

AUDIT REPORT

L I T T L E H O O V E R C O M M I S S I O N
DEPARTMENT

JANUARY 1, 1965 TO JUNE 30, 1967
AUDIT REPORT PERIOD

SHARP M. LARSEN
STATE AUDITOR
STATE OF UTAH

STATE AUDITOR'S OFFICE

STATE CAPITOL
SALT LAKE CITY, UTAH 84114

August 23, 1967

COPY
HONORABLE CALVIN L. RAMPTON, Governor
State of Utah
State Capitol Building
Salt Lake City, Utah

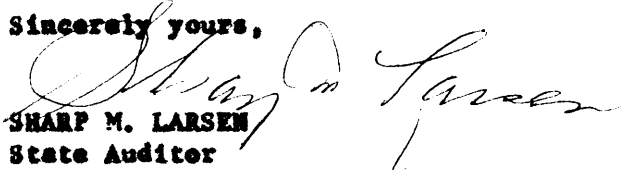
Dear Governor Rampton:

Recently Mr. Lynn R. Swenson, a representative of this department, conducted an examination of the accounts and records of the Commission on the Organization of the Executive Branch of the Government or the LITTLE HOOVER COMMISSION for the period of January 1, 1965 to June 30, 1967. His report on that audit is now completed and we enclose a copy for your files.

It is hoped that you will find the report pleasing and acceptable. Should there be questions in connection with our findings, please feel free to contact us for further clarification.

The courtesy and cooperation extended to our auditor during the course of his examination surely merit grateful acknowledgment.

Sincerely yours,


SHARP M. LARSEN
State Auditor

SML/lks

Copies To:

Joseph Rosenblatt, Chairman
Utah Hoover Commission
1418 Military Way
Salt Lake City, Utah

Utah State Board of Examiners
State Capitol Building
Salt Lake City, Utah

Herbert F. Smart, Director ✓
State Department of Finance
State Capitol Building
Salt Lake City, Utah

Karl Snow, Legislative Analyst
Legislative Budget and Audit Committee
State Capitol Building
Salt Lake City, Utah

Salt Lake City, Utah
August 25, 1967

Honorable Calvin L. Rampton, Governor
State of Utah
State Capitol Building
Salt Lake City, Utah

Joseph Rosenblatt, Chairman
Utah Hoover Commission
1418 Military Way
Salt Lake City, Utah

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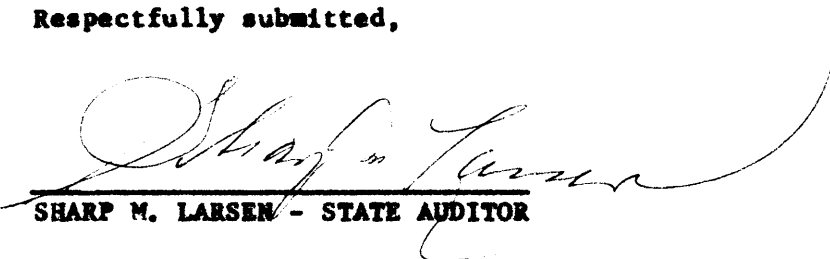
Gentlemen:

We have examined the financial records of the Commission on the Organization of the Executive Branch of the Government from the date of its inception to June 30, 1967. Our examination was made in accordance with the statutory requirements of the office of the State Auditor and, so far as the limited financial records of the Commission permitted, with generally accepted standards of auditing, and therefore, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

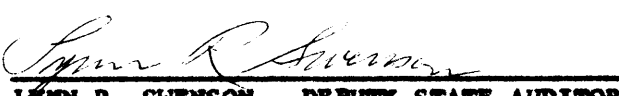
In our opinion, the accompanying financial statement presents fairly the financial operations of the Commission from the date of inception to June 30, 1967.

The friendly assistance and cooperation extended during the course of the examination by Mrs. Patricia M. King, Secretary and Bookkeeper, was most helpful and very much appreciated.

Respectfully submitted,



SHARP M. LARSEN - STATE AUDITOR



LYNN R. SWENSON - DEPUTY STATE AUDITOR

LITTLE HOOVER COMMISSION
COMMENTS AND RECOMMENDATIONS
JANUARY 1, 1965 TO JUNE 30, 1967

COMMENTS:

Chapter 138, Laws of Utah, 1965, established a bipartisan commission to be known as the Commission on the Organization of the Executive Branch of the Government. The qualifications for commission membership was set forth in Section 3:

"(A) The commission shall be composed of 12 members as follows: (1) Four appointed by the governor of the State of Utah, two from the executive branch of the government and two from private life; (2) the president of the senate and three members appointed by him as follows: one member from the senate and two from private life; and (3) the speaker of the house of representatives and three members appointed by him as follows: one member from the house of representatives and two from private life.

"(B) Of each class of two members mentioned in subsection (A) not more than one member shall be from each of the two major political parties."

The following individuals were chosen to serve on the commission:

Joseph Rosenblatt, Chairman
Bruce S. Jenkins, Vice Chairman
Kay Allen, Commissioner
Sidney G. Baucosa, Commissioner
John T. Bernhard, Commissioner
Reed L. Frischknecht, Commissioner
Ray M. Harding, Commissioner
Thorpe B. Isaacson, Commissioner
Oscar W. McConkie, Jr., Commissioner
Evan H. Mickelson, Commissioner
John B. Rackham, Commissioner
Harold H. Smith, Commissioner

The duties of the commission were two fold. First, it was charged with the responsibility of studying and investigating the present organization and methods of operation of all departments, bureaus, agencies, boards, commissions, etc. of the executive branch of the government to determine what changes therein were necessary, in their opinion, to accomplish the purposes set forth in Section 1, Chapter 138, Laws of Utah, 1965.

Second, the commission was instructed to make periodic reports of its findings and recommendations to the legislature by filing the same with the legislative council and a final report on or before January 15, 1966.

The purposes, as set forth in the policy of the legislature, was to promote economy, efficiency and improved services in the transaction of public business in the departments, bureaus, agencies, boards, commissions, etc., by:

1. Limiting expenditures to the lowest amount consistent with the efficient performance of essential services, activities and functions;
2. Consolidating bureaus, boards, commissions, departments, agencies and offices;
3. Eliminating duplication and overlapping of services, activities and functions;
4. Consolidating services, activities and functions of a similar nature;
5. Abolishing services, activities and functions not necessary to the efficient conduct of the government;
6. Abolishing bureaus, boards, commissions, departments, agencies and offices;
7. Defining and limiting executive services, activities and functions;
8. Consolidating and eliminating of earmarked funds wherever practicable; and
9. Improving necessary and essential services, activities and functions.

The commission was appropriated \$150,000.00 to be expended in carrying out the provisions of this act.

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The commission was given the power to hold hearings and conduct investigations and examinations as it deemed necessary in order to fulfill the responsibilities for which it was charged. It was also authorized to appoint such administrative personnel as it deemed advisable.

The members of the commission from private life were authorized to receive \$25.00 per diem when engaged in the performance of their official duties and to receive reimbursement for travel expenses incurred in connection with such duties. The commission voted, however, to forgo the \$25.00 per diem allowance and to donate their time and efforts.

The commission engaged a management consultant firm, Booz, Allen, and Hamilton, Inc., of San Francisco, California, to perform a study of the organization and operation of the executive branch of the government of the State of Utah. A contract was entered into for such service with the total charges not to exceed \$94,000.00 inclusive of reimbursed expenses.

An analysis was made of all commission expenditures to determine if they were reasonable in amount and were made in accordance with legislative intent. A statement of expenditures for the life of the commission is presented as Statement #1. The final unencumbered balance of \$741.39 as shown on Statement #1 does not agree with the \$1,992.62 balance of this account as shown in the Department of Finance records. The difference of \$1,251.23 was caused by the posting by the Department of Finance, of an additional appropriation in the amount of \$1,251.23 due to a misunderstanding of the intent of Section 1, Chapter 13 of the Laws of Utah, 1966, Second Special Session. This law provided, in effect, that the cost of the supplemental report of the commission was authorized to be paid out of the original \$150,000.00 appropriation and did not intend that an additional appropriation be made out of the general fund. The cost of this supplemental report was determined to be \$1,251.23 at the time the second special session of the Legislature authorized payment. The final actual cost, however, only amounted to \$1,216.59.

The amount shown in Statement #1 as received from the sale of the commission reports represents the sale of the original report only. Although the cost of the supplemental report was paid for by the state, no funds have been deposited with the Treasurer as yet from their sale.

A total of \$115,506.00 was paid to the consulting firm of Booz, Allen and Hamilton, Inc. during the life of the commission. This amounted to 77% of the total funds appropriated to the commission for carrying out its responsibilities. The sum of \$94,000.00 was paid in accordance with the contract and \$20,000.00 was paid for services over and above that which the original contract called for.

The balance of \$1,506.00 was paid as reimbursement for expenditures made by Booz, Allen and Hamilton, Inc. in the behalf of the commission. The consultant firm had, upon request of Mr. Rosenblatt, paid for a series of breakfasts and luncheons at the Hotel Utah on November 4 and 5, 1965 at a total cost of \$1,237.15. These luncheons were sponsored by the commission for the purpose of publicizing their preliminary findings and recommendations to groups of community leaders and businessmen. The commission then reimbursed the consultant firm in full and coded the expenditure as "contractual services". Such expenditure could not in any way be construed as "contractual services" as this was clearly a direct expense of the commission over and above any amount contracted for, and the firm of Booz, Allen and Hamilton, Inc. paying the Hotel bill only at the request of the commission. The correct object classification for this expenditure would have been 3010, "Advertising and Publicity" as this was the basic reason for which the dinners were held.

**LITTLE HOOVER COMMISSION
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A total of \$13,477.20 was paid by the commission to the University of Utah College of Law and various legal firms for the purpose of drafting proposed legislation which, if passed, would implement the proposals and recommendations of the commission.

The legislature appropriated the \$150,000.00 to the commission to be expended only in carrying out the provisions of Chapter 138, Laws of Utah, 1965. These provisions authorized and directed the commission to make a study and investigation of the present organization and methods of operations and to make reports of its findings and recommendations to the legislature. These provisions did not, in any way, give expressed nor implied authority to the commission to do either of the following: (1) Expend funds for the purpose of publicizing the commission findings to the general public, or (2) expend funds in obtaining legal services for the preparation and drafting of proposed legislation.

In our opinion, the expenditures of \$1,237.15 for publicity and \$13,477.20 for drafting legislation were not legal in that they were not authorized by law.

CONCLUSION:

It is our opinion that:

1. With the exception of the above noted expenditures for publicity and legal services, the expenditures by the Commission on the Organization of the Executive Branch of the Government were made in furtherance of authorized activities and in accordance with the appropriation acts and the other applicable laws and regulations of the State of Utah.
2. All monies received by the commission office for the sale of their report were properly deposited with the State Treasurer.

L I T T L E H O O V E R C O M M I S S I O N
STATEMENT OF EXPENDITURES
JANUARY 1, 1965 TO JUNE 30, 1967

PERSONAL SERVICES:

Office Salaries	8,671.50	
Management Consultant Fees	114,000.00	
Legal Services	13,477.20	
Other Contractual Services	3,065.44	
		139,214.14

TRAVEL:

Private Automobile Reimbursement	1,001.19	
Hotel	112.94	
Air Travel	1,245.45	
		2,359.58

CURRENT EXPENSE:

Printing and Binding	3,953.77	
Less: Sale of Reports	<u>1,156.55</u>	2,797.22
Postage and Mailing		225.02
Communications		1,492.87
Freight		24.28
Rentals		36.50
Publicity		1,245.55
Flowers		10.35
Office Supplies		606.56
Educational Supplies		45.30
Repairs		9.46
Reproduction Charges		367.80
Public Employees Retirement		324.50
Social Security Contributions		304.49
Group Insurance		3.75
		7,493.65

CAPITAL EXPENDITURES:

Tape Recorder		191.24

Total Net Expenditures

149,258.61

RECONCILIATION:

Legislative Appropriation	150,000.00
Less: Net Expenditures	149,258.61

Balance, June 30, 1967

741.39