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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** Yes

"New law gives auditor more spending control," Asbury Park Press, 8-5-06, p. A3.

"Law expands state auditor's power," The Philadelphia Inquirer, 8-5-06, p. A03.

RWH 3/11/08

P.L. 2006, CHAPTER 82, *approved August 3, 2006*  
Assembly Committee Substitute (*First Reprint*)  
for Assembly, Nos. 2827 and 2037

1 AN ACT concerning the duties of the State Auditor, and amending  
2 and supplementing chapter 24 of Title 52 of the Revised Statutes.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. 1. R.S.52:24-4 is amended to read as follows:

8 52:24-4. It shall be the duty of the State Auditor to conduct post-  
9 audits of all transactions and accounts kept by or for all  
10 departments, offices and agencies of the State Government, to  
11 report to the Legislature or to any committee thereof and to the  
12 Governor, and to the Executive Director of the Office of Legislative  
13 Services, as provided by this chapter and as shall be required by  
14 law, and to perform such other similar or related duties as shall,  
15 from time to time, be required of him by law.

16 The State Auditor shall personally or by any of his duly  
17 authorized assistants, or by contract with independent public  
18 accountant firms, examine and post-audit all the accounts, reports  
19 and statements and make independent verifications of all assets,  
20 liabilities, revenues and expenditures of the State, its departments,  
21 institutions, boards, commissions, officers, and any and all other  
22 State agencies, now in existence or hereafter created, hereinafter in  
23 this chapter called "accounting agencies."

24 The State Auditor shall conduct, at the direction of the  
25 Legislative Services Commission or of the presiding officer of  
26 either house of the Legislature or on the State Auditor's own  
27 initiative, a performance review audit of any program of any  
28 accounting agency<sup>1</sup>, any independent authority, or any public entity  
29 or grantee that receives State funds,<sup>1</sup> in a manner that is consistent  
30 with the Government Auditing Standards for performance audits  
31 utilized by the United States<sup>1</sup> **[General Accounting]** Government  
32 Accountability<sup>1</sup> Office or its successor.

33 When the State Auditor conducts any audit or performance  
34 review audit, the accounting agency<sup>1</sup>, or authority, entity or  
35 grantee,<sup>1</sup> shall respond in writing to each item in the State Auditor's  
36 report and the State Auditor, at an appropriate time determined by  
37 him, shall conduct a post-audit review of the accounting agency's<sup>1</sup>,  
38 or authority's, entity's, or grantee's,<sup>1</sup> compliance with the State  
39 Auditor's recommendations.

40 The officers and employees of each accounting agency<sup>1</sup>, or  
41 authority, entity, or grantee,<sup>1</sup> shall assist the State Auditor, when

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined **thus** is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Senate floor amendments adopted May 18, 2006.

1 and as required by him, and provide the State Auditor with prompt  
2 access to all records necessary for the State Auditor to perform his  
3 duties, <sup>1</sup>notwithstanding any statutory or regulatory requirements of  
4 confidentially with regard to the records,<sup>1</sup> for the purpose of  
5 carrying out the provisions of this chapter. The State Auditor shall  
6 report the failure of any accounting agency <sup>1</sup>, or authority, entity, or  
7 grantee,<sup>1</sup> to provide prompt access to any relevant record to the  
8 presiding officer of each house of the Legislature. The State  
9 Auditor shall not disclose a confidential record provided by an  
10 accounting agency, <sup>1</sup>or authority, entity, or grantee,<sup>1</sup> except as may  
11 be necessary for the State Auditor to fulfill his constitutional or  
12 statutory responsibilities. Working papers prepared by the State  
13 Auditor shall be confidential and shall not be considered  
14 government records under P.L.1963, c.73 (C.47:1A-1 et seq.).

15 <sup>1</sup>Notwithstanding any law to the contrary, post-audits and  
16 performance review audits shall be conducted within the limits of  
17 the resources and personnel available to the State Auditor. If  
18 resources and personnel are insufficient to conduct all such required  
19 post-audits and performance review audits, the State Auditor may  
20 prioritize certain audits and forgo others upon notice to the  
21 Governor and the presiding officer of each house of the  
22 Legislature.<sup>1</sup>

23 (cf: P.L.1971, c.211, s.14)

24

25 2. R.S.52:24-6 is amended to read as follows:

26 52:24-6. The State Auditor shall report in writing to the  
27 Legislature or to any committee thereof, when so required, and to  
28 the Governor the findings of any special condition disclosed by his  
29 audit of the accounts of the State and of each accounting agency.

30 The State Auditor shall submit a written report that describes the  
31 findings of any performance review audit conducted by the State  
32 Auditor to the Governor and to the Legislature pursuant to section 2  
33 of P.L.1991, c.164 (C.52:14-19.1).

34 Such report shall be made by him to the Legislature and the  
35 Governor as promptly as possible after the conclusion of every  
36 audit and investigation made or caused to be made by him or upon  
37 the completion of any performance review audit conducted by the  
38 State Auditor.

39 (cf: P. L.1948, c. 29, s. 3)

40

41 3. R.S.52:24-7 is amended to read as follows:

42 52:24-7. The state auditor shall report, forthwith, to the  
43 governor and the presiding officer of each house of the Legislature  
44 any and all instances of malfeasance, misfeasance or nonfeasance  
45 which may be disclosed by any audit or investigation of said  
46 accounts or by any performance review audit.

1 Any state officer or employee charged with the custody of state  
2 funds whose accounts are found by the state auditor to be inaccurate  
3 shall be automatically suspended from having any further  
4 connection with such funds until the audit is completed and the  
5 findings reported to the governor and the presiding officer of each  
6 house of the Legislature.

7 Immediately upon receipt of such report from the state auditor,  
8 the governor shall fix a time and place for hearing such charges as  
9 the state auditor may bring by giving not less than five days' notice  
10 thereof in writing to such officer or head of a department so  
11 charged and to the state auditor.

12 After due hearing, he shall take such action as may be necessary,  
13 in his judgment, including the removal of any officer or head of a  
14 department found guilty of such charges or any of them, but if the  
15 right of removal in any case is vested exclusively in the legislature,  
16 the governor may suspend from further duty any such officer or  
17 head of a department so charged and shall transmit to the  
18 legislature at the earliest possible date a written report of his  
19 findings with his recommendations thereon for consideration and  
20 action by the legislature.

21 (cf: R.S.52:24-7)

22

23 4. R.S.52:24-8 is amended to read as follows:

24 52:24-8. If the state auditor shall find that any officer or head of  
25 a department of the state government willfully or negligently fails  
26 or refuses to keep or have kept such accounts, render such reports  
27 or perform such other duties as may be prescribed or directed by  
28 the state comptroller, or fails or refuses to comply with the  
29 provisions of this article, he shall notify such officer or head of a  
30 department in writing of such failure and the particulars thereof,  
31 and the officer or head of a department shall [allow a reasonable  
32 opportunity to be heard thereon] promptly respond in writing to  
33 each specific failure. If such failure should not be explained to the  
34 satisfaction of the state auditor, he shall notify the state comptroller  
35 and the presiding officer of each house of the Legislature of such  
36 failure and the state comptroller shall take such action against such  
37 officer or head of a department as he may be authorized to do under  
38 any law or laws of this state.

39 (cf: R.S.52:24-8)

40

41 5. (New section) Prior to approving any request of a principal  
42 department or accounting agency in the Executive Branch of the  
43 State government, the Joint Budget Oversight Committee, or its  
44 successor, may require the department <sup>1</sup>or agency<sup>1</sup> to comply with  
45 any recommendation of the State Auditor made as the result of any  
46 audit or investigation or performance review audit of that  
47 department <sup>1</sup>or agency<sup>1</sup>.

1       6. This act shall take effect immediately.

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6       Authorizes State Auditor to conduct performance review audits.

# ASSEMBLY, No. 2827

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED MARCH 9, 2006

**Sponsored by:**

**Assemblyman LOUIS D. GREENWALD**

**District 6 (Camden)**

**Assemblyman JOSEPH R. MALONE, III**

**District 30 (Burlington, Mercer, Monmouth and Ocean)**

**Assemblyman GARY S. SCHAER**

**District 36 (Bergen, Essex and Passaic)**

**Assemblyman JOSEPH CRYAN**

**District 20 (Union)**

**Co-Sponsored by:**

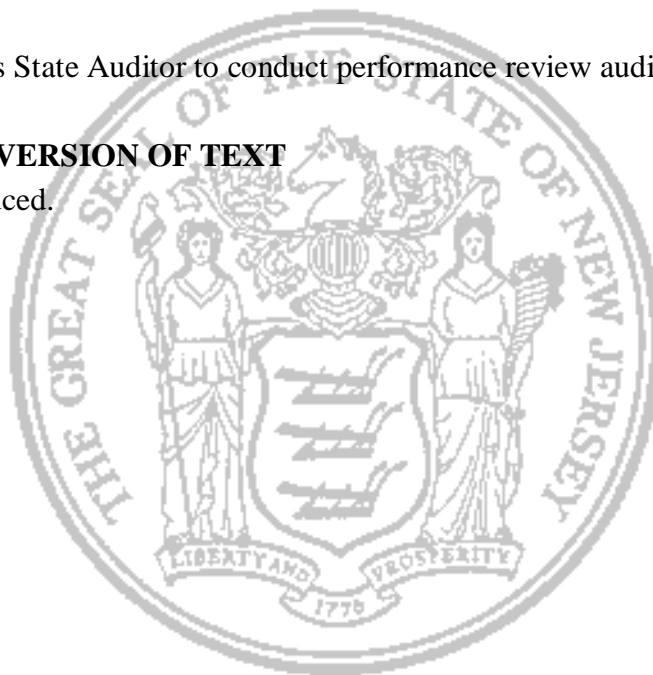
**Assemblymen Burzichelli, Payne, Assemblywoman Quigley, Assemblyman Steele and Assemblywoman Beck**

**SYNOPSIS**

Authorizes State Auditor to conduct performance review audits

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 3/14/2006)**

1 AN ACT concerning the duties of the State Auditor, and amending  
2 and supplementing chapter 24 of Title 52 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. R.S.52:24-4 is amended to read as follows:

8 52:24-4. It shall be the duty of the State Auditor to conduct post-  
9 audits of all transactions and accounts kept by or for all  
10 departments, offices and agencies of the State Government, to  
11 report to the Legislature or to any committee thereof and to the  
12 Governor, and to the Executive Director of the Office of Legislative  
13 Services, as provided by this chapter and as shall be required by  
14 law, and to perform such other similar or related duties as shall,  
15 from time to time, be required of him by law.

16 The State Auditor shall personally or by any of his duly  
17 authorized assistants, or by contract with independent public  
18 accountant firms, examine and post-audit all the accounts, reports  
19 and statements and make independent verifications of all assets,  
20 liabilities, revenues and expenditures of the State, its departments,  
21 institutions, boards, commissions, officers, and any and all other  
22 State agencies, now in existence or hereafter created, hereinafter in  
23 this chapter called "accounting agencies."

24 The State Auditor shall conduct, at the direction of the  
25 Legislative Services Commission or of the presiding officer of  
26 either house of the Legislature or on the State Auditor's own  
27 initiative, a performance review audit of any program of any  
28 accounting agency in a manner that is consistent with the  
29 Government Auditing Standards for performance audits utilized by  
30 the United States General Accounting Office or its successor.

31 When the State Auditor conducts any audit or performance  
32 review audit, the accounting agency shall respond in writing to each  
33 item in the State Auditor's report and the State Auditor, at an  
34 appropriate time determined by him, shall conduct a post-audit  
35 review of the accounting agency's compliance with the State  
36 Auditor's recommendations.

37 The officers and employees of each accounting agency shall  
38 assist the State Auditor, when and as required by him, and provide  
39 the State Auditor with prompt access to all records necessary for the  
40 State Auditor to perform his duties, for the purpose of carrying out  
41 the provisions of this chapter. The State Auditor shall report the  
42 failure of any accounting agency to provide prompt access to any  
43 relevant record to the presiding officer of each house of the  
44 Legislature. The State Auditor shall not disclose a confidential  
45 record provided by an accounting agency, except as may be

**EXPLANATION** – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.



1 necessary for the State Auditor to fulfill his constitutional or  
2 statutory responsibilities. Working papers prepared by the State  
3 Auditor shall be confidential and shall not be considered  
4 government records under P.L.1963, c.73 (C.47:1A-1 et seq.).  
5 (cf: P.L.1971, c.211, s.14)

6  
7 2. R.S.52:24-6 is amended to read as follows:

8 52:24-6. The State Auditor shall report in writing to the  
9 Legislature or to any committee thereof, when so required, and to  
10 the Governor the findings of any special condition disclosed by his  
11 audit of the accounts of the State and of each accounting agency.

12 The State Auditor shall submit a written report that describes the  
13 findings of any performance review audit conducted by the State  
14 Auditor to the Governor and to the Legislature pursuant to section 2  
15 of P.L.1991, c.164 (C.52:14-19.1).

16 Such report shall be made by him to the Legislature and the  
17 Governor as promptly as possible after the conclusion of every  
18 audit and investigation made or caused to be made by him or upon  
19 the completion of any performance review audit conducted by the  
20 State Auditor.

21 (cf: P. L.1948, c. 29, s. 3)

22  
23 3. R.S.52:24-7 is amended to read as follows:

24 52:24-7. The state auditor shall report, forthwith, to the  
25 governor and the presiding officer of each house of the Legislature  
26 any and all instances of malfeasance, misfeasance or nonfeasance  
27 which may be disclosed by any audit or investigation of said  
28 accounts or by any performance review audit.

29 Any state officer or employee charged with the custody of state  
30 funds whose accounts are found by the state auditor to be inaccurate  
31 shall be automatically suspended from having any further  
32 connection with such funds until the audit is completed and the  
33 findings reported to the governor and the presiding officer of each  
34 house of the Legislature.

35 Immediately upon receipt of such report from the state auditor,  
36 the governor shall fix a time and place for hearing such charges as  
37 the state auditor may bring by giving not less than five days' notice  
38 thereof in writing to such officer or head of a department so  
39 charged and to the state auditor.

40 After due hearing, he shall take such action as may be necessary,  
41 in his judgment, including the removal of any officer or head of a  
42 department found guilty of such charges or any of them, but if the  
43 right of removal in any case is vested exclusively in the legislature,  
44 the governor may suspend from further duty any such officer or  
45 head of a department so charged and shall transmit to the  
46 legislature at the earliest possible date a written report of his

1 findings with his recommendations thereon for consideration and  
2 action by the legislature.

3 (cf: R.S.52:24-7)

4

5 4. R.S.52:24-8 is amended to read as follows:

6 52:24-8. If the state auditor shall find that any officer or head of  
7 a department of the state government willfully or negligently fails  
8 or refuses to keep or have kept such accounts, render such reports  
9 or perform such other duties as may be prescribed or directed by  
10 the state comptroller, or fails or refuses to comply with the  
11 provisions of this article, he shall notify such officer or head of a  
12 department in writing of such failure and the particulars thereof,  
13 and the officer or head of a department shall [allow a reasonable  
14 opportunity to be heard thereon] promptly respond in writing to  
15 each specific failure. If such failure should not be explained to the  
16 satisfaction of the state auditor, he shall notify the state comptroller  
17 and the presiding officer of each house of the Legislature of such  
18 failure and the state comptroller shall take such action against such  
19 officer or head of a department as he may be authorized to do under  
20 any law or laws of this state.

21 (cf: R.S.52:24-8)

22

23 5. (New section) Prior to approving any request of a principal  
24 department or accounting agency in the Executive Branch of the  
25 State government, the Joint Budget Oversight Committee, or its  
26 successor, may require the department to comply with any  
27 recommendation of the State Auditor made as the result of any audit  
28 or investigation or performance review audit of that department.

29

30 6. This act shall take effect immediately.

31

32

33

#### STATEMENT

34

35 At present, the State Auditor is responsible for conducting post-  
36 audits of State agency accounts, reports, and statements and for  
37 verifying all assets, liabilities, revenues and expenditures of the  
38 State.

39 This bill would authorize the State Auditor to also conduct  
40 performance review audits of State agency programs in a manner  
41 that is consistent with the Government Auditing Standards for  
42 performance audits utilized by the United States General  
43 Accounting Office. A performance review audit conducted under  
44 these standards involves an objective and systematic examination of  
45 evidence to provide an independent assessment of the performance  
46 and management of a program. This type of audit addresses the  
47 effectiveness of a program and measures the extent to which a  
48 program is achieving its goals and objectives. The State Auditor

1 would conduct a performance review audit on his own initiative, or  
2 at the direction of the Legislative Services Commission or of the  
3 presiding officer of either house of the Legislature. The use of  
4 performance review audits would help to eliminate waste and  
5 improve efficiency.

6 The bill requires the State Auditor to report the results of  
7 performance review audits to the Governor and the Legislature.  
8 Under existing law, a report required to be submitted to the  
9 Legislature is provided to the presiding officer of each house and to  
10 the Director of Public Information in the Office of Legislative  
11 Services who provides notice thereof and copies, upon request, to  
12 the members of the Legislature. Evidence of wrongdoing would be  
13 reported forthwith to the presiding officers. If the State Auditor  
14 determines that any officer or head of a State department has failed  
15 to comply with statutory responsibilities, that individual must  
16 respond in writing to each specific failure. A failure that is not  
17 explained to the satisfaction of the State Auditor would be reported  
18 to the presiding officer of each house of the Legislature and to the  
19 Director of the Office of Management and Budget in the  
20 Department of the Treasury.

21 The bill also provides that when the State Auditor conducts any  
22 audit or performance review audit, the accounting agency will  
23 respond in writing to each item in the State Auditor's report and the  
24 State Auditor, at an appropriate time determined by him, will  
25 conduct a post-audit review of the accounting agency's compliance  
26 with the State Auditor's recommendations.

27 Finally, the bill provides that prior to approving any request of a  
28 principal department in the Executive Branch of the State  
29 government, the Joint Budget Oversight Committee may require the  
30 department to comply with any recommendation of the State  
31 Auditor made as the result of any audit or investigation or  
32 performance review audit of that department.

# ASSEMBLY, No. 2037

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JANUARY 17, 2006

**Sponsored by:**

**Assemblyman FRANCIS L. BODINE**

**District 8 (Burlington)**

**Assemblyman LARRY CHATZIDAKIS**

**District 8 (Burlington)**

**SYNOPSIS**

Authorizes State Auditor to prepare performance audits of State-funded programs of State agencies and instrumentalities.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 1/27/2006)**

1 AN ACT authorizing the State Auditor to prepare performance  
2 audits of the several State agencies and instrumentalities,  
3 supplementing chapter 24 of Title 52 of the Revised Statutes.

4  
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
6 *of New Jersey:*

7  
8 1. In addition to conducting financial post-audits pursuant to the  
9 provisions of R.S.52:24-4 and any other financial or operational  
10 audit otherwise prescribed by law, the State Auditor may at any  
11 time conduct a performance audit of any program administered by  
12 any department, agency, or instrumentality of the State, including  
13 an independent State authority, but excluding any county or  
14 municipality or any agency or instrumentality of a county or  
15 municipality. The State Auditor is granted all necessary powers to  
16 carry out this task, including the power to conduct investigations,  
17 evaluations, inspections and other reviews in accordance with  
18 professional standards relating to such investigations and reviews in  
19 government environments. For each program subjected to audit  
20 under this section, the audit shall set forth: the objectives of the  
21 program; the activities of the agency or instrumentality in  
22 administering the program; the source, nature and amount of State  
23 moneys and other State-funded resources that the agency or  
24 instrumentality shall have used to support those activities during the  
25 fiscal year covered by the audit; numerical values for each  
26 quantitative measure of program output or program impact that may  
27 serve as a useful basis for an evaluation of the program's  
28 contribution to the advancement or achievement of its objectives; an  
29 evaluation of the efficiency and effectiveness of the program in  
30 advancing or achieving those objectives; and any recommendations  
31 for the improvement of program operations, for the reallocation of  
32 resources among program activities or reduction in the amount of  
33 resources to support the program, or for the elimination of the  
34 program.

35 The State Auditor is further authorized to investigate the  
36 performance of governmental officers, employees, appointees,  
37 functions and programs in order to promote efficiency, to identify  
38 cost savings, and to detect and prevent misconduct within the  
39 programs and operations of any governmental agency funded by or  
40 disbursing State funds. In conducting a performance audit under  
41 the provisions of this section, the State Auditor may, within budget  
42 limitations, obtain the services of certified public accountants,  
43 qualified management consultants and other professionals necessary  
44 to independently perform the audit.

45  
46 2. This act shall take effect immediately.

1 STATEMENT

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3 This bill authorizes the State Auditor to prepare a performance  
4 audit of any program, administered by a department, agency or  
5 instrumentality of the State (including an independent State  
6 authority, but excluding any county or municipality or any agency  
7 or instrumentality of a county or municipality), that was supported  
8 through appropriations of State funds.

9 The bill provides that the performance audit for each program  
10 shall identify the program's objectives, the activities of the agency  
11 or instrumentality in administering the program, the source and  
12 amount of funding for the program's activities, quantified measures  
13 of program results, an evaluation of program efficiency and  
14 effectiveness in advancing or achieving program objectives, and  
15 recommendations for improving program operations or for  
16 reallocating, reducing or eliminating program funding.

# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, Nos. 2827 and 2037

# STATE OF NEW JERSEY

DATED: MARCH 13, 2006

The Assembly Budget Committee reports favorably an Assembly Committee Substitute for Assembly Bill Nos. 2827 and 2037.

This substitute authorizes the State Auditor to conduct performance review audits of State agency programs in addition to the post-audits the State Auditor is currently authorized to conduct. The substitute authorizes the State Auditor to conduct performance review audits in a manner that is consistent with the Government Auditing Standards for performance audits utilized by the United States General Accounting Office. A performance review audit conducted under these standards involves an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program. This type of audit addresses the effectiveness of a program and measures the extent to which a program is achieving its goals and objectives. The substitute directs the State Auditor to conduct a performance review audit on his own initiative, or at the direction of the Legislative Services Commission or of the presiding officer of either house of the Legislature. The use of performance review audits would help to eliminate waste and improve efficiency.

The substitute requires the State Auditor to report the results of performance review audits to the Governor and the Legislature. (Under existing law, a report required to be submitted to the Legislature is provided to the presiding officer of each house of the Legislature and to the Director of Public Information in the Office of Legislative Services who provides notice thereof and copies, upon request, to the members of the Legislature.) Evidence of wrongdoing will be reported forthwith to the presiding officers. If the State Auditor determines that any officer or head of a State department has failed to comply with statutory responsibilities, that individual must respond in writing to each specific failure. A failure that is not explained to the satisfaction of the State Auditor will be reported to the presiding officer of each house of the Legislature and to the Director of the Office of Management and Budget in the Department of the Treasury.

The substitute also requires that, when the State Auditor conducts any audit or performance review audit, the accounting agency will respond in writing to each item in the State Auditor's report and the State Auditor, at an appropriate time determined by him, will conduct a post-audit review of the accounting agency's compliance with the State Auditor's recommendations.

Finally, the substitute provides that prior to approving any request of a principal department in the Executive Branch of the State government, the Joint Budget Oversight Committee may require the department to comply with any recommendation of the State Auditor made as the result of any audit or investigation or performance review audit of that department.

FISCAL IMPACT:

This substitute was not certified as requiring a fiscal note. The State Auditor has stated that any additional duties pursuant to this substitute could be handled by current staff.



# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 2827 and 2037**

# **STATE OF NEW JERSEY**

DATED: MAY 8, 2006

The Senate State Government Committee reports favorably Assembly Committee Substitute for Assembly, Nos. 2827 and 2037.

This substitute authorizes the State Auditor to conduct performance review audits of State agency programs in addition to the post-audits the State Auditor is currently authorized to conduct. The substitute authorizes the State Auditor to conduct performance review audits in a manner that is consistent with the Government Auditing Standards for performance audits utilized by the United States General Accountability Office. A performance review audit conducted under these standards involves an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program. This type of audit addresses the effectiveness of a program and measures the extent to which a program is achieving its goals and objectives. The substitute directs the State Auditor to conduct a performance review audit on his own initiative, or at the direction of the Legislative Services Commission or of the presiding officer of either house of the Legislature.

The substitute requires the State Auditor to report the results of performance review audits to the Governor and the Legislature. Under existing law, a report required to be submitted to the Legislature is provided to the presiding officer of each house of the Legislature and to the Director of Public Information in the Office of Legislative Services who provides notice thereof and copies, upon request, to the members of the Legislature. Evidence of wrongdoing will be reported forthwith to the presiding officers. If the State Auditor determines that any officer or head of a State department has failed to comply with statutory responsibilities, that individual must respond in writing to each specific failure. A failure that is not explained to the satisfaction of the State Auditor will be reported to the presiding officer of each house of the Legislature and to the Director of the Office of Management and Budget in the Department of the Treasury.

The substitute also requires that, when the State Auditor conducts any audit or performance review audit, the accounting agency will respond in writing to each item in the State Auditor's report and the State Auditor, at an appropriate time determined by him, will conduct

a post-audit review of the accounting agency's compliance with the State Auditor's recommendations.

Finally, the substitute provides that prior to approving any request of a principal department in the Executive Branch of the State government, the Joint Budget Oversight Committee may require the department to comply with any recommendation of the State Auditor made as the result of any audit or investigation or performance review audit of that department.

As reported, this substitute is identical to Senate, No. 1745.

STATEMENT TO

**ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, Nos. 2827 and 2037**

with Senate Floor Amendments  
(Proposed By Senator ADLER)

ADOPTED: MAY 18, 2006

These Senate amendments: 1) expand the scope of governmental and non-governmental bodies that would be subject to performance audits by the State Auditor to include independent authorities and any public entity or grantee that receives State funds; 2) provide that, notwithstanding any law to the contrary, the State Auditor can conduct a post audit or performance review audit within the limits of the resources and personnel available to the State Auditor, and if resources and personnel are insufficient to conduct all required post-audits and performance review audits, the State Auditor may prioritize certain audits and forgo others upon notice to the Governor and the presiding officer of each house of the Legislature; 3) require that the State Auditor have access to all State records necessary for the State Auditor to perform his duties, notwithstanding any statutory or regulatory requirements of confidentiality with regard to the records; 4) update the name of the United States General Accounting Office to the United State Government Accountability Office, which is the current name of the agency; and 5) clarify that the Joint Budget Oversight Committee, or its successor, may require a principal department or an agency to comply with any recommendation of the State Auditor made as a result of the review of that department or agency.

# SENATE, No. 1745

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED MARCH 21, 2006

**Sponsored by:**

**Senator JOHN H. ADLER**

**District 6 (Camden)**

**Senator BARBARA BUONO**

**District 18 (Middlesex)**

**Co-Sponsored by:**

**Senator T.Kean**

**SYNOPSIS**

Authorizes State Auditor to conduct performance review audits.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 5/19/2006)**

1 AN ACT concerning the duties of the State Auditor, and amending  
2 and supplementing chapter 24 of Title 52 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. R.S.52:24-4 is amended to read as follows:

8 52:24-4. It shall be the duty of the State Auditor to conduct post-  
9 audits of all transactions and accounts kept by or for all  
10 departments, offices and agencies of the State Government, to  
11 report to the Legislature or to any committee thereof and to the  
12 Governor, and to the Executive Director of the Office of Legislative  
13 Services, as provided by this chapter and as shall be required by  
14 law, and to perform such other similar or related duties as shall,  
15 from time to time, be required of him by law.

16 The State Auditor shall personally or by any of his duly  
17 authorized assistants, or by contract with independent public  
18 accountant firms, examine and post-audit all the accounts, reports  
19 and statements and make independent verifications of all assets,  
20 liabilities, revenues and expenditures of the State, its departments,  
21 institutions, boards, commissions, officers, and any and all other  
22 State agencies, now in existence or hereafter created, hereinafter in  
23 this chapter called "accounting agencies."

24 The State Auditor shall conduct, at the direction of the  
25 Legislative Services Commission or of the presiding officer of  
26 either house of the Legislature or on the State Auditor's own  
27 initiative, a performance review audit of any program of any  
28 accounting agency in a manner that is consistent with the  
29 Government Auditing Standards for performance audits utilized by  
30 the United States General Accounting Office or its successor.

31 When the State Auditor conducts any audit or performance  
32 review audit, the accounting agency shall respond in writing to each  
33 item in the State Auditor's report and the State Auditor, at an  
34 appropriate time determined by him, shall conduct a post-audit  
35 review of the accounting agency's compliance with the State  
36 Auditor's recommendations.

37 The officers and employees of each accounting agency shall  
38 assist the State Auditor, when and as required by him, and provide  
39 the State Auditor with prompt access to all records necessary for the  
40 State Auditor to perform his duties, for the purpose of carrying out  
41 the provisions of this chapter. The State Auditor shall report the  
42 failure of any accounting agency to provide prompt access to any  
43 relevant record to the presiding officer of each house of the  
44 Legislature. The State Auditor shall not disclose a confidential  
45 record provided by an accounting agency, except as may be

**EXPLANATION** – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 necessary for the State Auditor to fulfill his constitutional or  
2 statutory responsibilities. Working papers prepared by the State  
3 Auditor shall be confidential and shall not be considered  
4 government records under P.L.1963, c.73 (C.47:1A-1 et seq.).  
5 (cf: P.L.1971, c.211, s.14)

6  
7 2. R.S.52:24-6 is amended to read as follows:

8 52:24-6. The State Auditor shall report in writing to the  
9 Legislature or to any committee thereof, when so required, and to  
10 the Governor the findings of any special condition disclosed by his  
11 audit of the accounts of the State and of each accounting agency.

12 The State Auditor shall submit a written report that describes the  
13 findings of any performance review audit conducted by the State  
14 Auditor to the Governor and to the Legislature pursuant to section 2  
15 of P.L.1991, c.164 (C.52:14-19.1).

16 Such report shall be made by him to the Legislature and the  
17 Governor as promptly as possible after the conclusion of every  
18 audit and investigation made or caused to be made by him or upon  
19 the completion of any performance review audit conducted by the  
20 State Auditor.

21 (cf: P. L.1948, c. 29, s. 3)

22  
23 3. R.S.52:24-7 is amended to read as follows:

24 52:24-7. The state auditor shall report, forthwith, to the  
25 governor and the presiding officer of each house of the Legislature  
26 any and all instances of malfeasance, misfeasance or nonfeasance  
27 which may be disclosed by any audit or investigation of said  
28 accounts or by any performance review audit.

29 Any state officer or employee charged with the custody of state  
30 funds whose accounts are found by the state auditor to be inaccurate  
31 shall be automatically suspended from having any further  
32 connection with such funds until the audit is completed and the  
33 findings reported to the governor and the presiding officer of each  
34 house of the Legislature.

35 Immediately upon receipt of such report from the state auditor,  
36 the governor shall fix a time and place for hearing such charges as  
37 the state auditor may bring by giving not less than five days' notice  
38 thereof in writing to such officer or head of a department so charged  
39 and to the state auditor.

40 After due hearing, he shall take such action as may be necessary,  
41 in his judgment, including the removal of any officer or head of a  
42 department found guilty of such charges or any of them, but if the  
43 right of removal in any case is vested exclusively in the legislature,  
44 the governor may suspend from further duty any such officer or  
45 head of a department so charged and shall transmit to the legislature  
46 at the earliest possible date a written report of his

1 findings with his recommendations thereon for consideration and  
2 action by the legislature.

3 (cf: R.S.52:24-7)

4

5 4. R.S.52:24-8 is amended to read as follows:

6 52:24-8. If the state auditor shall find that any officer or head of  
7 a department of the state government willfully or negligently fails  
8 or refuses to keep or have kept such accounts, render such reports  
9 or perform such other duties as may be prescribed or directed by  
10 the state comptroller, or fails or refuses to comply with the  
11 provisions of this article, he shall notify such officer or head of a  
12 department in writing of such failure and the particulars thereof,  
13 and the officer or head of a department shall [allow a reasonable  
14 opportunity to be heard thereon] promptly respond in writing to  
15 each specific failure. If such failure should not be explained to the  
16 satisfaction of the state auditor, he shall notify the state comptroller  
17 and the presiding officer of each house of the Legislature of such  
18 failure and the state comptroller shall take such action against such  
19 officer or head of a department as he may be authorized to do under  
20 any law or laws of this state.

21 (cf: R.S.52:24-8)

22

23 5. (New section) Prior to approving any request of a principal  
24 department or accounting agency in the Executive Branch of the  
25 State government, the Joint Budget Oversight Committee, or its  
26 successor, may require the department to comply with any  
27 recommendation of the State Auditor made as the result of any audit  
28 or investigation or performance review audit of that department.

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30 6. This act shall take effect immediately.

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#### STATEMENT

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35 This bill authorizes the State Auditor to conduct performance  
36 review audits of State agency programs in addition to the post-  
37 audits the State Auditor is currently authorized to conduct. The bill  
38 authorizes the State Auditor to conduct performance review audits  
39 in a manner that is consistent with the Government Auditing  
40 Standards for performance audits utilized by the United States  
41 General Accounting Office. A performance review audit conducted  
42 under these standards involves an objective and systematic  
43 examination of evidence to provide an independent assessment of  
44 the performance and management of a program. This type of audit  
45 addresses the effectiveness of a program and measures the extent to  
46 which a program is achieving its goals and objectives. The bill  
47 directs the State Auditor to conduct a performance review audit on  
48 his own initiative, or at the direction of the Legislative Services

1 Commission or of the presiding officer of either house of the  
2 Legislature. The use of performance review audits would help to  
3 eliminate waste and improve efficiency.

4 The bill requires the State Auditor to report the results of  
5 performance review audits to the Governor and the Legislature.  
6 (Under existing law, a report required to be submitted to the  
7 Legislature is provided to the presiding officer of each house of the  
8 Legislature and to the Director of Public Information in the Office  
9 of Legislative Services who provides notice thereof and copies,  
10 upon request, to the members of the Legislature.) Evidence of  
11 wrongdoing will be reported forthwith to the presiding officers. If  
12 the State Auditor determines that any officer or head of a State  
13 department has failed to comply with statutory responsibilities, that  
14 individual must respond in writing to each specific failure. A  
15 failure that is not explained to the satisfaction of the State Auditor  
16 will be reported to the presiding officer of each house of the  
17 Legislature and to the Director of the Office of Management and  
18 Budget in the Department of the Treasury.

19 The bill also requires that, when the State Auditor conducts any  
20 audit or performance review audit, the accounting agency will  
21 respond in writing to each item in the State Auditor's report and the  
22 State Auditor, at an appropriate time determined by him, will  
23 conduct a post-audit review of the accounting agency's compliance  
24 with the State Auditor's recommendations.

25 Finally, the bill provides that prior to approving any request of a  
26 principal department in the Executive Branch of the State  
27 government, the Joint Budget Oversight Committee may require the  
28 department to comply with any recommendation of the State  
29 Auditor made as the result of any audit or investigation or  
30 performance review audit of that department.



# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### SENATE, No. 1745

# STATE OF NEW JERSEY

DATED: MAY 8, 2006

The Senate State Government Committee reports favorably Senate, No. 1745.

This bill authorizes the State Auditor to conduct performance review audits of State agency programs in addition to the post-audits the State Auditor is currently authorized to conduct. The bill authorizes the State Auditor to conduct performance review audits in a manner that is consistent with the Government Auditing Standards for performance audits utilized by the United States General Accountability Office. A performance review audit conducted under these standards involves an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program. This type of audit addresses the effectiveness of a program and measures the extent to which a program is achieving its goals and objectives. The bill directs the State Auditor to conduct a performance review audit on his own initiative, or at the direction of the Legislative Services Commission or of the presiding officer of either house of the Legislature.

The bill requires the State Auditor to report the results of performance review audits to the Governor and the Legislature. Under existing law, a report required to be submitted to the Legislature is provided to the presiding officer of each house of the Legislature and to the Director of Public Information in the Office of Legislative Services who provides notice thereof and copies, upon request, to the members of the Legislature. Evidence of wrongdoing will be reported forthwith to the presiding officers. If the State Auditor determines that any officer or head of a State department has failed to comply with statutory responsibilities, that individual must respond in writing to each specific failure. A failure that is not explained to the satisfaction of the State Auditor will be reported to the presiding officer of each house of the Legislature and to the Director of the Office of Management and Budget in the Department of the Treasury.

The bill also requires that, when the State Auditor conducts any audit or performance review audit, the accounting agency will respond in writing to each item in the State Auditor's report and the State Auditor, at an appropriate time determined by him, will conduct a post-audit review of the accounting agency's compliance with the State Auditor's recommendations.

Finally, the bill provides that prior to approving any request of a principal department in the Executive Branch of the State government, the Joint Budget Oversight Committee may require the department to comply with any recommendation of the State Auditor made as the result of any audit or investigation or performance review audit of that department.

As reported, this bill is identical to Assembly, No. 2827/Assembly, No. 2037.

STATEMENT TO  
**SENATE, No. 1745**

with Senate Floor Amendments  
(Proposed By Senator ADLER)

ADOPTED: MAY 18, 2006

These Senate amendments: 1) expand the scope of governmental and non-governmental bodies that would be subject to performance audits by the State Auditor to include independent authorities and any public entity or grantee that receives State funds; 2) provide that, notwithstanding any law to the contrary, the State Auditor can conduct a post audit or performance review audit within the limits of the resources and personnel available to the State Auditor, and if resources and personnel are insufficient to conduct all required post-audits and performance review audits, the State Auditor may prioritize certain audits and forgo others upon notice to the Governor and the presiding officer of each house of the Legislature; 3) require that the State Auditor have access to all State records necessary for the State Auditor to perform his duties, notwithstanding any statutory or regulatory requirements of confidentiality with regard to the records; 4) update the name of the United States General Accounting Office to the United State Government Accountability Office, which is the current name of the agency; and 5) clarify that the Joint Budget Oversight Committee, or its successor, may require a principal department or an agency to comply with any recommendation of the State Auditor made as a result of the review of that department or agency.

## **Aug-03-06 Governor Corzine Signs Bill into Law**

Jon S. Corzine  
*Governor*

**FOR IMMEDIATE RELEASE**  
**DATE:** August 3, 2006

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### **Governor Corzine Signs Bill into Law**

**TRENTON** - Governor Jon S. Corzine today signed legislation (A-2827/2030/S-1745) that authorizes the State Auditor to conduct performance reviews.

"While I support the expansion of the powers of the legislative State Auditor as set forth in the bill that I am signing today, I remain convinced of the need for an independent and properly staffed State Comptroller that would have even broader powers to systematically and regularly review the financial activities of all governmental units," said Governor Corzine. "As I stated in my address to the special joint session of the Legislature on property taxes, I am prepared to work with the Legislature to create an appointed State Comptroller with a term of six years to ensure the office's independence."

The sponsors are Assemblymen Louis Greenwald, Joseph Malone, Francis Bodine, Gary Schaer, Joseph Cryan, Larry Chatzidakis, and Senators John Adler and Barbara Buono.