

SUPPLEMENT TO THE  
REPORT TO THE GENERAL ASSEMBLY

ON

**The Organization and Administration  
OF  
Pennsylvania's State Government**

RECOMMENDATIONS



BY  
THE JOINT STATE GOVERNMENT COMMISSION  
OF  
THE GENERAL ASSEMBLY

CAPITOL BUILDING

HARRISBURG, PENNA.

JANUARY, 1941

SUPPLEMENT TO THE  
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OF  
PENNSYLVANIA'S STATE GOVERNMENT

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By The  
JOINT STATE GOVERNMENT COMMISSION  
OF THE GENERAL ASSEMBLY

Capitol Building

Harrisburg, Penna.

January, 1941

JOINT STATE GOVERNMENT COMMISSION OF THE GENERAL ASSEMBLY

(Created in 1937, P.L. 2460, as amended 1939, P.L. 1084)

"A continuing agency of the General Assembly to undertake studies and develop facts, information and data on all phases of government for the use of the General Assembly and Departments and Agencies of the State Government."

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\*Resigned

LETTER OF TRANSMITTAL

To the Members of the General Assembly  
of the Commonwealth of Pennsylvania

Under the authority of the Act of July 1, 1937, P. L. 2460,  
as amended by the Act of June 26, 1939, P.L. 1084 (Act creating the  
Joint State Government Commission), we submit herewith the Supplement  
to the Report on the "Organization and Administration of Pennsylvania's  
State Government" containing recommendations.

Ellwood J. Turner, Chairman  
Joint State Government Commission.

January, 1941

## FOREWORD

This Supplement to the Joint State Government Commission Report to the General Assembly on "The Organization and Administration of Pennsylvania's State Government" contains the recommendations approved by the Commission and its Committee on Departmental Organization.

The Recommendations are divided into three principal parts. PART I contains specific recommendations with respect to each department of the State Government. PART II is comprised of general or over-all recommendations concerning functions similar in nature as performed by several departments. PART III, or the Appendix, contains two special reports with recommendations relating to: (1) Auditing Practices in the State Government; and (2) The Commission's suggestions for a consolidation of present merit systems in the State civil service.

The Recommendations represent the considered judgment of the Commission and are based upon suggestions made at a series of more than fifty meetings with representatives from State departments, boards and commissions and also upon all other information in the Commission's possession.

The members of the Joint State Government Commission recognize that these Recommendations do not cover all problems of interest and importance in the State Government. However, it is the opinion of the Commission that they do constitute a forward step in the direction of the improved efficiency and economy in administration and it is hoped that they will serve as a basis for new or amendatory legislation to be introduced during the 1941 Session of the General Assembly or future legislative sessions.

A. Alfred Wasserman, Director  
Joint State Government Commission

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\* The numbers designating each chapter correspond with the chapters appearing in the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission.

PART I

CHAPTER I

GOVERNOR'S OFFICE

The Joint State Government Commission makes no recommendations with respect to the Governor's Office at this time. Chapter I, page 101 of the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission contains a description of the organization and administration of the Governor's Office.

CHAPTER II

GENERAL ASSEMBLY

Recommendations

1. The responsibility for the correction of typographical errors in Bills during passage through the legislature should be lodged with an agency or unit under the General Assembly.

Comment

Such an agency could check the bills for both branches of the General Assembly as they are introduced which would result in savings in printing costs through the correction of typographical errors before the Bills are reported to either the Senate or House for consideration. It would also save the time of the General Assembly in acting upon many amendments presented from the floor which are purely typographical in character. This work should be done by persons fully qualified in the art of proof reading and checking.

## CHAPTER III

### JUDICIARY

The Joint State Government Commission makes no recommendations with respect to the Judiciary at this time. Chapter III, page 301 of the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission contains a description of the organization and administration of the Judiciary.

## CHAPTER IV

### AUDITOR GENERAL

#### Recommendations

1. Payments should be made from the State Treasury on the basis of the Auditor General's warrant without the prior approval of the requisition by the State Treasurer.

#### Comment

The audit of requisitions by the State Treasurer is a duplication of the work already performed by the Auditor General thereby necessitating additional personnel, office equipment and records.

2. The scope of audits by the Auditor General should be defined by statute.

#### Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania," pp. 50 to 75 of this Report.

3. The appointment of inheritance tax appraisers should be transferred from the Auditor General to the Secretary of Revenue.



Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania", page 53 of this Report.

4. Mercantile tax appraisers should be eliminated and the levying of mercantile taxes by appraisers should be discontinued and the tax placed on a self-assessing basis as other taxes, with centralized collection by the Department of Revenue instead of having payments made to County Treasurers.

Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania", page 53 of this Report.

5. The Auditor General should effect a reclassification of the employes in his department following the classification established by the Executive Board for State employes.

Comment

Employes of the State government performing similar duties should receive the same compensation. A similar recommendation was made by the Joint Legislative Committee on Finances\* (Sterling Report) page 83. See also Recommendation No. 1, Department of Internal Affairs, page 5 of this Report.

6. The Auditor General should be required by law to file a copy of his Report of the audit of each department, board, commission or other agency under the State Government with the Joint State Government Commission.

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\* This report was made in 1933 by a Joint Legislative Committee appointed in 1929 and is known as the "Sterling Report".

Comment

The Joint Legislative Committee on Finances recommended that a copy of the report of such audit should be filed with the Legislative Reference Bureau. See Sterling Report, page 82.

7. Further study should be made to determine the minimum number and kind of audits of State agencies required to safeguard the Commonwealth and to establish such minimum with adequate provision for enforcement.

Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania", page 53 of this Report.

8. Study should be made of county audit requirements and methods of auditing to eliminate unnecessary audits and duplication.

Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania", page 53 of this Report.

CHAPTER V

DEPARTMENT OF INTERNAL AFFAIRS

Recommendations

1. The Department of Internal Affairs should be removed from the Administrative Code and the Secretary accorded recognition as a constitutional officer. The State classification of employes, however, should apply.

Comment

See Recommendation No. 5, Auditor General, page 3 of this Report and Recommendation No. 2, State Treasurer, page 9 of this Report.

2. The budget appropriations of the Bureau of Topographic and Geologic Survey should be included in the General Budget of the Department.

Comment

At the present time the budget of the Bureau of Topographic and Geologic Survey is separate from the rest of the Department. By consolidating the Department Budget proper and that of the Bureau of Topographic and Geologic Survey and the centering of accounting in one office, further economies could be effected.

3. Better facilities should be provided for the maintenance of land records.

Comment

The land records of the Department are reputedly in very poor condition. In addition, they are housed in inadequate, antiquated equipment. As these records are not replaceable and are of an inestimable value, provision should be made for repairing and reconditioning these records and for adequate housing equipment to properly protect them.

4. Methods should be adopted to provide for photographic reproduction for all valuable land records.

Comment

Many record offices now use devices by which it is possible to store in one small case films for photographic reproduction of all valuable records. These devices could be of tremendous value in this and other Departments of the State government.

5. The short weight law should be amended to give the inspectors power to compel any trucker to have his load weighed.

Comment

It appears that the inspectors in the Bureau of Weights and Measures, under existing law, have no power to compel a trucker to have his load weighed. At present an inspector can merely request a trucker to take his load to a scale for weighing purposes. If the trucker refuses to comply the inspector must follow the truck and make an information against him and have him taken into custody by an officer. By giving inspectors the right to compel a trucker to have his load weighed, it will be conducive to more effective enforcement of the law relating to short weights.

6. Duplication of reports and records from persons, corporations and companies submitted to this and other Departments should be eliminated. Reports should be adopted, if possible, which will contain similar data.

Comment

See General Recommendations No. 3, page 48 of this Report.

of uniform accounting by local governments. It may be that the future will see additional duties of this nature placed upon the Department. By establishing a Bureau of Local Government Finance, all the municipal finance duties of the Department could be consolidated in one bureau.

9. Those bureaus in the Department which are not already authorized to charge fees and which render services to any group of individuals should be authorized to charge fees for such services in accordance with a carefully prepared schedule.

Comment

See General Recommendations, No. 2, page 47 of this Report. A similar recommendation was made by the Joint Legislative Committee on Finances, 1933, (Sterling Report) page 104.

7. The Division of Boroughs in the Department of Internal Affairs should be eliminated.

Comment

This Division appears to have no stated duties and there would seem to be no reason for its existence.

8. A Bureau of Local Government Finance should be established supplanting the Bureau of Municipal Affairs. The Division of Tax and Assessment Statistics and of Budgets and Reports in the Bureau of Statistics should be consolidated and placed under the Bureau of Local Government Finance.

Comment

The Division of Tax and Assessment Statistics was created many years ago to collect statistics on local government taxes and assessments. The Division of Budgets and Reports was recently established to handle the uniform budgets and financial reports required to be filed by local political units. The work of this latter division overlaps to a great extent the work of the former. The work performed by each appears to be quite similar in that they are working with local government units. If such consolidation were made, it should be possible to eliminate certain duplications of reporting now existing. See also General Recommendations No. 3, page 48 of this Report.

The Department of Internal Affairs is charged with the duty of aiding on the development

CHAPTER VII

DEPARTMENT OF AGRICULTURE

Recommendations

1. Overlapping functions in the bureaus of the Department should be eliminated.

Comment

There are functions performed in the Bureau of Foods and Chemistry, Bureau of Plant Industry and Bureau of Animal Industry which overlap. The Bureau of Plant Industry tests and analyzes insecticides and fungicides prior to their being accepted for registration, yet the Bureau of Foods and Chemistry does the actual registering of the brands. Many of the duties performed by the various bureaus might be consolidated.

2. Experiments should be undertaken to determine the practicability of raising flax in Pennsylvania. An adequate appropriation should be provided for the purpose.

Comment

The Joint State Government Commission has made some preliminary studies and gathered considerable data on the raising of flax in Pennsylvania. Several meetings have been held with various persons interested in the subject and it appears there is a reasonable possibility of raising flax in Pennsylvania. This would provide another source of income for farmers and a new source of employment in a new industry.

3. Consideration should be given to the consolidation and coordination of food and sanitary inspection of restaurants.

CHAPTER VI

TREASURY DEPARTMENT

Recommendations

1. Payment should be made from the State Treasury on the basis of the Auditor General's warrant without the prior approval of the requisition by the State Treasurer.

Comment

See Recommendation No. 1, Department of Auditor General, page 2 of this Report.

2. The State Treasurer should effect a reclassification of the employes in his Department following the classification established by the Executive Board for State employes.

Comment

A similar recommendation was made by the Joint Legislative Committee on Finances (Sterling Report) page 83. See also, Auditor General, Recommendation No. 5, page 3 and Recommendation No. 1, Department of Internal Affairs, page 5 of this Report.

3. The Fiscal Code should be amended to permit the deposit of all funds in one account with the identity of the funds being maintained and protected by accounting controls.

Comment

This recommendation will permit the lumping of all funds for deposit in one account with proper accounting controls to maintain and protect the integrity of the special funds. It will also enable the State Treasurer to secure more interest for the Commonwealth and will duplicate modern banking practice. In order to expend money from special funds specific authorization is required. Therefore, the funds would remain intact and be expended only as authorized.



Comment

The Department of Agriculture is charged with the enforcement of the food laws while the Department of Health is charged with the enforcement of the restaurant code. This results, in some degree, in a duplication of work which can be performed by a single inspection.

4. Consideration should be given to the advisability of establishing a central testing laboratory for the Department of Agriculture and other departments.

Comment

See General Recommendations No. 1, page 46 of this Report.

5. Study should be made to determine methods which could be adopted to eliminate the abuses of the dog laws.

Comment

It appears that there have been some abuses of the dog laws, particularly with respect to the payment of counties for killing stray, unlicensed dogs.

## CHAPTER VIII

### DEPARTMENT OF COMMERCE

The Joint State Government Commission makes no recommendation with respect to the Department of Commerce at this time. Chapter VIII, page 801 of the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission contains a description of the organization and administration of the Department of Commerce.

## CHAPTER IX

### DEPARTMENT OF FORESTS AND WATERS

#### Recommendations

1. Legislation should be enacted to make possible the acquisition, by commercial companies, of part or all of the 900 miles of telephone lines now owned, operated and maintained by the Department of Forests and Waters in connection with fire protection activities.

#### Comment

The maintenance of telephone lines has become an acute problem. Efficient operation of the lines by the Department of Forests and Waters is practically impossible, whereas improved service would be assured if the lines were owned and operated by established commercial companies.

2. The present fire protection laws should be amended to relieve the Department of Forests and Waters from primary responsi-

bility and jurisdiction for the extinction of fires in the open, within the limits of boroughs, towns, cities and first class townships.

Comment

Most open fires within the limits of boroughs, towns, cities and first class township areas are grass or brush fires. Suppression of such fires involves tactics quite different from those used in fighting forest fires over wide areas and in most instances, prompt action on the part of local police or fire departments is all that is necessary. The Department of Forests and Waters should always stand ready to render cooperative assistance in emergencies.

In addition, the present responsibility imposes a financial burden on the Department of Forests and Waters which it should not be called upon to bear. With the proposed change in responsibility, as outlined, it is suggested that municipalities be authorized to collect expenses involved in fighting and extinguishing fires, from the person or persons responsible for such fires.

3. The present voluntary cooperative work of fire wardens, fish wardens and game wardens should be encouraged and extended through inter-departmental arrangements whereby the same man, when advisable, could officiate in any one or all three capacities concurrently.

Inter-departmental arrangements between fire wardens, fish wardens and game wardens should include extension of powers and duties and sharing in personnel compensation and expense.

Comment

Under existing practices it would be necessary for one Department to deputize men on the payroll of the other two Departments in order to perform voluntary cooperative work of fire wardens, fish wardens and game wardens.

4. Study should be made to ascertain whether greater efficiency, economy and improved service to the public would result through the consolidation of the functions of this Department with those of the Fish Commission and Game Commission under a Department of Conservation.

Comment

A similar recommendation was made in the Report of the Joint Legislative Committee on Finances (Sterling Report) page 512. See also Recommendation No.3, Game Commission, page 40 of this Report, and Recommendation No.3, Fish Commission, page 38 of this Report.

CHAPTER X

DEPARTMENT OF HEALTH

Recommendations

1. The employes of the Department of Health should be placed under civil service.

Comment

See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.

2. The prosecution and enforcement activities connected with inspectional and investigational services of the Department in the matter of health laws on births and deaths, drug control, rural sanitation, restaurant hygiene, water and milk should be centralized in the Bureau of Health Law Enforcement in the interest of economy and greater over-all efficiency.

### Comment

Formerly, the Bureau of Field Inspection was organized in 1927 in the Department of Health to enforce its rules and regulations. Inspectors in the various bureaus did inspection work only. If violations were found the Bureau concerned asked the violator to correct the conditions. If these orders were not complied with the Bureau then turned the report over to the Bureau of Field Inspection and Inspectors from this bureau would be assigned to handle such cases. Under the law this was the only bureau which was authorized to enforce the rules and regulations of the Department and had the right to bring prosecutions. This unit has since been abolished. At the present time, due to the fact that there is no Bureau of Field Inspection, all bureaus doing inspectional work can only ask the violator to comply with their suggestions.

3. Consideration should be given to the desirability of transferring the responsibility for sealing coal mines to arrest the generation of sulphuric acid and the resulting contamination of streams from the Department of Health to the Department of Mines.

4. Consideration should be given as to the desirability of transferring the responsibility for de-watering flooded coal mines, so as to make them workable and hence sources of employment, from the Department of Health to the Department of Mines.

### Comment

It has been suggested that the engineering work involved in the functions of Recommendations 3 and 4 are more related to the special training and daily work of the staff of the Department of Mines than with the work of the sanitary engineers in the Department of Health.

5. Consideration should be given to the consolidation and coordination of food and sanitary inspection of restaurants.

Comment

See Recommendation No. 3, Department of Agriculture, page 10 of this Report.

6. Consideration should be given to the advisability of establishing a central testing laboratory for the Department of Health and other Departments.

Comment

See General Recommendations No. 1, page 46 of this Report.

7. The functions of the Department of Health and the Department of Labor and Industry in the matter of occupational disease control should be studied with a view toward integrating the research and enforcement activities of those two departments.

Comment

Until the Spring of 1939 Occupational Disease Control was a function of the Department of Labor and Industry. At that time through administrative agreement between the Secretary of Health and the Secretary of Labor the technical aspects of the work were transferred to the Department of Health. The police authority, however, remained with the Department of Labor and Industry so that their inspectors could investigate and learn of dangerous situations and report any hazards found in plants to the Department of Health. The Division of Industrial Hygiene in the Department of Health checks complaints, makes technical investigations and reports their findings for correction to the Bureau of Inspection of the

Department of Labor and Industry. Also the Division of Industrial Hygiene in the Department of Health engages in research work through several well equipped laboratories financed by Federal funds.

## CHAPTER XI

### DEPARTMENT OF INSURANCE

#### Recommendations

1. A charge of \$1.00 should be made to applicants who apply to take examinations for agent's or broker's license to cover the cost of holding such examinations.

#### Comment

In other departments of the State government, applicants for professional licenses, upon making application for examination pay a fee.

## CHAPTER XII

### DEPARTMENT OF JUSTICE

#### Recommendations

1. The Department of Justice should adopt methods to facilitate the collection of delinquent accounts owed to the State by counties for the maintenance of inmates in state mental institutions and plans should be formulated to make this possible.

Comment

There are counties indebted to the Commonwealth for the maintenance of inmates in state mental institutions.

2. Study should be made of the parole, probation and pardon system in Pennsylvania for the purpose of improving the system.

Comment

It is the opinion of many public spirited citizens as well as those interested in crime prevention that the present parole, probation and pardon system is outmoded and requires revision. Studies heretofore made might be brought up to date.

CHAPTER XIII

DEPARTMENT OF LABOR AND INDUSTRY

Recommendations

1. The Bureau of Unemployment Compensation should improve its system of payroll information so that it can be made more readily available, particularly to the Department of Public Assistance.

Comment

The Department of Public Assistance requires information on the employment and earnings of applicants for assistance. Much time and effort could be saved if the information on employment and payrolls is compiled in a form as to be readily available and useful to the Department of Public Assistance or any other agency finding it necessary to use the information. See Recommendation No. VII (A), "Report on Relief" by the Joint State Government Commission, January, 1941.

2. The Bureau of Rehabilitation and the State Employment Office should develop a cooperative arrangement to aid in obtaining employment for rehabilitated persons.



Comment

See Recommendation No. VII (A), "Report on Relief" by the Joint State Government Commission, January, 1941.

3. Fees for all inspectional services should be sufficient to make each inspection division in the Department self-sustaining.

Comment

See General Recommendations No. 2, page 47 of this Report.

4. The inspection of underground mining should be transferred to the Department of Mines.

Comment

See Recommendation No. 1, Department of Mines, page 22 of this Report.

5. That part of the fire inspection and prevention service which involves the examination of plants and the enforcement of safety regulations in dyeing and cleaning establishments should be transferred from the Pennsylvania Motor Police to the Department of Labor and Industry.

All other aspects of the fire inspection services now performed should remain with the Motor Police as heretofore.

Comment

See Recommendation No. 7, Pennsylvania Motor Police, page 32 of this Report.

6. The merit system in the Bureau of Employment and Unemployment Compensation should be consolidated with the civil service systems in effect in other Departments of the State Government.

Comment

See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.

7. The functions of the Department of Health and the

Department of Labor and Industry in the matter of occupational disease control should be studied with a view toward integrating the research and enforcement activities of these two Departments.

Comment

See Recommendation No. 7, Department of Health, page 16 of this Report.

CHAPTER XIV

DEPARTMENT OF MILITARY AFFAIRS

Recommendations

1. The custody and maintenance of all state airplanes should be transferred to the Department of Military Affairs from the Department of Revenue.

Comment

At present the custody of all airplanes owned by the Commonwealth is divided between the Department of Revenue and the Department of Military Affairs. The number of planes normally in the possession of the State government is not large and it would seem to be in the interest of economy that the care of these planes should be under one organization rather than under two. See Recommendation No. 4, Department of Revenue, page 29 of this Report.

2. The Veterans' Compensation Division should be abolished when the work of the Bureau has been completed.

Comment

The Veterans' Compensation Division was charged with the work of distributing the Federal Soldiers' Bonus. Certain functions, such as recovering bonus payments made to illegal claimants, may shortly be concluded.

3. Study should be given to the advisability of moving the headquarters and the State Arsenal to Indiantown Gap in order to reduce the costs and improve the efficiency of the Department of Military Affairs.

Comment

It has been suggested that by transferring the present State Arsenal as well as the office of the Adjutant General to Indiantown Gap greater efficiency and economy could be secured. Preliminary study has been made by the Joint State Government Commission as to the expenditures necessary to construct adequate buildings at Indiantown Gap and the savings by the Commonwealth in rentals which it is now compelled to pay. Further study should be given to this problem.

4. Study should be given to the desirability of purchasing the nine Armories rented by the Department of Military Affairs.

Comment

It has been suggested that the rentals now being paid for the State Armories would be better expended if they were applied to the purchase of the buildings.

5. Study should be made as to the purposes and further use and availability of the State Military Cemetery.

Comment

The State Military Cemetery located at Bealsburg, Centre County, has never been utilized for the purpose for which it was established.

CHAPTER XV

DEPARTMENT OF MINES

Recommendations

1. The Department's function should be enlarged to cover all underground mining in the State in addition to coal mining.

Comment

The jurisdiction of the Department of Mines is limited to coal mining. Duties relating to other types of underground mining, such as limestone or iron ore mining and to quarries are delegated to the Department of Labor and Industry, which, through its Mines and Quarries Division, inspects such mines and quarries and enforces the laws which apply to them. As the duties relating to underground mining are closely analagous to those of the Department of Mines with regard to coal mines, it is believed greater efficiency and economy could be realized by consolidating them. See Recommendation No. 4, Department of Labor and Industry, page 19 of this Report.

2. The Anthracite and Bituminous Inspectors' Examining Boards should be transferred from the Department of Public Instruction to the Department of Mines.

Comment

The Department of Mines now performs nearly all the work of the Anthracite and Bituminous Inspectors' Examining Boards. The Secretary of Mines is Chairman of the Board and the Department of Mines does the major portion of the work involved in drafting examinations and grading papers. In addition, the Department of Mines keeps records of the results of examinations, certifications, appointments, etc. However, these Boards are officially under the Department of Public Instruction and the expenses of the Boards are paid from the appropriation to this Department. The Department of Public Instruction also keeps some records similar to those kept by the Department of Mines.

In view of the vital interest of the Department of Mines in the Anthracite and Bituminous Inspectors' Examining Boards and the fact that the Department performs the major portion of the work of these Boards, it is considered desirable to transfer these Boards to the Department of Mines. With such a change, the Department's regular employes could perform the necessary clerical work for the Boards and possibly eliminate considerable expense. See Recommendation No. 2, Department of Public Instruction, page 27 of this Report.

## CHAPTER XVI

### DEPARTMENT OF PROPERTY AND SUPPLIES

#### Recommendations

1. The Department of Property and Supplies should maintain a central inventory of all land and buildings owned by the Commonwealth and of all purchases and sales. Such inventory should cover:
  - (a) The number of acres owned by and under custody of each Department of the State authorized to hold or acquire land.
  - (b) The use for which such property was acquired or is being maintained.
  - (c) Its value when purchased or acquired, and its estimated value from year to year.
  - (d) The character of all construction, improvements and facilities.
  - (e) The first cost of such construction, facilities or plants and their estimated value from year to year.
  - (f) All additions to, or disposals of, State land through any of the State Departments or agencies.

Comment

While the Department of Property and Supplies maintains an inventory of all land purchased subsequent to 1929, it has no record of prior holdings. Titles to state lands are filed in the Department of Internal Affairs, but the acreage of holdings is generally known only to the Department through which the purchases were made. There is need for a division to maintain a centralized inventory of all state lands. The inventory recommended would be valuable for fire insurance purposes and for determining the value of the Commonwealth's holdings of real property.

2. A Board consisting of at least three elected State officers of the Commonwealth should be created and be vested with the function and power of acquiring and selling land under a uniform procedure.

Comment

There is no uniform land purchase law in the Commonwealth at the present time. The Department of Property and Supplies acts as general vendor for the Commonwealth under special authorization of the Legislature. An exception exists to this rule with respect to purchase and sale of land for their own purposes under the powers vested in the Department of Forests and Waters, in the Highway Department and in the Game Commission.

3. The membership of the Board of Public Grounds and Buildings should be increased to include representatives of each House of the Legislature. The members of the Board should be authorized to deputize or substitute.

Comment

At the present time the General Assembly is without any representative on the Board of Public Grounds and Buildings.

4. All state cars should be provided with readily distinguishable marks of identification to prevent personal use of State property, except in the case of the Pennsylvania Motor Police where, for police purposes, it is imperative that no identification be placed thereon.

5. Consideration should be given as to the advisability of establishing a central testing laboratory for the Department of Property and Supplies and other Departments.

Comment

See General Recommendations, No. 1, page 46 of this Report.

6. Whenever possible, and wherever the Federal standards equal, or are higher, they should be used in order to bring about uniformity in purchase specifications.

Comment

Since industry now operates on a mass production basis, and most of the articles and supplies used in the various governmental agencies are those which may be considered of a standard or uniform nature, it would seem to be economical and at the same time practical for the State department to supply each manufacturer entering bids or desiring to make a bid, with a set of already established Federal standards. The manufacturer would then bid on the basis of these standards without the need of following elaborate procedures set up for the establishment and adoption of standards and specifications by the Commonwealth. Where the Federal specifications will not fit the particular needs of an agency and where special articles are necessary, the Department should follow the practice of establishing and setting up its own standards.

## CHAPTER XVII

### DEPARTMENT OF PUBLIC ASSISTANCE

#### Recommendations

1. The merit system in the Department of Public Assistance should be consolidated with the civil service systems in effect in other Departments.

#### Comment

See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.

2. The Joint State Government Commission in January, 1941, submitted a comprehensive report on the administration of Public Assistance and made a number of recommendations. See "Report on Relief" by the Joint State Government Commission to the General Assembly. The Recommendations appear on pages i to vi thereof.

## CHAPTER XVIII

### DEPARTMENT OF PUBLIC INSTRUCTION

#### Recommendations

1. Provision should be made to establish a minimum annual salary of \$1,000. for teachers of 4th Class School Districts.

#### Comment

See "First Report on the Tax and Financial Problems of the Commonwealth of Pennsylvania" by the Joint State Government Commission, January, 1941.



2. The Anthracite and Bituminous Inspectors' Examining Boards should be transferred from the Department of Public Instruction to the Department of Mines.

Comment

See Recommendation No. 2, Department of Mines, page 22 of this Report.

3. A scientific system should be devised to apportion the funds now appropriated for aid to higher educational institutions.

Comment

The Joint Legislative Committee on Finances (Sterling Report) made a similar recommendation. On pages 339, 340 of that Report, the following language is contained:

".....there has been no attempt to allocate the amount of appropriation to be made to the several institutions upon a fair and equitable basis..... There has apparently been no careful or scientific attempt to determine how the amount available for appropriation for such purpose should be distributed among the institutions to be benefitted...."

See also "First Report on the Tax and Financial Problems of the Commonwealth of Pennsylvania" by the Joint State Government Commission, January, 1941.

4. A full and comprehensive study should be made of the entire subject of subsidies to distressed school districts and subsidy procedures now used for public education.

Comment

The question of subsidies to distressed school districts and the broad question of subsidy procedures now used for public education are discussed in the "First Report on the Tax and Financial Problems of the Commonwealth of Pennsylvania" by the Joint State Government Commission, January, 1941. See Recommendation XIII (1) thereof and pages 38 to 47, and 115 to 121.

5. Vocational education and training and retraining programs should be extended and related to the needs of the industries in the community in which such educational facilities are provided.

Comment

A similar proposal is contained in the "Report on Relief" by the Joint State Government Commission, January, 1941. See also: "First Report on the Tax and Financial Problems of the Commonwealth of Pennsylvania" by the Joint State Government Commission, January, 1941, pages 115 to 121.

CHAPTER XIX

DEPARTMENT OF REVENUE

Recommendations

1. The legislature should revise and codify the Mental Health Acts in order to clarify the collection provisions thereof.

Comment

It is believed that a revision and codification of the Mental Health Acts would simplify collections and add revenue to the Commonwealth.

2. The levying of mercantile taxes by appraisers should be discontinued and the tax placed on a self-assessing basis with centralized collection by the Department of Revenue instead of having payments made to County Treasurers.

Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania," page 53 of this Report.

3. The advertising of mercantile license lists should be discontinued and notices should be entered in newspapers advising that the lists are on file at certain offices of the Department throughout the State.

Comment

The present detailed lists advertised in local newspapers appear to be of no real value. A notice that the lists are on file at the most available office of the Revenue Department (See Recommendation No. 2 above) would appear to be sufficient.

4. The custody and maintenance of all state airplanes should be transferred from the Department of Revenue to the Department of Military Affairs.

Comment

See Recommendation No. 1, Department of Military Affairs, page 20 of this Report.

5. The number of investigators assigned to State institutions to investigate the financial ability of inmates should be increased.

Comment

See Recommendation No. 3, Department of Welfare, page 34 of this Report.

6. The appointment of inheritance tax appraisers should be transferred from the Auditor General to the Secretary of Revenue.

Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania", page 53 of this Report. See also: Auditor General, Recommendation No. 3, page 2 of this Report.

7. Consideration should be given to the desirability and the constitutional limitations of permitting reciprocal exchange of tax information with other states and the effect thereof.

## CHAPTER XX

### DEPARTMENT OF STATE

#### Recommendations

1. The Department of State should be relieved of its duty to register firearms and the duty placed on the Pennsylvania Motor Police.

#### Comment

See Recommendation No. 2, Pennsylvania Motor Police, page 31 of this Report.

2. An appropriation should be made for the re-recording of important books of record, many of which are in need of repair.

3. Adequate space and equipment should be provided for the Corporation Bureau and the offices of the State Employees' Retirement System.

CHAPTER XXI

PENNSYLVANIA MOTOR POLICE

Recommendations

1. The name "Pennsylvania State Police" should be adopted in place of the present name "Pennsylvania Motor Police".

Comment

At the present time the name "Pennsylvania Motor Police" only partly describes the organization's functions. The broader term of "Pennsylvania State Police" is, therefore, considered desirable.

2. The Department of State should be relieved of its duty to register firearms and that duty transferred to the Pennsylvania Motor Police.

Comment

The law now places the responsibility for issuing pistol permits with the Secretary of the Commonwealth, but, under agreement, issuances are actually being handled by the Motor Police. See Recommendation No. 1, Department of State, page 30 of this Report.

3. The present Uniform Firearms Act should be amended to conform, to the extent considered desirable, with the Uniform Pistol Act as prepared by the Interstate Commission on Crime.

Comment

In Formal Opinion No. 322, issued by the Attorney General on February 27, 1940 to the Commissioner of the Pennsylvania Motor Police, the Attorney General ruled that the present Act permits the licensee to carry any firearm - that the license covers the person and not the firearm. Under this ruling it is not now necessary to register a firearm showing make, manufacturer's number, calibre, etc. Since identification of firearms used in perpetration of crimes, through tracing of ownership, is an essential step in crime solution, inability to trace ownership, because of non-registration, defeats the prime purpose of the Firearms Act.

4. The present accounting practice of charging the cost of board and lodging in barracks, quarters and meal allowances, to the general classification "travelling expenses" should be discontinued in favor of showing the costs separately for the purpose of better accounting control and cost determination.

Comment

The expenditures for cost of board and lodging in barracks and quarters and meal allowances and travelling expenses are, it seems, unrelated and the greater item should not be charged to the lesser classification. The total "traveling expenses", as now computed, average \$65,000. monthly and are large enough to justify their being accounted for separately.

5. The merit system should be adopted for the Pennsylvania Motor Police.

Comment

Although the system now in operation for the employment of personnel in the Pennsylvania Motor Police may be regarded as a form of civil service, it does not have the effect of law. See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.

6. The powers of the Motor Police under the so-called "Lock-up Law", as well as the procedure for prosecuting cases before the minor judiciary, should be more clearly defined by means of amendments to existing laws incorporating specific limitations.

Comment

The powers and limitations of the Motor Police and the so-called "Lock-up Law" are vague and the procedure in prosecuting cases before Justices of the Peace are not well defined.

7. That part of the fire inspection and prevention service which involves the examination of plants for the enforcement of safety regulations in dyeing and cleaning establishments should be transferred

to the Department of Labor and Industry. All other aspects of the  
fire inspection services now performed should remain with the Motor  
Police as heretofore.

Comment

A similar recommendation was made by the Joint  
Legislative Committee on Finances (Sterling Report)  
pages 430, 433. See also Recommendation No. 5,  
Department of Labor and Industry, page 19 of this Report.

8. The Uniform Acts on the following subjects:

- (a) Narcotic Drugs;
- (b) Extradition;
- (c) Rendition of Witnesses Across State Lines

and (d) Extra-State Fresh Pursuit of Criminals  
should be studied with a view of either adopting the said Acts or to  
bring Pennsylvania Acts on the subjects, wherever possible, into conformity  
with the Uniform Acts.

9. Full study should be given to the desirability of the  
Commonwealth owning and operating its own barracks and buildings to  
house sub-stations.

Comment

The Commonwealth now owns barracks in Philadelphia  
and Harrisburg. It rents the grounds of the Training  
School at Hershey. All other troop barracks are now  
rented at sums ranging from \$225.00 to \$275.00 per  
month, and cost a total annual rental of \$47,000. The  
erection of a number of small buildings to house sub-  
stations in strategic locations throughout the State  
in a manner in keeping with the dignity of the Common-  
wealth, would dramatize the police power and generate  
a wholesome inhibition in the minds of criminals.  
As a matter of public convenience, as well as  
Departmental efficiency, these additional and better  
centers could serve for examining applicants for  
drivers' licenses.

CHAPTER XXII

DEPARTMENT OF WELFARE

Recommendations

1. The operation and ownership of the ten state owned medical and surgical hospitals should be transferred to private ownership and operation whenever satisfactory arrangements can be made for the protection of the health of the community.

Comment

The 1939-41 appropriation to these hospitals was \$2,951,112 or 6.9% of the Department of Welfare budget of \$42,888,662. These hospitals were originally privately owned and were acquired by the State during the period 1871-1923.

2. The practice of paying salesmen in the Prison Labor Industries Division of the Department of Welfare on a salary plus commission basis be discontinued and that these salesmen be paid on a straight commission basis, wherever possible.

Comment

At the present time the four salesmen in the Prison Labor Industries Division of the Department of Welfare are paid on a salary plus commission basis, the salary being \$1,860 annually. The Report on the Department of Welfare, Chapter XXII, indicates that there is no direct relationship between the amount of sales made by these salesmen and their commissions. For example, salesman No. 1 sold products amounting to \$179,239. during the fiscal year 1938-39 for which he received \$2,219.31 in commissions. However, salesman No. 3 returned \$216,334 in sales and his commissions totaled \$1,943.40. In other words, salesman No. 3 sold almost 21% more than salesman No. 1, yet his commissions were 14% less. In addition, each salesman receives traveling expenses. During the above period traveling expenses ranged from \$34.75 to \$1,680.75 for the four salesmen.

3. The number of investigators assigned to institutions to investigate financial ability of inmates or their relatives should be



ORIGINAL INVESTIGATION

increased.

Comment

At one of the State mental hospitals it was found that the Department of Revenue had one investigator who was responsible for a check on approximately 1,500 inmates, covering four counties. At best, due to the volume of work entailed, it was impossible for him to investigate other than current cases. No re-check on old cases was maintained and in some instances re-investigations had not been made for a period of six years or more. As a result, it was found that the State Government was losing considerable sums from responsible relatives of inmates whose family status changed considerably during the above period of years. See Recommendation No. 5, Department of Revenue, page 29 of this Report.

4. The employees of the Department of Welfare should be placed under civil service.

Comment

See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.

5. The bed capacity in the State's Mental Hospitals should be increased.

Comment

It is estimated that the nine State Mental Hospitals are overcrowded to 25 per cent beyond capacity. For example, on July 31, 1940 the comfortable capacity of the above hospitals aggregated 17,613 although the number of inmates totaled 22,047.

CHAPTER XXIII

DEPARTMENT OF BANKING

The Joint State Government Commission makes no recommendations with respect to the Department of Banking at this time. Chapter XXIII of the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission contains a description of the organization and administration of the Department of Banking.

CHAPTER XXIV

DEPARTMENT OF HIGHWAYS

Recommendations

1. Maintenance of township roads should continue as the responsibility of the township supervisors with State financial assistance as provided by Act 9-A and 10-A of 1939.

Comment

It has been frequently expressed that local political units could handle maintenance on purely local roads, with state financial assistance, at considerably less cost than if the Department of Highways assumed the responsibility.

2. Consideration should be given to the advisability of establishing a central testing laboratory for the Department of Highways and other departments.

Comment

See Recommendation No. 5, Department of Property and Supplies, page 25 of this Report and Recommendation No. 1, General Recommendations, page 46 of this Report.

3. Duplication of reports and records by the Township Supervisors to the Highway Department and other State Departments should be eliminated and reports should be adopted, if possible, which will contain similar data.

Comment

At the present time the Township Supervisors are required to file reports of their budgets with the State Highway Department and the Department of Internal Affairs. At the end of the year they are compelled to file reports with the State Highway Department and the Board of Auditors are required to file similar reports with the Department of Internal Affairs. See Recommendation No. 6, Department of Internal Affairs, page 6 and General Recommendations No. 3, page 48 of this Report.

4. Further study should be made to ascertain whether any additional roads should be added to the highway system before provision has been made to properly finance the cost of constructing and maintaining the present highway system.

Comment

Through additions to the State Highway System, the mileage has grown from 13,521 miles in May, 1931 to 40,522 miles at present. Approximately 8,000 miles are still unimproved, and some of the primary routes which were paved earlier are now in need of reconstruction. When additional miles are added to the system without provision for increasing the revenues available to the Department, a greater portion of the revenues must be devoted to maintenance work, thus reducing the funds available for new construction or reconstruction.

CHAPTER XXV

BOARD OF FISH COMMISSIONERS

Recommendations

1. The present voluntary cooperative work of fire wardens, fish wardens and game wardens should be encouraged and extended through inter-departmental arrangements whereby the same man, when advisable, could officiate in any one or all three capacities concurrently. Inter-departmental arrangements between fire wardens, fish wardens and game wardens should include extension of powers and duties and sharing in personnel compensation and expense.

Comment:

Under existing practices, it would be necessary for one department to deputize men on the payroll of the other two departments in order to perform voluntary cooperative work of fire wardens, fish wardens and game wardens. See Recommendation No. 3, Department of Forests and Waters, page 13 and Recommendation No. 1, Game Commission, page 39 of this Report.

2. The Fish Fund should be required to bear the expense now borne by the General Fund for the following items:

- a) Auditing costs, as determined by the Auditor General's Department, upon completion of the work.
- b) Costs of check writing, etc., incurred by the State Treasurer.
- c) Heat, light, power and rent, as determined by the Department of Property and Supplies.

Comment:

A similar recommendation was made by the Joint Legislative Committee on Finances (Sterling Report) page 511.

3. Study should be made to ascertain whether greater efficiency, economy and improved service to the public would result through the

consolidation of the functions of the Fish Commission with those of the Game Commission and the Department of Forests and Waters under a Department of Conservation.

Comment

A similar recommendation was made by the Joint Legislative Committee on Finances (Sterling Report) pages 511, 512. See also Recommendation No. 4, Department of Forests and Waters, page 14 and Recommendation No. 3, Game Commission, page 40 of this Report.

CHAPTER XXVI

PENNSYLVANIA GAME COMMISSION

Recommendations

1. The present voluntary cooperative work of fire wardens, fish wardens and game wardens should be encouraged and extended through inter-departmental arrangements whereby the same man, when advisable, could officiate in any one or all three capacities concurrently. Inter-departmental arrangements between fire wardens, fish wardens and game wardens should include extension of powers and duties and sharing in personnel compensation and expense.

Comment

Under existing practices it would be necessary for one department to deputize men on the payroll of the other two departments in order to perform voluntary cooperative work of fire wardens, fish wardens and game wardens. See also Recommendation No. 3, Department of Forests and Waters, page 13 and Recommendation No. 1, Fish Commission, page 38 of this Report.

2. The Game Fund should be required to bear the expense now borne by the General Fund for the following items:

- a) Auditing costs, as determined by the Auditor General's Department, upon completion of the work.
- b) Costs of check writing, etc. incurred by the State Treasurer.
- c) Heat, light, power and rent, as determined by the Department of Property and Supplies.

Comment

See Recommendation No. 2, Fish Commission, page 38 of this Report.

3. Study should be made to ascertain whether greater efficiency, economy and improved service to the public would result through the consolidation of the functions of the Game Commission with those of the Fish Commission and the Department of Forests and Waters under a Department of Conservation.

Comment

See Recommendation No. 4, Department of Forests and Waters, page 14 and Recommendation No. 3, Fish Commission, page 38 of this Report.

CHAPTER XXVII

MILK CONTROL COMMISSION

Recommendations

1. The organization of the Milk Control Commission, its administration and the effect of price fixing in Pennsylvania and other states where milk control laws are in operation should be studied further before any changes are recommended.

Comment  
The "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission contains in Chapter XXVII a description of the operations and expenditures of the Milk Control Commission.

2. The effect of the recent opinion by the Pennsylvania Supreme Court on consignment contracts should be considered by the legislature.

Comment

Under a consignment contract, a dealer may avoid compliance with the Milk Control Act by simply refraining from "purchasing milk". He becomes the agent or factor of the producer, handles the producer's milk and remits to the producer whatever the value of the milk proves to be. This type of contract was upheld in the Dauphin County Court of Common Pleas. Upon the basis of a strong dissenting opinion in the case the Milk Control Commission appealed the decision to the Supreme Court of Pennsylvania, which, in a divided opinion, upheld the decision of the Dauphin County Court (GREEN et al v. PENNSYLVANIA MILK CONTROL COMMISSION, 340 Pa. 1). The Commission has now filed a petition for a writ of certiorari to the United States Supreme Court.

CHAPTER XXVIII  
PUBLIC UTILITY COMMISSION

Recommendations

1. Legislation should be enacted to authorize Examiners, on cases heard by them, to make Reports and Recommendations to the Commission.

Comment

In the case of JOHN BENKART and SONS CO. et al v. PENNSYLVANIA PUBLIC UTILITY COMMISSION, 137 Pa. Super. Ct. 5, the Court held that Examiners were not permitted

to make recommendations. Although the Examiners hear the cases and examine witnesses, they have no authority to make recommendations. The Examiners when hearing cases can determine more accurately the veracity and credibility of witnesses. In other Boards and Commissions, Examiners who hear cases are permitted to make recommendations.

2. Legislation should be enacted to provide for uniform filing fees.

## CHAPTER XXIX

### LIQUOR CONTROL BOARD

#### Recommendations

1. The Liquor Control Act should be amended to clearly define the auditing function of the Auditor General and to eliminate duplication of the Auditor General's audits by employes of the Liquor Control Board.

#### Comment

See Appendix A, "A Study of Auditing Practices in the State Government, Commonwealth of Pennsylvania," page 53 of this Report.

2. The merit system in the Liquor Control Board should be consolidated with the civil service system in effect in other Departments.

#### Comment

See Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 77 of this Report.



## CHAPTER XXX

### THE GENERAL STATE AUTHORITY

#### Recommendations

1. The General State Authority Act of June 28, 1935, P. L. 452, as amended by the Acts of May 18, 1937, P. L. 676 and June 15, 1939, P.L. 379, should be further amended to provide that no new project may be undertaken without authorization of the General Assembly.

#### Comment

Under the present law, the General State Authority undertook a \$65,000,000 building program. The rentals to amortize the bonds issued to pay the cost of the program are paid by the Commonwealth of Pennsylvania upon the signing of a lease by the Secretary of Property and Supplies. Therefore, through these rentals the General State Authority obligates the Commonwealth without the General Assembly approving the projects.

2. The General State Authority Act should be further amended to provide that the incumbents of the Board of the General State Authority continue in office until their successors are chosen and qualify.

## CHAPTER XXXI

### THE PENNSYLVANIA TURNPIKE COMMISSION

#### Recommendations

1. The exact status of the Turnpike as a public highway and as a link in the State's system of highways should be specifically defined.

Comment

The present law fails to set forth the exact status of the Turnpike as a public highway and as a link in the State's system of highways as well as the ultimate status after the obligations of the Turnpike Commission have been paid.

2. Legislation should be enacted to permit the Turnpike Commission to adopt its own traffic regulations and police the Turnpike, or any extension thereof.

Comment

The system and method required for policing the Turnpike differs from that necessary on other State highways. The experience which will be developed on the Turnpike will, therefore, be considerably different than on the other state highways. The Turnpike Commission should be given full power and authority to develop its own police and accident record and adopt such regulations and policing as their experience will dictate.

3. Study should be made to determine the procedure to be adopted ultimately for the purpose of auditing the financial affairs of the Turnpike Commission.

Comment

The Turnpike Commission at the present time is audited monthly by a firm of independent certified public accountants selected by the Commission and is also audited by independent certified public accountants selected by the Trustee for the Bondholders, but is not audited by any State agency. It is advisable, therefore, that the matter be studied with a view of determining whether any auditing should be made now by any State agency or should be delayed until the bonds have been paid.

CHAPTER XXXII

DELAWARE RIVER JOINT COMMISSION

Recommendations

1. A study should be instituted to determine the need for approaches to the Delaware River Bridge and the factors involved in financing the cost of constructing the approaches.

Comment

See Chapter XXXII of the "Report on the Organization and Administration of Pennsylvania's State Government" by the Joint State Government Commission which contains a description of the organization and administration of the Delaware River Joint Commission.

## PART II

### GENERAL RECOMMENDATIONS

1. Consideration should be given to the feasibility of establishing a central testing laboratory to make all of the tests of the several departments and agencies of the State Government.

#### Comment

At the present time the Department of Agriculture maintains laboratories for experiments on livestock work. The Bureau of Foods and Chemistry in that department has a Laboratory Division for testing food and chemical products and specimens. In addition it occasionally makes use of private laboratories. The Bureau of Plant Industry has a laboratory for testing and classing of seeds.

The Department of Health has a Division of Laboratories for the purpose of aiding physicians in scientific diagnoses of cases where the patients are unable to have such work done by a private laboratory or where a laboratory is not available. The central laboratory of the Department is located in Philadelphia and branch laboratories are located at each of the three state sanitoria and the Hospital for Crippled Children at Elizabethtown. In addition there are other laboratories in the various bureaus of that Department.

In the Department of Property and Supplies there is a Division of Laboratory Tests and Inspection Service to which is assigned the duty of testing materials purchased by the Department.

The Department of Highways also has a laboratory for the testing of highway materials and products.

Suggestion has been made that by consolidating all of the laboratories in the State under a central laboratory with specialized divisions there could be greater economy and efficiency. The advocates of this proposal suggest there could be established a central laboratory in Harrisburg with branch laboratories in Philadelphia and Pittsburgh to handle the testing and analyses which could not be sent to Harrisburg. It has also been suggested that the overlapping of the work in the several departments mentioned above would thus be eliminated; that there would be more efficiency and higher technical standards and that other departments of the State Government, at present without any laboratory facilities,

which might occasionally require the services of such centralized laboratory, would be encouraged to make use thereof.

The Joint State Government Commission has made some preliminary study as to the advisability of establishing a central laboratory.

2. Consideration should be given to the possibility of making all inspectional, investigational or examining services self-sustaining where the benefits of such services are clearly direct and where such charges or fees would not react against the public welfare.

#### Comment

For many of the State inspection services, charges already are made which produce considerable revenue. For instance, the various Divisions (Boiler, Elevator, Bedding and Upholstery, Buildings, etc.) of the Bureau of Inspection of the Department of Labor and Industry are either partly or wholly self-sustaining, as the result of permit and inspection fees. Other agencies likewise charge for inspection and examination services.

There remain, however, State agencies which conduct chemical analyses, inspection and examinations, and make no or insufficient charge therefor. The Department of Health, for example, makes initial examinations, prior to granting permits, and subsequent periodic inspections of public water supplies. In addition the Department conducts investigations of water sources prior to issuance of bottled water permits. Charges might be made for both these services.

The Department of Internal Affairs might charge appropriate fees for the testing and examining of weighing and measuring devices.

It is suggested, therefore, that a thorough study be made of all inspection, testing and examination services with a view toward making them self-sustaining.

A comprehensive survey should be made of reports and returns required to be made to State agencies with a view toward:

- 1) Coordinating such reports wherever possible;
- 2) Eliminating duplications;
- 3) Compiling standard classified address lists of respondents which would be available to all report-collecting agencies;
- 4) Examining and revising, where necessary, all report forms and schedules from the standpoint of providing cogent and complete statistical data.

#### Comment

The work of State agencies requires many types of information from the persons or organizations with whom it deals. Many of the reports and returns made by private individuals, business concerns, and other respondents are administrative in character; that is, they are used by the collecting agencies to administer some law or regulation affecting the respondent.

The United States Central Statistical Board places these under three general headings:

- 1) Those connected with some service or benefit to the respondent, many being in the nature of applications;
- 2) those essential for the regulation of individual respondents in the public interest;
- 3) those incidental to the collection of taxes from respondents.\*

Thus, the tax laws administered by the Department of Revenue require certain tax returns and reports from individuals, corporations, tax collectors and others. The Public Utility Commission for its regulatory purposes requires annual statements from public service companies. The Departments of Banking and Insurance receive and audit annual statements from the business concerns under their respective jurisdictions.

Employers subject to the Unemployment Compensation Act are obliged to file quarterly payroll reports with the Bureau of Employment and Unemployment Compensation.

Other reports obtained by the State Government may be labelled "non-administrative." The information contained in these reports is collected primarily

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\* Central Statistical Board: Report....on the Returns made by the Public to the Federal Government, 1939.

for policy-making or general statistical purposes. The Bureau of Statistics of the Department of Internal Affairs collects reports from manufacturing and mining establishments and public utilities for the compilation of its productive industries and utilities statistics. In addition, in relation to local finance, it collects tax and assessment reports from all tax collectors; and all local government units are required to file detailed financial reports with this Bureau. The Department of Labor and Industry receives reports from industrial establishments on employment and payrolls.

4. A consolidated civil service agency is recommended for those departments or agencies now under civil service, namely, the Bureau of Employment and Unemployment Compensation of the Department of Labor and Industry, Department of Public Assistance and Liquor Control Board. It has been recommended in the prior Chapters that the civil service system be extended to the following Departments or agencies of the State Government: Department of Welfare; Department of Health and Pennsylvania Motor Police.

The provisions which should be included in a measure to put the above recommendations into effect are listed in detail, with the reasons therefor, in Appendix B, "Consolidation of Present Merit Systems in the State Civil Service Under One Administrative Agency", page 76 of this Report.

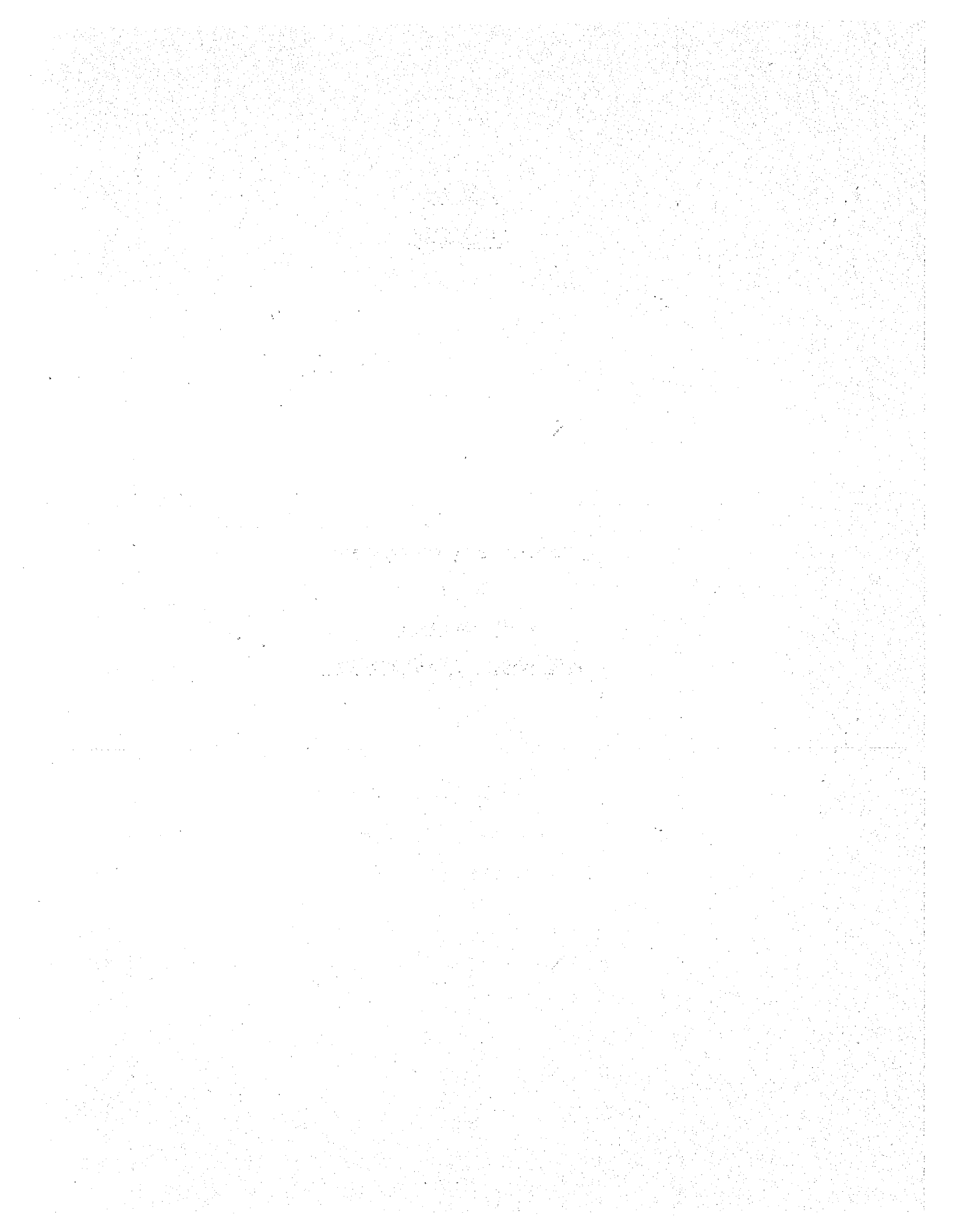




PART III

APPENDIX A

A STUDY OF AUDITING PRACTICES  
IN THE  
STATE GOVERNMENT  
COMMONWEALTH OF PENNSYLVANIA



PART III

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### PART III

## A STUDY OF AUDITING PRACTICES IN THE STATE GOVERNMENT

### I. SUMMARY OF FINDINGS AND RECOMMENDATIONS

In the brief time allowed for this study, little more can be done than to show a very broad picture of State auditing practices with merely sufficient detail to highlight the weak spots and indicate where improvements can be made to safeguard the interests of the Commonwealth. There is little doubt that a further survey would reveal other weaknesses and duplications. However, on the basis of this study, the following conclusions are reached:

1. The Liquor Control Board duplicates the work of the Auditor General in its audit of State Liquor Stores, contrary to the intent of the Liquor Control Act.
2. The State Treasurer duplicates the work of the Auditor General in its audit of requisitions, but does this within a reasonable interpretation of the Fiscal Code.
3. The Department of Revenue duplicates the audit of mayors, adlerson, etc., made by the Auditor General, but such duplication is probably within its rights under the Fiscal Code.
4. The Department of Public Assistance performs duties placed by the Fiscal Code upon the Auditor General and to a limited degree work done by the latter.
5. The Auditor General by his appointment of mercantile and inheritance tax appraisers and by his general involvement in the fiscal affairs of the Government cannot make an independent audit of value to the Commonwealth since he is practically sitting in judgment of his own acts.

It is therefore recommended that the Fiscal Code be amended:

1. To clearly define the auditing function of the Auditor General.
2. To require payment by the Treasurer on the warrant of the Auditor General.

3. To eliminate duplication or performance by any administrative agency of any work or duty placed upon the Auditor General by the Fiscal Code.
4. To assess, settle and collect mercantile taxes on a self-assessing basis as other taxes with centralized collection by the Department of Revenue instead of having payments made to County Treasurers.
5. To provide for appointment of inheritance tax appraisers by the Secretary of Revenue.

It is further recommended that the Liquor Control Act be amended:

1. To clearly define the auditing function of the Auditor General.
2. To eliminate duplication of the Auditor General's audits by employees of the Liquor Control Board.

It is also recommended that:

1. A careful and comprehensive study be made of the audit situation with the idea of restoring an independent audit without the shortcomings of the old system.

The organization outlined from time to time as the result of nationwide surveys by experts in Government provide for a comptroller and treasurer appointed by the Governor, and an independent auditor. This program, to be effective, it is contended by some, should be adopted in its entirety. Until such time that any change seems desirable, the Auditor General should continue as an elected officer, independent of the Governor, as his audit affords some safeguard to the interests of the Commonwealth.

## II. PURPOSE OF THE STUDY

The purpose of this study is to determine whether

1. The audit of the Auditor General is duplicated by any executive branch of the Government.
2. Any executive branch of the Government performs any duty placed upon the Auditor General by the Fiscal Code.

3. The auditing function as carried out by the Auditor General is adequate to the protection of the Commonwealth.
4. Improvements or additional audit safeguards seem necessary.

### III. SCOPE OF THE STUDY

Due to the very short time available, it was necessary to limit this study to a review and comparison of the duties placed upon the Auditor General and the Department of Revenue by the Fiscal Code; the examination of the testimony of the various executive officers before the Joint State Government Commission; and more or less confidential information developed in conversations with various supervising auditors of the Auditor General's Department.

### IV. FISCAL STRUCTURE PRIOR TO FISCAL CODE

Before setting forth in detail the powers and duties of the Auditor General, it might be well to examine briefly the situation before the passage of the Fiscal Code in 1929. In that period, the Auditor General settled and collected all taxes, appointed mercantile and inheritance tax appraisers, examined all requisitions for payment from the State Treasury and if approved by himself and the State Treasurer, drew warrants authorizing such payment. In this he acted as a controller rather than an auditor. As a matter of fact, the only purely audit function performed was in the determination of taxes.

The audit of governmental departments, boards, and commissions was done by commercial auditing firms. The various agencies requested an audit through the Governor's Budget Office, who assigned the job to the auditor. The report was made to the head of the agency audited with copies to the Governor, Auditor General, etc.

When it was determined to reorganize the fiscal activities of the Commonwealth considerable antagonism was aroused against the removal of so many important functions from the province of the Auditor General. The outcome was a compromise in which the ideal was sacrificed to the practical. Thus, the appointment of the mercantile and inheritance tax appraisers was retained while their supervision of the latter was placed in the Department of Revenue to whom they both report. Approval of all tax settlements was also placed upon the Auditor General.

To further compensate the Auditor General for the powers transferred and to reduce the cost, auditing was taken from the outside firms and placed in the Auditor General's Bureau of Audits. This followed, in a general way, the Budgets and Accounts Act, passed by Congress in 1921, in that both audit and control functions are combined under one head.

It seems inevitable that, with functions not exactly defined and settled on a compromise basis, a certain amount of overlapping and uncertainty as to duties should follow. A discussion of these matters will be developed at a more appropriate point of the study.

A. "Account" and "Control" Defined

It is desirable at this point to define two words which occur frequently in the course of the discussion, "audit" and "control". The President's Committee on Administrative Management in a report dated January 8, 1937, set forth the following definitions:

- "An audit, as understood in business practice and in other governments, is an investigation and report upon the fidelity and legality of fiscal transactions. It is ordinarily made by an independent officer, to a body having authority to hold the spending officers accountable;
- "Control . . . . . is the power to pass on expenditures and prevent their being made."

## V. DUTIES OF THE AUDITOR GENERAL

The constitutional duties of the Auditor General, a constitutional officer, <sup>(1)</sup> relate to the approval of certain types of contracts, <sup>(2)</sup> All other duties are imposed by the Fiscal Code and other acts of legislature. These duties may be classed broadly into three different types of auditing:

1. The accounts of those owing money to or collecting money for the Commonwealth.
2. The disbursement of funds appropriated to the various governmental agencies.
3. The accounts or records of those, other than governmental agencies, receiving appropriations payable out of the State Treasury or entitled to receive any portion of any State tax for any purpose whatsoever.

### A. Audit of Debtors to the Commonwealth

Under the powers and duties of the Auditor General relating to debtors <sup>(3)</sup> of the Commonwealth, the Fiscal Code lists the following:

1. To audit all accounts for taxes, or other money due to the Commonwealth, which have been settled by the Department of Revenue.
2. To audit the accounts of city and county officers, in so far as may be necessary to determine whether such officers have reported and transmitted all moneys payable by them to the Commonwealth.
3. To audit the accounts of magistrates, aldermen, justices of the peace, burgesses, mayors, and court clerks, for the purpose of ascertaining whether all fines and penalties collected by them and payable to the Commonwealth, have been correctly reported and promptly transmitted.
4. To audit the accounts and records of all agents of the Commonwealth charged with the duty of assessing, appraising, or collecting State taxes or license fees.
5. To audit all other accounts between the Commonwealth, acting through any administrative agency thereof, and any person liable to pay money thereto for any purpose whatsoever.



## 1. Overlapping Duties of the Department of Revenue

In considering these powers and duties of the Auditor General, it is well to bear in mind that the Department of Revenue (4) is charged with the collection of every item, in relation to which an audit is here directed to be made. It must also be remembered that, in relation to this duty to collect, the Attorney General (5) has ruled that it is the responsibility of the Department of Revenue to see that the proper amount of taxes, fees and other money is collected except where the money is collected by the departments, boards and commissions. In the latter case, the responsibility is upon the Auditor General.

The Department of Revenue maintains a force of field auditors who function in relation to the settling of taxes, the collection of fines and penalties by adlormen, justices of the peace, mayors, etc. This Department has the primary responsibility under the Law to settle or determine the amount of certain taxes payable to the Commonwealth. In certain other taxes, the duty imposed is that of collection. In either case, an audit may be necessary to the proper fulfillment of the statutory responsibility. This work is not duplication. In some instances, where the amount of tax or its importance warrants, a joint audit with the Auditor General may be conducted. Under this plan, both departments are in possession of the necessary facts. The stand might be taken, of course, that the Department of Revenue is responsible for settlement on the basis of the facts submitted by the taxpayer and that the Auditor General has the sole responsibility for any audit going beyond the facts submitted. From a cost point of view, there is no practical difference.

There is some question as to whether the function of the Auditor General in relation to tax settlements is not an unnecessary duplication;

whether it does not tend to diffuse responsibility and weaken rather than strengthen the taxing procedure. The settlement of the more complicated taxes, such as the capital stock tax, depends a great deal upon the judgment of the taxing officer. Certain factors must be evaluated or appraised in the course of the computation. Taxing officers of equal training and experience may differ by as much as 5-10% in the amount of the tax. Where the turnover of taxing officers is high and there is considerable difference in experience, the variation as to amount of tax may be considerably larger. This is entirely a matter of securing and keeping properly trained personnel. The same result as at present could be attained by having a small reviewing group within the Department of Revenue. A clarification of the law as to the functions of the two departments in this regard would be helpful.

The Department of Revenue cannot be expected to fulfill its responsibility to collect fines and penalties in their proper amounts from aldermen, mayors and others without a careful audit of the records of those officers. The fact remains, however, that the Auditor General is charged with and performs this work, duplicating to some extent the work performed by the other Department.

## 2. Mercantile and Inheritance Tax Appraisers.

Mercantile appraisers, who fix the mercantile taxes, are appointed by the Auditor General. (6) However, in all cases, he approves the expense accounts of the appraisers, the clerks and assistants, and the number and compensation of clerks or other assistants appointed by the appraiser. His only duty to the Department of Revenue is to certify the names of his appointees, the salary payable to him, the number, names and compensation of clerical assistants, and all approved expense accounts.

(7)

The Auditor General also appoints or approves the appointment of such clerks, investigators, appraisers or other employes, necessary to assist the registers of wills to collect transfer inheritance taxes upon the estates of resident decedents. He also approves the expense accounts of such appointees. This group of appointees of the Auditor General is supervised by the Department of Revenue <sup>(8)</sup> to whom it reports.

An audit, to be of real value and adequately protect the interests of the Commonwealth, should be made by an independent agency, one that has no connection, however remote, with the transactions to be audited or examined. It was upon this basis that the old system, of having the auditors responsible to the agency under audit, was changed, making the Auditor General the auditing agency reporting to the Governor.

When the Auditor General, in carrying out his statutory duty, audits the records of all agents of the Commonwealth who assess, appraise or collect State taxes or license fees, he is auditing among others the work of his own employes. These appraisers and employes are dependent upon his goodwill for their tenure of office; thus, he may hire or fire at will.

#### B. Audit of Governmental Agencies

Within the State Government itself, the second type of auditing, the Auditor General is required <sup>(9)</sup> "to make all audits, which may be necessary, in connection with the administration of the financial affairs of the Government of the Commonwealth". At least one audit is required to be made annually of every executive branch except the State Workmen's Insurance Board. Special audits "of the affairs" of any executive branch of the State except as above may be made at any time by the Auditor General on his own initiative and must be made when requested by the Governor.

1. Interpretation of Auditing Responsibility

In certain administrations, a very broad interpretation has been placed upon the powers of the Auditor General in his annual audits, so as to include an examination into the operation and efficiency of a governmental body, and at times, the efficiency of the individual employes thereof. This was on the basis that every act of an employe or group of employes costs the State money, therefore it is a "financial affair" and subject to review. Other administrations have held to the theory that only financial transactions, as such, are subject to examination and class organization, operation and efficiency as purely administrative matters in which the Auditor General has no interest or authority.

During the course of an annual audit of the Insurance Department in 1934, the right of the Auditor General to examine certain records was questioned. Since the right was based upon a duty imposed, the Auditor General requested an opinion from the Attorney General. An informal opinion (10) by Deputy Attorney General Harold Saylor, after stating that "it is to be assumed" that the officers involved were performing their duties, said in closing:

"In summary, you are advised that in the course of the ordinary audit made by your Department....., it is your duty and responsibility to audit only the financial affairs of the Department and not to investigate the functioning of the Department in other respects."

The opinion, in fixing responsibility and thus determining the access to insurance examiners' reports, states that the responsibility does not extend to the examination of such reports, "except to the extent that they involve the receipt of money by the Insurance Department." It further states:

"The purpose of the ordinary audit of a department is to determine the condition of its affairs with respect to financial matters generally.

If there is reason to believe that particular financial activities of a department should be audited, then such audit should be made pursuant to the additional provision of Section 402 of the Fiscal Code....."

Accepting this opinion, the Auditor General, having found evidence of defalcation in the course of his "ordinary" or regular audit, would be compelled to declare a "special audit" in order to examine all the records to establish the amount of the shortage and the responsibility for it and to keep within the law.

This opinion has greatly reduced the scope and effectiveness of the audits made and shows definitely the need for clarification of the law relating to audits.

## 2. Weakness of Old and New Methods

One of the weaknesses of the system of auditing prior to 1929 was that the auditing firm was hired by the Governor for the governmental unit to be audited and reports were made to the head thereof. Consequently, if the audit report was considered too critical of the Department, a new auditor was likely to be requested next time. Despite this fact, the reports analyzed organization, operation and efficiency and were at times extremely critical.

(9)

Under the Fiscal Code the audit of governmental agencies is for the information of the Chief Executive, the Governor. He is entirely dependent upon the heads of departments and the Auditor General for knowledge of the working of the various executive branches of the State government. It would be indeed a rare type of individual who would report to the Governor that the agency for which he was responsible was operating inefficiently, extravagantly or contrary to law. As a matter of cold fact, the average department head has little first hand knowledge as to the de-

tailed operation of his department; has small opportunity to get such knowledge. He depends upon the bureau chiefs to keep him posted and bureau chiefs are fairly human too.

If the Auditor General then, either by law or policy, is prevented from going behind financial transactions, as such, into studies and surveys of the units under audit, a valuable source of unbiased information is lost.

### 3. Auditors on Administrative Staffs

Unless the Auditor General fails to make the required audits, no administrative agency may expend any part of its appropriation for an audit of its affairs, except for the payment of salaries and expenses of auditors regularly employed as a part of its administrative staff.

(11)

The Liquor Control Act substantially repeats the above provision as to required audits, annually for the Liquor Board and quarterly for the collections of the State Liquor Stores. The prohibition as to expenditures for audits is also included.

In these provisions as to audit of agencies of the Commonwealth, certain controversial questions arise. The Auditor General being charged with making "all audits, which may be necessary," would seem to place any other audit by a State agency in a position of making an extra-legal or at best an unnecessary audit. However, the provision for auditors "regularly employed as a part of the administrative staffs" seems to indicate the intent on the part of the Legislature for some auditing outside of the functions of the Auditor General. It is possible that the confusion arises from a rather loose use of the word "audit". Persons performing the purely clerical function of verifying invoices prior to payment are sometimes spoken of in State employment as "auditors" and the place where the work is

performed as the "audit section." Applying this interpretation to the statutes quoted removes the seeming conflict in the different portions.

### C. Duplication of Audits

In practice, the conflict of interpretation is not so easily disposed of. Certain departments, from time to time, have had, as a part of the administrative staffs, a large group of auditors whose work was, at least in part, in conflict with that of the Auditor General. It is true, perhaps, that the payroll classification of these employes was, and is, that of inspector, examiner, field accountant, etc. Seldom is one designated as an auditor. An examination into the work performed soon discloses that they are, in point of fact, auditors.

An excellent example of both the practice above described and the philosophy responsible for it is shown by the Liquor Control Board.

#### 1. Pennsylvania Liquor Control Board

The Pennsylvania Liquor Control Board at September 30, 1940, had a group of 73 "field accountants" drawing annual salaries of \$139,440. engaged in the audit of the State Liquor Stores. At the same time, the Auditor General had 40 auditors at annual salaries of \$76,400 doing the same work. The force used by the Auditor General in this work has varied from 20 to 55 employes, averaging from two to four audits of each store per year. During one year, ending May 31, 1939, each store was audited an average of seven times, four by the Auditor General and three by the field accountants of the Liquor Board.

(11)

The Liquor Control Act requires the Auditor General to audit the collections of the liquor stores quarterly. In order to audit collections, the auditors must count the cash on hand, establish the current inventory and on that basis ascertain from the records of the store and the central

office whether the store has accounted and transmitted for all merchandise sold. This involves from one to three days work depending upon the size of the store.

The field accountants must also count cash and inventory and reconcile both to existing records; check the books and records of the store to see that the entries therein are correct and that reports have been submitted properly to the central office in Harrisburg. This is the identical operation performed by the Auditor General who reports the findings to the Secretary of the Liquor Control Board, one copy of each report being addressed to the Accounting Office, where it serves as a basis for adjustments to the records of the store and central office.

The field accountants check personnel as to carrying out procedure as well as to financial transactions and accountability. They thus have duties beyond those performed by the Auditor General. When irregularities occur, the hearings are initiated and conducted by the Director of Operations.

There is undoubtedly a need for a small field force under the Comptroller to see that procedure is carried out and to check details of operation not pertinent to a financial audit. On the other hand, the Auditor General should regularly meet the legal requirement to audit the stores quarterly, which has been and is now being violated. The so-called check made at the time of personnel changes is actually an audit, regardless of the name adopted by the board to describe it, and should be performed by the Auditor General.

The conclusion is inescapable that the field accounting force of the Liquor Control Board:

1. Duplicates all the work of auditing performed by the Auditor General in his audit of State Liquor Stores.



2. Performs certain personnel transfer checks which are actually audits and properly the function of the Auditor General.
3. Expends needlessly in this duplication at least 50% of the salaries and expenses of the field accountants or approximately \$125,000.00.

### 2. Department of Highways

The Department of Highways maintains a small field force under the Comptroller which checks the various field offices and verifies estimates on which payments to contractors are based, use of equipment, personnel employed, and the like. This work is done from a cost angle and does not duplicate the Auditor General's work to any important degree since the latter audits but once each year while the Highway Department works currently. The audit of the Auditor General would undoubtedly be more comprehensive if it were not for this field force. There is a serious question, however, as to whether the annual audit would be adequate to protect the Commonwealth against fraud and payroll padding.

### 3. Department of Public Assistance

It will be noticed that the instances of duplication cited above frequently include, as well, the situation in which other agencies are performing the duties imposed by law upon the Auditor General. However, a clear-cut example of this latter phase is found in the Department of Public Assistance.

A group of 37 field auditors with annual salaries of approximately \$71,000 is employed by the Department of Public Assistance. These employees audit the various county boards and State offices, examining into the advancement accounts for surplus product stamps which are administered by the State, and reviewing expenditures of various kinds. It audits the accounts of the Claims Settlement Division of the Department of Public Assistance, which is charged with the collection of amounts owed to the Commonwealth

by persons receiving relief payments due to error or fraud. At June 1, 1940, there was \$10,645,000 such money outstanding while \$1,168,000 had been collected in the year ended May 31, 1940. This group also makes surveys of various types in relation to expenditures. A typical survey was one on the use of State telephones by other than State employees. A check by the Auditor General of a requisition, disclosing approximately \$300.00 in such calls in one office in a four-month period, gave incentive to this survey.

There can be no doubt that these field auditors are performing a function belonging exclusively to the Auditor General. That the latter does not carry out this duty is undoubtedly due to the lack of personnel and funds. This lack, however, arises from an unwillingness to increase expenditures in an era of economy. There would seem to be little difference in cost whether the Auditor General or the Department of Public Assistance did the work. In actual practice, however, especially where the employees are under civil service, the tendency is to increase the activity in some other line to absorb the employees who would otherwise be laid off. This tendency is well illustrated by the field accounting force at the Liquor Board. When, after two years of urging on the part of the Auditor General, the Board decided to include tax as an element of price, the Comptroller admitted that it would save 10% of the time of the field accountants, an extremely conservative estimate. No reduction has been made in the force, however, as they were diverted to a study of inventory turnover and other work.

Even though there is an additional cost by the Auditor General doing the work, there would be the advantage that the Governor would be kept informed as to any misdirected activity of one of his departments. Under the present set-up, the report is made to the Secretary of the Department of

Public Assistance where it can be covered up, with or without correction. Access to these reports was previously denied the Auditor General on the ground that they were administrative matters. Later the Department, still insisting on the administrative nature of the reports, extended to the Auditor General the privilege of examination which he has insisted on exercising.

D. Audits of Those Receiving Appropriations, etc.

(12)

The Auditor General is further charged with the audit of the accounts and records of every person, association, corporation and public agency receiving an appropriation payable out of the State Treasury or entitled to receive any portion of any State tax for any purpose whatsoever in order to determine whether the money is expended for the purpose of the appropriation. This is the third distinct type of auditing required by the Fiscal Code.

1. Department of Welfare

The Department of Welfare formerly maintained a field auditing group which audited the records of State-aided institutions, thereby duplicating certain phases of audits by the Institutional group of the Auditor General. This duplication has been entirely eliminated by agreement between the two departments under which the Auditor General furnishes the Department of Welfare with the necessary information in relation to these institutions.

E. Audit of Requisitions

Closely related to the audit of the financial affairs of the various agencies is the audit of requisitions. Each governmental agency to which money is appropriated has the authority to incur indebtedness for its necessary operations. To pay such indebtedness, the agency must requisition

tion payment.

All requisitions for the disbursement of money from the State Treasury must be carefully audited by the Auditor General. He may draw his warrant for the payment of such requisition only when it has been approved by the State Treasurer or, in case of disagreement between the State Treasurer and the Auditor General, the Governor.

1. Requisition System Described

The requisition system may be better understood by use of an example. The purchase of and payment for liquor affords a good illustration since it involves only the Liquor Board and the Fiscal Officers. At the time a purchase order is sent to the vendor, a copy of the purchase order is filed with the Disbursements Office of the Board and with the pre-audit unit of the Auditor General at the Board. When the invoice is to be paid, the disbursement office of the Board prepares a requisition to which is attached a copy of the purchase order, the invoice, and a receipt of material form showing that the merchandise was received by a store or warehouse. These are carefully checked by the disbursement office to see that prices are in agreement with those shown on the purchase order and that the merchandise received was that ordered. Extensions and totals are also checked. The requisition shows the name and address of the vendor and the amount to be paid. If any discount is to be taken it is shown separately as a deduction from the gross amount.

Two copies of the requisition together with the invoices, purchase orders, and supporting papers properly signed are submitted to the pre-audit unit of the Auditor General. Here the purchase order attached to the requisition is compared with the one in the files of the office to verify prices, quantities and brands. The invoices are again verified as to ex-

tensions and totals and the receipt of material forms totaled and examined for signatures. All papers are then securely fastened on top of one copy of the requisition which is stamped and signed by the supervising auditor, the second copy of the requisition is folded and clipped to the first.

This material is then sent by messenger to the main office of the Auditor General, where it is routed through a Review Board which reviews the papers and makes a spot check of calculations, signatures, forms, etc. and submits them to the Director of the Disbursement Bureau for signature.

The material is then sent to the Audit Section of the State Treasurer where computations, etc., are checked. If found correct, one copy of the requisition is retained and the other, with papers attached, is signed and returned to the Auditor General where a warrant for payment is drawn on the State Treasurer and the requisition filed. The warrant is the authority for the State Treasurer to draw checks.

It should be noted that the Fiscal Code does not direct the Treasury Department to audit requisitions but to cooperate with the Auditor General in the "examination and audit of requisitions....." At another point the Auditor General is directed to submit requisitions to the Treasury Department (14) "for examination and approval." There is little doubt, however, as to the right of the Treasurer to determine for himself the conditions under which he will approve a requisition even though, in so doing he duplicates the work of the Auditor General.

## 2. Possible Economies

From a sound organization basis, there is no good reason why the Auditor General should not issue a warrant after careful audit without approval of the Treasurer. It would, of course, require an amendment to the Fiscal Code to permit such action. In this particular transaction, the

Auditor General stands in the position of a comptroller of a commercial organization and the Treasurer should function as a custodian of funds with no responsibility for disbursement other than to hold a warrant or similar authority for such payment.

(16)

In Commonwealth vs Globe Indemnity Company, the principle is established that:

"The Fiscal Code of 1929, providing that all requisitions shall be audited by the Department of the Auditor General, does not require that Department to hold a semi-judicial hearing of evidence in support of every claim but only to ascertain that it appears to be proper; in reaching that decision, it may rely upon the fact that the claim has been approved by officials of the appropriate department in the usual course of business, which involves a careful examination of the validity of the claim."

Were this principle followed to its logical conclusion, the work of the auditing force of the Auditor General, engaged in the examination of requisitions could be greatly reduced. It would seem that the interests of the Commonwealth would be adequately protected by one thorough examination of an intended expenditure. Such an examination would, of course, have to cover legality, proper supporting documents and any other pertinent matters in addition to the arithmetical accuracy.

As in the case of the State Treasurer, the Auditor General, under the Fiscal Code, is the sole judge of the tests he will make to determine that the requisition is "lawful and correct." These tests could probably be defined by statute in the light of a further comment by the Court in the case quoted:

"It is to be presumed that the State officials know the practice of the executive departments. The treasurer therefore knew of the care taken with the supporting papers, concerning which no criticism has been or can be made, and knew that the requisitions were founded upon them."

The power to establish a uniform accounting system, with the forms,

records and reports pertaining thereto, rests with the Governor. He is required, however, to consult with the Auditor General before taking action in this direction. This requirement is honored as much in the breach as in the observance. Even though rigidly observed, the Auditor General cannot prevent the adoption of a system, form or record regardless of his objection to it. A change of law requiring approval of accounting systems, etc., by the Auditor General, or an agreement between him and the Governor, would enable him to establish a minimum standard of procedure for the audit and verification of the various elements of the requisition. There would be little difficulty in securing cooperation of the several agencies as each is interested in securing prompt payment of bills and payrolls. With a minimum procedure established, the work of the auditor would consist very largely of seeing that the procedure was followed and in making test checks. This would in no way reduce the Auditor General to a merely ministerial function as the determination of legality would still remain. This change would eliminate unnecessary duplication of work in every Department. The plan, however, would require a higher type of auditor than the average under the present system.

VI. IS THERE AN INDEPENDENT AUDIT?

As previously stated, the Fiscal Code combined with the audit and control functions under one head, the Auditor General. Some semblance of independent audit remained, however, since, in checking requisitions, one bureau was checking the work of another bureau in the same department. The rivalry between the bureaus assured a thorough post-audit, which was at times not without embarrassment to the Auditor General.

For approximately two years, a new practice has been in force, especially in the larger departments. Now, as outlined in the illustration

tracing the course of a requisition, there is but one examination, the one prior to payment. In the past several months, units not having the pre-audit crews, are handled in a similar manner so that it can be safely said that there is no longer an independent audit. The Auditor General, in the present organization, functions as a comptroller since he alone can warrant payment. The comptrollers of the various departments are performing more routine duties in relation to disbursements since they simply prepare requisitions and submit them for approval. The Auditor General under present organization is too much involved in the fiscal operations of the Government to permit his audit of those affairs to be of much value.

This is emphasized by a recent incident in relation to the audit of the Department of Public Assistance. Here, a situation was criticized which added to the cost of administering relief due to a policy established by the Board of Public Assistance. The Department in its answer to the criticism stated that the Auditor General was a member of the policy-making board and that, since there was no record of a protest by him at the time the regulation was adopted, there was no reason for him to take exception later.

The question most raised as to fiscal affairs by the various governmental units is, "Who audits the Auditor General?" Nor is this unnatural. Here we have an elected officer of the State receiving an appropriation and sitting in judgment as to the correctness and legality of proposed disbursements of State funds, and he, himself, is responsible to no one even for the money appropriated to him, much less for the matters of judgment. Even though his requisitions must be approved by the Treasurer and his purchases by the Budget Office, he is in position to enforce his will on any matter within the law. Some instances have reached the public where there



was a conflict between the Auditor General and some other officer and in the compromise which followed the former had his way.

The Auditor General can change policies at will or have different policies for different departments, favoring one or imposing difficulties on another. A long standing policy in regard to pay increases has been the refusal to pay any retroactive increases which go back for more than 30 days. Within the past few years, increases in the Health Department have been approved which were retroactive for six months or more. Shortly after this approval, retroactive increases for a group of enforcement officers of the Liquor Control Board were refused and the increases held to the thirty-day limit. If the acts of the approving power, the Auditor General, were subject to audit, greater care and uniformity of policy would be insured.

## VII. THE LEGISLATIVE AUDIT

The General Assembly, through taxes, licenses and other fees, provides funds for the operation of the State Government. It then makes appropriation to the various agencies within statutory or constitutional limitations. It has been suggested that it would be logical to provide for a legislative audit to determine whether the money is properly collected or at least to ascertain whether the funds collected and appropriated are properly spent. It has also been suggested that this independent auditor could examine into the organization and operating efficiency of the agencies under audit.

### A. Massachusetts System

(18)

In two States, Massachusetts and Virginia, the functions of the Auditor have been systematized along the lines suggested above. In Massachusetts the auditor is limited to auditing by the post-audit method;

he keeps no accounts but audits those of the comptroller whose bureau is a part of the Commission of Administration and Finance. The auditor is required to report to the legislature but is not directly responsible to it, being elected by the people.

B. Virginia System

In the State of Virginia, the Comptroller heads the Division of Accounts and Control in the Department of Finance. He is appointed by the Governor and pre-audits all bills, authorizing the Treasurer to make payment just as our Auditor General does. The Auditor of Public Accounts, a constitutional officer appointed by the Legislature for a term of ten years, performs an independent post-audit reporting to the Legislature.

The contention that the appropriating body should not audit disbursements may have little merit. The expenditures of the legislative body itself represent a very small portion of the biennial cost of government, are largely fixed by law and are subject to the same approval as those of other agencies, viz: Auditor General and Treasurer. Aside from legislative disbursements, the legislative auditor would be checking the work of the approving agency and the executive branch of the government for which appropriations are made.

FOOTNOTES

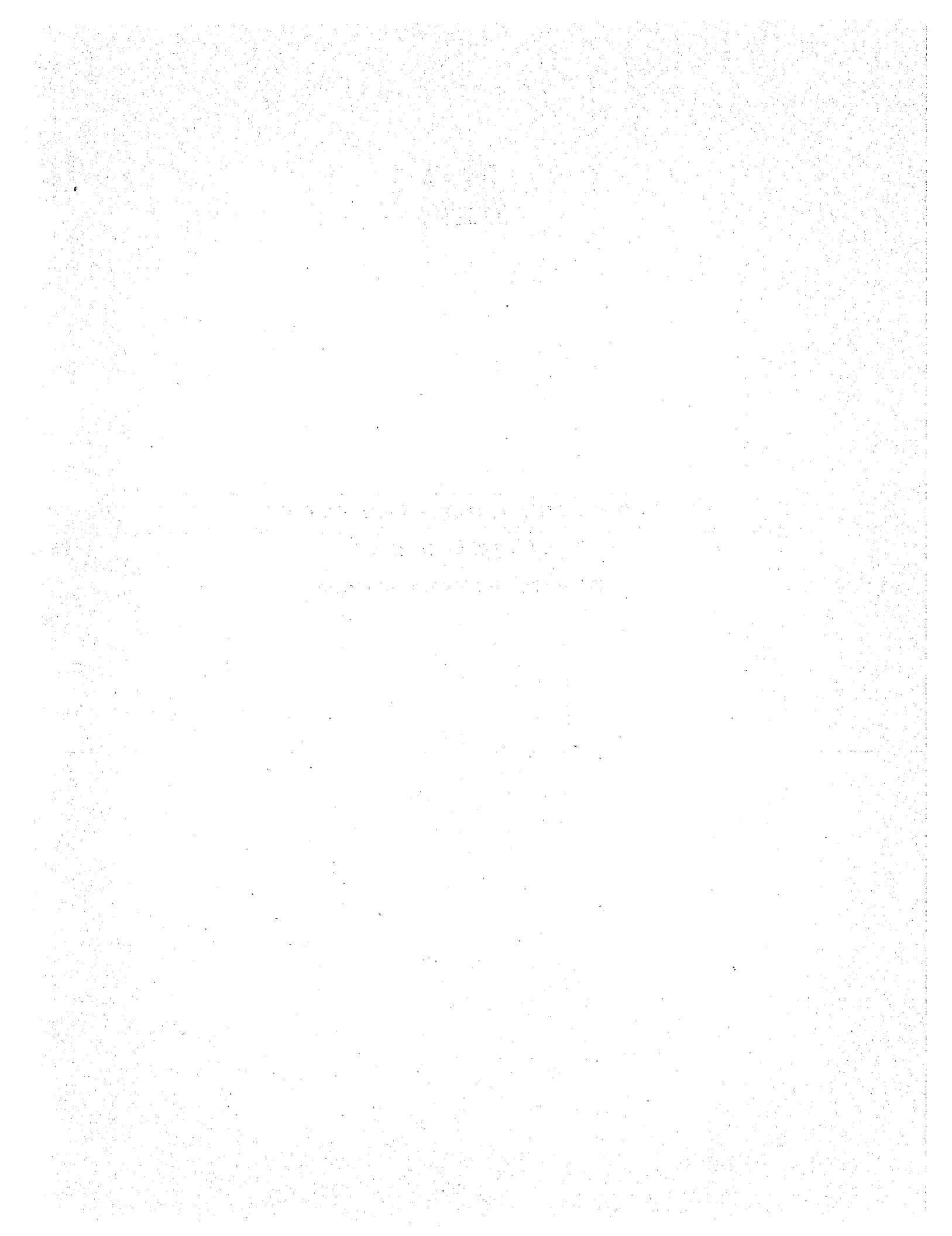
- (1) Article IV, Section 1
- (2) Article VII, Section 12
- (3) Fiscal Code, Section 401
- (4) Fiscal Code, Sections 202-206 inclusive
- (5) 13 D and C, 626
- (6) Fiscal Code, Section 406
- (7) Fiscal Code, Section 407
- (8) Fiscal Code, Section 1201 (c)
- (9) Fiscal Code, Section 402
- (10) Informal Opinion #479, November 15, 1934
- (11) P. L. 15-ss 1933-34, Section 306
- (12) Fiscal Code, Section 403
- (13) Fiscal Code, Section 404
- (14) Fiscal Code, Section 1502
- (15) Fiscal Code, Section 306
- (16) 21 D and C, 610
- (17) Administrative Code, Section 701, (d) and (e)
- (18) "The Reorganization of States in the United States,"  
National Municipal League Series



PART III

APPENDIX B

CONSOLIDATION OF PRESENT MERIT SYSTEMS  
IN THE STATE CIVIL SERVICE  
UNDER ONE ADMINISTRATIVE AGENCY



CONSOLIDATION OF PRESENT MERIT SYSTEMS  
IN THE STATE CIVIL SERVICE  
UNDER ONE ADMINISTRATIVE AGENCY

SUMMARY OF RECOMMENDATIONS

I. The Civil Service System should be extended to the Departments of Health, Welfare, and Motor Police.

II. The present Civil Service systems should be combined under a Civil Service Commission and cover all agencies of the State government operating under a merit system.

III. CIVIL SERVICE COMMISSION

A. The Commission shall consist of three members with overlapping terms of six years each.

B. The salaries of the members shall be \$5,000. per annum.

C. The Commission shall be an independent administrative agency and the Administrative Code which provides that the Civil Service Commission shall be in the Department of Public Instruction should be so amended.

D. The members of the Commission shall be citizens of the Commonwealth who are in sympathy with modern personnel methods and the application of the merit principles to public employment. The minority party shall be represented on the Commission.

IV. ADMINISTRATOR

A. The Administrator shall be appointed by the Commission subject to the approval of the Governor from a list of five certified in the same manner as provided in Senate Bill 420. The Administrator shall be subject to removal by the Governor, with

or without hearing. The Governor should be required to state the reason for removal of the Administrator.

B. The salary of the Administrator shall be \$7,500. per annum.

C. The Administrator shall carry out the administrative functions of the Act in the light of the plans and regulations prescribed by the Commission.

#### V. ADOPTION OF RULES

A. The Civil Service Commission shall have the power to hold hearings before the adoption of rules and regulations.

#### VI. CLASSIFICATION

A. The Civil Service Commission, after consultation with the appointing authorities, shall prepare classification plans for the approval of the Executive Board under which all positions are to be graded.

B. All additions and changes in the classification plan should be acted upon by the Commission in the same manner as the original plan.

#### VII. RATING OF APPLICANTS AND EXAMINEES IN THE CLASSIFIED SERVICE

##### A. Rating of Competitors

1. The Civil Service Commission, after consultation with the appointing authorities, shall determine the weights for each test.

##### B. Nature of Examinations

1. The examinations for employment shall be practical in their character, and so far as may be possible, shall fairly test the relative capacity and fitness



of persons examined to discharge the duties of the service into which they seek to be appointed, but no applicant shall be required to have had any scholastic education in social service work, nor to have had any other special scholastic education or special training or experience, except in technical positions, where technical education may be required. In written examinations, the identity of each applicant shall be unknown to the examiners.

#### C. Promotion

1. As far as possible, vacancies shall be filled by promotion. Such promotions may be made without examination when made from one class to another in the normal line of advancement. It should be required that any such line of promotion shall be clearly set forth in the classification plan.
2. A minimum number of grades should be created with a wide salary range within each class in order to afford more opportunities for salary advancement.

#### D. Service Standards for Ratings

1. The standards for rating of employes in the classified service shall be established by the Civil Service Commission in cooperation with the appointing authorities.

### VIII. APPOINTMENT OF EMPLOYEES

- A. A name certified to an appointing authority and re-jected by that authority once may not be certified to him again for the same grade of position, except upon

written request of the appointing authority to the Civil Service Commission.

#### B. Temporary employes to extra positions

1. In cases of emergency, positions shall be filled from the eligible list wherever possible, and if eligible persons are not available then appointments may be made outside of the eligible list by the appointing authority for periods not exceeding ninety days. There shall be no successive appointments of emergency or extra positions.

#### C. Probationary Period

1. Not more than three employes shall be removed successively from the same position during their probationary periods without the approval of the Commission and no appointing authority may remove any employe within the first two months of his probationary period, without the approval of the Commission.

2. The Commission shall have the power to restore an employe who was removed during or at the end of his probationary period to the list from which he was certified.

#### D. Status of Present Employes

1. Any employe who has a status under the merit system in any department which is now under a merit system shall retain his status under the now Civil Service Bill.

2. Those positions in the department now subject to the merit system which are exempt shall continue to be exempt from the classified service.

3. Present employes in a department not under the merit system shall be permitted to take a non-competitive examination and failure to attain a passing grade shall disqualify them from immediate appointment, but they shall be permitted to take a competitive examination and requalify with all other applicants.

#### IX. REGULATION OF EMPLOYES IN THE CLASSIFIED SERVICE

##### A. Training and Health Programs

1. The appointing authorities shall develop training and health programs for the employes in the classified service.

##### B. Holidays, Hours of Work, Attendance and Leaves.

1. All working conditions under the civil service shall be submitted by the Commission to the Governor for approval of the Executive Board.

#### X. DEMOTION AND REMOVAL

##### A. Voluntary Demotion

1. The Commission shall have the power to determine whether an employe is able to perform the duties of the position to which he petitions to be demoted.

##### B. Demotion and Removal

1. Causes for removal shall be incompetence, insubordination, inefficiency, unpatrictic activity, membership in any political party or organization designed to destroy the American form of government or for any form of political activity and any other just cause. In no case shall religion, race or political affiliation be the primary or secondary cause for removal.

2. An appeal may be taken to the Civil Service Commission by an employe demoted or removed by the appointing authority. The Commission shall have the authority to determine whether an employe shall be reinstated at the head of the appropriate eligible list but not to the position from which he was removed.

3. Provision should be made to permit the appointing authority to present his facts in writing to the Commission rather than to appear in person at the hearing.

#### XI. RECEIVING FUNDS AND ALLOCATION OF OPERATING COSTS

A. The Civil Service Commission shall receive funds for the use of the Commission and allocate or apportion among the appointing authorities their share of administering the cost.

CONSOLIDATION OF PRESENT MERIT SYSTEMS  
IN THE STATE CIVIL SERVICE  
UNDER ONE ADMINISTRATIVE AGENCY

Evidence of a desire on the part of the General Assembly to improve the method of selecting state employes is given in the fact that merit systems for the selection of personnel have been included in each of the most recently created branches of the state service - the Liquor Control Board, the Unemployment Compensation Board and the Department of Public Assistance. Impetus was given to this movement for merit selection by the requirement of the Federal government that the granting of federal funds for state services, particularly in the social security field, shall be contingent upon the expenditure of the fund by persons selected and retained on the basis of a merit system.

While the progress in this direction has thus been real in Pennsylvania, it has also been piecemeal, since a separate system has been adopted for each new agency as it was created. As a result the selection process is carried out at the present time, not only under three separate and widely varying sets of laws and administrative regulations, but also by three separate and unrelated agencies whose work duplicates and overlaps each other at many points.

It is the opinion of the Joint State Government Commission that the merit system should be extended to certain other departments, as follows:

- Department of Welfare
- Department of Health
- Pennsylvania Motor Police

It is obvious, therefore, that further separate civil service systems should not be established and in view of that fact the present systems should be combined to cover all agencies of the State government operating under a merit system.

Recognizing the advisability of combining the State's merit systems and agencies under one administrative body, the General Assembly in 1939 adopted Senate Bill 420 which provided for the creation of a state civil service system and delegated to it the duties of administering a unified civil service system for the three agencies now functioning under similar but uncoordinated systems. This Bill was vetoed by the Governor in a statement which expressed endorsement of the idea of combining the systems in the interest of economy and elimination of overlapping functions, but raised objection to certain administrative features of the bill. (See Vetoes by the Governor, Page 146).

In view of the many advantages to accrue from such action, we recommend that the General Assembly again adopt legislation to this end, incorporating into the measure certain changes which should help to meet objections to its previous proposal without impairing the effective operation of a unified merit system. These suggestions include:

1. Civil Service Commission

As pointed out in the veto message of the Governor, the establishment of a State Civil Service Commission, whose duties Senate Bill 420 prescribed, has already been authorized by law in amendments to the Administrative Code carried in the Act of June 6, 1939, P.L. 250 (Act No. 144). This act provides for a commission of three members to be appointed by the Governor for overlapping terms of six years each and fixes their compensation at the rate of twenty-five dollars per day for the time actually devoted to the business of the Commission, but no member to be paid more than \$1,500, except during the first year after the effective date of the act when such payments may not exceed \$2,000.

The Commission has been made an administrative division of the Department of Public Instruction.

There is great question whether an agency whose duty is to serve a number of departments should be attached to one department. This arrangement is undoubtedly an outgrowth of the fact that the work of professional licensure, with its examining functions, has been assigned to the Department of Public Instruction. The Department was also named as the examining agent for the Liquor Control Board under its merit system. The arrangement was probably based on the principle that newly created agencies of the state should be incorporated into existing administrative divisions whenever this is possible and practicable.

There is much to be said for the fact that an agency of the importance of the contemplated Commission which functions cooperatively with a number of departments of the Commonwealth should have been constituted an independent commission under the general authority of the Governor.

The Joint State Government Commission recommends, therefore, that the Administrative Code be amended and that the Civil Service Commission be taken from the jurisdiction of the Department of Public Instruction and made an independent administrative commission, and that the salaries of the Commissioners should be \$5,000 per annum. Due to the changes hereinafter mentioned, the duties of the Civil Service Commissioners will be greater than those placed upon them by Senate Bill 420.

Senate Bill 420 provided that no person shall be eligible to be a member of the Civil Service Commission who has held public office within one year preceding his appointment, has been an officer of a political party or has been a candidate for public office, but does not provide for minority representation. The Joint State Government Commission therefore

recommends that this provision should be eliminated, but should provide instead that the members of the Commission shall be citizens of the Commonwealth who are in sympathy with modern personnel methods and the application of the merit principles to public employment and that the minority party shall be represented on the Commission.

Senate Bill 420 contains a list of persons who shall be exempt from the classified service. In addition to those enumerated therein, the Joint State Government Commission recommends that those positions in the three Departments under the merit system now exempt shall continue to be exempt from the classified service. Similar exemptions should be made in the additional departments recommended to be included in the Civil Service Bill.

## 2. Administrator

In the Governor's message much concern was expressed over the exceptional powers granted to the Administrator provided under the Bill. With regard to this officer the Joint State Government Commission recommends:

### a. Selection.

The Administrator should be appointed by the Civil Service Commission, subject to approval by the Governor, from a list of five certified in the same manner as provided in Senate Bill 420. The Administrator shall be subject to removal by the Governor, with or without hearing. The Governor, however, should be required to state the reason for the removal of the Administrator.

### b. Compensation.

The annual salary of the Administrator was fixed in Senate Bill 420 at \$7,000. In order to obtain the services of a qualified



and experienced personnel administrator it is believed by many that this salary should not be less than \$7,500. which corresponds to the amount paid to other state officers with equivalent responsibilities and duties. The Joint State Government Commission therefore recommends that the salary for the Administrator be fixed at \$7,500. per annum.

c. Powers and duties

In some instances under Senate Bill 420 the Administrator was given direct policy-forming power, as for example, in the matter of making changes and additions to the Classification Plan. While the Bill provided for approval and adoption of the original plan by the Commission, the Administrator was given authority to make changes or additions to the plan without a specific requirement of approval or further action by the Commission. In this and every other instance involving the determination of policy, the Joint State Government Commission recommends that definitive action should be required of the Commission, or the Commission and the Governor and/or the Executive Board, as the case may be. As a result the powers of the Administrator would then be limited to the administrative functions of carrying out the provisions of the Act in the light of policies and regulations fixed by the Commission or recommended by the Commission and approved by the Executive Board.

3. Adoption of Rules.

The Civil Service Commission, under Senate Bill 420 was required to hold a public hearing before adopting or amending its rules or approving, modifying or rejecting classification and compensation plans, and provided for a method of giving public notice. The Joint State Government Commission feels that there are many instances in which a public hearing

would not be necessary or advisable. Therefore, it recommends that this provision be changed to read that the Civil Service Commission shall have the power to hold hearings before the adoption of rules and regulations.

#### 4. Classification of Personnel

Some objection has been raised on the ground that, under the present civil service provisions, the appointing authorities have not been given sufficient participation in the preparation and adoption of the classification plans under which all positions are to be graded. Provisions for cooperation at this point should be based on the principle that the appointing authority should have some power to specify the qualifications for the particular positions under his jurisdiction and that this should not be determined solely by the Commission. The Joint State Government Commission suggests that this situation can be satisfactorily adjusted after the creation of the Civil Service Commission through conferences between the Commission and the appointing authorities. The Commission should submit these classification plans to the Executive Board for approval.

All changes in and additions to the classification should be acted upon by the Commission in the same manner as the original plan, instead of by the Administrator as provided in Senate Bill 420.

#### 5. Compensation of Personnel

The Joint State Government Commission recommends that the Civil Service Commission, after consultation with the appointing authorities, shall submit a schedule of compensation, or any changes thereof, to the Executive Board for approval. This will eliminate the possibility of having two complete series of compensation scales in the State service.

6. Ratings of Examinees and Promotion in the Classified Service.

a. Rating of Competitors.

The Joint State Government Commission recommends that the determination of weights for each test shall be established by the Civil Service Commission after consultation with the appointing authorities, and not the Administrator.

b. Nature of Examinations.

The Joint State Government Commission recommends that examinations for employment shall be practical in their character, and so far as may be possible, shall fairly test the relative capacity and fitness for persons examined to discharge the duties of the service into which they seek to be appointed, but no applicant shall be required to have had any scholastic education in social service work, nor to have had any other special scholastic education or special training or experience, except in technical positions, where technical education may be required. In written examinations, the identity of each applicant shall be unknown to the examiners.

c. Promotion

Under Senate Bill 420, promotions for all positions in another grade are to be made by means of promotion examinations. It would appear that certain exceptions could be made to this provision without serious interference with the merit principle. Under the federal system prior to 1938, certain related grades of positions were established in a so-called normal line of advancement, and promotion could be made by the appointing authority from one grade in this to another, upon approval of the Civil

Service Commission, after satisfactory demonstration to the Commission of the ability of the employe to be promoted. Examination, either competitive or non-competitive, was required only when the employe sought to be moved into another line of work for which he had never demonstrated his qualifications to the Commission.

The Joint State Government Commission recommends that as far as possible, vacancies should be filled by promotion, which may be made without examination, when made from one class to another in normal line of advancement. It should be required that any such lines of promotion be clearly set forth in the classification plan.

There is a tendency under the present civil service systems of the state to have a large number of grades of positions in each class with very narrow salary ranges. This makes salary advancement difficult because if set within the narrow range salary, advancement constitutes a promotion from one grade to another with attendant promotional examinations and separate eligible lists.

The Joint State Government Commission recommends that in order to afford opportunities for salary advancement, fewer grades should be created with a greater salary range within each. For the types of positions which require much the same skill, increased usefulness in the service depends upon experience and familiarity with the particular functions of the bureau or division. Such a program permits the appointing authority a necessary latitude for promotions within his own organization and provides the necessary stimulus to the employe. This suggestion applies particularly to positions such as stenographer and general clerkships which have been classified into junior, intermediate and senior grades.

At the present time, promotion in the Department of Public Assistance is by examination on practically the same basis as provided in Senate Bill 420. The Unemployment Compensation Act is silent on the method of making promotions and the Liquor Control Act provides that "promotion shall be based on merit, and upon the superior qualifications of the person promoted, as shown by his previous service." This latter provision was apparently referred to by the Governor in his veto message as the greater flexibility in promotion which he believed to be essential to the operation of the Liquor Control System. The changes suggested above would increase the flexibility for a large portion of the promotions in any of the services without prejudice to the merit principle.

d. Service Standards for Ratings

The Joint State Government Commission recommends that the standards for rating of employes in the classified service shall be established by the Civil Service Commission in cooperation with the appointing authorities.

7. Appointments

The Joint State Government Commission recommends that a name certified to an appointing authority and rejected by that authority once may not be certified to him again for the same grade of position, except upon written request of the appointing authority to the Civil Service Commission.

At the present time and as provided in Senate Bill 420 the same name must be certified to the same appointing authority three times for the same position. In some cases this gives the appointing authority choice only between persons who have already been considered and passed over

when another appointment in the same position must be made. The recommendation will give the Department head a wider range of choice in making subsequent appointments in the same grades.

a. Temporary Appointments to Extra Positions.

Under Senate Bill 420 extra positions may be created for periods of less than six months in the case of pressure work, and filled from among qualified persons certified by the Administrator, who was given the authority to make appointments, with or without examinations, for a period not exceeding ninety days.

The Joint State Government Commission recommends in cases of emergency, positions shall be filled from the eligible list wherever possible, and if eligible persons are not available then appointments may be made outside the eligible list by the appointing authorities for periods not exceeding ninety days. There shall be no successive appointments of emergency or extra positions.

b. Probationary Period.

Senate Bill 420 provided that not more than three employes shall be removed successively from the same position during their probationary periods without the approval of the Administrator, and that the appointing authority may remove an employe within the first two months of his probationary period only with the approval of the Administrator. The Joint State Government Commission recommends that these approvals should be vested in the Commission and not the Administrator.

The Bill also provided that the Administrator shall have the right to restore an employe who was removed during or at the end of his

probationary period to the list from which he was certified. The Joint State Government Commission believes that this power should be vested in the Commission and not the Administrator.

c. Status of Present Employees.

The provisions of Senate Bill 420 follow the principle that all present employees who were appointed from eligible lists under a merit system shall continue in their same status under the new Act. All others would become provisional appointees who, in order to retain their positions, would have to qualify in the same manner as any other applicant under a competitive examination.

The Joint State Government Commission recommends that any employe who has a status under the merit system in any department shall retain his status under the new Civil Service Bill. Those positions in the Departments now under the merit system which are exempt shall continue to be exempt from the classified service.

The Joint State Government Commission further recommends that in the case of a new Department which enters the civil service system for the first time and none of whose employes have been appointed under the merit system, the present employes shall be allowed to retain their positions on the basis of non-competitive examinations. Failure to attain a passing grade on such a non-competitive examination would require the present employe to enter a competitive examination and re-qualify along with all other applicants.

8. Regulation of Employes in the Classified Service.

a. Training and Health Programs.

Senate Bill 420 provided that the Administrator shall devise plans for and cooperate with appointing authorities and other supervising officials in the conduct of employe training programs and developing health, safety and recreation programs.

The Joint State Government Commission recommends that the subject of developing training and health programs shall be left to the discretion of the appointing authorities.

b. Regulation of Working Conditions.

Blanket authority is given under Senate Bill 420 to the Administrator to propose for approval of the Commission and the Governor regulations regarding holidays, hours of work, attendance, sick leave, etc.

The Joint State Government Commission recommends that all working conditions under the state civil service shall be the subject of recommendation by the Commission to the Governor for approval or disapproval by the Executive Board.

It is evident that there should not be two complete series of working conditions in the state service. The Administrative Code is clear that all salaries and working conditions for employes in the state service shall be approved by the Executive Board.

9. Separation from the Service.

a. Retirement.

Senate Bill 420 provides that the Administrator, with the approval of the Commission, may recommend to the Governor the retirement of any employe in the classified service who, in his judgment, has become



unfitted for the efficient performance of his duties owing to age, physical or mental disability.

The Act of June 27, 1923, P. L. 853, establishing the State Employees' Retirement System, provides for a method of retirement due to physical incapacity. The provision in Senate Bill 420, it would seem, is therefore unnecessary and might result in conflicts.

b. Voluntary Demotion.

Senate Bill 420 provides, inter alia, that a demotion may also be made by an appointing authority with the approval of the Administrator upon the written petition of the employe stating the reasons therefor and supported by such evidence as the Administrator may require to show that the employe is able to perform the duties of the class of position to which he petitions that he be demoted.

The Joint State Government Commission recommends that the Commission, instead of the Administrator, shall have the power to determine whether an employe is able to perform the duties of the class of position to which he petitions to be demoted.

c. Demotion and Removal.

Under Senate Bill 420, an employe who is involuntarily separated from the service or demoted should have the right to appeal to the Commission for an investigation of his case and a public hearing. The findings of the Commission under that Bill shall be forwarded to the appointing authority but do not bind the authority to reverse his position in the face of an adverse finding by the Commission. The Commission, in its discretion, however, may reinstate the employe at the top of the re-employment list for the same grade of position or make a transfer to another department. On this

basis, the investigation of the Civil Service Commission constitutes an examination of the right of the employe to be further employed by the Commonwealth instead of simply a review of the appointing authority's decision. The Joint State Government Commission is in general agreement with this provision.

The Joint State Government Commission recommends that the appointing authority shall have the right to demote or remove from the service. Causes for removal shall be incompetence, insubordination, inefficiency, unpatriotic activity, membership in any political party or organization designed to destroy the American form of government or for any form of political activity and any other just cause. In no case shall religion, race or political affiliation be the primary or secondary cause for removal.

The Joint State Government Commission further recommends that provision should be made to permit the appointing authority to present his facts in writing to the Commission rather than to appear in person at the hearing.

#### 11. Appropriation

Due to the fact that operation of the merit system has in each case been only one of the functions assigned to the new agencies to which the merit system has been applied, it is particularly difficult to isolate the cost of administering the system under the un-coordinated plan which now exists. Preliminary figures, which do not cover the same periods in every case or the same functions, are given in Exhibit 1, page 99 of this Report. While it is not possible to derive any reliable measure of cost from these limited items, the general indication is that the three agencies probably have expended not much less than \$1,000,000 during a biennium.

It is obvious that a consolidated civil service can be operated at much less than this figure. The manner of appropriation to carry on the work of the new Civil Service Commission requires much consideration in view of the participation of the Federal Government in the administrative costs of the operations of the Department of Public Assistance and the fact that it pays all unemployment compensation administrative costs and half of the employment service costs in the Bureau of Employment and Unemployment Compensation.

If the Department of Health employes are added to the merit system, the Federal Government will also pay a proportion of the costs of operating the Commission as applied to these employes.

In view of these conditions it is evident that while provision must be made to pay a certain portion of the operating costs of the Civil Service Commission from the General Fund, accounting methods must be devised to pro rate these costs among the departments serviced by the Commission in order to take advantage of Federal participation in administrative costs of the agencies named.

The Joint State Government Commission recommends that the Civil Service Commission shall receive funds for the use of the Commission and allocate or apportion among the appointing authorities their share of administering the cost.

#### 12. Other Provisions.

The Joint State Government Commission further recommends that the provisions of Senate Bill 420 should be followed in the main as the basis for the proposed Bill to unify the employment services of the three Departments now functioning under a merit system and of other departments to which the General Assembly may desire to extend the system.

Through the combination under one agency of these duties, now scattered among so many offices, performance will not only be standardized and equalized, but should be provided with a considerable improvement in efficiency at a reduction in cost. At the same time, by enlarging the scope of the work, the duties become of sufficient importance to command the time and effort of a thoroughly competent commission and administrative officer.

Attached herewith as Exhibit 2, page 102 is a statement showing the principal provisions of the present laws regulating employment in the Department of Public Assistance, Bureau of Employment and Unemployment Compensation and the Liquor Control Board. The diversity of the administrative provisions under the present statutes indicates the necessity for consolidation and standardization.

APPENDIX B

EXHIBIT 1

STATEMENT REGARDING EXPENDITURES  
FOR ADMINISTRATION OF MERIT SYSTEMS  
IN THREE DEPARTMENTS OF THE STATE GOVERNMENT

In response to a request for information regarding the cost of conducting civil service examinations in the departments (Pennsylvania Liquor Control Board, Bureau of Employment and Unemployment Compensation of the Department of Labor and Industry, and the Department of Public Assistance) which have operated under a merit system, the following information was furnished by each agency:

1. Liquor Control Board

Expenditures by the Department of Public Instruction for examining and other personnel service for the Liquor Control Board for the two biennia 1933-35 and 1935-37 were:

1933-35.....	\$100,641.25
1935-37.....	52,525.44

Figures for the 1937-39 biennium were not furnished by the Board. It should be noted also that this information does not include any of the expense of the Liquor Board itself, in maintaining its personnel records, etc., which are also a function of the administrative agency under any merit system. Data showing partial costs of conducting certain examinations indicate that in four examinations held during the two biennia a total of 14,565 persons were examined. The statement does not indicate whether or not this was the total number examined during the period.

2. Bureau of Employment and Unemployment Compensation

Figures from this agency were submitted for calendar years instead of for biennia as follows:

1937 .....	\$208,398.55
1938 .....	163,835.59
1939 .....	<u>70,854.54</u>
Total .....	\$443,088.68

During these three years the total number of persons taking examinations was 54,214.

The following statement from the Secretary of the Unemployment Compensation Board of Review indicates the difficulty of attempting to obtain accurate cost figures for the examination or personnel function, particularly where it is combined with other duties. He writes:

"You will note that the total cost of examinations and the administration of the civil service program up to January 1, 1940 amounts to \$443,088.68. I believe this figure represents rather definitely the amount of money expended in the administration of the civil service program under the Board of Review, but due to the fact that the Board of Review had a dual function of administering the unemployment compensation appeals program, covering both unemployment compensation appeals to the Referrees throughout the Commonwealth, as well as further unemployment compensation appeals to the Board of Review, and the civil service provisions of the Unemployment Compensation Law, you can appreciate the fact that it is not possible to obtain complete and exact figures relative to expenditures, particularly as far as supplies, postage and items of equipment are concerned.

"During the year of 1937, the Board of Review spent its entire time in the preparation for and administration of the civil service program. Starting with January of 1938, the benefit payment provisions of the Unemployment Compensation Law became effective, and hence it became necessary from thenceon for the Board of Review to handle both unemployment compensation appeals along with the civil service program. In compiling the report submitted herewith, the salaries of the Board and certain of the personnel of the Board of Review were proportioned in arriving at the figures contained in the report."

3. Department of Public Assistance

Cost figures for the Department of Public Assistance were submitted by the Employment Board as follows:

October, 1937 to May 30, 1939.....	\$432,523.41
June 1, 1939 to December 30, 1939.....	<u>210,406.49</u>
Total.....	<u>\$642,929.90</u>

The total number examined was 147,907. The number of appointments during the above period was 7,526, indicating a cost of \$85.43 for each appointee or \$4.35 for each examinee in the Department of Public Assistance (See "Report on Relief" to the General Assembly by the Joint State Government Commission, January 1941, page 96 of Appendix of that Report).

This information was accompanied only by the statement that it constituted "the information requested." Since the request called for costs of examinations only it is apparent that the data cover only this one phase of the work of the Employment Board.

It will be noted that the foregoing cost figures apply to different phases of the cost. Only in the case of the Unemployment Compensation Board do they cover the full cost of the personnel function which includes the maintenance of employment and re-employment lists, full employment records of each employe, records of meetings and decisions of the Employment Boards, etc. For these reasons, these cost statements must be regarded as tentative only, calling for much more complete examination and analysis before they can be regarded either as a reasonable measure of the cost of operating the uncoordinated agencies or as an indicator of the probable cost of maintaining the combined civil service commission.

APPENDIX B

EXHIBIT 2

DIGEST OF PRESENT ACTS PROVIDING FOR A MERIT  
SYSTEM IN THE CIVIL SERVICE OF THE COMMONWEALTH  
OF PENNSYLVANIA

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Citation.....	<u>1937</u> Act #395 (P.L. 2005 Amended 1939 by Act #384 (P.L. 1091)	<u>1935</u> - Special Session Act #1 (1937 P.L. 2897) Amended 1937 by Act #175 (P.L. 658)	<u>1933</u> - Special Session Act #4 (P.L. 15) Re-enacted and amended 1937 Act #370 (P.L. 1762)
Employees Covered..	"Employee" means any person employed by Department of Public Assistance, State Board or Local Board, except Secretary to Secretary of Public Assistance and to Local Board.	Employees <u>not</u> subject to civil service include: 1. Members and Secretary of board 2. Referees, attorneys and experts appointed by Attorney General or Secretary and approved by Governor. All others appointed from eligible lists.	All offices, places and employments in <u>Pennsylvania Liquor Stores or establishments</u> shall be filled by selections from persons who have satisfactorily passed the examination. Under Article III, Pennsylvania Liquor Stores Act further provides: "No officer or employe, except as otherwise provided, shall be appointed or employed by the Board after January 1, 1934, except as provided in this section....Every person desiring employment under the Board shall file application and take examination."



EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Administration....	<u>Employment Board</u> 3 members appointed by Governor with approval and consent of Senate receive per diem as fixed in amount by Executive Board and Governor not to exceed \$25. per day	<u>Unemployment Compensation Board of Review</u> 3 members appointed by Governor with approval and consent of Senate. 6 year terms staggered -- Chairman \$9,000 per year Members 8,500 per year	<u>Department of Public Instruction performs examining and grading functions for Liquor Control Board</u>
Administration....	<u>Qualifications and Removal</u>  Not provided by law.  <u>Duties</u> - Prepare and conduct examinations. Grade each person examined. Make rules for order and use of eligible lists and to carry out provisions of Act  <u>Administrator</u>  None provided by law.	<u>Duties</u> - Conduct examinations designate committee to grade examinations. Certify eligible lists to Secretary. Make rules and regulations necessary for execution of provisions of the personnel section of Act. Power to administer oaths and subpoenas. Employ necessary experts and clerical assistants. Number and compensation subject to approval of Secretary.  <u>Administrator</u>  Board may appoint a Secretary No duties or qualifications listed.	<u>Administrator</u>  None provided by law.

EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Administration....		<u>Miscellaneous</u> Duty of officials and employes of Department and applicants to give Board all required information and testimony and to subscribe to testimony under oath.	
Classification of Positions.....	Department of Public Assistance and Employment Board shall jointly classify positions and establish qualifications.	Secretary of Labor and Industry shall establish classes of employment.  Secretary shall prescribe qualifications required in various grades.	Liquor Control Board authorized to prescribe, from time to time, the qualifications to be possessed by persons desiring employment under it.
Compensation.....	Department of Public Assistance and Employment Board jointly fix maximum and minimum salaries for each class of employment.  No provision.	Secretary of Labor and Industry shall specify salary range for each grade.  All appointments made at lowest salary in grade.  Secretary may increase salary of any employe after end of probation period up to maximum for grade.	Liquor Board shall fix compensation of employes

EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Selection,.....	<p>After March 1, 1938, all employes, except special examiners, appointed from eligible lists. Transfer to new class of employment having same or higher salary shall be by examination, same as original appointment. Examinations practical in character and related to matters bearing on and which will test relative capacity and fitness of persons to discharge duties to which seek appointment. Race, religion, or political or labor union affiliation shall not be a qualification of applicant nor just cause for change in status. No applicant required to have any scholastic education in social work or any other special educational training or experience. Identity to remain unknown to persons grading. (Preference of 5 points to veterans - 10 points to disabled veterans) This provision superseded by Act of 1939 (P.L. 1193) requiring appointment of soldiers if appearing on certified list and permitting appointment of</p>	<p>Vacancies as far as practical, filled by promotion. Secretary may promote an employe after 6 months upon certification by Board. Board shall satisfy itself of qualifications of employe for higher positions and may require qualifying or competitive examinations. Individuals desiring employment shall file application with Board and shall be admitted to next examination in grade. Examinations practical in character and related to matters, etc. (Same as Public Assistance). Examinations in writing but Board may take into consideration experience and persons' qualifications provided same standards apply to all applicants in same grade. Application shall not require information re race, creed, color or political affiliation. No requirement of scholastic education or training. Candidate given number so identity not known to graders.</p>	<p>Vacancies as far as practical, filled by promotion. Person promoted shall have served at least 6 months. Promotion shall be based on merit and superior qualifications as shown from previous service. Individuals desiring employment shall file application with Board. Board shall transmit application to Department of Public Instruction, which shall determine qualification for examination. Those accepted admitted to next competitive examination. Examinations practical in character, etc. (Same as P.A.) Application shall not require information as to color, religion or political affiliation. No requirement of any scholastic education, or training.</p>

EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
selection..... (continued)	<p>soldier, if appearing at any point on eligible list.</p> <p>Lists arranged as decided by Employment Board. For appointment to Central Office - Applicant must be resident of Pennsylvania, one year; to local office, resident of Pennsylvania, one year, District, 6 months.</p>	<p>Papers marked by Committee designated by Board, approved by Governor, consisting of school teachers. Compensation \$15. per day. Lists arranged in rank from highest to lowest. Residence and veterans' preference requirements same as Public Assistance.</p>	<p>Every candidate given a number so identity not known to graders. Papers marked by Committee designated by Department of Public Instruction, same as Unemployment Compensation. Citizens of the United States - store operators same as Public Assistance on residence. Veterans preference - Same as Public Assistance.</p>
Appointment and Promotion.....	<p>Lists used and names placed in order filed by Employment Board provided no name on list longer than 2 years.</p> <p>On approval of Employment Board provisional appointments may be made in emergency as result of non-comp. examination if no list available. After June 1, 1938, provisional appointments not valid for more than 90 days.</p> <p>Probation period - not less than 3 or more than 6 months</p>	<p>List shall be valid until next examination but not less than 1 year.</p> <p>Secretary shall make appointments from 3 persons ranking highest on list. For second vacancy Secretary shall select from 3 highest who have not been within his reach for 3 separate vacancies. Third and additional vacancies in like manner.</p> <p>Provisional appointments not</p>	<p>If list is available, no examination within 12 months of last examination. When new list certified by Public Instruction, previous list expires. When position is to be filled, and no list, examinations shall be held at earliest convenient date.</p> <p>"Persons receiving highest grade shall be first appointed and so on."</p> <p>No appointment from list shall</p>

EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Appointment and Promotion.... (Continued)	as fixed by Employment Board. During period employment may be terminated for just cause.	later than January 1, 1938. Persons so appointed cease to be employed within 30 days after list of eligibles certified.  Probation period of 9 months. If unsatisfactory, employment may be terminated during period after notice in writing with reasons, from which employe may appeal, as in case of dismissal. Retention beyond end of probation period automatically confirms permanent employment.	be made to any position having rate of pay higher than paid to any appointed from same list within 6 months prior.  No provision for probation.
	<u>Present employes</u> No provision (New Department)	<u>Present Employes</u> No provision	<u>Present Employes</u> All prior employes except Alcohol Permit Board considered provisional and retained only upon qualification through examination.
Regulation of Employes.....	Transfers between classes same as new appointment by examination.		

EXHIBIT 2  
(Continued)

<u>Subject</u>	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Separation from Service,.....	No provision	Secretary may summarily dismiss any employe convicted of offense in connection with duties or felony or crime involving moral turpitude.	Lay-off, etc. employe may appeal. When any subsequent appointments are made, employe laid off or furloughed shall be recalled to service, in proper class and in order of their rank, before new appointments can be made.
	<u>Suspension</u> Employer may suspend, for just cause, total not more than 30 days in year. Written reasons filed with Employment Board.	Secretary may suspend for not more than 30 days or <u>dismiss</u> employe for delinquency or misconduct in duties. Secretary may <u>furlough</u> for lack of funds, on curtailment of work. Furloughed employes re-instated on eligible lists and given preference over all other persons for future appointments. All dismissed, suspended or furloughed entitled to hearing before Board.	Employe may be <u>removed, suspended, demoted, transferred, reprimanded, etc.</u> for incompetency, inefficiency, insubordination, dishonesty, intemperance, immorality, profanity, discourteous treatment of public or other employes, wilful disobedience, violation of law or regulations, or acts incompatible with public service. Employe so removed, etc. has right of appeal for hearing and consideration of his case.
	<u>Resignation</u> No employer shall demand from any employe before or at time of appointment any resignation	Furnished copy of charges and allowed to answer in writing. If sustained by Board re-instated with back pay. Appeal may be taken to court.	Employe may be removed by Governor when deemed in best interests of public service.

EXHIBIT 2  
(Continued)

Subject	<u>Public Assistance</u>	<u>Unemployment Compensation</u>	<u>Liquor Control Board</u>
Separation from Service ..... (Continued)	<p>or agreement to resign.</p> <p><u>Removal</u> Employer may demote or remove for just cause only after giving employe written reasons and opportunity to file answer.</p> <p>Both statements to Employment Board and made part of public records.</p> <p>Appeal and further procedure according to rules established jointly by Department of Public Assistance and Employment Board.</p> <p>Department of Public Assistance and County Boards, may recommend to Governor that employe be suspended or removed. Governor may do so if deems same to be to best interests of public service. Executive Director's of local boards without regard for these laws, but must be appointed from those certified by Department of Public Assistance as qualified through unassembled examination.</p>	(See prior page)	(see prior page)
Enforcement....	No employe shall receive compensation until Employment Board certified his lawful employment.	No provision.	No provision.

EXHIBIT 2  
(Continued)

Subject	Public or Unemployment Assistance Compensation	Liquor Control Board
Enforcement (Continued)	<p>Employee shall be removed if he shall be, during employment, a member of political committee or officer of political organization; solicit or receive a political contribution; injure or benefit or threaten to do so to employe or applicant for relief for any political activity or vote.</p>	<p>No person shall hold any other position in Commonwealth or political subdivision or become a candidate for office during employment by Board. No person shall be required to contribute to political funds, nor support any party or organization, nor be removed or otherwise prejudiced for failure to do so.</p>
Schedule.....	No provisions.	No provisions.
<p>(Continued) Schedule.....</p>	<p>(Continued) Schedule.....</p>	<p>(Continued) Schedule.....</p>
<p>(Continued) Schedule.....</p>	<p>(Continued) Schedule.....</p>	<p>(Continued) Schedule.....</p>