

STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION

23rd ANNUAL REPORT

1991



State of New Jersey
COMMISSION OF INVESTIGATION

CN-045
TRENTON, NEW JERSEY 08625-0045
(609) 292-6767
TELECOPIER
(609) 633-7366

JAMES R. ZAZZALI
CHAIRMAN

BARRY H. EVENCHICK
KENNETH D. MERIN
WILLIAM T. CAHILL, JR.
COMMISSIONERS

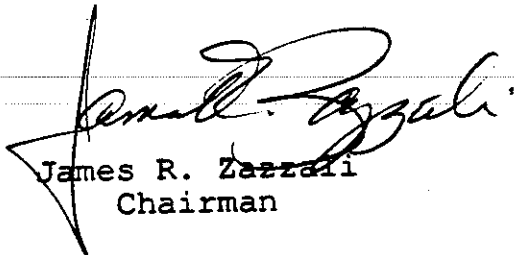
JAMES J. MORLEY
EXECUTIVE DIRECTOR
ROBERT J. CLARK
DEPUTY DIRECTOR
HELEN K. GARDINER
ASSISTANT DIRECTOR
THOMAS W. CANNON
EXECUTIVE ASSISTANT
CHARLOTTE K. GAAL
CAROL L. HOEKJE
ILEANA N. SAROS
JAMES F. VILLERE, JR.
COUNSEL

October, 1992

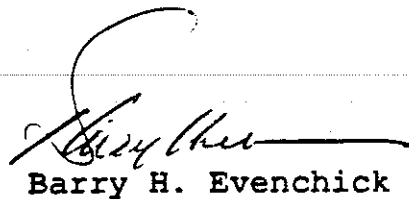
Governor James J. Florio
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation herewith formally submits, pursuant to N.J.S.A. 52:9M, its 23rd annual report for the year 1991.

Respectfully,



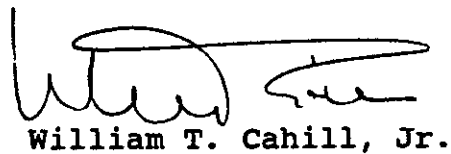
James R. Zazzali
Chairman



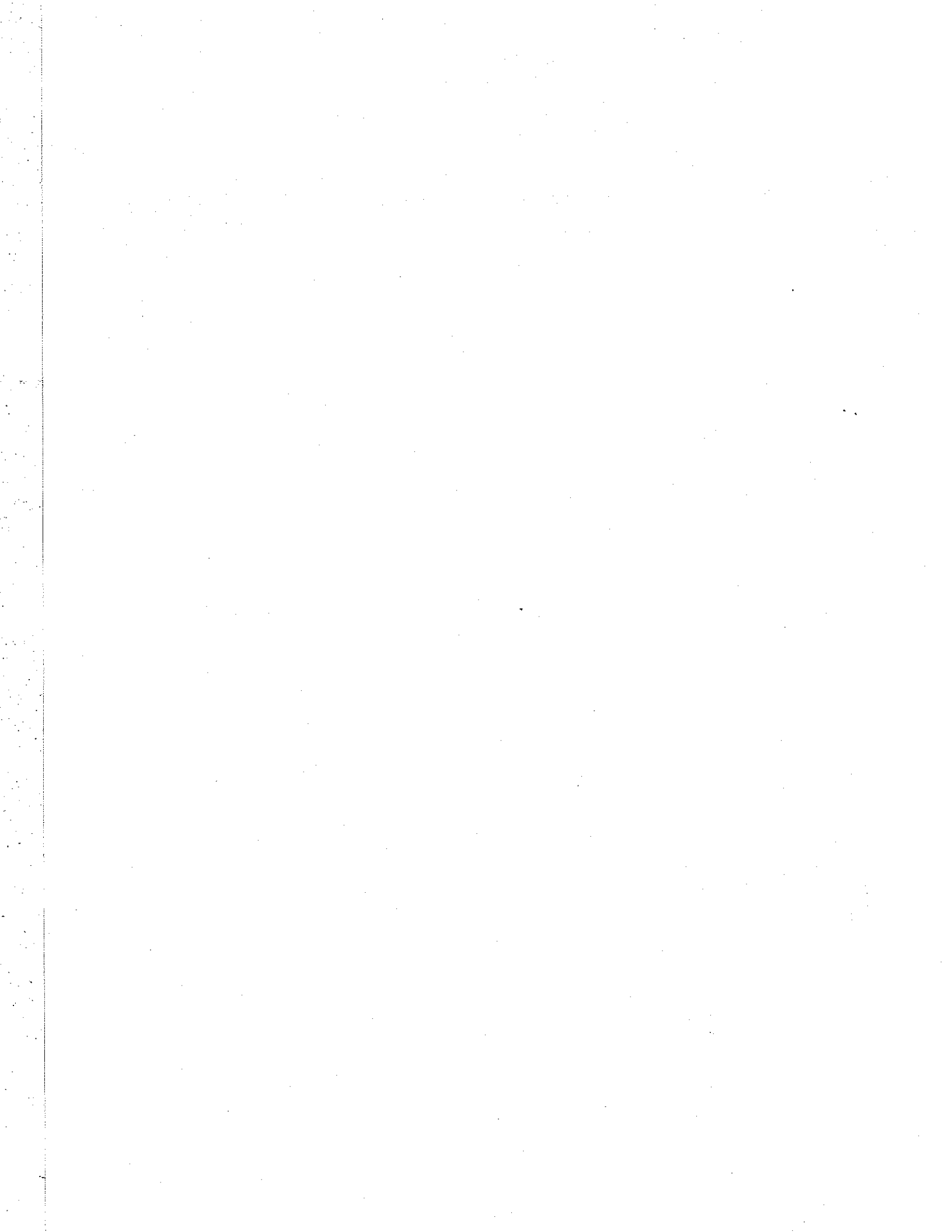
Barry H. Evenchick



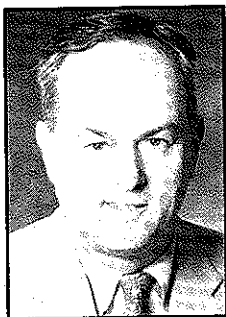
Kenneth D. Merin



William T. Cahill, Jr.



Members of the Commission



James R. Zazzali

Attorney, Rumson; partner, Zazzali, Zazzali, Fagella & Nowak, Newark. Appointed to Commission May, 1984 by Gov. Kean. Attorney General of New Jersey, 1981-1982; general counsel, N.J. Sports & Exposition Authority, 1974-1981; assistant prosecutor, Essex County, 1965-1968; associate editor, New Jersey Law Journal; served as court-appointed master to investigate conditions at jails in Monmouth, Essex & Bergen Counties & in Newark; member, Supreme Court Disciplinary Review Board. Graduated 1958, Georgetown College; 1962, Georgetown Law Center.



Barry H. Evenchick

Attorney, sole practitioner, Livingston. Appointed to Commission June, 1987 by Assembly Speaker Chuck Hardwick. Associate editor, New Jersey Law Journal; New Jersey representative, Commission on Uniform Legislation; former chief, appellate sections, Essex County Prosecutor's Office and State Division of Criminal Justice; township attorney, Livingston, 1975-1986. Graduated 1960, Rutgers University; 1963, Rutgers Law School.



Kenneth D. Merin

Attorney, Morristown; partner, Kroll & Tract, New York City. Appointed to Commission January, 1990 by Governor Thomas H. Kean. Commissioner, New Jersey Department of Insurance, 1984, 1986-90; director, Governor's Office of Policy and Planning, 1985-86; deputy chief counsel to the Governor, 1982-84; former congressional aide. Graduated 1969, George Washington University; 1975, Seton Hall Law School; 1980, George Washington Law School (LL.M.). Veteran, Vietnam War; recipient of Bronze Star; discharged as a first lieutenant, infantry, in 1972.



William T. Cahill, Jr.

Attorney, Haddonfield; partner Cahill, Wilinski & Cahill. Appointed to Commission in May, 1991 by Senate President John A. Lynch. Assistant prosecutor, Camden County, 1972-1975; municipal prosecutor, Haddon Heights, 1975-1978, and Collingswood, 1975-1991; former member, Supreme Court District Ethics Committee (Camden County) 1989 - 1990, Camden County Bar Association Judicial Appointments Committee, 1990 - 1991. Graduated 1969, Xavier University; 1972, Catholic University Law School.

Executive Staff



Ileana N. Saros
Counsel

Carol L. Hoekje
Counsel

James F. Villere, Jr.
Counsel

Charlotte K. Gaal
Counsel

Thomas W. Cannon
Executive Assistant

Robert J. Clark
Deputy Director

James J. Morley
Executive Director

Helen K. Gardiner
Assistant Director

INTRODUCTION

The New Jersey State Commission of Investigation (SCI) was created in 1968 after extensive research and public hearings conducted by the Joint Legislative Committee to Study Crime and the System of Criminal Justice in New Jersey. That Committee was under direction from the Legislature to find ways to correct what was a serious and intensifying crime problem. Its final report, which confirmed that a crisis in crime control did exist in New Jersey, attributed the expanding activities of organized crime to "failure to some considerable degree in the system itself, official corruption, or both." Sweeping recommendations for improving various areas of the criminal justice system were proposed.

Two of the most significant recommendations of the Committee were for a new State criminal justice unit in the executive branch and an independent State Commission of Investigation. The Committee envisioned the proposed criminal justice unit and the Commission of Investigation as complementary agencies in the fight against crime and corruption. The criminal justice unit was to be a large organization with extensive manpower and authority to coordinate and conduct criminal investigations and prosecutions throughout the state. The Commission of Investigation was to be a relatively small but expert body which would conduct factfinding investigations, bring the facts to the public's attention and make recommendations to the Governor and the Legislature for improvements in laws and the operations of government.

The Committee's recommendations prompted immediate supportive legislative and executive action. New Jersey now has a Criminal Justice Division in the Department of Law and

Public Safety and an independent State Commission of Investigation, which is structured as an agency of the Legislature. The new laws were designed to prevent conflict between the functions of the Commission and the prosecutorial authorities of the state. The latter have the responsibility to seek indictments or file other charges of violations of law and bring the violators to justice. The Commission, on the other hand, has the responsibility to expose wrongdoing or governmental laxness by fact-finding investigations and to recommend new laws and other remedies to protect the integrity of the government process.

Legislation creating the State Commission of Investigation was introduced on April 29, 1968, in the Senate. Legislative approval of that measure was completed on September 4, 1968. The bill created the Commission for an initial term beginning January 1, 1969, and ending December 31, 1974. The Legislature on four subsequent occasions extended the term of the SCI for five-year periods—in 1973 for a term expiring December 31, 1979; in 1979 for a term expiring December 31, 1984; in 1984 for a term expiring December 31, 1989, and in 1989 for a term expiring on December 31, 1994.

The complementary role of the SCI was noted in two comprehensive, impartial analyses of the Commission's record and performance—in 1975 by the Governor's Committee to Evaluate the SCI and in 1983 by the State Commission of Investigation Review Committee. Both of these reports stated that the SCI performs a valuable function and that there is a continuing need for the Commission's work. The 1983 review panel said its advocacy of the Commission was reinforced by the views of top law enforcement officials in the State that the SCI "continues to serve as an important adjunct to New Jersey's criminal justice system."

To eliminate any appearance of political influence in the Commission's operations, no

more than two of the four Commissioners may be of the same political party. Two Commissioners are appointed by the Governor and one each by the President of the Senate and the Speaker of the Assembly. It thus may be said the Commission by law is bipartisan and by concern and action is nonpartisan.

The paramount responsibilities vested in the Commission are set forth in its statute:

The Commission shall have the duty and power to conduct investigations in connection with:

- (a) The faithful execution and effective enforcement of laws of the state, with particular reference but not limited to organized crime and racketeering;
- (b) The conduct of public officers and public employees, and of officers and employees of public corporations and authorities;
- (c) Any matter concerning the public peace, public safety and public justice.

The statute provides further that the Commission shall conduct investigations by direction of the Governor, by concurrent resolution of the Legislature, and of any state department or agency at the request of the head of the department or agency.

The statute assigns to the Commission a wide range of responsibilities and powers. It may compel testimony and the production of other evidence by subpoena and has authority to grant immunity from prosecution to witnesses. Since the Commission does not have prosecutorial functions, it is required to refer information of possible criminality to appropriate prosecutorial authorities.

One of the Commission's responsibilities, when it uncovers irregularities, improprieties, misconduct or corruption, is to bring the facts to the attention of the public. The objective is to

promote corrective actions. The format for public actions by the SCI is based on the complexity of the subject and the clarity, accuracy and thoroughness with which the facts can be presented. The Commission may proceed by way of public hearing, a public report or both.

In its proceedings, the Commission adheres to the New Jersey Code of Fair Procedure, the requirements of which were incorporated in the Commission's enabling law in 1979. These provisions afford the protection which the Legislature by statute and the Judiciary by interpretation have provided for witnesses called at private and public hearings and for individuals mentioned in the Commission's public proceedings. Such procedural obligations include a requirement that any individual who feels adversely affected by the testimony or other evidence presented in a public action by the Commission shall be given an opportunity to make a statement under oath relevant to the testimony or other evidence. The statements, subject to a determination of relevancy, are incorporated in the records of the Commission's public proceedings. Before undertaking a public action, the Commission evaluates investigative data in private in keeping with its obligation to avoid unnecessary stigma and embarrassment to individuals.

The Commission emphasizes that indictments and convictions which may result from referral of criminal matters to other agencies are not the only test of the efficacy of its public actions. More important are the corrective statutory and regulatory reforms spurred by arousing public and legislative interest. The Commission takes particular pride in all such actions which have resulted in improved laws and governmental operations.

I

PUBLIC ACTIVITIES

Motor Fuel Tax Evasion

Concerned about the potential loss of a substantial amount of tax revenue, the Commission in 1991 began to examine the problem of motor fuel tax evasion, a nationwide problem that costs state and federal governments more than one billion dollars annually. In New Jersey alone motor fuel tax evasion currently results in an estimated \$40 million annual loss to the State.

In addition to harming government and the public through lost tax revenues, motor fuel tax evasion also affects honest merchants who cannot compete in a marketplace where tax evaders sell fuel well below its legitimate cost.

Finally, motor fuel tax evasion costs states a loss of federal highway funds which are distributed on the basis of federal motor fuel tax collections.

In New Jersey, tax evasion on diesel fuel has been the most significant problem. Both diesel and home heating oil are No. 2 fuel oil and essentially the same product, although diesel may contain additives to improve its burning quality in an engine. Because it is used to propel vehicles on the highways, diesel is generally taxable as a motor fuel while No. 2 fuel oil that is used as home heating oil is not.

The typical scam for the tax evader is to buy No. 2 fuel oil and sell it as diesel with some

mark-up for taxes, but without remitting those to the state or federal government. Often this scam is accomplished through the creation of a convoluted paper trail that includes shell companies which cease operating before authorities are even aware that a crime has been committed. These companies usually issue invoices to purchasers of diesel fuel that are marked "all taxes included," regardless of whether or not a single penny of tax has, in fact, been remitted.

Fuel tax evasion creates lucrative opportunities for illicit gain due to high combined state and federal taxes. In New Jersey, the total tax on diesel fuel is 37.6 cents per gallon. Since legitimate fuel merchants operate on a profit margin of just a few pennies per gallon, a tax evader whose costs are nearly 40 cents per gallon less can wreak havoc in the marketplace. The tax evader can undercut honest merchants by a substantial amount yet still reap enormous illicit profits.

The Commission discovered the problem during its check cashing investigation in 1986-1988 when it learned that fuel companies were among those cashing their receivables at check cashers. In some instances these fuel companies could not be located. Subsequent inquiry during the Commission's garment investigation in 1988-1990 revealed that many of these companies were no longer in business or had changed names. Inquiries of the Division of Taxation elicited information about growing problems with motor fuel tax evasion. When the Commission began to examine in earnest the subject of motor fuel tax evasion in New Jersey, it discovered that many of those involved in the schemes were immigrants from what was formerly the Soviet Union. New York authorities who had prosecuted some violators found a similar situation. But they learned also that four of the five traditional organized crime families from the metropolitan area had managed to get a share of the schemes.

A public hearing on this problem was held in Trenton on October 30 and 31, 1991, during which 27 witnesses testified.

* * *

At the hearing, Commission staff members testified about the difficulty in tracing the persons responsible for paying the taxes. The typical scenario involved a complex phony paper trail designed to divert investigators and cover a relatively direct fuel trail. The paper trail involved invoices from several companies, frequently including one or two from out-of-state. Although the personnel involved did not change, the companies would be established, stay in business for just a few months and then fold without a trace, leaving tax or criminal auditors with little more than a trail of worthless paper and stacks of invoices stamped with the words "All Taxes Paid."

The fuel, meanwhile, was often brokered directly outside the gates of the terminals where unscrupulous dealers looking to make a quick buck eagerly bought the fuel, complete with invoices stating that all the taxes were paid. Because of ambiguities in the tax law, however, investigators could not prosecute when they could not determine who actually owed the taxes.

Several fuel dealers testified under subpoena during the hearings that they bought fuel on an "all taxes included" basis but did not know whether, in fact, taxes had been paid.

Following the Commission's public hearing and the issuance of its report in February, 1992, the Legislature and the Governor responded quickly and enacted a substantial reform of the state's motor fuels tax law. The new law redefines taxable fuel, clarifies other ambiguities, specifies that the tax is to be collected when fuel is sold to retailers, provides for licensing and bonding of dealers and requires total accountability for all fuel transactions. A separate

appropriations bill provided funds to finance stepped up enforcement.

As a result of these reforms, the State's budget for the 1992-93 fiscal year anticipates \$50 million in added revenue, based on increased collections under the new law.

Video Gambling

The Commission issued a report on video gambling in September, 1991, that was based on a public hearing held on January 23 and 24, 1991. Because of the nationwide interest in gambling as a potential source of revenue for financially strapped state governments, the report received wide circulation.

Inquiries for further information were received from investigative agencies and news media from Oregon, Minnesota, New Mexico, South Dakota, Louisiana, Iowa and the Maritime Provinces of Canada. In Oregon and the Maritime Provinces, official government action was taken based directly on certain findings in the Commission's investigation.

Video gambling presents several difficult and vexing public policy issues:

- Whether to legalize video gaming machines as part of the state lottery in order to claim as revenue some of the money the devices already generate, both because of the need to find new sources of state revenue and in the belief that such legalization will hurt organized crime.
- Whether to legalize the machines, allow them to remain in the private sector and regulate them because of the difficulties inherent in policing the devices.
- Whether, by such legalization, New Jersey would become too dependent on gambling as a revenue producer and, at the same time, cause its public image to deteriorate as it becomes the virtual gambling capital of the nation.

■ Whether more legalized gambling would create more gamblers while also skewing our system of values for ourselves and our children.

* * *

Through its public hearings and report, the Commission established that organized crime has some control over the manufacture and distribution of the video machines, as well as the placement of the devices, at least in the northern part of the state. Testimony from three persons formerly associated with organized crime, as well as from an assistant state attorney general, demonstrated that an independent entrepreneur simply could not obtain the machines or place them in his business without the permission of ruthless, powerful organized crime figures, who also demanded a portion of the proceeds as tribute.

The Commission's report detailed the participation of four organized crime families that were involved in either the manufacture, distribution or sale of the machines — the Bruno/Scarfo family, the Gambino/Gotti family, the Genovese/Gigante family and the Lucchese/Amuso family. The income from these machines is so important to the mob that, in the case of the Genovese family at least, decisions regarding daily operations involving one company are made by a family associate, two capos (captains) and the family boss.

The issue of control of the various operations is complicated by relationships between blood relatives as well as between organized crime families. Disputes over control are usually settled by high-level organized crime "sitdowns" in New York, New Jersey, Florida and elsewhere. Still, some disputes have spawned violence, with at least one Lucchese family associate involved in manufacturing the machines being beaten to death with golf clubs because he refused to share his income with his mob superiors.

Mechanically, video gambling machines are identical to slot machines in the Atlantic City casinos. The only difference is that the slot machines have handles, bells and whistles that the video machines lack. Both types of machines contain circuitry to control the payout to players. By law, the casinos must pay slot players at least 83 per cent and the circuitry is sealed to prevent tampering. In illegal video machines, however, the payout is continuously adjusted by the owners — high in the beginning to lure more players, then low once the players become hooked.

* * *

New Jerseyans are ambivalent about gambling. On the one hand, the 1947 State Constitution prohibits gambling without specific authorization of the voters in a referendum. On the other hand, the Constitution has been amended seven times to permit bingo, raffles, a state lottery and casino gaming. (Pari-mutuel horse racing had been authorized prior to the 1947 Constitution.) Although a referendum that would have allowed casinos to be built anywhere in the state was defeated in 1974, a second referendum, narrowed to permit casinos only in Atlantic City, was approved just two years later. It appears, therefore, that while New Jerseyans want to gamble, they want some limits on when and where they can do it.

Yet the evidence is also clear that a substantial number of our citizens believe that gambling is a harmless diversion that should neither be circumscribed nor condemned. And many believe that organized crime is merely providing a service to those who wish to gamble illegally, despite the availability of numerous legal games of chance. They forget, however, that illegal gambling provides the revenue to help keep organized crime alive.

The many issues raised by video gambling, while perhaps superficially simple, are in fact exceedingly complex. The problems are not easily soluble and the Commission believes the Legislature and the Governor are the appropriate entities to decide the issues. Nevertheless, the Commission believes that its public hearing and report have contributed significantly to a dialogue on the subject.

Garment Industry

In April, the Commission issued a report on its two-year investigation into the social and economic problems of the garment industry. The report also dealt with organized crime influence over some segments of the industry, especially trucking. The report was based on three days of public hearings on October 23, 24 and 25, 1990.

During the hearings, the Commission discovered a myriad of problems of enormous complexity. The problems can be broken down into three major issues, the first two of which are economic and are inextricably intertwined.

First, the Commission is greatly concerned about the welfare of the thousands of workers in New Jersey in this industry and how best to protect them. Second, the Commission is concerned about the economic health of the industry itself and how to preserve what is left of it.

The Commission is acutely aware, for instance, that the garment industry in the nation as a whole has been seriously hurt by imported goods made abroad by workers earning a fraction of the wages their counterparts in this country make — wages which, by the way, are just barely adequate. Overregulation of the industry could price some contractors and manufacturers out of

business. Yet fundamental human decency requires that this industry treat its employees fairly.

The Commission heard much testimony about how difficult it is for some entrepreneurs to make a living in the garment industry. But some are making money — and lots of it. Are they doing well on the backs of their workers, or are they doing well because they are good businessmen who out-hustle their competitors? And do some have an unfair advantage because they play by different rules?

It is this latter concern that represents the third major issue raised by the hearings -- the organized crime dominance of some major garment trucking companies and the acceptance by all concerned of this insidious, longstanding presence in the industry. And the Commission was especially troubled to learn of the extent of the migration to New Jersey of organized crime elements from the New York garment center.

* * *

Since the Commission's public hearing and report, the Legislature passed and the Governor signed a measure strengthening and making permanent the Apparel Registration Unit in the Department of Labor. That law gives the inspectors already on staff the tools to do a better job. This new authority allows inspectors to be more aggressive in searching out violators rather than accepting limited registration information as submitted without verification or challenge.

Among other things, the law provides for an expansion of penalties, including confiscation of articles under certain circumstances. It permits confiscation of partially or completely assembled garments as a penalty for violation of the law if the manufacturer or contractor has previously been subjected to a civil or administrative penalty for two or more separate violations

of the law within the preceding three-year period.

The law also provides that the Commissioner of Labor or his designee make public a list of manufacturers and contractors who have been found guilty of violations of the law or any other act for which the manufacturer or contractor may be subject to revocation of registration or confiscation of items for a subsequent violation.

The new law also requires that:

- Manufacturers and contractors keep accurate records regarding their production employees for the preceding three-year period and to make those records available to the apparel unit upon request.

- Manufacturers or contractors who knowingly contract with any other manufacturer or contractor who does not hold a valid registration shall be deemed to have violated the act.

One thing the Commission is certain of is that its recommendations made in 1988 regarding the operations of check cashers are more important than ever. The marginal nature of some garment enterprises causes many to use check cashers to conceal assets, hide workers, avoid payment of union benefits, pay bribes and perhaps for other nefarious purposes.

* * *

Perhaps the single most powerful individual in garment trucking, in New Jersey as well as New York, is Thomas Gambino of Manhattan, son of the late Carlo Gambino after whom the organized crime family in New York is named. The Commission and other law enforcement agencies believe that Thomas Gambino is a capo (captain) in the Gambino organized crime family.

Thomas and his brother Joseph were indicted by a New York County grand jury on

October 18, 1990, just days before this Commission's public hearings began. The Commission staff assisted the Manhattan District Attorney's office in the investigation that led to the indictment. Since that time, the Gambino brothers have pleaded guilty to conspiracy in connection with allegations that they tried to monopolize garment trucking through fear and intimidation. A special court-appointed master has been assigned to oversee the break-up of the Gambino's trucking empire.

Afro-Lineal Organized Crime

In March, 1991, the Commission released a report on Afro-lineal organized crime. The report points out that the public, media, and even most law enforcement officials have traditionally associated the term "organized crime" with Italian ethnic criminal syndicates, commonly called La Cosa Nostra (LCN) or the Mafia. To counter this narrow point of view, the Commission has, for some time, emphasized that LCN, while a serious problem, represents only part of the organized underworld which preys on New Jersey and the rest of the country.

Among the criminal groups which should receive more attention than they have in the past are those of African ethnic background. Such Afro-lineal organized crime, composed exclusively or predominantly of persons of African ancestry, includes criminal syndicates of African-Americans, Jamaicans, Nigerians and others.

The neglect of this problem stems, in part, from the erroneous stereotype that African ethnic groups lack the stability and sophistication to organize and are not capable of structuring a syndicate of any consequence. In addition, law enforcement resources are limited, and they have been devoted to dealing with more familiar groups which receive greater media attention,

probably because they are perceived to threaten suburban interests.

Whatever the cause of the neglect, it has led, in many areas, to a serious shortage of information concerning the activities, membership and leadership of Afro-lineal criminal groups. As a result, several have become wealthy and entrenched, with substantial numbers of members. Their leaders are insulated from police investigations. They have terrorized neighborhoods, corrupted youth and fanned violence in urban areas.

Afro-lineal criminal groups are particularly threatening because they are heavily engaged in narcotics trafficking, a scourge against all of society and a severe impediment to urban revitalization. They also promote significant frauds, high-volume illicit gambling, murder, extortion, government corruption and other criminal activities.

For several years, the Commission has developed intelligence on Afro-lineal mobs. These efforts culminated in the March report, which also summarizes a public hearing held by the Commission on November 29, 1990. The report provides a comprehensive review of the problem and recommendations for dealing with it. In addition, some successful law enforcement efforts to curtail Afro-lineal organized crime are highlighted in anticipation that they will be imitated elsewhere in New Jersey.

The Commission's March report emphasized that Afro-lineal groups are particularly dangerous because they exhibit some troubling characteristics. They are breeding grounds for durable syndicates. As established or aspiring drug trafficking groups vie for available markets, they become extremely violent. Established and emerging Afro-lineal organized crime groups have disrupted everyday life in many urban and suburban areas. In several instances they have successfully insulated their leadership from traceable connections to criminal activity.

In some cases these groups' activities are diverse, including gun running, murder, robbery, extortion and the creation of enduring gambling operations, some under the control of La Cosa Nostra and some operating independently. When asked by Commission Chairman James R. Zazzali to compare the harm caused by Afro-lineal organized crime to that caused by La Cosa Nostra, former Newark Police Director Claude Coleman concluded that the former's heavier involvement in drug trafficking made its effects "much worse."

In its report the Commission recommended the following actions to more effectively counter the threat of Afro-lineal organized crime:

1. Spending programs should emphasize the reduction of demand for the drugs whose sales provide the profits which are the life blood of most of the Afro-lineal organized crime groups. In the long run it will be cheaper and more beneficial for society to spend significantly more for boot camps for youthful offenders, drug addiction treatment facilities and vocational training, even if it means that less money will be available for more prison cells. In addition, suburban customers of urban drug supermarkets should face sanctions tougher than municipal court fines or driver license suspensions.

2. Direct assistance to local law enforcement should be increased so that more police can walk beats and help urban residents reclaim their neighborhoods. Meanwhile, programs that encourage community participation in efforts to stamp out drug trafficking and other crime should be enhanced. The State Division of Alcoholic Beverage Control should expedite appeals of local license revocations for those liquor establishments notorious as fronts for drug trafficking.

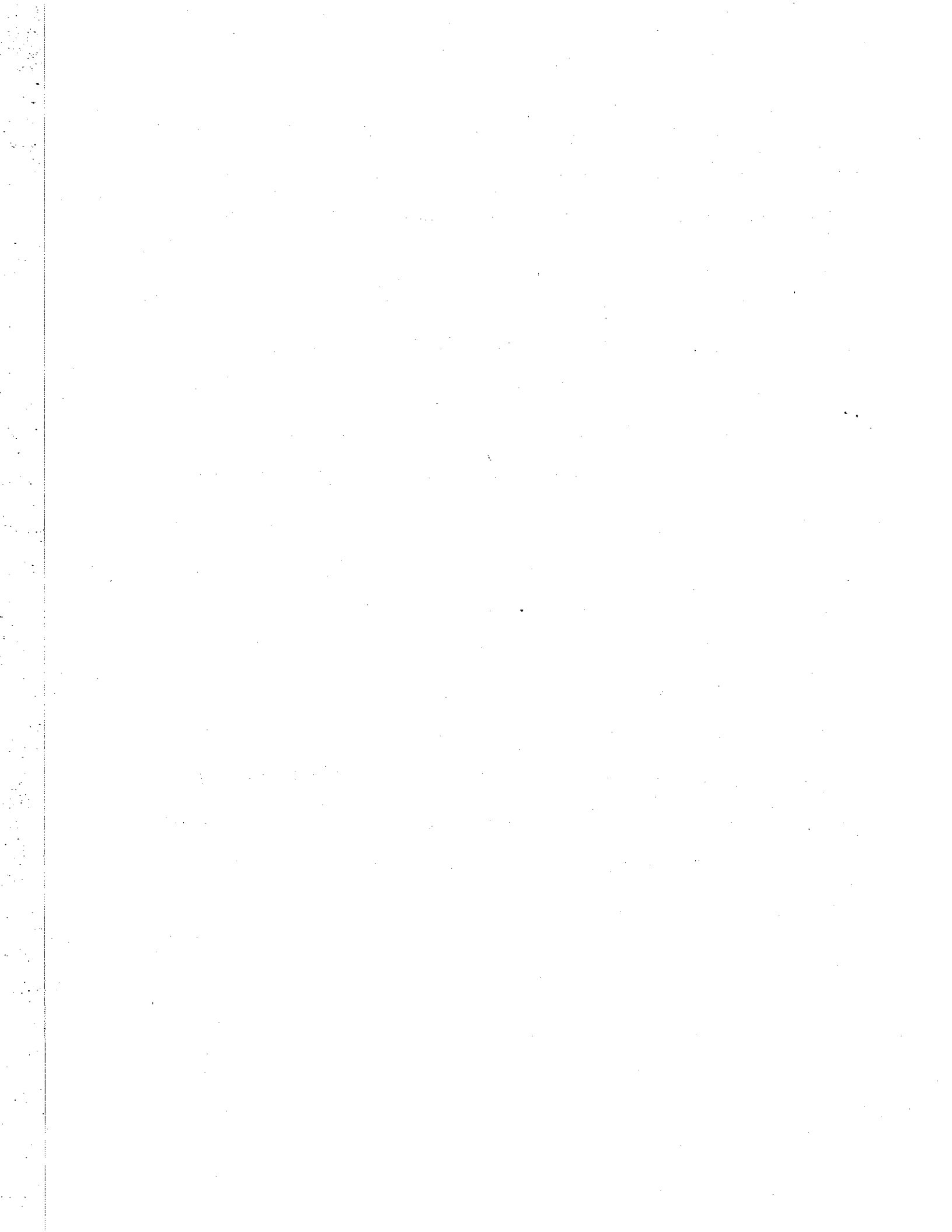
3. Law enforcement should devote a greater proportion of its intelligence effort to Afro-lineal organized crime groups. Equally important, this information should be routinely shared

among law enforcement agencies in a true spirit of cooperation. The Narcotics and Organized Crime Management and Analytical Database (NOMAD), or any similar system, should be expanded by eliminating federal funding restrictions which deprive such systems of federal "drug war" funds.

4. Leaders of Afro-lineal organized crime groups should be targeted, exposed and isolated. They should be prosecuted as "drug kingpins" and denied bail if the government can prove they pose a danger to the community. If granted bail, their trials should be expedited. Their investment of illegal gains in legitimate assets should be traced. In addition, after incarceration they should be closely monitored in order to curtail their influence over their organizations.

5. Law enforcement tools, which have proven successful in the fight against La Cosa Nostra, should be retained and expanded to counter Afro-lineal organized crime. Electronic surveillance is particularly helpful. Meanwhile, New Jersey needs a state law counterpart to complement the federal statute dealing with money laundering.

The Commission report noted its awareness of the fiscal constraints which limit the State's ability to fund some of these recommendations. However, much could be accomplished without additional funding by simply altering correction and treatment priorities, encouraging more flexibility in federal funding, improving cooperation among agencies and focusing more attention on group leadership.



II

PRIOR YEARS' ACTIVITIES

The following list summarizes the SCI's investigations, hearings and reports since the Commission began operations in 1969:

1969-72 Garbage Industry

The SCI recommended licensing members of the garbage collection industry. The Legislature enacted a law providing for licensing and regulating of the garbage industry by the State Public Utilities Commission, later the State Board of Public Utilities (BPU).

1970 Monmouth County Prosecutor's Office (Misuse of Funds)

The SCI recommended that all counties be served by full-time prosecutors. This proposal was gradually implemented, to the point where by 1986 all counties had full time prosecutors. The SCI recommendation that supervisory regulation of prosecutors be centered in the Attorney General's department was implemented.

1970-71 Organized Crime Control of Long Branch

The SCI referred to the U.S. Attorney for New Jersey its findings, data and fiscal records relating to corporations formed by Anthony (Little Pussy) Russo. These materials were in part the basis for a 1971 indictment of Russo for failure to file corporate income tax returns. Russo pleaded guilty to that charge and was sentenced to three years in jail, to run concurrently with a New Jersey

court sentence for perjury. (Russo subsequently was murdered).

Additionally, a police chief whose conduct was targeted by the SCI's probe resigned from office and Long Branch voters at the next municipal election following the public hearing elected a new administration.

1970-71 Corrupt State Purchasing Practices

A state buyer who was receiving payoffs from vendors was dismissed. SCI records were turned over to the Attorney General's office, which obtained an indictment charging the buyer with misconduct in office. He pleaded guilty, was fined and placed on probation.

Additionally, officials of the State Division of Purchase and Property, who assisted in the investigation, revised purchasing and bidding procedures to deter rigging of bids, renewal of contracts without bids, and acceptance of unsatisfactory performance and supplies.

1971-77 Building Service Industry Abuses

The Commission's investigation of restraints-of-trade and other abusive practices in the building service industry aroused the interest of the United States Senate Commerce Committee. The committee invited the SCI to testify at its 1972 public hearings on organized crime in interstate commerce. As a result of that testimony, the Antitrust Divi-

sion of the United States Justice Department, with assistance from the SCI, began an investigation into an association which allocated territories and customers to various member building service maintenance companies in New Jersey. In May, 1974, a Federal Grand Jury indicted 12 companies and 17 officials for conspiring to shut out competition in the industry. The companies were the same as those involved in the SCI's public hearings. On Oct. 25, 1977, the defendants agreed to a consent judgment to abandon the practices alleged against them. Earlier, the government's criminal action against the defendants was completed in March, 1976, by which time one company had pleaded guilty to the charges, the other defendants pleaded no contest. Fines totaling \$233,000 were levied.

Additionally, after the Senate Commerce Committee's hearings, the U.S. General Services Administration amended its regulations to bar purchases of certain cleansing products sold by organized crime figures (as exposed by the SCI investigation).

1971-72 Hudson County Mosquito Commission Embezzlements

After the SCI probe, the Mosquito Commission was abolished, resulting in an annual county budget reduction of \$500,000.

After the SCI referred its findings to the Hudson County Prosecutor, a County Grand Jury in 1971 handed up conspiracy and embezzlement indictments against the Mosquito Commission's executive director, his two sons, his secretary and the Commission's engineer and foreman. The executive director pleaded guilty to embezzlement in 1972 and was sentenced to two-to-four years in jail. His sons were fined \$1,000 each and placed on four-year probation. The other

indictments were dismissed.

1971-72 Point Breeze Development Frauds, Jersey City

Two bills implementing SCI recommendations from this probe were enacted into law. One improved the urban renewal process and the other tightened statutory provisions to prevent a purchaser of publicly owned lands from receiving any part of the brokerage fee on such a purchase.

In addition, the Commission referred records to prosecutorial authorities. A Hudson County Grand Jury returned an indictment charging a former Jersey City building inspector with extorting \$1,200 from an official of the Port Jersey Corp. and obtaining money under false pretenses. The inspector was convicted of obtaining money under false pretenses, fined \$200 and given a six-month suspended sentence.

1972 Stockton College Land Acquisition Deals

The State Division of Purchase and Property implemented SCI recommendations for tighter controls over land acquisitions and evaluations, including pre-qualification of appraisers and post-appraisal reviews by nationally accredited appraisers.

1972-75 Improper Municipal Planning, Zoning Procedures

The SCI cancelled scheduled public hearings after a one-day session because litigation prevented three key witnesses from testifying about land developments in Madison Township in Middlesex County. Although the courts subsequently ruled the witnesses must testify, the Middlesex Prosecutor in the meantime had requested the SCI to postpone its hearings and submit its inves-

tigative data for prosecutorial use. In early 1974 the Middlesex Grand Jury indicted three former Madison Township officials for extortion, bribery, misconduct in office and perjury in connection with housing development kickback schemes. In February, 1975, a former Township councilman was found guilty of extortion and misconduct in office.

1972-73 Bank Fraud in Middlesex County

The SCI cancelled public hearings in this investigation at the request of bank examiners who feared a bank would be forced to close in the face of adverse hearing disclosures. Federal authorities, after receiving the SCI's investigative findings and data, arrested Santo R. Santisi, who had been president of the targeted Middlesex County Bank, on charges of misapplication of more than \$500,000 in bank funds, authorizing bank loans not approved by bank directors to a holding company he controlled and to his associates. He pleaded guilty and was sentenced to three years in prison. A member of the bank's board of directors pleaded guilty and was sentenced to a one-year prison term. Suspended prison sentences were imposed on two others, including Santisi's lawyer, after they also pleaded guilty.

1972-80 Organized Crime in Ocean County

SCI records were made available to federal authorities, who subsequently obtained extortion-conspiracy indictments against nine organized crime figures active in the New York-New Jersey region. One was Frank (Funzi) Tieri, then the acting leader of the Genovese organized crime family. The indictments described a shylock loan dispute which culminated in a "sit-down" - organized crime jargon for a star-chamber trial — which was described publicly for the

first time by Herbert Gross, an informant, at the SCI's public hearings. The federal investigation resulted in the conviction in 1980 of Tieri, who by then had risen to "boss-of-bosses" among New York's organized crime families. An SCI agent testified for the prosecution during Tieri's trial.

1973-74 Workers Compensation Frauds

The SCI's investigative findings were referred to the Essex County Prosecutor, who in 1975 obtained indictments of two partners of a law firm and the firm's business manager in connection with bill-padding and a phony medical treatment scheme. The indictments charged the defendants with conspiring with certain doctors and others to submit fraudulent reports to insurance companies.

All indictments were dismissed but one, which charged a lawyer-defendant with obtaining money under false pretenses. Essex authorities, after being deputized in Middlesex County, obtained a seven-count indictment from a Middlesex Grand Jury.

In addition, the New York-New Jersey Waterfront Commission enlisted the SCI's assistance in its investigation and exposure of Worker Compensation frauds involving dock workers in 1974-75.

Finally, three New Jersey Judges of Compensation were suspended, one of whom subsequently was dismissed by the Governor and suspended from law practice for six months by the New Jersey Supreme Court.

1973-78 Passaic County Voc-Tec School—Misuse of Funds and US Surplus:

The SCI referred its probe data to the Attor-

ney General's Criminal Justice Division, which in May, 1974, obtained a State Grand Jury indictment charging the school's business manager-purchasing agent with bribery and misconduct in office. The official was convicted of bribery, sentenced to one-to-nine years in prison and fined \$9,000. The conviction was upheld by an appellate court in 1977. In March, 1977, Passaic County Freeholders filed a civil suit against the official, resulting in a court order that he return all salary received while he was suspended from his job as well as the bribe money. In February, 1978, the official agreed under a court-approved settlement to repay the county more than \$50,000 in 60 installments during a five-year period after his release from jail.

1973-74 Narcotics Traffic and Drug Law Enforcement

The SCI identified the victim of a murder and then located three suspects and participated in their arrests. In October, 1974, one of the suspects was convicted of the murder. The other two defendants pleaded guilty to lesser charges and testified for the prosecution. Also, as a result of evidence referred by the SCI to the Essex County Prosecutor, a burglary ring was exposed by the Prosecutor's staff. A Newark jeweler and his son were indicted and convicted of conspiracy and of receiving stolen property. The Essex Grand Jury in 1974 handed up more than 20 indictments against members of the burglary ring.

1974-77 Pseudo-Charitable Firms Misusing Handicapped

The SCI acquainted federal authorities with investigative findings during and after this probe. Subsequently, the owner of one company and the sales manager of another

company, who were targets of the SCI inquiry, pleaded guilty to federal charges of fraud. Both received suspended jail sentences.

Two laws were enacted in 1977 that implemented SCI recommendations. One law required authorization by the Attorney General before a corporation could identify itself as a fund raiser for the handicapped or the "blind." The other statute required professional fund raisers to submit financial reports to the Attorney General.

1974-77 Conflicts of Interest at Delaware River Port Authority

Based on evidence from the SCI probe, the Port Authority claimed more than \$64,000 from its former chairman as repayment of profits his firms made on Authority construction projects. The claim was settled in 1977 for \$50,666. Although the former chairman was absolved of any wrongdoing, he was not reappointed to the Authority.

1974-77 Lindenwold Municipal Corruption

As a result of State Grand Jury indictments in 1975, a former Lindenwold mayor and a real estate developer pleaded guilty to bribery and conspiracy charges as their trial was scheduled to begin. One former councilman was found guilty on three counts and another former councilman was found guilty on two counts at the conclusion of the trial in October, 1977. The SCI's public hearing testimony and investigative findings led to these actions.

1975-77 Investigation of Medicaid Abuses

A number of statutory and regulatory steps were taken during and subsequent to the Commission's investigations, interim reports

and public hearings. These actions included the Legislature's enactment of a New Jersey Clinical Laboratory Improvement Act, as well as a law increasing maximum penalties for bilking the Medicaid program through overbilling and false billing.

Many of the Commission's recommendations were adopted by the Division of Medical Assistance and Health Services as a result of the SCI's clinical laboratory hearings.

1976 Land Acquisition Deals in Middlesex County

As a result of the SCI's exposures in this investigation, the Administrator of the County's Land Acquisition Department was suspended and the County government moved to institute a more stringent process of checks and balances on land acquisition procedures. Even before the SCI completed its hearings, arrangements were being formalized voluntarily by state officials, alerted by the Commission's findings, for the transfer of the Green Acres appraisal and post-appraisal review and control system from the Department of Environmental Protection to the Department of Transportation — one of many general and technical recommendations by the Commission that were implemented.

SCI data was referred to the Middlesex County Prosecutor's office, which investigated the conduct of the County Land Acquisition Department. In September, 1976, a Grand Jury returned a presentment in which it said that while it found "no provable criminal act" by the department's former administrator, his activities "indicated an insufficient expertise and lack of concern to perform his office in the best interest of the citizens." The presentment also criticized

the collection of political contributions from appraisers, "which if not improper under law certainly gave the appearance of impropriety."

1976-77 Prison Furlough Abuses

Following the SCI probe and public hearing, in December, 1976, a State Grand Jury indicted a former Trenton State Prison clerk for false swearing and perjury. These charges related to a forged Superior Court Appellate Division opinion which was inserted into the record of an inmate, Patrick Pizuto, enabling him to obtain a premature release from incarceration. (Pizuto became a federally protected informant in an unrelated case.) In January, 1977, five former inmates of Leesburg Prison were indicted on charges of escape by means of fraudulent furloughs. These indictments led to convictions or guilty pleas.

1977-79 Organized Crime in Atlantic City

The Commission's investigation and public hearing confirmed the infiltration by the organized crime family of Angelo Bruno of Philadelphia into certain legitimate businesses — cigarette vending and nightclubs — after the legalization of casino gambling in Atlantic City. Also revealed were attempts by associates of the Gambino organized crime family to purchase a major Atlantic City hotel and by a New England mobster to intrude into the operation of a casino gambling school. In 1979 the Legislature enacted a law strengthening the licensing requirements for the cigarette industry to proscribe licensure of organized crime members or associates.

1978-79 Boarding Home Abuses

The SCI's public hearings and reports on

this investigation were among a number of public actions by various agencies that led to the enactment of a boarding home reform law. However, this law did not implement a major recommendation of the SCI - that is, to center boarding home licensing and monitoring obligations, which were spread among three departments of government, into one department.

1978 Absentee Ballot Frauds

Many of the SCI's proposed reforms, drafted in cooperation with the Attorney General's office, have been enacted.

1979-80 Injury Leave Practices

Inappropriate deductions of social security and income taxes from wages paid to public employees under various municipal and county injury leave policies were halted and efforts were made to recoup such deductions in the past.

1979-81 Inadequate Sudden Death Investigations

Efforts to reform the county Medical Examiner system were begun. However, none of these proposed revisions includes the SCI's major recommendation that a statewide regional system of medical examiners be established operating with accredited forensic pathologists in conjunction with the Institute of Forensic Science in Newark.

1979-81 Questionable Public Insurance Procedures

The Commission's proposed reforms for the purchase and regulation of county and municipal insurance programs were submitted to the Legislature in bill drafts.

1980-81 Organized Crime Infiltration of Dental Care Plans

Legislation was enacted in 1982-83 incorporating the Commission's recommendations for barring organized crime influence in dental care plans sold to labor unions and for increased auditing, monitoring and financial disclosure for such plans. The SCI was represented by a Commissioner and its Executive Director at a House Aging Committee hearing in 1981 on abuses of health care trust funds and at a public hearing by the Pennsylvania Crime Commission in 1981 on its probe of mob influence over the operation of labor union dental plans.

1981 Mismanagement of the New Jersey HFA

During the course of this investigation, the HFA's executive director, William Johnston, a subject of the inquiry, resigned and a new reform administration was put in place. After the issuance of the SCI's initial report, certain HFA personnel discussed in the report resigned or were dismissed and new procedures for processing housing projects were instituted. The Commission's investigative findings, contained in two public reports, were submitted to various prosecutorial authorities.

1981-82 Organized Crime Incursion into Labor Relations Profiteering at Mass Housing Construction Sites

This report spurred so much interest that copies of it are no longer available, but no action was taken on the SCI's recommendations at either the State or Federal level.

1981 Misconduct in the Operation of Certain County and Local Sewerage Authorities

This probe, hearing and report resulted in

the enactment of a comprehensive law giving the State Local Government Services Division the same effective control over the fiscal and administrative operations of sewerage and other local authorities that it exercises over municipalities.

1982-85 Inappropriate Activities of the Lakewood Municipal Industrial Commission

The report on this inquiry resulted in the enactment in 1984-85 of the SCI's recommendations for reforming the operations of all such local industrial commissions throughout the state.

1983 Abuse and Misuse of Credit Controls at Gambling Casinos

This inquiry, public hearing and report resulted in more effective controls, albeit less stringent than recommended.

1983 Improperities in the Leasing of State Lands at Great Gorge in Sussex County to a Ski Resort

The public hearing and report were followed by criminal and civil actions based on the SCI's investigative findings which resulted in the reimbursement of millions of dollars owed to the State and in substantial fines and other penalties against the major principals of the Vernon Valley conglomerate and its subsidiary companies.

1983-88 An interim report on the Inadequacy of Laws and Regulations Governing the Boxing Industry

In line with the SCI's recommendations, a law was passed revising the tax structure for boxing events, and another bill revising the entire administration of the sport, including medical and safety provisions, was subse-

quently enacted. Revelation of improprieties by the State Athletic Commissioner led to his resignation. The regulatory reforms, particularly those that were intended to protect the health and physical welfare of boxers, as enacted in 1988, fell far short of the SCI's reform proposals.

1984 Misconduct and inappropriate controls in the Newark school security system

Bills were introduced in the 1986-8 Legislature to implement certain reforms recommended by the SCI report.

1984 Excessive spending that almost led to the insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund

A report on the investigative findings was incorporated in the Commission's 16th Annual Report. Litigation involving the Fund's director, who was dismissed during the SCI probe, is pending.

1983-85 Organized Crime in Boxing

The SCI's final report confirmed so serious an intrusion of organized crime into boxing that, were the same mob presence to afflict such other professional sports as baseball or football, it would constitute a public scandal. Dissection of a dozen case histories not only reflected the ineffectiveness of the regulatory process in stamping out organized crime but also the inability of the regulators — and managers and promoters as well — to prevent boxers from becoming brain-damaged and blinded. As a result, the SCI joined the American Medical Association and other medical groups in urging that boxing be banned. In the meantime, the SCI proposed a series of further reforms, to reduce the physical hazards of boxing as well

as its organized crime taint. Bills requiring background checks of prospective licensees, including promoters and managers, were enacted in 1986-87. Other "reforms" which were below the standards urged by the SCI also were enacted in 1988 (See 1983-88 interim report on boxing).

1985-86 Probes of N.J. Division of Motor Vehicles

1) Photo license controversy, an investigation directed by the Legislature to be completed in 30 days. The Commission criticized the Division of Motor Vehicles and the Attorney General for the intentional non-disclosure of a major political contributor's proposed role in a universal photo license system.

2) Investigation, public hearing and report on the DMV's politicized, inefficient agency system. The Commission recommended conversion of all motor vehicle agencies to state operated entities as well as internal reforms within the Division to enhance the integrity of the licensing and registrations processes.

3) Investigation of the DMV-Price Waterhouse computer fiasco, which had its origins in the collapse of the DMV's services to the public in mid-1985. This probe resulted in a report critical of DMV's management of the computer project as well as the serious policy misjudgments and professional misconduct by the computer contractor. The report made recommendations for reform of bid waiver procedures.

1986 State Racing Commission's regulatory deficiencies

The SCI's review noted the Racing Commission's reform efforts during the course of its investigation, but emphasized numer-

ous areas — race track security and integrity, regulatory timidity, auditing of track operations, more stringent drugs controls and tighter licensing procedures — that remained to be corrected. A bill incorporating most of the SCI's reform proposals has been passed by the Assembly and is awaiting final legislative action in the Senate.

1986-87 Investigation of Organized Crime-Influenced Contractors on Casino and Publicly Funded Construction Projects

This report was combined with the Commission's annual report for 1986. It recommended centralization and strengthening of state and Casino Control Commission procedures for prequalifying and disqualifying prospective contractors and subcontractors. The investigative findings demonstrated that two mob-operated companies had amassed millions in revenues from casino projects and public works from which they should have been barred. Bills which would extend Control Commission scrutiny to subcontractors and casino license applicants were enacted.

1986-87 Investigation and Report on Impaired and Incompetent physicians

A report on the Commission's investigation on Impaired and Incompetent physicians was issued in October, 1987. The report was critical of the New Jersey Medical Society's Impaired Physicians Program and the inability of the IPP and the State Board of Medical Examiners to adequately rehabilitate and monitor impaired doctors to prevent harm to patients. Legislative action to improve the reporting, rehabilitation and supervision of impaired and incompetent doctors was immediately initiated in the State Senate and the SCI was represented at a legislative committee hearing on the reform proposals.

1986-88 Union Lake

The Commission investigated the process by which the State acquired Union Lake in Cumberland County. The report concluded that the Department of Environmental Protection failed to follow good management and internal communications procedures in taking title to the lake, which is contaminated with arsenic.

1986-88 Check Cashing

The Commission investigated the extent to which the check cashing industry in New Jersey is used by organized crime to finance loansharking and other forms of racketeering as well as to defraud companies. Dozens of referrals of information were made to law enforcement and administrative agencies in New Jersey and New York.

1988-89 Cocaine

The SCI held a public hearing in November, 1988, and issued a written report in March, 1989, regarding the cocaine problem in New Jersey. The Commission recommended a major increase in the state's commitment to help solve all facets of this serious criminal, social and health problem.

1987-89 Solid Waste Regulation

In its first revisitation to a problem already studied, the SCI studied the solid waste problem and the way it is regulated in New Jersey. The Commission concluded that the Solid Waste Utility Control Act of 1970, enacted after the Commission's 1969 report on the garbage industry, had failed as a regulatory mechanism. The Commission found that organized crime, while no longer

dominant, still had a presence in the industry. Moreover, the regulatory system had failed to stimulate competition in an industry that was amenable to it. The Commission recommended transferring responsibilities for garbage collection from the BPU to a new State Solid Waste Authority, which would monitor economic conditions in the industry, ensure fair prices for contracts and even compete, if necessary, to keep prices reasonable.

1990 AIDS Prevention Program — State Department of Health

Allegations of impropriety in the AIDS prevention program in the Department of Health were made at a public hearing of the Assembly Committee on Health and Human Services. The Commission found most of those allegations to be without merit but did find some laxity in the grant review process. The Commission also found a mindset at the Department that virtually no irregularity would be sufficient to cancel a financial grant so long as the avowed purpose of the grant appeared to be served.

1988-90 New Jersey School Boards Association

The Commission found serious deficiencies in the management of the School Boards Association that led to losses of more than \$800,000 in the investment of funds entrusted to the NJSBA Insurance Group by local school districts. The NJSBA has made substantial progress toward reform.

1988-90 Garment Industry

A public hearing on an investigation into the garment industry revealed numerous economic problems in the industry as a whole as well as many instances of workers and con-

tractors being taken advantage of by unscrupulous entrepreneurs. The investigation also revealed the intrusion by organized crime into garment trucking in New Jersey.

1990 Afro-Lineal Organized Crime

In furtherance of its responsibility to keep the public informed about organized crime in the state, the Commission held a one-day public hearing into the problem of organized criminality by persons of African heritage. The hearing dealt with gangs of African-Americans, Jamaicans and others.

III

MEMBERS OF THE COMMISSION

1969-1990

Appointed by the Governor

William F. Hyland 1969-1970 <i>Chairman</i>	Charles L. Bertini 1969-1976
John F. McCarthy, Jr. 1970-1973 <i>Chairman</i>	Lewis B. Kaden 1976-1981
Joseph H. Rodriguez 1973-1979 <i>Chairman</i>	Robert J. DelTufo 1981-1984
Henry S. Patterson, II 1979-1990 <i>Chairman (1985-90)</i>	James R. Zazzali 1984- <i>Chairman (1990-)</i>
Kenneth D. Merin 1990-	

Appointed by the President of the Senate

Glen B. Miller, Jr.
1969-1971

Wilfred P. Diana
1971-1973

David G. Lucas
1973-1976

Stewart G. Pollock
1976-1978

Arthur S. Lane
1979-1985
Chairman

Paul Alongi
1985-1987

W. Hunt Dumont
1988-1991

William T. Cahill, Jr.
1991-

Appointed by the Speaker of the General Assembly

Emory J. Kiess
1969

James T. Dowd
1969-1971

Thomas J. Shusted
1971-1972

Thomas R. Farley
1973-1977

Arthur S. Lane
1977-1978

John J. Francis, Jr.
1979-1982

William S. Greenberg
1982-1987

Barry H. Evenchick
1987-

