



ASSEMBLY DEMOCRATIC MINORITY REPORT  
OF THE  
SELECT COMMITTEE ON THE DIVISION OF MOTOR VEHICLES:  
A  
DIVISION  
IN  
TURMOIL

February 19, 1987

Assemblyman Joseph L. Bocchini, Jr.

Assemblyman Thomas P. Foy

**ASSEMBLY DEMOCRATIC MINORITY REPORT**  
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## INTRODUCTION

This report is in response to the paper issued today by the five Republican members of the Assembly Select Committee on the Division of Motor Vehicles.

As members of a committee which sat through a year of hearings and meetings on the problems plaguing this most public of all state agencies, we Democrats are sorely disappointed by the findings contained in the Majority report.

Their paper presents a superficial treatment of the major problems facing a beleaguered Division of Motor Vehicles. Its major emphasis is on the perpetuation of delay and the avoidance of a continuing political embarrassment. It presents few legitimate and workable proposals to reform a managerially and administratively bankrupt division, rocked in recent years by political scandal and computer inefficiency.

In short, we find the Majority report's "conclusions" and its proposed "solutions" to be woefully inadequate after what was purported to be a year-long effort to alleviate the aggravation and reduce the costs being incurred by all New Jersey motorists and taxpayers.

Further, two of the three Majority report recommendations that we do support -- the re-establishment of the Ombudsman's Office in the Division and the institution of several bidding procedure reforms and political contribution prohibitions -- are not new. Both of these proposals have been awaiting Legislative action in the Assembly for several months.

We find little comfort and relief in the Attorney General's plea to the motorists of New Jersey "to be patient with us" for a few more years while he and other high-level administrators attempt to "rebuild" and "stabilize" a division they themselves threw into utter turmoil by overpriced, woefully inadequate and poorly managed projects.

We find it even more disconcerting that the Majority report of this Select Committee has not only tacitly condoned the Attorney General's "be patient" position, but has gone so far as to urge a further delay in his program while they continue their own deliberations over various "private sector involvements" in the Motor Vehicles process.

The Assembly Republicans' statement that the Division "too long has been mismanaged and non-responsive to the people it serves" may be valid, but their contention that this is the root cause of the problems facing New Jersey's 5.2 million motorists is not.

Nor are the Division's problems due to a "decades-long decline", as the Attorney General stated in his January 7, 1987, report.

Rather, New Jersey motorists and taxpayers are continuing to be exposed to the repercussions of three recent fiascos:

- (1) The Price-Waterhouse computer scandal which had its origins in 1982, exploded in 1985, and has been raining confusion and inefficiency ever since;
- (2) The 1985 Sears-Taggart affair, which effectively killed the implementation of the photo license law; and
- (3) The 1986 microfilm firm bankruptcy, which has left the Division of Motor Vehicles in further disarray.

While the fallout from these incidents is a political embarrassment to the Administration, it has been an expensive aggravation for New Jersey motorists and taxpayers which needs to be remedied quickly.

To simply gloss over these scandals and propose as cure-all reforms the State takeover of the motor vehicle agency system (as does the Attorney General) or the privatization of the system (as the report does) without stronger, remedial actions is a disservice to the motoring public and to the many dedicated motor vehicle employees.

While we support the State takeover of the motor vehicle agency system, especially to ensure its depoliticalization, this is not the only action necessary to bring these shameful episodes to a close and put the division back where it was before this Administration took control. Even if we use the standard contained in the Attorney General's report -- "Judge Us Not By The Fact That Errors Exist But By How We Correct Them" -- this administration has failed.

We believe concerns for political and personal reputations on the part of those in charge of the Division of Motor Vehicles will continue to override meaningful reforms unless the major needed changes are overseen by outside and independent management counsel.

Second, it is simply incredulous, in light of the recent DMV-connected scandals, that any legislator would propose an action that holds even the potential for future political payoffs.

Finally, we believe it is time that state planners look at the Division of Motor Vehicles for what it really is: a government entity larger than some state departments which has more direct contact with New Jersey residents than any other government agency. It generates state revenue in an amount second only to the Department of the Treasury.

For most residents, the image the Division presents and the level of efficiency at which it operates are the benchmarks by which all of New Jersey state government is judged.

We therefore believe that state government, which, through its laws, forces people to deal with the Division and to pay for the privilege of doing so, is obligated to have this entity headed by a cabinet level officer, solely responsible for its ministerial and administrative tasks.

The Attorney General has too many other responsibilities as head of the Department of Law and Public Safety to properly and adequately oversee the operations of a Division of this size and significance.

## BACKGROUND

In order to fully appreciate the disappointment with which we view the Select Committee's Majority report, and to understand the reasoning behind the Assembly Democratic recommendations, it is important to retrace the sequence of events leading to the breakdown of the Division of Motor Vehicles \$6.5 million computer system in July, 1985,

During the last years of the Byrne Administration, it was determined that the state had to improve the efficiency and operation of the Division of Motor Vehicles. It was agreed that the implementation of a computer-based system was a logical component of any overall improvement.

The "Big Eight" national accounting firms were invited to submit proposals for the development of a long-range master plan focusing on organizational and systems improvements within the Division of Motor Vehicles. In October of 1981, after the competitive bidding process was completed, Price-Waterhouse was selected from among these firms and awarded an \$800,000 State contract.

Early in 1982, Price-Waterhouse submitted its master plan outlining long-range goals and strategies for the division and describing the numerous specific projects which must form the basis of a five-year (FY 1983-87) plan to improve the operational, financial and administrative support systems at the division.

The accounting firm noted in its report that the long-range master plan was to be only the basis for the preparation of more detailed system requirements necessary prior to the implementation of the specific projects set forth in the master plan.

In 1983, pursuant to the bid waiver procedures in N.J.S.A. 52:34-9 et seq. a follow-up contract in the amount of \$700,000.00 was awarded to Price-Waterhouse for a requirements study prior to the design and implementation of a New Jersey merit rating plan surcharge system and a comprehensive on-line driver/owner information and management system.

Unlike the initial \$800,000 State contract awarded during the Byrne administration, no other firms were solicited for this contract.

This requirements study was submitted to state officials on July 12, 1983. Immediately after its completion, negotiations were underway for yet another contract between the Division and Price-Waterhouse for the implementation of the surcharge system and the comprehensive computer system.

This contract -- for \$6.5 million -- was awarded, again on a bid waiver, to Price-Waterhouse and signed on November 9, 1983. Again no other firms were solicited.

Under the terms of this contract, Price-Waterhouse was to be responsible for the "turn-key project" and for the selection of the computer hardware and software to be used in the system, including the program language. It was agreed that the system ultimately delivered was to be "State of the Art" -- the most highly developed and efficient system available that would meet the Division's needs.

In the performance of this contract, Price-Waterhouse personal selected the IDEAL programming language manufactured by Applied Data Resources (ADR) of Princeton, New Jersey.

The comprehensive computer system was completed by June 30, 1985 as required by the contract; however, substantial problems soon developed in its operation, and by August of 1985, major deficiencies became apparent.

IDEAL language was simply not capable of handling the large volume of transactions required by the comprehensive system and it was inferior to the more mature programming languages, such as COBOL, in terms of efficiency.

The major problems with the new computer system were its inadequate programming capacity in handling the basic volume of data processing needed; its overall slowness in response time, which exacerbated backlogs by minimizing the ability to make data entries; and its inability to handle a number of functions simultaneously. All of these capabilities had been absolute requirements for the division.

As the backlogs increased and the lines of frustrated New Jerseyans at motor vehicle agencies lengthened, the public outcry over the deficiencies in the new system was chronicled in numerous newspaper articles.

These reports led to the revelations regarding the awarding of the contract.

In three separate and independent reports issued in 1986, the most severe problems encountered in the Division of Motor Vehicles were traced to the Administration's costly failure to implement a proper computer system.

These reports are:

1. The January 13, 1986 report of the Assembly Law, Public Safety and Defense Committee.

2. The June, 1986 report of the State of New Jersey Commission of Investigation (SCI).
3. The December 31, 1986 audit report of the Office of the State Auditor.

The SCI report on the Price-Waterhouse scandal presents what can only be described as a textbook example of how not to build a government-operated computer system.

The Commission cited numerous errors in business judgment that resulted in the collapse of the DMV computer system in 1985. It determined that:

**\*\*The computer project was unnecessarily rushed to accommodate the Administration's desire to achieve a significant DMV/computer initiative prior to the 1985 gubernatorial election.**

**\*\*DMV improperly precluded competition from firms other than Price-Waterhouse, a decision which Administration officials merely rubber stamped.**

**\*\*DMV was incapable of effectively managing Price-Waterhouse's performance on such a highly technical and complex project.**

The State Auditor's report revealed that many of the daily operational problems caused by the July, 1985 breakdown of the DMV's \$6.5 million computer system continue today, although the report noted that the the division is making "concerted efforts" to correct them. Again, based on these findings, it is clear that the origin and cause of the crisis in the division can be traced directly to the Price-Waterhouse scandal.

The various miscalculations and incompetencies involved in the installation of the computer system produced a chain of events that resulted in the Division's failure to mail registration and license renewals to more than 400,000 business and individuals. In the summer of 1985 alone, more than one million computer errors were committed.

Millions of dollars were incurred in additional State salaries, private consultant fees and new computer hardware to repair the system and clean up the enormous backlog of motor vehicle transactions.

The Price-Waterhouse scandal came on the heels of another administration bumbling in 1985, the Sears-Taggart affair. The implementation of the mandatory photo license was characterized, according to the SCI's 1985 Seventeenth Annual Report, by



"misjudgments...which can primarily be attributed to the bureaucratic paralysis that sets in when political influence replaces sound business judgment" (page 62, emphases added).

Finally, the latest misfortune to befall the Division is the bankruptcy in June, 1986, of a firm under contract with the State to microfilm motor vehicle records in June. While the Administration may not be at fault for the firm's bankruptcy, this incident left the already beleaguered Division with a backlog of licenses, registrations, titles and other driver documents waiting to be microfilmed.

### RECOMMENDATIONS

#### Conservator for Managerial Bankruptcy

The Governor and the Legislature should immediately appoint a "conservator for managerial bankruptcy" to temporarily assume the reins of the Division of Motor Vehicles.

This person would be answerable only to the Governor, with the advice and consent of the Legislature.

Although this is an extreme and unprecedented move, it is warranted by the crisis state of the Division of Motor Vehicles. The trustee's responsibilities should include:

- (1) The immediate institution of a suit in the name of the State of New Jersey against Price-Waterhouse to collect liquidated damages, losses for excessive overtime incurred by Price-Waterhouse employees in the installation of the system and missed deadlines, and other salary and hardware expenses resulting from the problem plagued computer system.
- (2) Taking the necessary steps to remedy the daily operational problems in the Division of Motor Vehicles caused by the July, 1985 computer breakdown, as recommended in the Legislature's audit report of December 31, 1987.
- (3) Taking the necessary measures for the State to assume the operation of all the motor vehicle agencies.

### Ombudsman for The Division Of Motor Vehicles

We support the Assembly Republican recommendation to restore the position of Ombudsman for the Division of Motor Vehicles.

An Ombudsman's office first began operating in the Division of Motor Vehicles in November, 1980, after such a position was recommended by both the State Public Advocate and a Task Force created by then-Attorney General John J. Degnan.

In February, 1982, then-Attorney General Irwin Kimmelman issued a report showing that the Ombudsman had handled more than 1,100 motorist grievances. A Division of Motor Vehicles poll taken at that time indicated that almost 84 percent of those individuals who took their problems to the Ombudsman rated the quality of service they received good to excellent.

In addition to handling citizen complaints, the Ombudsman's office worked to improve the Division's telephone system, simplify agency forms, upgrade the operation of New Jersey's Motor Vehicle agency system, and implement other consumer-oriented projects.

Despite the Ombudsman's public successes and bipartisan praise for the office, it was abolished in July of 1982 by then-Motor Vehicles Director Clifford Snedeker and replaced with an Office of Consumer Complaints.

Former Assemblyman Martin Herman, then the Chairman of the Assembly Judiciary Law, Public Safety and Defense Committee, called this action "outrageous".

"It makes no sense," Herman said at the time. "I've been around the Legislature nine years and have seen my fair share of politics, but this is putting the public's business and politics on opposite tracks".

"There's going to be a collision that will cause a lot of injury, in this case to the public, and it is wrong," he said.

Herman's remarks were echoed by Assemblywoman Mildred Barry Garvin, who predicted that the "decision to abolish the Ombudsman will shift the burden of motor vehicle problems back onto the citizens at a time when we have in place an arm of government that is resolving agency problems".

### A Department of Motor Vehicles

As first recommended in the January 13, 1986 report of the

Assembly Law, Public Safety and Defense Committee, the Division of Motor Vehicles should be removed from within the Department of Law and Public Safety and made a separate department with a cabinet level head.

Justification for this move is clear when one considers the number of public contacts made by the Division annually, the amount of revenue it raises, the number of paid employees it has, and the cost of its operation.

The Division of Motor Vehicles serves 5.2 million New Jersey motorists. In fiscal year 1988, it will generate an estimated \$360 million in fees and other revenues. Only the Sales Tax, Income Tax and Corporate Business Tax generate more income for the State.

The division has approximately 3000 employees, more employees than thirteen of the twenty cabinet-level departments, and an operating budget of approximately \$100 million, which is also more than thirteen other cabinet-level departments.

For these reasons, the division should be elevated to the status of a cabinet level department. The head of the department would be directly responsible and accountable for the department's performance. This would leave the Attorney General free to supervise the rest of the Department of Law and Public Safety.

The traditional Executive branch argument against the creation of a new Cabinet-level department -- that the State Constitution limits the Governor to only 20 departments and that his hands should not be tied by the Legislature in terms of what those departments should be -- should not apply here.

The Governor himself, in his 1986 annual message, said that improvements in the Division of Motor Vehicles was one of his highest priorities.

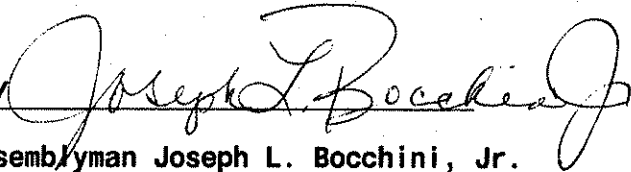
#### Reforms in Bidding and Contract Procedures

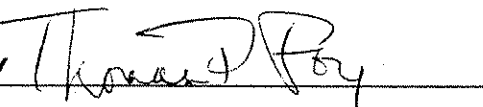
To prevent a recurrence of the Price-Waterhouse scandal, New Jersey's laws must be amended to:

- (a) Require informal competition in the solicitation of any professional contract when a waiver of formal advertising is granted. All sole source contracts must be available for public inspection; precise limits must be set on billing for expenses; standards must be set for the auditing and documentation of such contracts.

- (b) Prohibit State employees and officers from accepting an invitation to or a place at a privately funded political affair if the invitation is paid for by firms doing business with the State.
- (c) Establish higher standards of campaign contribution reporting for firms doing business with State government under no-bid contracts. These firms would be required to provide the Election Law Enforcement Commission (ELEC) with the details of their State contracts, and would be required to report any political contributions of \$500 or more.

Respectfully Submitted,

/s/   
Assemblyman Joseph L. Bocchini, Jr.

/s/   
Assemblyman Thomas P. Foy

February 19, 1987