; is that correct?

MR. KLINE: That is it. You have a three-month warranty for the surcharge —

MR. BOYLAN: To replace the spare parts, basically.

MR. KLINE: If you want us to -- I could get Chris Cox, who is the Senior Assistant Director, if you want to get a detailed explanation.

ASSEMBLYMAN BOCCHINI: Well, I would like to hear from -- Did Chris do the draft of this?

MR. KLINE: She was not involved in the drafting, no.

ASSEMBLYMAN BOCCHINI: I would think between you and somebody from Price Waterhouse --

MR. KLINE: Essentially, what we are talking about is --

ASSEMBLYMAN BOCCHINI: This was on the --

MR. KLINE: The surcharge --

ASSEMBLYMAN BOCCHINI: The surcharge and the comprehensive system software, correct?

MR. KLINE: On the system software. In other words, the software was programmed, coded, and designed by Price Waterhouse. And on the hardware, all they did was an architectural study which told us what we need in terms of hardware. But they did not provide the hardware; the State went out and purchased it from various companies that it does business with.

ASSEMBLYMAN BOCCHINI: Don't you think a 90-day software warranty is a little light? On a \$6.5 million dollar contract?

MR. KLINE: Well, again, the computer people at SAC were involved in this contract. The Attorney General's office, vis-a-vis the DAG, from purchasing property who reviews a lot of the contracts, was involved, and the consensus was agreed upon that this was a normal warranty period.

ASSEMBLYMAN BOCCHINI: You know, the Division of Purchase and Property gave us a stapler with a 12-month warranty, that cost us \$54.

MR. KLINE: Yes, but we're not dealing with staplers.

ASSEMBLYMAN BOCCHINI: Thank you. When I am looking at something of this nature, my problem is, the State and the Division of Purchas and Property goes out and gets this for \$54. The Assembly Minority Staff has them, the Assembly Majority Staff has them, I believe the Senate has them, and you can probably find them in many of the offices here in the State.

And I analyze even the contract that we put together for the computerization of the Legislature. You have a one-year warranty in the contract, that they are entering into with Wang. It appears --

MR. KLINE: Hardware or software?

ASSEMBLYMAN BOCCHINI: Software.

ASSEMBLYMAN BOCCHINI: It appears that the 90 days-- Golly, Bob, you can go out and buy an egg beater and get a 90-day warranty on it.

MR. KLINE: I understand the point you're making, Mr. Chairman, but with due respect, I think that as far as the surcharge system is concerned, we signed off, it's warranted, it worked, and it is working. With the other subsystems, we have not signed off on the

warranty for them, and we won't until they do work. I think that is our guarantee. I think we are holding this contractor -- if you want to put it that way -- to their contract, we are making them perform, and they are performing. I don't think a provision in the contract is worth anything unless you get that performance, and we, as a State, are holding them to their performance. They have agreed to perform. If they don't, we will hold them to the terms of the contract. I think that is very clear and evident.

I don't think when they purchased those they had a liquidated damages provision in there either, so I guess if you want to balance things out, maybe we have that on our side.

ASSEMBLYMAN BOCCHINI: Yes, but it appears we have a liquidated damages provision, whereby at best, if my guess is right, you're telling the company, "We may hold you to the liquidated damages clause or we may not hold you to the liquidated damages clause."

MR. KLINE: But, what is your objective, Mr. Chairman? Is your objective--

ASSEMBLYMAN BOCCHINI: Well, my objective is twofold: To make sure that the process is done and, at the same time, to be certain that the liquidated damages are not just simply disregarded.

MR. KLINE: They are not being disregarded, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: Fine. I think that is something the members of this Committee want to find out. They are not giving us anything, with all due respect.

MR. KLINE: I didn't say they were.

ASSEMBLYMAN BOCCHINI: They contracted with the State of New Jersey. They have an obligation involving \$15 million worth of services to this State. For us to sit here and say they are going to live up to their bargain -- big deal.

MR. KLINE: Well, Mr. Chairman--

ASSEMBLYMAN BOCCHINI: For \$15 million, they damned well better live up to their bargain. If they don't, we damned well better be collecting \$50,000 a month from them, or \$10,000 a month from them. If we have to get the Attorney General and take them into court on this thing, then let's do it. We want to protect the citizens.

MR. KLINE: I assure you, Mr. Chairman, we will, but I'm sure your interest is the same as ours. That interest is not to go after contractors for extracting the dollar amounts, as much as it is getting the system right, and that is what we are trying to do. If we do what you suggest, Mr. Chairman, we are going to have a system that is not going to function. We are going to have to go out--

ASSEMBLYMAN BOCCHINI: We have that now.

MR. KLINE: Wait a minute. We are going to have to go out to bid, and instead of six months, or three months, or seven months spent in getting this thing corrected and completely rectified in a year, we will be looking at two or three years. Now, are you willing to put the motorists through this for another two years?

ASSEMBLYMAN BOCCHINI: Why are you saying that? You are willing to be held hostage, then, by a company that is doing business with the State.

MR. KLINE: No, we are not being held hostage.

ASSEMBLYMAN SCHUBER: Mr. Chairman, Mr. Chairman, why don't we take this back to rational inquiry? That is not correct; that is not what Mr. Kline said.

ASSEMBLYMAN BOCCHINI: I will recognize you in a moment. Thank you, Assemblyman Schubert.

ASSEMBLYMAN SCHUBER: Mr. Chairman, I am asking to be recognized now because I think what you are doing--

ASSEMBLYMAN BOCCHINI: I said I would recognize you in a moment.

ASSEMBLYMAN SCHUBER: You're characterizing Mr. Kline's testimony incorrectly.

ASSEMBLYMAN BOCCHINI: No, I don't want to characterize Mr. Kline's testimony. What makes it difficult is, I have a very fond affection for Mr. Kline. I like the man. Believe it or not, outside of business, we happen to be fairly friendly. I don't think that comment was necessary.

ASSEMBLYMAN SCHUBER: Well, I think it was because you are characterizing his testimony, which I also heard incorrectly. As long as we stick to a rational legislative inquiry as to what the problem is

here and how we are going to remedy it, I have no problem. When we get off into rhetoric on this particular topic, I have difficulties with that because we are all spending a lot of time down here on a very difficult matter. I wish we would stay with, how is the system going to be remedied, when is it going to be remedied, and what have we learned from this? That is what I think we should be here for.

ASSEMBLYMAN BOCCHINI: That is exactly what we are talking about. What perplexes me is the innuendo that if we don't take the bull by the horns, so to speak, Pat, we may very well be looking into extending the problem we have for more than two, three, or four months. We're talking two or three years. Maybe I interpreted it improperly, but it seems to be one that the State could possibly put— We are in a hostage situation, and we shouldn't be. People, from time to time, have made government an easy target. You know, their job is difficult; it is very difficult.

If I may continue, based on what the present negotiations are, can you give this Committee a date as to when you anticipate the program will be up to snuff and working fully?

MR. KLINE: Well, Mr. Chairman, the first part of this, from what I have been told, and they are going to have to talk to Price Waterhouse and the people at OTIS who are going to be responsible for this— We at DMV do not program the computers; we don't purchase the hardware; we don't select it. We have to deal with the public based upon what the computers do.

ASSEMBLYMAN BOCCHINI: You have to live with it; I understand that.

MR. KLINE: That's right, we have to live with it. I don't think the public understands that. I don't think some members of the Legislature understand it. But, to answer your question, what I have been told—

ASSEMBLYMAN BOCCHINI: Are they telling you, Bob? Is OTIS telling you, or is Price Waterhouse telling you?

MR. KLINE: Yes, of course; we are very, very much in direct communication on this because we are the user. We are communicating with both OTIS and Price Waterhouse. But, to answer your question, I

think they would be better able to tell you what is being done. To give you an idea of what is being done, by sometime in November, I have been told, a lot of what are called "hogs"-- The "hogs" are the most important programs. They do a lot of the work; they get those things grinding and they get the documents out.

ASSEMBLYMAN BOCCHINI: By when?

MR. KLINE: Sometime in November, we will have approximately 33 of 102 targeted programs rewritten. That will have a definite impact on the efficiency of the system.

ASSEMBLYMAN BOCCHINI: Is this still with the IDEAL language, or are we changing languages?

MR. KLINE: No, we are rewriting into COBOL.

ASSEMBLYMAN BOCCHINI: Okay.

MR. KLINE: We're changing that; that is a big part of this. In conjunction with that, what we are doing on an interim basis-- You've probably seen it in the press; it was described. They have already done it. They have built a bridge. They have taken those 1.4 million transactions, loaded them into the old system, and are now building a bridge to the new system. Hopefully by, as I said, October 7, at least we will be able to see those documents on the screen. So, you won't have the problem if you are riding along the road and are stopped by a law enforcement official, that they won't have that on their tube.

So, steps are being taken as of now. The commitment has been made, and the contract is being lived up to. I can assure you, Mr. Chairman, based upon my knowledge of everything that is going on, that if it is not lived up to, it will definitely be enforced as far as the terms of this contract are concerned. There are no ifs, ands, or buts.

ASSEMBLYMAN BOCCHINI: I am not insinuating, Bob, that it necessarily falls in your lap. Obviously, Mr. Cole from the Attorney General's office, and the Attorney General's office, would play a very significant part in this. To that extent, we will be asking them where their intentions lie, and so forth.

I believe Assemblyman Pelly has a question.

ASSEMBLYMAN PELLY: Yes, I have several questions, Mr. Chairman. I looked at the long-range master plan and I noted there were substantial savings anticipated between 1983 and 1987 on the part of Motor Vehicles as a result of the implementation of this system. Do you recall what the anticipated amount of savings was by the Division between 1983 and 1987?

MR. KLINE: There were projections done, but I do not have them with me, Assemblyman Pelly. I can get them for you.

ASSEMBLYMAN PELLY: I tried to add them up manually, and I may or may not be accurate.

MR. KLINE: Again, Assemblyman, if I may just clarify what you were about to say, whatever the figure was, those projections were made before. Various programs were added to the ongoing work of the Division, including the surcharge system and others. So, those figures which were projected back in 1981 may be very inaccurate today. One thing I am sure you are aware of is, the Division of Motor Vehicles is constantly in flux regarding legislative mandates we have to fulfill. There is more legislation dealing with DMV than with any other branch of State government. When we have a program mandated, we have to get the personnel and the equipment to fulfill that mandate.

ASSEMBLYMAN PELLY: I accounted for about \$10 million or \$11 million in savings that were anticipated. Are you suggesting that we can anticipate no savings as a result—

MR. KLINE: I don't think you can anticipate no savings. Again, I would be happy to provide you with figures, but those figures would have to be revised based upon what is currently happening at the Division.

There will be savings. We're talking about taking a system that was virtually developed in the 1960s and bringing it into the 1980s. We're talking about something that is ongoing, a microfilming project which is almost completed. We are going to take all of our hard copy files and put them on microfilm, and put an address on the data base so they can be pulled up and motorists won't have to wait three days, or whatever, to have someone pull their paper file out of the rack. This is going to have an impact on the operation of the Division.

The Division, as it has been run, and the way it will be run after it is fully modernized-- They are going to be two different things because what we are doing is taking something from the 1960s, which really hasn't been paid much attention to, and bringing it into the 1980s.

As far as the amount of savings is concerned, I will have to get that for you. I would not be giving you anything other than a guess if I were to state a figure today.

ASSEMBLYMAN PELLY: In a generic sense, have there been any savings to date?

MR. KLINE: Have there been any savings to date? Again, Assemblyman Pelly, I will have to get that information for you. I am not prepared at this time to say there are definite savings one way or another.

ASSEMBLYMAN PELLY: The master plan talks about savings through normal attrition of about 300 personnel per year.

MR. KLINE: Right, and we have had normal attrition. But, at the same time, we take it the way the Legislature gives it. We have had numerous new programs since 1981, whether it was a surcharge program, the titling of boats, the registering of mopeds, or what have you. There are countless numbers of programs that the Division becomes responsible for which were not taken into consideration when the master plan was being done, and could not have been taken into consideration, because every time we get a new program, we have to staff to do it. Now, if we can use existing personnel, fine. If we can't, then we have to expand and hire those individuals.

So, again, I can try to get back to you to respond to your question, but I am not able to respond to it today.

ASSEMBLYMAN PELLY: Are the people who were responsible for the development of the system currently in top administrative positions in the new OTIS organization?

MR. KLINE: I think the people who were at SAC are now at OTIS, yes. As far as categorizing their positions, you will have to ask them. See, as far as what is actually happening, if you go out to West Trenton to the State Police Headquarters -- if you go out today,

or if you went out three years ago or five years ago -- you will see our computer system out there. The people who were out there then are out there now.

ASSEMBLYMAN PELLY: I'm talking specifically about the people who were responsible for the development of the system, not just--

MR. KLINE: Well, they are the same people. They are essentially the same people.

ASSEMBLYMAN PELLY: The same people?

MR. KLINE: Yes.

ASSEMBLYMAN PELLY: They're still there, okay. I have one other question. To your knowledge, has any agency, or is any agency in the State, requesting information, or have they requested information or investigated the situation at the Division of Motor Vehicles as it pertains to Price Waterhouse?

MR. KLINE: I don't understand your question. Any agency meaning what agency?

ASSEMBLYMAN PELLY: For example, the State Commission of Investigation. Have they requested any information with respect to Price Waterhouse?

MR. KLINE: Yes, they have.

ASSEMBLYMAN PELLY: They have?

MR. KLINE: Yes, they have.

ASSEMBLYMAN PELLY: Have they been given that information?

MR. KLINE: I have not given them any information. They have not requested any information of me, but of the Division, yes.

ASSEMBLYMAN PELLY: They have of the Division?

MR. KLINE: Yes.

ASSEMBLYMAN PELLY: Have they called anyone forward from the Division?

MR. KLINE: They have conducted interviews. They have not called anyone forward from the Division in the sense of testifying. They have interviewed people internally to get background.

ASSEMBLYMAN PELLY: Have they subpoenaed anyone to date that you are aware of?

MR. KLINE: Yes.

ASSEMBLYMAN PELLY: From the State?

MR. KLINE: Not from the State, no.

ASSEMBLYMAN PELLY: From the State Commission of Investigation in the Division of Motor Vehicles?

MR. KLINE: Yes. They have issued subpoenas, but not to anyone who is employed in the Division of Motor Vehicles. I am not trying to be unresponsive, but if you asked a specific question, I would give you a specific answer.

ASSEMBLYMAN PELLY: The State Commission of Investigation has issued subpoenas with respect to the issue of the Division of Motor Vehicles and Price Waterhouse. Is that accurate?

MR. KLINE: As you are aware, they are studying -- and I don't think this is any secret -- the whole agency system. That has been an ongoing investigation by the State Commission of Investigation. A long time ago, when this first began, as part of the voluminous documents that we sent over to them, we included copies of some of the things that Price Waterhouse was doing which could, in fact, impact on the agencies.

ASSEMBLYMAN PELLY: You did it voluntarily. They didn't ask for anything. Is that what you're saying? The State Commission of Investigation never asked for anything with respect to the Price Waterhouse/Division of Motor Vehicles--

MR. KLINE: No, I am not saying that. But, giving you some perspective on it, and, you know, going back to July, or whenever--

ASSEMBLYMAN PELLY: Oh, I understand the SCI and the Taggart affair; we are familiar with that. We're dealing with Price Waterhouse and the Division now.

MR. KLINE: Again, I will answer this as I understood the question. No one from the Division of Motor Vehicles has been subpoenaed to appear before the SCI; that is, no one who is employed by the Division of Motor Vehicles.

ASSEMBLYMAN PELLY: You're saying further that the SCI has requested information from your Division with respect to the Price Waterhouse/DMV situation.

MR. KLINE: Yes, that is correct. And, they have interviewed individuals concerning this.

ASSEMBLYMAN PELLY: But, they have not subpoenaed anyone. Although they have issued subpoenas with respect to this, they have not issued any subpoenas to the Division of Motor Vehicles.

MR. KLINE: Well, if I may just clarify, the SCI does not consult me on who they subpoena, as you are aware. So, they may have subpoenaed individuals who I am not aware of.

ASSEMBLYMAN BOCCHINI: I think it is out of the realm of his ability to answer other than those areas within the Division, Assemblyman, where he may have personal knowledge.

ASSEMBLYMAN PELLY: I have not asked about areas outside of his Division. I have only asked questions with respect to the Division of Motor Vehicles. Thank you, Mr. Kline.

ASSEMBLYMAN LaROCCA: Mr. Chairman, there are just a few practical things I would like to know. I think all of our colleagues in the Legislature will be inundated, and those of us who are in the practice of law may have a few affluent clients who may also be in this situation. Have out-of-state law enforcement people been advised of this problem?

MR. KLINE: Yes, that is correct, Assemblyman LaRocca.

ASSEMBLYMAN LaROCCA: In hick towns, justices of the peace -- in upstate New York, or wherever, or even in our marvelous New Jersey-- In Sussex County, they never heard of this. What can we tell our constituents or our clients to do in a situation like this?

ASSEMBLYMAN BOCCHINI: Call the Attorney General; he sent the letter.

MR. KLINE: I think what you should tell your constituents if they have been ticketed by a law enforcement official when, in fact, they had a valid document of registration, is to get in touch--

ASSEMBLYMAN LaROCCA: Suppose it is expired and he or she is waiting for the delayed process?

MR. KLINE: Well, they should get in touch with the Division, and we will clear the matter up with the law enforcement agency because we like to know who is not complying. It does happen; it even happens with normal bulletins. There are some law enforcement agencies which do not always read a particular notice that goes out, or they do not

pay attention to the letter of it. So, they can advise us, or if, for example, it gets to the point where it may go before a municipal judge and the judge is unaware of it, again, we will intercede. We will send the court a letter.

ASSEMBLYMAN BOCCHINI: Under Title 39:3-10, the last section of the statute refers to Motor Vehicle technical errors, etc., etc. that would serve as a defense. However, I don't think the question that Assemblyman LaRocca has, or the concerns that Assemblymen Martin, Schuber, Pelly, and myself have in relation to our constituencies are ones where once they get to court, the defense is there for them, so to speak. The problem they are confronted with is the actual issuing of the tickets, which leads me to a concluding question, Mr. Kline.

The Committee, or each of us, sponsored legislation which would extend renewals for licenses and registrations for a period of 90 days commencing July 1, 1985 to the end of December. I have had conversations with representatives of the New Jersey PBA, as well as the New Jersey Chiefs of Police Association, and they are of the opinion that while they received a letter from the top law enforcement official in the State, and, in effect, are being advised that they are to disregard the law, they would feel more comfortable in implementing a law which is, in effect, a law that says that you have 90 days from the expiration date.

According to the accounts in the media, the Governor, and other people, have indicated that with this type of legislation they would take direction from you based on the fact that you have bipartisan support for this, in addition to support from the State PBA and the New Jersey Chiefs of Police Association. Also, there would be a statutory indication possibly for those people who would be out of state, in order to protect them, which, in effect, would stop the initial issuance of a summons.

See, the problem we have is, we believe most of the courts would throw it out using the defense under Section 10 — not necessarily under Sections 3 or 4. However, we want to be able to stop the guy on the road from getting the initial ticket. By doing that, once you place it into law, under advice that that is the law, they are

operating free and clear. In my discussions with the PBA, they also indicated that by their not doing it, they do not know where they stand from a civil perspective. So, I would encourage and hope that we can gain your support for this particular legislation.

MR. KLINE: I haven't had an opportunity to see the legislation yet. Once I review it—

ASSEMBLYMAN BOCCHINI: It's a big one page; I will send it over to you.

MR. KLINE: I look forward to receiving it.

ASSEMBLYMAN LaROCCA: Mr. Chairman, I have a few things along the same line. I am being very practical now. The AAA, and all of the other organizations — have they been advised, except for what they read in the newspapers? They are going to be inundated with calls. What do we do?

MR. KLINE: I think that is an excellent suggestion, and, as of today, we will do that. Thank you.

ASSEMBLYMAN LaROCCA: Just one more question. All of this involves the registration phase. I have had several questions involving stolen cars. An individual, just a week ago, told me his car was stolen and the insurance company would not pay unless it received proof. He said, "I don't have the proof. It is in the glove compartment of the car that was stolen." That man has to wait six to eight weeks before he can do anything.

MR. KLINE: You're absolutely right. That deals with titles, but it is a different problem than what we were talking about. That is another problem.

ASSEMBLYMAN LaROCCA: Yes.

ASSEMBLYMAN BOCCHINI: Is that a computer-related problem?

MR. KLINE: It's a problem with computers in that it is processing.

ASSEMBLYMAN LaROCCA: It's the title.

MR. KLINE: Again, that only deals with the individual who needs the title. I am not saying I am unsympathetic to that; I am very sympathetic. Again, it has to do with everything I talked to you about before — the slowness of the system, the inefficiency — to be able to

do that in a timely fashion. So, you are absolutely correct, Assemblyman LaRocca.

ASSEMBLYMAN PELLY: Mr. Chairman, I have one more question, with your indulgence. Mr. Kline, let me try one more time with a question. Have you been contacted, subpoenaed, or questioned by the SCI with respect to the Division of Motor Vehicles/Price Waterhouse situation?

MR. KLINE: No, I have not.

ASSEMBLYMAN PELLY: You have not. Thank you.

ASSEMBLYMAN BOCCHINI: Are there any other questions?

ASSEMBLYMAN MARTIN: I have a couple, Mr. Chairman. These languages -- and, you are going to have to help me because I don't pretend to know much about computers -- as far as IDEAL versus COBOL, reading through the materials it seems, again in hindsight, that COBOL, if it had been implemented, would have reduced much of the problem we are confronting today. Was it the Division, in some way, that made some kind of a favorable determination that IDEAL was an acceptable language, or did you rely on Price Waterhouse and others?

MR. KLINE: To answer your question, Assemblyman Martin, this project is what is termed in the industry an "turnkey operation." That means that from A to Z, the consultant, Price Waterhouse, is responsible for pretty much of everything, except the technical support provided by the computer people of the State of New Jersey's government. They strongly recommended that we use IDEAL. They continued to recommend it down to the wire and, as a result, I think it would be somewhat inappropriate or stupid on our part to have a contract like this and then say, "Well, we are not going to go with that; we are going to go with something else." Why would we be paying them? That is exactly what we did. We were very deferential to the consultant because that was their job.

ASSEMBLYMAN MARTIN: Had you had any past experience with the language of this computer -- IDEAL?

MR. KLINE: No. IDEAL, from what I have learned, is a fourth-generation language. It is very new. Its benefits are those which obviously are not suited for our type of a system. You know, we

learned that too late, but it was the consultant who wanted it. It was put into the contract because it was one of the things they wanted.

ASSEMBLYMAN BOCCHINI: They wanted the IDEAL language?

MR. KLINE: They wanted the IDEAL language; that is correct.

ASSEMBLYMAN MARTIN: Thank you.

MR. KLINE: All right.

ASSEMBLYMAN BOCCHINI: Anyone else? Mr. Schuber?

ASSEMBLYMAN SCHUBER: I have no further questions.

ASSEMBLYMAN BOCCHINI: Director, thank you. I know it has been a long couple of hours here. I would ask your indulgence now because I would like to take a five-minute break just to get a glass of water. We will come back and pick up with representatives of Price Waterhouse.

Bob, will you stay around? There may be some interrelated questions. Okay?

MR. KLINE: I will be here.

ASSEMBLYMAN BOCCHINI: Thank you.

(RECESS)

AFTER RECESS

ASSEMBLYMAN BOCCHINI: Will you come to order again, please? Mr. Boylan, I understand that you will introduce the representatives of Price Waterhouse.

MR. BOYLAN: Yes, Chairman Bocchini, but before I do that, I want to thank you for the opportunity to appear here.

ASSEMBLYMAN BOCCHINI: Will you please point the mike in your direction? You do not have to sit; if you feel more comfortable standing, you certainly may stand.

MR. BOYLAN: On behalf of Price Waterhouse-- As we said in the letter submitted to your Committee on September 24, Price Waterhouse welcomes the opportunity to appear here in response to your request of September 18.

Price Waterhouse has produced the partner, Mr. Driscoll, who was responsible for the negotiation of the various contracts beginning with the competitive award of 1981, and leading up through the problem which your Committee has expressed an interest in obtaining additional information about. Of course, Mr. Cecchi is with me as counsel in this matter. 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.

I might add, picking up on a thought which you expressed-- You quoted from a letter from Michael Cole dated August 26, 1985, in which he addressed the history of this problem in terms of the choice of the IDEAL and the COBOL language supplied by the vendor, ADR, and approved by Price Waterhouse. That letter of August 26, 1985 produced a response from Price Waterhouse--

ASSEMBLYMAN BOCCHINI: September 5 -- excuse me--

MR. BOYLAN: September 5 is Mr. Cole's letter, right. Our letter was August 30, in which -- and I think this is essential to understand what Director Kline said -- Price Waterhouse said, to Mr. Cole, and mind you, you are getting an insight into the litigation, as you know, Chairman Bocchini-- The Attorney General's office conducted the preliminary stages of litigation with Price Waterhouse through First Assistant Attorney General Cole. The letter of August 26 said, "This is what you did wrong. This is what we intend to do to you."

In response to that letter -- and what makes this so unique, in my experience of 30 years -- Price Waterhouse wrote back on August 30 and said, in relevant part: "We commit to remedy the system expeditiously, within the terms and conditions of our existing contract with the Division. Under this commitment, we are prepared to replace the IDEAL language with COBOL language, at our expense." The Attorney General's office got Price Waterhouse, and Price Waterhouse, as a responsible supplier, agreed to remedy this situation at its expense.

In response to that, the letter you just made reference to, Chairman Bocchini, First Assistant Cole wrote back and said, "Thank you for your letter of August 30 in response to ours of August 26, 1985" -- and I will skip to the pertinent part -- "We appreciate your commitment expressed toward the end of your letter to remedy the problems in our comprehensive on-line driver/owner information and management system expeditiously within the terms and conditions of your contract with the Division of Motor Vehicles at your expense, and your commitment that the remedial work will include replacing the IDEAL language with COBOL language, as well as any redesign work necessary to make the system function in accordance with the contract."

So, when we wrote to your Committee, and delivered today, our letter of September 24, at the bottom of the third paragraph, it was not an idle statement when Price Waterhouse--

ASSEMBLYMAN BOCCHINI: Excuse me. Your letter of September 24?

MR. BOYLAN: Right. I gave it to your aide. In any event, we have another copy of it here.

ASSEMBLYMAN BOCCHINI: I'm sorry; I have it.

MR. BOYLAN: It was not an idle statement of someone appearing before a committee attempting to fob off their responsibility. The bottom sentence of the third paragraph says: "This Committee hearing provides Price Waterhouse with an additional opportunity to assure the State that we are committed to and, in fact, are well under way on a course of corrective action. These efforts, which are proceeding with the full support of DMV and OTIS, will not only remedy the performance problems being experienced today, but, also, will deliver in the months ahead a comprehensive system which we believe will meet the State's expectations."

We had already committed to remedy the system expeditiously within the terms and conditions of our existing contract with the Division. So, in a very real sense, Price Waterhouse has taken what would have been a piece of messy litigation dragging on for ages over who was responsible for the technical problems encountered in the use of -- not the choice of -- IDEAL language, as opposed to COBOL

language, and translated it into a remedy that will cost Price Waterhouse, perhaps properly so. Without making any admissions in the event that all of this should end up in a courtroom, Price Waterhouse has committed to spend hundreds of thousands of dollars to remedy the problem which your Committee, quite appropriately, is addressing because something you said is striking.

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.

Having said that, Chairman Bocchini, we have Mr. Driscoll here to answer the questions you or any of the other members of this Committee have directed to how this problem occurred, as well as the other questions you outlined in your letter of September 18. If we do not have the answers available today, we will bring you whatever else you want from us.

ASSEMBLYMAN BOCCHINI: Thank you, Mr. Boylan. Everything you said is fine. I admire your oratorical and speaking ability. As I sit here and listen to you, I think I am going to enjoy this next hour and a half or so. But, the issue, nonetheless, remains why and how Price Waterhouse was selected and the problems we are dealing with.

Keeping that in mind, I have an initial question. Mr. Driscoll, you may respond to this, or you may request any member of your staff to address it. In the process -- and I am getting way ahead of myself -- the thing that jumps out for me immediately is, how, through whom, and through what process was the original IDEAL language selected?

WILLIAM J. DRISCOLL: Mr. Chairman, Mr. Boylan is a difficult act to follow, but I will do my best.

ASSEMBLYMAN BOCCHINI: For the record, as you first begin, will each of you please state your name and position? Assemblyman Schuber?

ASSEMBLYMAN SCHUBER: Mr. Chairman, if I may, through you, because I don't know— Has Mr. Driscoll been identified as a partner of Price Waterhouse? May we have his background, also, for the record?

ASSEMBLYMAN BOCCHINI: Fine.

MR. DRISCOLL: My name is William J. Driscoll. I am a partner with Price Waterhouse. My office is located in Morristown, New Jersey. I have more than 20 years experience as a consultant in the consulting business. Prior to becoming a consultant, I was on the audit staff of Price Waterhouse. I am a CPA in the State of New Jersey. I represent the continuity of Price Waterhouse's involvement with the Division of Motor Vehicles. As you will note, Mr. Chairman, in the proposal which was submitted in September, 1981, I was designated as the partner to be in charge of that assignment. I have been involved since that point, up to today. I am considered the client partner, in our own terminology, for the work with the Division of Motor Vehicles.

ASSEMBLYMAN BOCCHINI: Is that sufficient? Are there any other background questions of Mr. Driscoll? (negative response) Do you want me to repeat the question, or can you respond?

MR. DRISCOLL: No, my recall is okay. The question, the way I understand it, deals with the factors that were considered in the selection of IDEAL as a programming language.

I will start as a point of departure where, you know, the abbreviated coverage and the highlights in the press seemed to emphasize the fact that the selection was made purely on a dollars-and-cents basis. Although Price Waterhouse had selected IDEAL as a language because it was "the cheapest way to do it," there were certainly a number of factors involved other than the dollars-and-cents factor. I would put that very low on the priority list relative to the other factors that were considered.

First of all, if I may take just a minute or so to describe what IDEAL is, IDEAL is considered a fourth-generation language. IDEAL is part of a family of products which are offered by ADR. The hub of that family of products is what is called—

ASSEMBLYMAN BOCCHINI: Excuse me, ADR?

MR. DRISCOLL: Applied Data Research.

MR. BOYLAN: Of Princeton, New Jersey.

ASSEMBLYMAN BOCCHINI: Okay.

MR. DRISCOLL: The hub, or the center of that family of products is what is called the data base, or data-base software. The name of that product from ADR is called Datacom-DB. That is important to note because the State had already purchased, and SAC had implemented Datacom-DB prior to the commencement of this contract.

Now, the fourth-generation language, IDEAL, is a language which is compatible and it is used only with the Datacom data base. There are other languages that can be used with that data base, such as COBOL, but as far as a fourth generation is concerned, IDEAL is the only one that is compatible with that data base. The reasons for using fourth-generation languages which are, in the terms of the history of data processing, relatively new on the scene, is that as over the years the costs of hardware and the size of machines-- The costs of hardware have gone down, down, down, and the costs of personnel in the EDP environment have increased. So, the fourth-generation languages are an attempt to introduce some productivity into the personnel area of the data processing environment. They are recognized, and they are inherently less efficient when being used on a machine because, in fact, they are easier to use by the people who design and develop the code and subsequently maintain the code. That is a brief explanation of why fourth-generation languages have come into being and why, in fact, they are considered desirable by people in the data processing community.

Moving more specifically to the factors Price Waterhouse considered in making an evaluation in the selection of IDEAL, I think we can look at it from the three interested parties in this contract -- the interests of the Division of Motor Vehicles, the interests of Systems and Communications, or SAC, and the interests of Price Waterhouse. If I may start from the perspective of the Division--

ASSEMBLYMAN BOCCHINI: If I may, we will be using the acronyms SAC and OTIS synonymously, I presume.

MR. DRISCOLL: Well, at this point it is SAC, not OTIS.

MR. BOYLAN: This point being when?

MR. DRISCOLL: The point I am discussing would probably be the Spring of 1984.

ASSEMBLYMAN BOCCHINI: Fine.

MR. DRISCOLL: All right. Getting back to my point, looking at this from the three different perspectives, starting with DMV's perspective, we had, in our proposal of July 12, 1983, Mr. Chairman, which is the document in front of you--

ASSEMBLYMAN BOCCHINI: Which document in front of me?

MR. DRISCOLL: The rather heavy document.

ASSEMBLYMAN BOCCHINI: Right, this one here (holding up document). I can't wait to read it all.

MR. DRISCOLL: I'm sure you will find it quite interesting -- cover to cover.

ASSEMBLYMAN BOCCHINI: I'm sorry, I didn't mean to break your train of thought.

MR. DRISCOLL: That's quite all right. We discussed it, and the concept of the system that was to be designed and implemented at Motor Vehicle was to be "state of the art." Since, in fact, the programs that were being used by DMV at that time dated back, I believe, to Governor Meyner, it was felt that when we made the investment to put in a new system at DMV, we better be up front and close to the leading edge, and take some significant steps forward, because if it is going to be 20 years before we get another chance to do it, let's catch up and maybe get right to the front with this. So, that is why the term state of the art was used.

Fourth-generation languages are completely compatible with the definition of state of the art. That is really why, in the interest of Motor Vehicle, it made sense to be state of the art, and that translates into considering what kind of language to use, and you would consider IDEAL, a fourth-generation language.

Moving now to Systems and Communications and their perspective, as I mentioned previously, the Datacom-DB, the data base software, which is the main part of the family -- that was already installed in the SAC environment and was being used for some of the other SAC applications. Because, in fact, that was in the environment,

this was indicative of the direction in which SAC was moving, and, in fact, although they were not currently using IDEAL for any application programs, this was certainly the direction in which they were pointing. It would be consistent with the direction in which they were pointing for us to select a fourth-generation language, and the language was IDEAL.

MR. DRISCOLL: The third perspective is that Price Waterhouse gets down to meeting both of the objectives of SAC and DMV — that is, one is state of the art, and the other is compatible with the direction in which they are moving.

In addition to that, we had some productivity gains in the development of this system. I might note that the contract which was awarded was a time-and-materials contract not to exceed \$6.5 million. The fact that this system costs less, which is how it was characterized in the press, would not translate into cost savings for Price Waterhouse. How I would characterize the fact that it costs less is, it was more productive for us to use the IDEAL language by devoting our resources to the coding and testing efforts to ensure that we would be moving along and have the chance to do the job thoroughly; therefore, we would be in compliance with the schedule that had been established under the contract. I think those are the three major factors that were used.

Also, a factor that obviously had to be considered was the reputation of the vendor, ADR. ADR has a number of software products that are on the market and have been on the market for a number of years. They have an outstanding reputation. The company itself has been in business for a number of years. There was no reason for us to believe that at the point of the initial decision, IDEAL could not do the job that we had intended to do.

ASSEMBLYMAN BOCCHINI: In effect, were they a "sub" to you?

MR. DRISCOLL: ADR has no relationship to us in ownership, nor are they a stockholder.

ASSEMBLYMAN BOCCHINI: When I say "sub," I mean subcontractor under their—

MR. DRISCOLL: No, the relationship between ADR is between ADR and the State. The State bought the Datacom-DB software. They purchased the IDEAL software directly from ADR, and any contractual commitments that ADR has in connection with this contract are directly with the State of New Jersey.

ASSEMBLYMAN BOCCHINI: So, in effect, as you referred to previously, Mr. Boylan, if there had been some type of litigation, it probably would have been in the area of the responsibilities of Price Waterhouse or ADR in relation to their respective obligations to the State.

MR. BOYLAN: Yes.

ASSEMBLYMAN BOCCHINI: As an aside, Mr. Kline, regarding the selection of Price Waterhouse, it was brought to my attention during our recess: Why was a national accounting firm selected rather than IBM, Xerox, or some other company specializing in computer systems?

MR. KLINE: (from audience) They obviously were interested in the conceptions that Mr. Driscoll was involved in with MIS [Management Information Systems]. So, Price Waterhouse did do business with them. They furnished us with references. At the time, we found that they were apparently involved with a \$20 million project in the State of Alaska. They were also doing something for the State Department at that time. There is a whole list of projects they were doing which were government-related. So, we were presented with very good qualifications to handle this type of project.

ASSEMBLYMAN BOCCHINI: Mr. Driscoll, if I may, in relation--

ASSEMBLYMAN PELLY: Mr. Chairman?

ASSEMBLYMAN BOCCHINI: I'm sorry. Frank?

ASSEMBLYMAN PELLY: Mr. Chairman, through you, I would like to ask something regarding your former question. Mr. Driscoll, prior to doing the job for New Jersey's Division of Motor Vehicles, had you done any other computer work for Divisions of Motor Vehicles in other states?

MR. DRISCOLL: Prior to the initial contract with regard to the long-range master plan?

ASSEMBLYMAN PELLY: Yes, in 1981.

MR. DRISCOLL: I personally had not. We had incorporated in our proposal— There was a gentleman who actually worked on the job; his name is Bob Farrow. Bob Farrow has been a member of our MCS department staff for a number of years, and he has worked for the Department of Highway Safety in Ohio. He had been involved in the design and implementation of the State of Ohio's comparable system — Motor Vehicle system.

ASSEMBLYMAN PELLY: But, for Price Waterhouse, the department—

MR. DRISCOLL: No, this was prior to his engagement by Price Waterhouse.

ASSEMBLYMAN PELLY: So, for Price Waterhouse, this was the first— Your \$6.4 million contract with Price Waterhouse was your first endeavor with the Division of Motor Vehicles in any state?

MR. DRISCOLL: That is correct.

ASSEMBLYMAN PELLY: Thank you. Have you had any other jobs since that time with the Divisions of Motor Vehicles?

MR. DRISCOLL: As a matter of fact, we have had two subsequent engagements — one for the State of Kansas and another for the State of Maryland.

ASSEMBLYMAN PELLY: So, you have done the computer systems for their Divisions of Motor Vehicles. Is that what you are saying?

MR. DRISCOLL: These jobs started at different points in time, and both of them had different scopes. The breadth of the—

ASSEMBLYMAN PELLY: You see, I am not an attorney, so you'll have to forgive me. Have you done any computer work or established any computer systems similar to the one you have done for the State of New Jersey subsequent to having done New Jersey's system?

MR. DRISCOLL: Let me go back to what I was saying. I am not an attorney either, so we should be able to talk the same language.

ASSEMBLYMAN PELLY: We should be able to say yes or no.

MR. DRISCOLL: Yes.

ASSEMBLYMAN PELLY: Yes, you have?

MR. DRISCOLL: Yes.

ASSEMBLYMAN PELLY: Okay. Is it the IDEAL system that you incorporated into New Jersey's system?

MR. DRISCOLL: No, the IDEAL language had not been incorporated. Let me make a brief explanation. The system design here in the State of New Jersey is really a design that is independent of the language. In other words, in designing a system, you come up with the complete architecture of that entire system, but when you get to the final steps of what language to write it in, the system design itself is independent of that language. It is only when you get down to the actual building of mortar and bricks and all of the codes — the programming — that you have to make a determination as to the use of language "A," language "B," or language "C." We have not used IDEAL in any other situation.

ASSEMBLYMAN PELLY: Other than New Jersey. What other states have you done?

MR. DRISCOLL: We have had a job in the State of Kansas.

ASSEMBLYMAN PELLY: For their entire Division of Motor Vehicles?

MR. DRISCOLL: No, this was limited to registrations. There is a different organizational set-up in the State of Kansas, where licensing and registration are not under the same arm of government. We did a registration system. It was limited to a design.

ASSEMBLYMAN PELLY: To a design?

MR. DRISCOLL: The design of the architecture of the system as opposed to the coding, testing, and implementation.

ASSEMBLYMAN PELLY: Have you implemented any systems subsequent to New Jersey's?

MR. DRISCOLL: Implemented just any system, or a Motor Vehicle system?

ASSEMBLYMAN PELLY: Motor Vehicle.

MR. DRISCOLL: We have not fully implemented a Motor Vehicle system since working in New Jersey.

ASSEMBLYMAN PELLY: That is what I wanted to find out. Thank you very much, Mr. Driscoll.

ASSEMBLYMAN SCHUBER: Mr. Chairman, if I may, I didn't hear the second state that was mentioned.

MR. DRISCOLL: The State of Maryland.

ASSEMBLYMAN SCHUBER: Maryland?

MR. DRISCOLL: Yes. Mr. Chairman, I would like to comment a little bit on the question that was raised with regard to CPA firms and their expertise in the area of consulting, and in particular, the area of data processing and management information systems.

ASSEMBLYMAN BOCCHINI: Before you do that, if I may, you spoke in terms of engagement. Are you inferring that there was a contractual relationship between you and these other states?

MR. DRISCOLL: It was a job, and I assume there was a contract, yes.

ASSEMBLYMAN BOCCHINI: I have one other question. Is there any particular reason why the IDEAL language was not used in relation to these other jobs? Is it an improper inference that it became apparent in New Jersey that it was not one to deal with and, consequently, as a learning experience in New Jersey, you ditched that and went to something else in Kansas, Ohio, or Alaska?

MR. DRISCOLL: Let me make a quick analogy. When I referred to data-base software -- the Datacom-DB -- I guess the easiest one to picture is, if you are in the back of a post office and you see the guys sorting and pigeonholing mail, the boxes up there are the data-base software, the pigeonholes. Datacom-DB is one way to have an array of pigeonholes.

The pigeonholes here in New Jersey are in the guise of Datacom-DB, the software. That software was not present in Kansas as a given factor, nor was it present in the State of Maryland.

The range of options becomes broader right at the outset in New Jersey where, in fact, there was some predetermination as to software in place. You will read in the contract that we did have an option to reject the software that was in place and select another one, but for a number of factors, we decided to accept the software in place. There were some costs involved in replacing that which the State would have borne, not Price Waterhouse. In fact, it was software that SAC had been using and was becoming familiar with. So, there were some advantages to selecting that, and from a technical standpoint, we believed the software would be able to support the system.

ASSEMBLYMAN BOCCHINI: Okay. Please feel free to comment.

MR. DRISCOLL: I'll just make a few brief remarks. This is not an attempt to be a sales pitch for CPAs and consulting work, but a number of-- All of the large -- the Big 8 firms -- have consulting practices. Ours, in particular, probably dates back 30 years. It is a very sizeable portion of our total practice. From the other Big 8 firms, it represents even a larger percentage of their practice than it does at Price Waterhouse.

A point to note is that in the time I have been dealing with the State of New Jersey -- obviously, I don't mean it as a reflection on me -- I have noticed over the last several years that there has been a tendency on the part of the State to focus and deal primarily with the Big 8 accounting firms' consulting branches as opposed to some of the other consultants in the data processing business. Why that determination has been made, I don't know, but it seems that when I go to bidders' conferences, if there are selective bid lists, it is primarily the large CPA firms that are represented.

ASSEMBLYMAN BOCCHINI: Aggie, for the record-- I hate to admit my limited knowledge, but who are the Big 8 firms? You keep talking about the Big 8. I know the Big 8 in football.

MR. BOYLAN: Nebraska, Kansas--

ASSEMBLYMAN BOCCHINI: Right. (laughter) Can we sometime during the course of-- I didn't want to put you on the spot to recite all eight, just in case you left one out.

MR. DRISCOLL: I'll recite them in alphabetical order.

ASSEMBLYMAN BOCCHINI: Anyway you so choose.

MR. DRISCOLL: They are: Price Waterhouse; Peat, Marwick & Mitchell; Arthur Anderson; Arthur Young; Ernst & Whinney; Touche Ross; Coopers Lybrand; and, Deloitte, Haskins & Sells. I believe they are the eight.

ASSEMBLYMAN BOCCHINI: All right.

ASSEMBLYMAN LaROCCA: Leaventhal.

MR. DRISCOLL: I believe they are called a second-tier. That is the next half-dozen.

ASSEMBLYMAN BOCCHINI: In relation to these contracts, who supplied the hardware? Did you also supply that?

MR. DRISCOLL: We do not have anything to do with procuring the hardware or designating the vendor of the hardware. As Mr. Kline mentioned in his testimony, Price Waterhouse was asked to provide certain data, which would be used to size, to determine how big a piece of hardware should be. Then that information is taken by SAC, or, as in the case today, by OTIS, and translated into a specification that would be used to procure the necessary hardware.

ASSEMBLYMAN BOCCHINI: Do we have that information, Mr. Kline, as to who supplied the hardware?

MR. KLINE: (from audience) I can't hear you.

ASSEMBLYMAN BOCCHINI: Bob, do you want to come up and sit next to Joe Katz?

MR. KLINE: (from audience) What was the question?

ASSEMBLYMAN BOCCHINI: In relation to the hardware, who were the suppliers?

MR. KLINE: (from audience) You'll have to get that from OTIS. There were several firms.

UNIDENTIFIED WITNESS FROM AUDIENCE: National Advance Systems supplied the majority of the hardware, and IBM supplied other parts.

ASSEMBLYMAN BOCCHINI: If we can go back a little bit in time -- back to 1981 when you first put together the long-range master plan -- you yourself were involved in this, weren't you?

MR. DRISCOLL: That is correct, yes.

ASSEMBLYMAN BOCCHINI: All right. There was a representation -- at least I made the representation, and Director Kline is of the same belief from what I gathered from his testimony -- of six or seven firms that were consulted in relation to this, and you were ultimately the one that was selected. Is that correct?

MR. DRISCOLL: That is correct.

ASSEMBLYMAN BOCCHINI: However, notwithstanding that, in relation to the design and implementation, this became your baby, so to speak, in totality, without any other type of input or request for competitive discussion. Is that correct?

MR. DRISCOLL: That is correct.

MR. DRISCOLL: All right. Conversely, in July, 1983, it was ascertained that you would negotiate for the contract that was ultimately signed on November 9. Is that correct?

MR. DRISCOLL: That is correct.

ASSEMBLYMAN BOCCHINI: In relation to the design and implementation agreement, that was never totally completed. Is that correct? When I say completed, I mean, with regard to the \$700,000 payout, did you receive full payment on that?

MR. DRISCOLL: No, Mr. Chairman, the \$700,000 contract was a multi-year contract -- \$200,000 in the first year, and then the rest of it over a period of three fiscal years after that. Two hundred thousand dollars of the \$700,000 was used. The rest of the \$500,000 was rolled into this particular contract.

The actual proposal that we-- How do I explain this? The proposal was for \$6.5 million. The new money was \$6 million because there was \$500,000--

ASSEMBLYMAN BOCCHINI: So, \$500,000 was left over from this.

MR. DRISCOLL: It was left over from a prior approved contract.

MR. DRISCOLL: In relation to the other companies that were involved in the 1981 negotiation or discussions of the contract regarding the long-range master plan, to your knowledge, do you know if any of those other companies had ever been involved in the implementation of this type of program for any other state or within the Division of Motor Vehicles here in the State of New Jersey?

MR. DRISCOLL: To my knowledge, they had not. I know for a fact that in the Selection Committee's report after the selection had been made of Price Waterhouse for the master plan study, they put a significant amount of weight on the fact that we had included Mr. Robert Farrow on our project team, whom I referred to before as having worked in Ohio for the Division of Motor Vehicles. His expertise -- his specific expertise -- in the area of Motor Vehicle systems was considered to be quite important, and it was given a fair amount of weight during the selection process.

ASSEMBLYMAN MARTIN: Mr. Chairman, may I ask a related question?

ASSEMBLYMAN BOCCHINI: Sure.

ASSEMBLYMAN MARTIN: When you were explaining the amount which you received for the stage before the actual contract, you said the \$500,000 was rolled in, or however you described it. If you had not received the contract -- for some reason the contract had not been entered into -- would you have been entitled to receive the full compensation of \$700,000?

MR. DRISCOLL: By entitled, I'm not-- If we did no more work, would we receive it?

ASSEMBLYMAN MARTIN: Well, I'm not sure of the full terms of the contract.

MR. DRISCOLL: No. Certainly, I believe the--

ASSEMBLYMAN MARTIN: Was that conditioned upon you receiving the contract?

MR. DRISCOLL: It was conditioned upon doing some work, yes.

MR. BOYLAN: During each fiscal year, they could be terminated at any time.

MR. DRISCOLL: I think one of the things that might be helpful to explore a little bit right now is how that \$700,000 contract was contemplated to work. The idea was that Price Waterhouse was going to come in and conduct a Requirements Definition Study, which is defining the functions -- what it is that the system you are designing is going to do.

Subsequent to that, we were going to have Systems and Communications be a continual consultant to DMV on behalf of SAC in a functional way, and also to advise in a technical way, while Systems and Communications went on to design, code, test, and implement the large DMV system.

As I said, this thing ran over three fiscal periods, if not four. That was under way. That was the long-term plan of the State. It was for SAC to undertake this project and to do it over an extended period of time. They had engaged Price Waterhouse to work along with them over that same period of time while they developed, implemented, and installed the system for the Division of Motor Vehicles.

While that whole process got under way during the Requirements Definition Study and the Merit Rating Plan Surcharge system requirement, with an urgency to have that implemented by January, 1984, time became of the essence. If you enter in the element of a proposal of this magnitude -- because of our expertise and experience with the Division -- the pressures of time made the noncompetitive situation seem warranted.

I would like to make another comment which I think is very important. It may not be drawn out in other ways unless I say it. The rates that are used in our proposal of July, 1983--

ASSEMBLYMAN BOCCHINI: July 12, 1983.

MR. DRISCOLL: The billing rates for our various staff are the same billing rates that were used in the September, 1981 proposal on a competitive basis. The State certainly was not going without some kind of a benchmark in terms of the cost of this project. They were directly linked back to a competitive proposal situation in September, 1981, and here, almost two years later, we are using the same billing rates. I think that is an important factor to understand.

ASSEMBLYMAN MARTIN: If I may, perhaps I should put my question another way. The fact that you had entered into a \$700,000 agreement, and the fact that you later rolled it into a \$6.5 million agreement for implementing the system, from your point of view, would that amount to a savings for the State in any way by going with you for both the \$700,000 and the \$6.5 million contract?

ASSEMBLYMAN BOCCHINI: Conversely, was it an add-on of \$500,000 to a \$6 million contract? You can analyze it from either perspective.

I'm sorry. I didn't mean to interrupt, but do you understand what he is saying?

MR. DRISCOLL: I think I do.

ASSEMBLYMAN BOCCHINI: Did we get a bargain?

MR. DRISCOLL: You always get a bargain when you deal with Price Waterhouse. (laughter) The answer to that question is, certainly to engage another consultant to come in at that point and get up to speed in a short period of time, would cause the loss of that

initial investment -- the investment of \$80,000 in the original master plan and the additional investment of \$200,000 in the requirements document.

In terms of whether it saved money or cost money, because we rolled that in, the things that were contemplated to be done for that additional \$500,000 were, in fact, going to be done under this project. It then became part of the project, and a \$6.5 million job only required an incremental resource of \$6 million because you had already funded for \$500,000.

ASSEMBLYMAN BOCCHINI: That is not to say that any of the other seven firms you referred to wouldn't be able to analyze your proposals and give some type of opinion, is it?

MR. DRISCOLL: That is not to say they could not; that is correct.

ASSEMBLYMAN BOCCHINI: And it is not to presume that they would necessarily understand what you were saying. But, I would think there is a certain expertise that is common amongst the group. They should be able to sit down, read, analyze, and say, "We see some possible deficiencies. We see where we might be able to do something better, but we can't give you anything better than what they are giving you."

MR. DRISCOLL: I might add that Director Witkowsky elected to distribute that document on a very wide basis. In fact, I believe she distributed 1600 copies of that, to everyone who would accept one. The wide distribution allowed many people to have exposure to the direction and plans that were included in the long-range master plan. This certainly had the kind of exposure that lots of people could have commented on.

ASSEMBLYMAN BOCCHINI: I have some other questions regarding this matter. On July 23, it is deemed you entered into-- When did you begin your negotiations with DMV, the State, SAC, and whomever, which led up to the final contract in November, 1983?

MR. DRISCOLL: Do you want conception, the embryo, or the birth?

MR. BOYLAN: That is your choice. Go ahead, answer the question. When do you think the negotiations began?

MR. DRISCOLL: I would say in April, it was the inception of the possibility of taking on an assignment of this nature. Motor Vehicle approached Price Waterhouse and asked if Price Waterhouse could provide the resources and the technical expertise to accelerate implementation of the master plan within a two-year period. We acknowledged we could, and we went to the drawing boards to try to outline what that would involve in terms of resources and the level of effort. That was really the inception of it.

There were discussions over a period of months while that constant was considered more seriously.

ASSEMBLYMAN BOCCHINI: In relation to your discussions, were the discussions limited simply with the Division of Motor Vehicles, or were there discussions with the Governor's office or the Attorney General's office?

MR. DRISCOLL: I only had discussions with Motor Vehicle, in particular the Director and the Deputy Director, and SAC.

ASSEMBLYMAN BOCCHINI: Which Director were you in contact with? Did you have discussions with Mr. Snedeker?

MR. DRISCOLL: Mr. Snedeker? Yes.

ASSEMBLYMAN BOCCHINI: And then subsequently with Mr. Kline?

MR. DRISCOLL: That is correct.

ASSEMBLYMAN BOCCHINI: In relation to the drafting of the agreement, who, from your company, was involved in that?

MR. DRISCOLL: I believe that the State made the first draft of the contract, and I made a note of that date. It was August 11, 1983 when the first draft of the contract was presented.

We were advised that it went back and forth, and it took until whatever that date was -- November 11 -- to finally get a statement.

ASSEMBLYMAN BOCCHINI: The first draft was on or about August 11, 1983?

MR. DRISCOLL: Yes. I think--

ASSEMBLYMAN BOCCHINI: Bob, didn't you say that you didn't begin negotiating this until October?

MR. KLINE: (from audience) I didn't hear the question.

ASSEMBLYMAN BOCCHINI: Didn't you testify previously that you didn't begin negotiating this contract until October?

MR. KLINE: (from audience) I don't think the formal negotiations began until September or October -- the actual sitting around the table and going over it. Obviously, there were discussions about the project before that.

ASSEMBLYMAN BOCCHINI: Mr. Boylan?

MR. BOYLAN: I think somewhere within the Department, there is a preparation of this first draft that we received on August 11. I think the term "negotiation" is confusing to people, perhaps to Mr. Kline most of all, because you had a draft on the table as a result of negotiations going back to April, 1983. Whether he was involved in that process, I don't know, but we were involved in that process.

MR. KLINE: (from audience) Mr. Chairman, again, it is my recollection--

ASSEMBLYMAN BOCCHINI: I understand.

MR. KLINE: (from audience and continuing) --that the draft had gone out then. The actual sitting down at the table and going over it line by line took about a month.

MR. DRISCOLL: If I may recite a couple of dates that I think are significant, you have in front of you the proposal dated July 12, 1983. On July 28, 1983, there was a press release in The Star-Ledger by the Division of Motor Vehicles.

ASSEMBLYMAN BOCCHINI: July?

MR. DRISCOLL: July 28. The front page of The Star-Ledger had an article which announced the reason why Motor Vehicle had selected Price Waterhouse for a \$6.5 million contract to undertake the design, development, and implementation of a comprehensive on-line, driver/owner management and information system. It stated that the contract had been waived and had been signed by the then Treasurer Ken Biederman and that this was under way.

As far as the disclosure of everything -- the events that led up to it -- that date, July 28, is one that sticks in my mind because it certainly was of significance to me.

ASSEMBLYMAN BOCCHINI: If I may, and I don't mean to embarrass you, but the nature of government business a lot of times is politics. Recently, contributions were mentioned in one of the press accounts. According to an account by a representative -- I believe it was Kenneth Doyle -- your firm is not in the habit of making political contributions. This was reported in The Home News on September 12, 1985. Is Mr. Doyle here?

MR. BOYLAN: No, he is not here. I don't think there is any quarrel with that press release. Is it The Times?

ASSEMBLYMAN BOCCHINI: This is checked off in The Home News. All right?

MR. BOYLAN: Oh. I don't think there is any problem with the attribution of that quote, but we could check that out if you want. Let's assume that to be the case.

ASSEMBLYMAN BOCCHINI: All right. Assuming that to be the case, if it is accurate, and from what I have been able to ascertain through the records of The Elect, it appears that in 1981 and 1982 -- in fact, going back over those periods of time -- there were no political contributions to either party. I see with interest -- maybe it is because it wasn't to my party and maybe you didn't have as much interest-- I do notice with a great deal of interest that on August 22, less than one month after the announcement and the negotiations beginning, there is a \$15,000 contribution to the Governor's Ball. Again, in 1982, there is a \$10,000 contribution on August -- 1984, excuse me-- On August 2, 1984, there is a \$10,000 contribution to the Governor's Ball, and on September 11, there is another \$5,000 contribution to the Governor's Ball.

May I ask for your comments in relation to that? Based on the statement that you never give political contributions, would you care to tell the Committee what the admiration was for the Governor's Ball in 1983 and 1984?

MR. BOYLAN: It wasn't the Ball. It was the Governor -- Kean.

MR. DRISCOLL: I would like to preface those remarks by saying that I worked very actively for Senator Bill Bradley in his initial election.

ASSEMBLYMAN BOCCHINI: Did Price Waterhouse?

MR. DRISCOLL: Price Waterhouse has— Let me go back and answer the question. You are correct that Price Waterhouse purchased tickets to the Governor's Ball for \$15,000 for the Ball that was held in 1983, and again in 1984.

ASSEMBLYMAN BOCCHINI: I'm sorry. I didn't mean to laugh. I was thinking about my \$10 a head Booster Club picnic on Sunday, but it is sold out, so don't worry about it. (laughter)

MR. DRISCOLL: I assure you that there is no relationship between this proposal and contract and that participation.

Back in August of 1983, I received a phone call from a former partner of Price Waterhouse, who is also a personal friend of mine, and he suggested that Price Waterhouse ought to participate in the Governor's Ball. I took that to my partners, we discussed it, and we thought it would be appropriate to participate. We had not participated in prior years. We made a decision to participate at the level of \$15,000, which represented three tables, which, in turn, was for participation by each one of our offices — two in New Jersey and one in New York. We have an office in Hackensack; we have an office in Morristown; and, we have an office in New York City. So, each one decided to participate financially at the rate of \$5,000 each. I can also say that each one participated physically by being present at their particular table at the Ball.

ASSEMBLYMAN BOCCHINI: If I may, Mr. Driscoll, you said a former partner contacted you. Would you have any objection to telling us who that former partner was?

MR. DRISCOLL: May I consult my counsel on that?

ASSEMBLYMAN BOCCHINI: Yes, sure you can.

MR. BOYLAN: Sure, there is no problem with that.

MR. DRISCOLL: The former partner's name is Clyde Folley. He had previously been in charge of our Hackensack office.

ASSEMBLYMAN SCHUBER: Does the gentleman still live in Hackensack? (laughter)

ASSEMBLYMAN BOCCHINI: Do you have his address? (laughter)
Mr. Driscoll, in relation to this, prior to 1983 and 1984, is it an

accurate representation that there was no participation by Price Waterhouse of such large political contributions?

MR. BOYLAN: Any.

ASSEMBLYMAN BOCCHINI: Or, in any political contributions.

MR. DRISCOLL: At the time that the sole source or waived contract was under discussion, I was asked that same question by the Division of Motor Vehicles.

MR. BOYLAN: Was this in March?

MR. DRISCOLL: No, in June or July of 1983, that question was raised as to whether Price Waterhouse had made any significant contributions to the election committee for the Governor, or whether any of the individual partners of Price Waterhouse had, in fact, made contributions. I took it upon myself to do a solicitation amongst the partners of Price Waterhouse who live in New Jersey to find out if they worked in New Jersey. There are 15 partners who are resident partners -- are assigned to offices in New Jersey -- and, there are probably another 15 or 20 partners who are in our New York office and who are residents of the State of New Jersey.

I solicited all of those partners by letter and asked if they had made contributions to the State Republican Committee or, in fact, if they had made contributions to the Governor's Election Committee.

I received responses from all of them, and apparently it is a very inactive political group because there were only a couple of people who had made contributions at less than a \$200 or \$300 level.

ASSEMBLYMAN BOCCHINI: Do you think--

MR. DRISCOLL: That is out of a solicitation of probably 40 or 45 partners.

ASSEMBLYMAN BOCCHINI: Do you have any problems with the general idea of contributions at this point in time, when historically it is apparent that they were never there? Then at this juncture, on the heels of the disclosure of this type of potential contract, in one year, contributions amounted to \$30,000 over a 12-month to 13-month period. Do you see any ethical problems with that, or any conflict problems for yourself? When I say "yourself," I mean Price Waterhouse.

MR. DRISCOLL: Well, from the standpoint of Price Waterhouse, I take that very personally also. I find no conflict of interests. I was made aware of the fact that it is a very common practice amongst our direct competition — as I noted before, the Big 8, the other firms — and, it is a very common practice, as I understand it, amongst law firms, financial institutions, and banks in this State. Besides the fact that it is legal in the State of New Jersey—

ASSEMBLYMAN BOCCHINI: It is not a question of legality.

MR. DRISCOLL: (continuing) —for corporations or firms to make contributions of this nature.

ASSEMBLYMAN BOCCHINI: I concur with what you are saying in relation to the legality--

MR. DRISCOLL: I might add that there is an analogous--

ASSEMBLYMAN BOCCHINI: If I may, Mr. Driscoll, what concerns me is that there appears, in my own estimation, to be a convenient-- It is becoming the custom of contributions, not just from your company, but from other companies and business people in this State. Once they start doing business with an Administration, they start to contribute to that Administration. That bothers me in the broader picture. Okay?

MR. DRISCOLL: I can understand that.

ASSEMBLYMAN BOCCHINI: I failed to write down Mr. Farrow's full name. Can you give that to me again, please?

MR. DRISCOLL: Robert Farrow. His name and resume are included in the material I submitted. I believe they are in document number one, which I provided to you.

ASSEMBLYMAN BOCCHINI: He is a former partner?

MR. DRISCOLL: No, he is a former manager.

ASSEMBLYMAN BOCCHINI: A former manager? What does he do now? Is he still with the company?

MR. DRISCOLL: He left us about a year and one-half ago, I believe, and went with a private corporation in Maryland.

ASSEMBLYMAN BOCCHINI: Frank, do you have a question?

ASSEMBLYMAN PELLY: Yes. I have a question along those very same lines, Mr. Driscoll. How much did Price Waterhouse contribute in 1985?

MR. DRISCOLL: Five thousand dollars.

ASSEMBLYMAN BOCCHINI: Five thousand total?

Did any of its partners or principals make contributions, in addition to that \$5000, to your knowledge?

MR. DRISCOLL: In 19--

ASSEMBLYMAN PELLY: --'85.

MR. DRISCOLL: In 1985, Price Waterhouse made a contribution of \$1000 to a breakfast for Vice President Bush, and I made a personal contribution in the amount of \$5000 to the Governor's Reelection Committee.

ASSEMBLYMAN PELLY: So, in addition to the \$5000, there was \$1000, is that correct?

MR. BOYLAN: One thousand went to Vice President Bush. Are we talking about State?

ASSEMBLYMAN PELLY: I think that goes to the Legislature -- to the Republican legislative candidates.

MR. DRISCOLL: To my knowledge, that is the only thing I am aware of.

ASSEMBLYMAN BOCCHINI: In relation to Price Waterhouse?

MR. DRISCOLL: Correct.

ASSEMBLYMAN BOCCHINI: That does not necessarily include you or any of your partners, who may have done so personally?

MR. DRISCOLL: Well, I mentioned that I made a personal contribution.

ASSEMBLYMAN BOCCHINI: I'm sorry; I didn't hear that.

Are there any other questions?

ASSEMBLYMAN PELLY: Yes. If I may, Mr. Chairman, I have one other somewhat related question. I have asked this, and I will continue to ask this: Have you or any member of your firm, to your knowledge, been contacted by the State Commission of Investigations?

MR. DRISCOLL: Yes. We received a subpoena from the State Commission of Investigation last Friday.

ASSEMBLYMAN PELLY: Last Friday?

ASSEMBLYMAN BOCCHINI: Was that duces tecum, or for persons?

MR. BOYLAN: No, for documents -- to produce the very same documents given to you, as I understand it. In answer to your question, it was a subpoena to produce the documents you have.

ASSEMBLYMAN PELLY: Thank you. I have no further questions, Mr. Chairman.

ASSEMBLYMAN BOCCHINI: If I may, Mr. Boylan, maybe you are more capable of answering this. Are these documents in relation to those we requested for this particular hearing?

MR. BOYLAN: Documents going back, I think, to 1981, covering the relationship with the State of New Jersey, through the Byrne Administration right up to the present.

ASSEMBLYMAN BOCCHINI: So, in effect, these are documents dealing with, as may have been inferred by Director Kline-- And, not incorrectly, because Director Kline certainly has no knowledge of what the SCI or anyone else is asking you; he only knows what people ask of him. He thought these may have been documents which came out as a result of the Taggart matter, or something in relation to that.

You are advising me that the duces tecum, or the document subpoena, is in relation to the Motor Vehicle computer problems.

MR. BOYLAN: The relationship between Price Waterhouse and the Division of Motor Vehicles, either for this matter or from 1981 on. I haven't seen the subpoena, but I heard that it was served.

ASSEMBLYMAN BOCCHINI: All right. If I may, Mr. Driscoll, has your relationship with the Division of Motor Vehicles been in areas beyond the long-range master plan and the design and implementation of the actual contract? Has it been in any other areas?

MR. DRISCOLL: I'm not sure I understand you.

MR. BOYLAN: To answer your question, I think it is the relationship beginning with the 1981 master plan, up through the present contract.

MR. DRISCOLL: The subpoena, as I read it, requests all documentation in connection with the proposals and studies you have in front of you.

MR. BOYLAN: From 1981 to 1983.

MR. DRISCOLL: In addition to that, it requests information on contributions -- political contributions.

ASSEMBLYMAN BOCCHINI: Frank, do you have any questions?

ASSEMBLYMAN PELLY: No. Mr. Chairman, I respectfully suggest, in light of the fact the SCI has subpoenaed persons and papers, that we not continue along these lines, so we do not interfere with their investigation.

MR. BOYLAN: We have no objection to you continuing because the State Commission of Investigation is, among other things, a civil watchdog of the Legislature, which engages in a supervisory function; it has nothing to do with criminality.

ASSEMBLYMAN PELLY: We are completely familiar with the State Commission of Investigation.

MR. BOYLAN: I think you are so familiar that it is interesting -- okay? That's what I think.

ASSEMBLYMAN BOCCHINI: Excuse me, Mr. Boylan?

MR. BOYLAN: I think he is so familiar that it is a puzzle to me, but that is neither here nor there.

ASSEMBLYMAN BOCCHINI: If you want to explain that a little further, I would certainly--

MR. BOYLAN: I don't know why the question was asked, as it was of Director Kline -- why were we subpoenaed before the SCI? We got your letter on September 18; we got their subpoena on September 18.

ASSEMBLYMAN PELLY: I would suggest you direct that to the SCI.

MR. BOYLAN: I intend to. I intend to direct it to anybody who is interested, and at any time.

ASSEMBLYMAN BOCCHINI: Gentlemen, I see a rising of passions and I do not quite understand its necessity.

MR. BOYLAN: Let's drop it then. Okay?

ASSEMBLYMAN BOCCHINI: Yes. I would appreciate your advising me if you become privy to anything, Mr. Boylan.

MR. BOYLAN: I just said, Mr. Chairman, that we would weigh the Assemblyman's concern about the SCI. We will continue with any questions you want to ask, because we see nothing wrong with going forward.

ASSEMBLYMAN BOCCHINI: I understand that, and I am inclined to want to go in that direction, notwithstanding my colleague's concern.

ASSEMBLYMAN PELLY: Mr. Chairman, I don't quite understand what Mr. Boylan is saying with respect to my questions. If you or anyone here feels as though I don't have the right to ask these questions, then let it be said. You are making inferences here, Mr. Boylan, and I would like you to come right out and say what you have to say.

MR. BOYLAN: I am saying that I do not understand why you would ask a witness before your Committee whether he has been subpoenaed by the SCI, or anyone else. It is irrelevant to what you are doing.

ASSEMBLYMAN PELLY: I completely disagree with you, Mr. Boylan. I think it is quite relevant to what we are doing here today.

MR. BOYLAN: You are trying to do a McCarthy act.

ASSEMBLYMAN PELLY: No.

ASSEMBLYMAN BOCCHINI: One moment, please, Mr. Pelly. Mr. Boylan, I won't ask you for any type of apology, but I think that is an unfair characterization of Mr. Pelly. I think it is an unfair characterization of anyone who sits on this Committee. As these types of hearings go--

MR. BOYLAN: You have conducted it fairly, and I have no quarrel with that. But, the State Commission of Investigation does its thing somewhere else; it has nothing to do with what you are doing. You are doing your thing judiciously and appropriately.

This Assemblyman keeps asking about the State Commission of Investigation. Frankly, I think it is irrelevant.

ASSEMBLYMAN BOCCHINI: By way of interest -- and by way of fairness to Mr. Pelly and the rest of the Committee -- there is nothing wrong with knowing that another interested part of State government, even if it is an independent party such as the SCI, is looking into this or any other matter which might deal with this Committee.

I do not want to get into mixing apples and oranges, or any prior people who have been or who are presently before the SCI. It is a fair question.

MR. BOYLAN: We differ on that.

ASSEMBYMAN BOCCHINI: Correct. It is a fair question as far as the Chair is concerned. It is something which does not necessarily need to be elaborated on. If you choose to disagree, you certainly have the right to disagree. If you choose to say, "We do not care to respond," which has not been your response at all--

MR. BOYLAN: We're here. We gave everything.

ASSEMBYMAN BOCCHINI: You are giving him the answer, and I would suggest that we continue at this point. We realize now that there is some type, of at a least duces tecum type of request by the SCI. What they do, they do. What this Committee does, this Committee does.

I feel more confident right now, with the cast of people we have in front of us, that we won't be short-changed where we end up with people lying to us, as they did at a previous hearing.

I think, at this juncture, everything has been forthright, and we won't be confronted with the problems we had at a similar type of hearing regarding a different matter within Motor Vehicle.

Mr. Pelly, do you have any further questions?

ASSEMBLYMAN PELLY: No. As I said before -- and I want to reiterate it -- the fact that you have now disclosed you have been subpoenaed by the SCI puts an end to it. I suggested to this Committee that they no longer discuss the issue in light of the fact that it is before the SCI.

MR. BOYLAN: Fine.

ASSEMBYMAN BOCCHINI: Getting back to questions concerning the contract, I noticed within the contract, Mr. Driscoll, that you had a liquidated damages clause. Mr. Boylan, you might be able to help in relation to the contractual aspect of the contract. I have problems with the 90-day warranty. Can you explain that to me, Mr. Driscoll? I think it is substantive in relation to the business. What on earth does that mean?

MR. BOYLAN: Let Mr. Driscoll answer the 90-day warranty question because it is substantive.

On the liquidated damages, do you want to hold, and I will answer that later?

ASSEMBYMAN BOCCHINI: Fine.

MR. DRISCOLL: Let me go back to your one-year guarantee on the stapler. When you purchase a stapler and use it for one year, it is only going to do one function: It is going to put staples through material, or paper.

In a data processing system, a system may perform "X," "Y," and "Z" functions today, but over a period of months those functions may change. There may be a need to change.

The difficulty with putting a warranty on software for an extended period of time is that a warranty assumes that the functions will not change. In effect, it freezes functionality. So, it would be unreasonable for a person who develops software to put a warranty on a product which, during the period of warranty, was changed functionally, and now he is carrying--

ASSEMBYMAN BOCCHINI: Let me back up two sentences. I was listening to you up to that point.

MR. DRISCOLL: Okay. I was trying to articulate the difference in that software, over a period of time. There may be a requirement to change the function of the software; it has to do different things, be they major changes or minor changes.

For example, with the surcharge system--

ASSEMBYMAN BOCCHINI: In relation to the-- I'm sorry; I shouldn't cut you off. Please continue.

MR. DRISCOLL: I am trying to explain the difference in the nature of the product. A stapler will be a stapler from day one, and 365 days later it will still be a stapler. A system on day one may perform "X" function; a year later it may be required to perform "X" function, but it may also do some other things which require the original software to be changed.

So, a warranty usually assumes that the requirements are frozen for a period of time, during which time a system is run in a stable environment, and any problems or bugs in the system will come to light. Then, once that period of three months -- which is an industry norm -- has run its course, the warranty is over, because it is presumed that most of the significant bugs will be detected during that three months.

Now, at the end of that three months, the person who has purchased that software -- if it is going to be their proprietary software -- is now free, or at will, to change the functionality of that software. That is one of the reasons why there is what you would consider to be a rather limited warranty period, given the magnitude of the cost of the product and the scope of its functionality.

Does that answer your question? Somewhere in there, there is an explanation.

ASSEMBYMAN BOCCHINI: It is a logical explanation, and I understand what you are saying; but, at the same time, in relation to the period of 90-days, you are speaking of software, am I correct?

Maybe I need a further explanation regarding the difference between ADR's position and your position in relation to that. Was this warranty protecting ADR, or was it protecting Price Waterhouse in addition to the State?

MR. DRISCOLL: The warranty that shows up in our contract has nothing to do with ADR's software. ADR's software, as I described the pigeonhole and some other options, or embellishments on it, is under separate warranty. What we are putting under warranty is the mechanism by which you take the information and put it in the pigeonhole -- the execution, or what they call the application programs. That is exactly what we are putting under warranty.

ASSEMBYMAN BOCCHINI: Do you believe, based on the letter you received dated August 26, 1985, from Mr. Cole in the Attorney General's office, and his representations therein-- I understand the magnanimity of your suggestion in the response letter of September 5, but, notwithstanding your response of September 5, if push came to shove, would it be your position, or the position of Price Waterhouse, that you have, in fact, lived up to the terms of the contract?

MR. BOYLAN: At what point?

ASSEMBYMAN BOCCHINI: In relation to the August 26 letter.

MR. BOYLAN: Well, you have to take the August 26 letter against the other letter we wrote on August 30, and the letter from Mr. Cole--

ASSEMBYMAN BOCCHINI: Excuse me, I meant to refer to-- I said notwithstanding the response of -- and I said September 5. I meant to indicate the August 30 letter. I understand there is a--

MR. BOYLAN: If push came to shove right now-- Everyone is working to remedy the problem, and, consequently, the warranty to which you refer has been supplemented by these letters. Price Waterhouse has committed itself at a cost probably in excess of \$1 million in personal time, to complete this contract in order to eliminate the backlog. So, the warranty, which is in the contract, has been taken by Price Waterhouse, through Mr. Cole putting pressure on them, and enlarged into an undertaking, because of the commitment of Price Waterhouse to excellence and its own reputation -- so that it will continue to get business in Maryland, Kansas, etc.-- We will give New Jersey what is called for, regardless of how we may feel internally regarding where the fault ought to be allocated.

As an attorney, I think you understand, Mr. Chairman.

ASSEMBYMAN BOCCHINI: Do you understand what I am trying to find out? If there is fault, where should it be allocated?

MR. BOYLAN: Well, it is not important. We can't--

ASSEMBYMAN BOCCHINI: Yes, but I think it is important to the people of this State to find out. If it is coming from within government, then we want to know why. If it is coming from outside of government, then at least we can look at the people who are part of government and say, "You are not at fault. We understand to a certain degree." And, whatever decisions or opinions we come up with, we will come up with.

MR. BOYLAN: I think you have to go back to Mr. Driscoll's three perspectives, because there is no fault. There was an attempt to use fourth-generation language, which is a state-of-the-art methodology, against an existing data base, and it wasn't able to do a job of the magnitude and scope that was asked for by the DMV.

We thought, on behalf of Price Waterhouse, that we could do the job, giving all perspectives their proper due: the DMV, its state-of-the-art technology, its fourth-generation IDEAL language, SAC's system, or we could recommend architecture that would then

implement a true hardware. It failed. It is costing Price Waterhouse an enormous amount of money in this upcoming period of time to remedy this. The failure is not so much one of fault, in the traditional sense of fault or no-fault, but a question of applying, as does the IRS on the national level, and as do all of these major corporations. Everyone always thinks government is inefficient. Ineffectiveness may come as a result of the attempt to use technology to the fullest extent.

As I listen to Mr. Driscoll, that is what has happened here. It is not a question of allocating fault; it is a question of implementing high technology in an operation, the likes of which I have never heard described -- 50,000 documents a day, and 11,000 phone calls is a staggering problem.

ASSEMBYMAN BOCCHINI: I understand, and everything you say has a great deal of merit. But, notwithstanding that, the fact is, while there may be a financial cost to Price Waterhouse in man-hours, etc., versus actual cost, to a certain extent, it is also costing the public, Mr. Boylan, by way of confusion insofar as registrations and licenses are concerned. That is where our responsibilities lie.

MR. BOYLAN: That's why Price Waterhouse, in order to protect its reputation, is making this commitment.

ASSEMBYMAN BOCCHINI: I noticed you were speaking in the past tense in a portion of your comments regarding, "We have tried; we have attempted," etc. It is that an acknowledgement by Price Waterhouse that, in fact, they really couldn't do the system properly, and they went into it with the wrong operation?

MR. BOYLAN: No, not at all. I think you have to listen to the witness and get an explanation of why they went into the system. What I am saying is, what was attempted here -- as I understand the witness, and I am only characterizing the witness' testimony since he is the expert and there are other experts available-- An attempt was made, in good faith, with a full commitment of resources, to do a first-rate job, in order to give DMV what it wanted, and in order to achieve that with the data base that was in place through SAC. In attempting to do that through fourth-generation language, which is the

state of the art, it wasn't capable of producing the result because of the volume. Therefore, it is more than just time; it is actual cost. I mean, there are actually hundreds of thousands of dollars being spent to remedy this problem as a result of the commitments that Mr. Cole demanded and got on behalf of the State of New Jersey.

ASSEMBLYMAN BOCCHINI: Before we go into the--

MR. BOYLAN: Liquidated damages?

ASSEMBLYMAN BOCCHINI: (continuing) --liquidated damages section of that contract, Mr. Pelly, I believe you had a question relating to a prior subject.

ASSEMBLYMAN PELLY: Yes. Mr. Driscoll, I want to get clear in my mind the issue of your first being approached with respect to making political contributions. I believe earlier you said you were approached to make a political contribution. I don't quite understand. Was it prior to your having been given the bid waiver that you were asked whether or not you had made any political contributions? When did you say-- You had it in your testimony--

MR. DRISCOLL: That I solicited my partners to determine if they had--

ASSEMBLYMAN PELLY: No. You were solicited by someone, and I--

MR. DRISCOLL: That was subsequent to the signing of the bid waiver by Treasurer Biederman. I believe the-- It was mid-August when I received the phone call, and the bid waiver was August 11.

ASSEMBLYMAN PELLY: Who asked you?

MR. DRISCOLL: I mentioned that before.

ASSEMBLYMAN PELLY: Yes, but I have forgotten.

MR. DRISCOLL: Clyde Folley.

ASSEMBLYMAN PELLY: Do you have any idea who asked Clyde Folley to inquire?

MR. DRISCOLL: I believe it was a Mr. Creamer.

ASSEMBLYMAN PELLY: Do you know his first name?

MR. DRISCOLL: No, I don't.

ASSEMBLYMAN PELLY: Did he work for the State?

MR. DRISCOLL: I don't know. I believe he is a private businessman in Bergen County.

ASSEMBLYMAN PELLY: A private businessman in Bergen County? Do you have any idea as to why he asked that question?

MR. DRISCOLL: Why?

ASSEMBLYMAN PELLY: Mr. Folley made that inquiry?

MR. DRISCOLL: To me?

ASSEMBLYMAN PELLY: Yes.

MR. DRISCOLL: He wanted Price Waterhouse to support the Governor's Ball.

ASSEMBLYMAN PELLY: Obviously, by subsequent testimony, you thought that appropriate? Okay. Thank you.

ASSEMBLYMAN LaROCCA: Do any of the members of the Committee have further questions?

ASSEMBLYMAN MARTIN: I have a question. You spoke before-- We were talking about warranties, and there was concern about the 90-day period. You also used a phrase called "an industry norm." Do I take that to mean that the 90 days was a time frame which is common in contracts similar to this?

MR. DRISCOLL: Correct.

ASSEMBLYMAN MARTIN: This is not the first time you negotiated a contract that only had a 90-day warranty.

MR. DRISCOLL: That is correct.

ASSEMBLYMAN MARTIN: Thank you.

ASSEMBLYMAN LaROCCA: I would like to have some input on the liquidated damages clause in the contract, or your interpretation of how it would work mechanically. You have a problem. You have practically admitted there is a problem. Very cavalierly, you are attempting to remedy the situation in a way you think is best for yourselves and the State. But, I see that the liquidated damages clause, on Page 15, provides for non-performance by the consultants, both as to the surcharge system and as to the comprehensive system.

MR. BOYLAN: I can only say what the State of New Jersey said to us on September 5, 1985, through First Assistant Attorney General, Michael Cole. I assume that he speaks at least for the Executive Branch. On the second page of that letter it says: "It is important for us to know when you intend to complete the necessary remedial work,

and we assume this will be included in your work plan, which will be finalized in two or three months.

"As you know, the contract provides for liquidated damages for delays in the completion and delivery of the system. We hope not to be in a position in which we feel obliged to pursue liquidated damages, and hope that in the time frame set forth in your remedial work plan, as such, we will not feel obliged to pursue such remedies as are available in the contract, based on the completion date specified in the contract.

"We will also appreciate your setting a deadline for the completion of your remedial work plan, and advising us of the deadline as soon as possible."

So, the clause to which you refer, Assemblyman LaRocca, is being held over the head of Price Waterhouse by the State of New Jersey in the event we fail to accomplish the goal. The goal of liquidated damages is-- As you know, we can't measure the harm done. Liquidated damages are not favored in the law, nor imposed by the courts. They are only used where you can't measure, when the measure of damages is so speculative that you can't come up with some measure of damages if you go to court.

Therefore, this measure of liquidated damages in the contract is to be an effective tool for forcing you to stick to the contract, even should you be inclined to walk away from it and pursue your remedy in court. So, the liquidated damages clause here of \$30,000, or \$50 after a month, is being applied by forcing Price Waterhouse to do the job at no additional cost to the State.

I disagree with you in terms of what is an actual cost. When men are working on a job, their time is money; so, indeed, there is--

ASSEMBLYMAN BOCCHINI: That's true. But, when you charge someone \$100 an hour, or \$150 an hour, or more, and you do something gratuitously, you may not necessarily have been using-- Let's face it, we all have some people we do things for within our respective practices who don't get charged the prime-dollar hour. You "eat it," so to speak, but there is a certain good that comes out of it. Obviously, Price Waterhouse can't stand to be in a position, from a

public relations standpoint of, "Hey, they didn't do the job. They are not cooperating," etc. from the big boys on the street, and they live off their reputation. I understand that, but at the same time, to infer that the liquidated damages -- in all due respect, Mr. Boylan -- are of a nature where Price Waterhouse is gratuitously stepping in and doing it, may be--

MR. BOYLAN: Going too far.

ASSEMBLYMAN BOCCHINI: Going too far, and that is something we are not here to decide. We are not a court of law. There is a question as to, "Has performance under the contract -- under the four-corners of the contract -- been rendered, in effect, by Price Waterhouse?" and we can't, through judicial determination, come in and say that it has or it hasn't. I think this is a question that concerns us, and when one analyzes the liquidated damages, it goes into the next question, which is directed to Mr. Driscoll: When can we anticipate that the whole thing is going to be on line? When do you anticipate that the 1.4 million documents referred to -- whether they be accurate or inaccurate -- and the masses of people, the public, who are being frustrated are going to be served by Mr. Kline's Division, which is getting beat up on every day? We, as legislators, are hearing this from our constituents.

MR. DRISCOLL: I guess the answer to that question is multi-faceted. We are in the process of rewriting some of the programs that deal with the overnight batch processing system. The overnight batch processing system is one of the facets of the system, in total, which is contributing to the backlog. The inability to process a day's business overnight aggravates that problem. We are in the process of recording some of those programs. In fact, two of them -- two of the major programs in that group -- have actually been coded, and they are in the process of being tested. We would expect them to be implemented within the next couple of weeks.

You know, this may--

ASSEMBLYMAN BOCCHINI: Excuse me. You said, "In the process of being tested." Question: Was there a testing with the IDEAL language?

MR. DRISCOLL: You are getting into a subject that I can go in many directions on regarding the subject of testing. Whether you could test to determine whether IDEAL was going to be capable of supporting the entire Motor Vehicle system when implemented -- that was a test that could not be made.

ASSEMBYMAN BOCCHINI: But, there is a test that can be made with the--

MR. DRISCOLL: Individual components.

MR. BOYLAN: He is talking about subsystems now, not the whole language. Go ahead.

MR. DRISCOLL: In other words, in rewriting the programs in the--

ASSEMBYMAN BOCCHINI: Wait a second. Do you want to fly that one by me again; that was slick.

MR. BOYLAN: He is talking about subsystems within the total program and not the COBOL language, as opposed to the IDEAL language.

ASSEMBYMAN BOCCHINI: Okay.

MR. BOYLAN: Not slick, accurate.

ASSEMBYMAN BOCCHINI: Okay. Fine. Thank you.

MR. DRISCOLL: I shouldn't comment. Do you understand what he said?

ASSEMBYMAN BOCCHINI: That's why I-- No, I understand. I think I understand, but I don't know. You are somewhere between subsystems. I thought I was on a language system, but Mr. Boylan was on a subsystems level. I want to know what type of level you were on.

MR. DRISCOLL: Well, to get back to where we were, I hope we can see some relief in terms of being able to work on the backlog within the next month or so. The alternate system, which Director Kline referred to -- going back to the old data base -- is going to provide some immediate relief in terms of having accurate data for the State Police system to access when required. But, that still does not eliminate the need to eventually take those 1.4 million transactions and put them in a new data base, in the new system. That probably will not be done. You know, we will start seeing some relief by having that done probably in the early part of November or mid-November.

You asked a question with regard to the outside, before everything is rectified and the State has a system that is functioning in accordance with expectations. We are putting together, at this point, a document which addresses the long-term question. What is it going to involve in terms of redesign of the system, recoding, the resources involved, and what is an expected period of time? Really, I can't give you a firm answer on that. It could be as early as the first quarter of 1986; it could be later than that.

ASSEMBLYMAN BOCCHINI: So Humpty-Dumpty won't be put together again before 1986 in the complete sense of the word?

MR. DRISCOLL: Before the end of this year, no.

ASSEMBLYMAN LaROCCA: Mr. Chairman?

ASSEMBLYMAN BOCCHINI: Yes?

ASSEMBLYMAN LaROCCA: Are you saying that right now you are concentrating your best efforts to make the system function in three, four, or five months? You are also saying that down the line, maybe you will have to start all over again because, on the overall, there may still be problems. So, it looks like a Band-Aid approach.

MR. DRISCOLL: I am not suggesting it is a Band-Aid approach. Let me boil this down of the most fundamental way to look at where we are today. The system itself does what it is supposed to do. People have not questioned the functionality of it. The problem is, it doesn't do it fast enough. When I say it does what it is supposed to do, it knows how to create a license and data record a receipt for paying for a license. It knows how to post a violation. It knows how to add up a number of points to see if one can get suspended. It knows how to do all those things. The problem is, it doesn't do it fast enough.

ASSEMBLYMAN BOCCHINI: All right, Mr. LaRocca? Pat, I know you have another appointment.

ASSEMBLYMAN SCHUBER: I have another appointment in Hackensack.

ASSEMBLYMAN BOCCHINI: That is where Mr. Farrow lives, so—

I have a couple of pages I would like to get into, and I hate to ask you, but I may have to. If you would be gracious enough to

appear possibly next week, depending upon my Committee members' schedules, and your schedules, Mr. Driscoll and Mr. Boylan, this matter will probably need to be continued.

MR. BOYLAN: Would you care to give us the questions ahead of time so we can prepare ourselves?

ASSEMBYMAN BOCCHINI: I think we can do that.

MR. BOYLAN: I mean if there are documents involved.

ASSEMBYMAN BOCCHINI: Yes. I think we can probably forward them. You know, a lot of the questions we have come out of documents which we did not receive until Friday. Some of the things were not received until yesterday and today.

But, if I may, there are two questions I do have, Mr. Driscoll. Did you say that was Clyde Farrow?

MR. BOYLAN: Folley.

ASSEMBYMAN BOCCHINI: How do you spell that?

MR. DRISCOLL: F-O-L-L-E-Y.

ASSEMBYMAN BOCCHINI: And Mr. Creamer?

MR. DRISCOLL: C-R-E-A-M-E-R.

ASSEMBYMAN BOCCHINI: Fletcher Creamer?

MR. BOYLAN: Fletcher Creamer.

ASSEMBYMAN BOCCHINI: Is that correct, Fletcher Creamer?

MR. DRISCOLL: I presume it is, yes.

ASSEMBYMAN BOCCHINI: Do you know? Are you certain?

MR. DRISCOLL: I am reasonably certain that who it is, yes.

ASSEMBYMAN BOCCHINI: Before we come to a close, is there anything you would like to add at this point? I have some more. Keep in mind that I want to get into questions concerning the IDEAL language versus the COBOL language and the checks that were done in relation to the language. Was there a check system for the IDEAL language? I am not talking about any sub-systems. Was there a check system for the COBOL language, or the IDEAL language, as far as your initial contract was concerned? Did anyone test it to find out: "Will we be able to handle the requested things we need to do under the contract?" Were there any tests done to ascertain that?

MR. DRISCOLL: Do you want me to answer this now? I thought you mentioned this is something to keep in mind until next week.

ASSEMBYMAN BOCCHINI: Well, it is something-- I just want to know now anyway.

MR. DRISCOLL: The answer to that question is, as part of the initial review of IDEAL and the initial decision, we visited a couple of sites. One company was Kodak up in Rochester, and I can't recall the second company, where, in fact, the IDEAL language was being used. So, we did some reference checking, if I may use that term.

ASSEMBYMAN BOCCHINI: How many terminals were those companies using, do you know?

MR. DRISCOLL: I don't recall. Certainly, neither of the places we visited were systems of the same scope and magnitude as the State of New Jersey.

ASSEMBYMAN BOCCHINI: So, what could they have possibly proven to you in relation to the scope of the need of the State of New Jersey if the systems you visited were not of the same magnitude?

MR. DRISCOLL: Well, there are various aspects or attributes of a system that you might want to verify: the incidents of errors occurring while using the system, and the actual realization of productivity gain by the people who are using the system. Is it faster? Is it easier to maintain? Is it easier to test? So, there are a number of questions one might wish to ask, and can have answered by making a visit of that nature.

ASSEMBYMAN BOCCHINI: By the way, Mr. Boylan, something is sort of bothering me in the back of my mind. I know you made reference to my letter of September 18th. My recollection is -- please correct me, Mr. Kline -- I think you and I spoke prior to September 18th, on the phone, concerning the potential of this meeting. The September 18th date of the letter is, at best--

MR. BOYLAN: To Mr. Driscoll?

ASSEMBYMAN BOCCHINI: Correct. But, the September 18th letter is, at best, coincidental. Any other inference you may wish to draw is your own. If you want to discuss that in any other fashion, I certainly hope you will. I was just a little taken back by a couple of your comments.

MR. BOYLAN: Well, I hope so.

ASSEMBYMAN BOCCHINI: Well, I was. So, you did what you intended to do.

MR. BOYLAN: Are you talking about Assemblyman Pelly?

ASSEMBYMAN BOCCHINI: No. Assemblyman Pelly is not here, so I am not talking about him. I don't think we should speak about him.

MR. BOYLAN: Well, I am just talking about the fact that we got the letter on the 18th, in terms of a date. I am not following you at all.

ASSEMBYMAN BOCCHINI: I think you made reference to my letter of the 18th.

MR. BOYLAN: Yes.

ASSEMBYMAN BOCCHINI: I just didn't see the association.

MR. BOYLAN: With what?

ASSEMBYMAN BOCCHINI: With any request for your subpoena from the SCI, as you were referring to.

MR. BOYLAN: Oh. Put it this way: Let's not debate that. All right?

HEARING CONCLUDED

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