

ASSEMBLY, No. 1997

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

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SYNOPSIS

Expands duties of State Auditor to include performance audits at request of legislator; establishes Performance Audit Committee, consisting of eight public members, to help conduct performance audits.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT expanding the duties of the State Auditor to include
2 performance audits and amending P.L.1979, c.8.

3

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

6

7 1. Section 10 of P.L.1979, c.8 (C.52:11-63) is amended to read
8 as follows:

9 10. a. In addition to the duties imposed upon the State Auditor
10 by the Constitution and R.S.52:24-4, the State Auditor, when
11 requested or directed by the Legislature or the Legislative Services
12 Commission, shall make, or cause to be made by contract with
13 independent firms or consultants, studies and reports with respect to
14 the economy, internal management control, and compliance with
15 laws and regulations of the operation of State or State-supported
16 agencies and shall perform such other duties and functions as the
17 commission shall, from time to time, direct or assign.

18 Audit reports shall provide full disclosure of the results of
19 financial operations, adequate financial information needed in the
20 management of State operations and effective control over income,
21 expenditures, funds, property and other assets and whether the
22 financial transactions have been consummated in accordance with
23 laws, regulations or other legal requirements, and adequate internal
24 financial control over operations is exercised.

25 b. (1) Upon the request of a member of the Legislature, the
26 State Auditor shall conduct, or arrange for the conduct of, a
27 performance audit of any program of a State or State-supported
28 agency. A performance audit shall be conducted without advance
29 notice to the agency and shall examine the economy, efficiency and
30 effectiveness of a program, or any one or any combination of these
31 components. The scope and conduct of a performance audit shall be
32 consistent with the generally accepted Government Auditing
33 Standards promulgated by the Comptroller General of the United
34 States. In conducting performance audits, the State Auditor shall,
35 in addition to using the services of the State Auditor's staff, utilize
36 the services of the "Performance Audit Committee" established by
37 subsection c. of this section, or of as many members thereof as the
38 State Auditor deems appropriate.

39 If the State Auditor determines that a request for a performance
40 audit is beyond the capacity of the office of the State Auditor or
41 otherwise unfeasible to fulfill, the State Auditor, within 30 days of
42 receipt of the request, shall provide a written explanation thereof to
43 the member who made the request. If, after receiving such
44 explanation, the member nevertheless wants the performance audit
45 conducted, and if the State Auditor and the member cannot agree on

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 modifications to the proposed performance audit to make it feasible,
2 the State Auditor shall refer the request, and the State Auditor's
3 explanation, to the Legislative Services Commission for review.
4 The commission shall, within 30 days of receipt of the request and
5 explanation, determine whether the performance audit shall be
6 conducted, conducted as modified by the commission, or not
7 conducted.

8 (2) The State Auditor may initiate, at his or her discretion, a
9 performance audit with the approval of the Legislative Services
10 Commission.

11 c. There is established in the Office of the State Auditor a
12 "Performance Audit Committee." The committee shall consist of
13 eight members of the public appointed as follows: two members
14 appointed by the President of the Senate; two members appointed
15 by the Minority Leader of the Senate; two members appointed by
16 the Speaker of the General Assembly; and two members appointed
17 by the Minority Leader of the General Assembly. Members of the
18 committee shall be selected on the basis of education and
19 experience related to accounting, economics, or business
20 administration. Members shall serve during the two-year term of the
21 Legislature during which they are appointed and until their
22 successors are appointed and qualify. Vacancies in the membership
23 of the committee shall be filled in the same manner as the original
24 appointments. Members of the committee shall serve without
25 compensation, but shall be entitled to be reimbursed for all actual
26 and necessary expenses incurred in the performance of their duties.
27 No member of the committee shall hold any other public office or
28 employment. It shall be the duty of the members of the
29 Performance Audit Committee to assist the State Auditor in
30 conducting performance audits of programs of State or State-
31 supported agencies pursuant to subsection b. of this section.

32 (cf: P.L.1985, c.162, s.8)

33
34 2. This act shall take effect immediately.
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36

37 STATEMENT

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39 This bill would require the Office of the State Auditor, at the
40 request of a member of the Legislature, to conduct an unannounced
41 performance audit of any program of a State or State-supported
42 agency. Currently, the Office of the State Auditor conducts
43 financial audits of State or State-supported agencies. In contrast, a
44 performance audit examines the economy, efficiency or
45 effectiveness of a specific program of a State or State-supported
46 agency. A single performance audit may examine some or all of
47 these three components of a program.

48 The bill provides that if the State Auditor determines that a

1 request for a performance audit is beyond the capacity of the office
2 of the State Auditor or otherwise unfeasible, the State Auditor has
3 30 days to provide a written explanation to the member who
4 initiated the request. If the State Auditor and the member cannot
5 agree on modifications to the proposed audit to make it feasible, the
6 request will be forwarded to the Legislative Services Commission
7 for review. The commission will determine whether the audit will
8 be conducted as requested, as modified by the commission, or not at
9 all. The bill also permits the State Auditor to initiate a performance
10 audit, at his or her own discretion, with the approval of the
11 commission.

12 Finally, the bill provides that when conducting performance
13 audits, the State Auditor will, in addition to using the services of the
14 State Auditor's staff, utilize the services of members of the
15 "Performance Audit Committee," established under the bill. The
16 committee will consist of eight members of the public selected by
17 legislative leadership based upon education and experience in the
18 fields of accounting, business administration, or economics.

19 To require the State Auditor to conduct performance audits
20 would not only make the auditing practices of this State consistent
21 with those in other states but also strengthen the system of checks
22 and balances between the Executive and Legislative Branches of
23 State government by enabling the Legislature to monitor the
24 effectiveness of individual State programs.