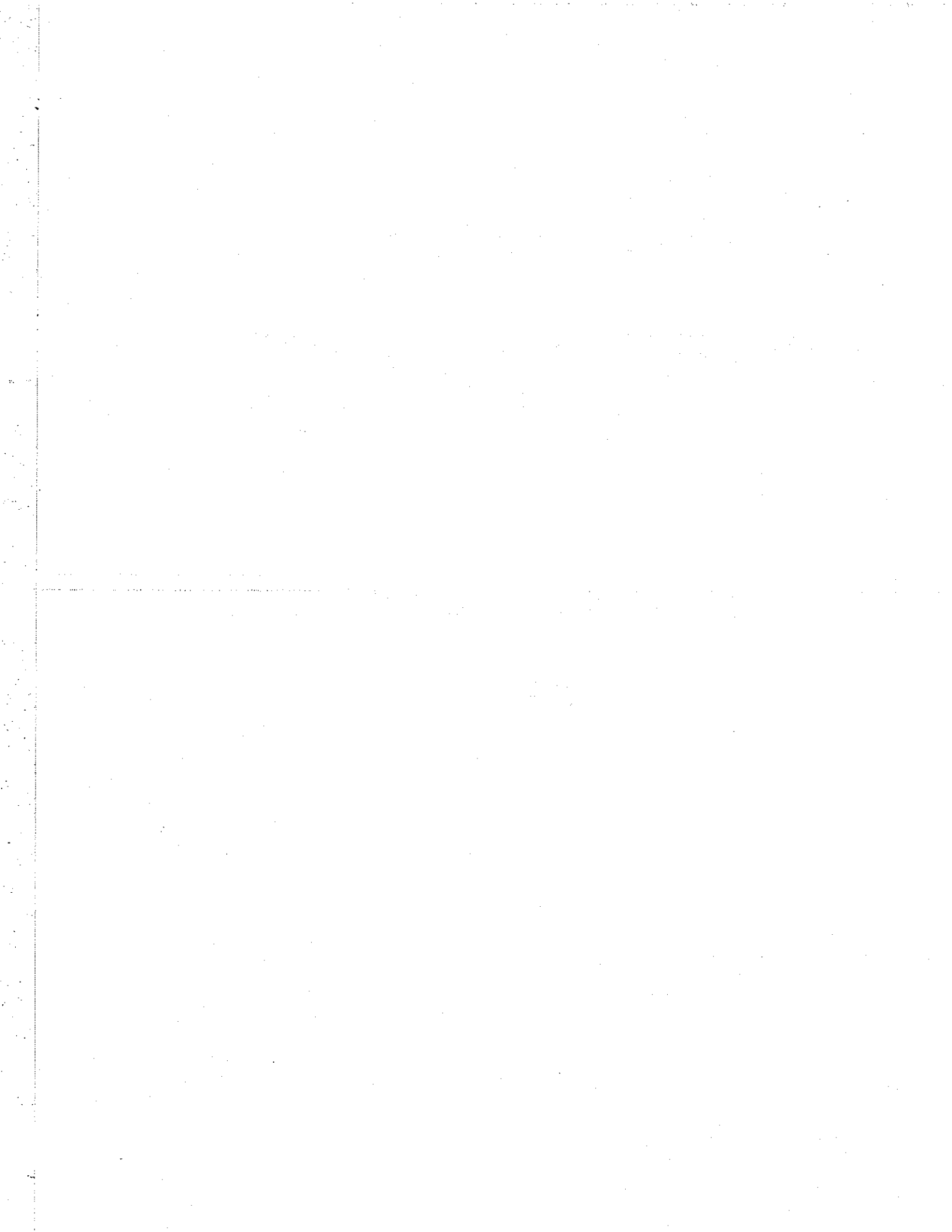


STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION

25th ANNUAL REPORT

1993





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September 1994

Governor Christine Todd Whitman
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 25th annual report for the year 1993.

Respectfully,

William T. Cahill, Jr.

Dante J. Sarubbi

Louis H. Miller

Justin J. Dintino



Members of the Commission



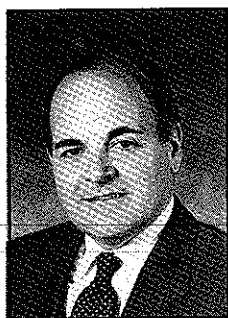
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Attorney, Rumson; partner, Zazzali, Zazzali, Fagella & Nowak, Newark. Appointed to Commission May 1984 by Gov. Thomas H. Kean. Attorney General of New Jersey, 1981-1982; general counsel, N.J. Sports & Exposition Authority, 1974-1981; assistant prosecutor, 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.



William T. Cahill, Jr.

Attorney, Collingswood; partner Cahill, Wilinski & Cahill, Haddonfield. Appointed to Commission May 1991 by Senate President John 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.



Dante J. Sarubbi²

Attorney, Cherry Hill; senior partner, Sarubbi and Sarubbi, Audubon. Appointed to Commission November 1993 by Gov. Jim Florio. Member, Supreme Court District Fee Arbitration Committee, 1993-present; member, Supreme Court District Ethics Committee, 1988-1992; chairman, Cherry Hill Ethics Advisory Board, 1988-1992; assistant counsel, County of Camden, 1981-1985 and 1989-1991; municipal court judge, City of Camden, 1976-1981. Graduated 1964, Rutgers University; 1967, Temple University Law School.



Louis H. Miller³

Attorney, Hopewell; sole practitioner; of counsel, Levinson Axelrod Wheaton and Grayzel, Flemington. Appointed to Commission November 1993 by Assembly Speaker Chuck Haytaian. New Jersey Superior Court Judge, 1981-1988; Arbitrator, 1988; Special Deputy Attorney General, 1972-1973; Graduated 1967, Rutgers University; 1970, Temple University Law School, 1982; National Judicial College.

¹ Justin J. Dintino succeeded Mr. Zazzali in January 1994.

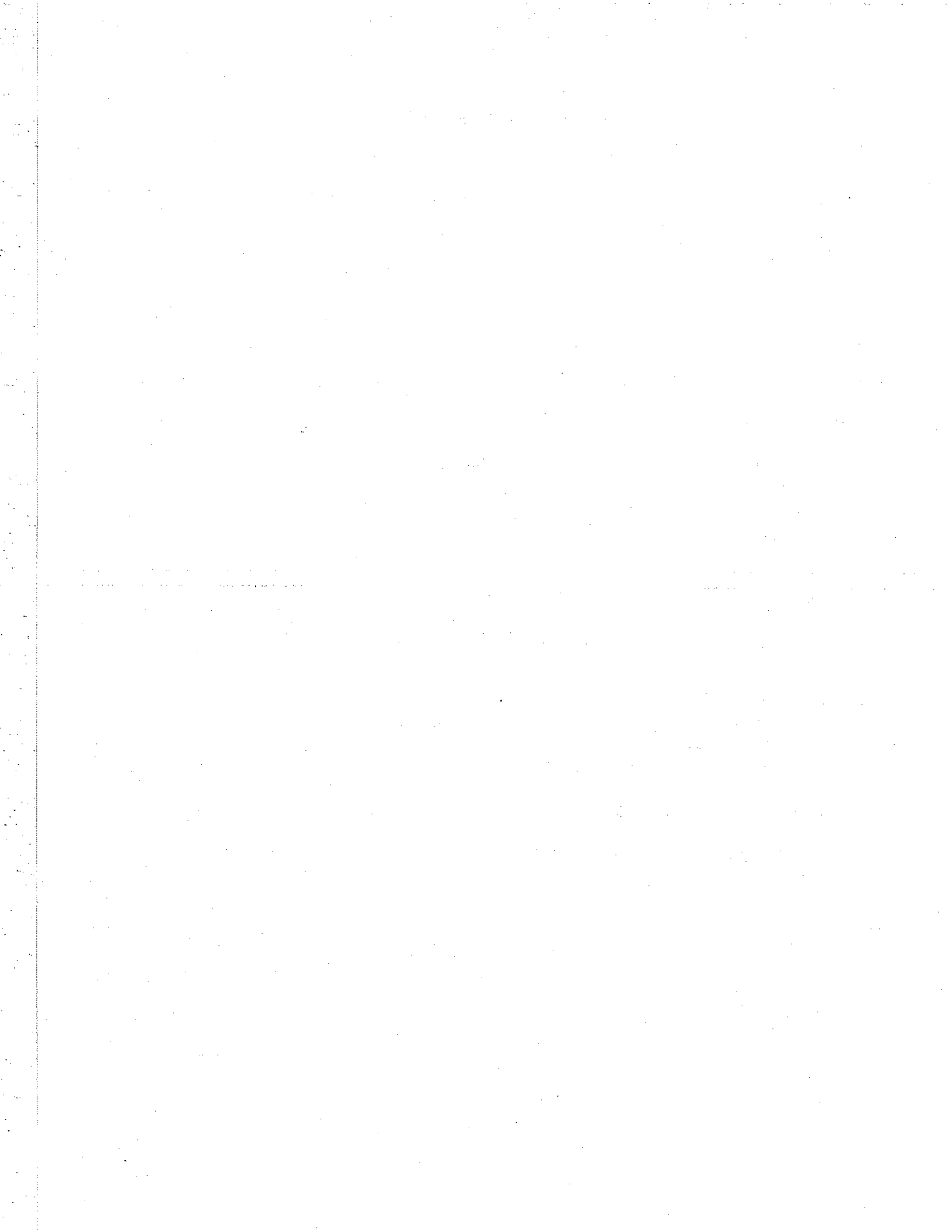
² Mr. Sarubbi succeeded Kenneth D. Merin in November 1993.

³ Mr. Miller succeeded Barry H. Evenchick in November 1993.



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INTRODUCTION

The State Commission of Investigation was created in 1968 to fulfill a unique, multi-faceted mission of vital importance to the citizens of New Jersey: to attack organized crime and government corruption; to root out waste, fraud and abuse; to shed light on matters that undermine public justice and public safety; and to recommend appropriate reforms and improvements in laws and in the operations of government.

One-quarter of a century later, this fundamental mission — as well as the need for an independent, nonpolitical entity to carry it out — remain no less vital.

During 1993, the Commission extended its record of exemplary service with a series of investigations, public hearings and reports that exposed negligence, misconduct, mis-use of public funds and evidence of criminal wrongdoing at various levels of government in New Jersey. The Commission also conducted an exhaustive examination of criminal street gangs, the end product of which was a comprehensive and unprecedented volume of resource material designed to assist law enforcement agencies and the public at large in dealing with the ragged leading edge of a worsening crisis involving violent juvenile crime. On another front, the Commission dug deeply into the underworld of money laundering. As a result, a foundation was put in place for statutory changes aimed at eradicating the sort of unscrupulous financial activity that feeds organized crime and that costs the public treasury millions of dollars in lost tax revenues.

Details of those and other Commission activities during 1993 are provided on subsequent pages in this annual report.

HISTORY

The Commission was established in 1968 after extensive research and public hearings by the Joint Legislative Committee to Study Crime and the System of Criminal Justice in New Jersey. That Committee was directed by the Legislature to find ways to correct a serious and intensifying crime problem. The panel's final report, which confirmed a crisis in crime control in New Jersey, attributed the expanding activities of organized crime to "failure ... in the system itself, official corruption, or both." As a result, sweeping recommendations for improving various areas of the criminal justice system were proposed.

Two of the most significant recommendations were for the creation of a new criminal justice unit within the executive branch and of 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 personnel, empowered to coordinate and conduct criminal investigations and prosecutions throughout the state. The Commission of Investigation was to be a relatively small but expert body that would conduct fact-finding investigations, bring the facts to the public's attention, refer its findings to appropriate law enforcement agencies for possible prosecution and make recommendations to the Governor and

the Legislature for improvements in laws and the operations of government.

The Committee's recommendations immediately prompted supportive legislative and executive action. New Jersey now has a Division of Criminal Justice in the Department of Law and Public Safety and an independent State Commission of Investigation, 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 the 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 strongly concluded 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."

OPERATIONS

To eliminate even the 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 Commission is invested by its enabling statute with 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, by direction of the Governor or by concurrent resolution of the Legislature, conduct investigations and otherwise assist in connection with the removal of public officers, the making of recommendations by the Governor

to the Legislature with respect to change in or addition to existing provisions of law required for the more effective enforcement of the law, and with respect to the Legislature's consideration of changes in or additions to existing provisions of law required for the more effective administration and enforcement of the law. The Commission is also empowered to investigate the management or affairs of any department, board, bureau, commission, authority or other agency created by the State, or to which the State is a party.

The statute assigns to the Commission a wide range of responsibilities and powers. It may conduct public and private hearings, 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 the Attorney General. The Commission has done this repeatedly in the past and will continue to do so in the future in keeping with a primary goal of fostering cooperation involving law enforcement agencies at all levels of government.

One of the Commission's primary responsibilities, when it uncovers irregularities, improprieties, misconduct or corruption, is to bring the facts to the attention of the public with the objective of promoting remedies and reforms. The format for public actions by the Commission is based on the complexity of the subject and the clarity, accuracy and thoroughness with which the facts can be presented. The Commission has proceeded by way of public hearings, a public report or both.

In its proceedings, witnesses appearing before the Commission are protected by the New Jersey Code of Fair Procedure, the requirements of which were incorporated in the Commission's enabling law in 1979. Additionally, any individual who feels adversely affected by the testimony or other evidence presented in a public action by the Commission is given an opportunity to make a statement under oath relevant to the testimony or other evidence. Such 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 has always been careful to evaluate 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 the numerous investigations and reports which have resulted in improved laws and governmental operations throughout the first 25 years of its existence.

INVESTIGATIONS, HEARINGS AND REPORTS - 1993

Organized Crime: *Criminal Street Gangs*

Criminal street gangs pose a most serious crime problem to New Jersey, as well as the rest of the nation. They endanger and disrupt urban, suburban and rural communities throughout the state. They tragically waste young lives and deprive society of productive members.

The Commission has long regarded these anti-social entities as threats to public safety in their own right, as well as important recruiting grounds for more dangerous organized crime groups composed entirely of adults. In concluding a ground-breaking study of gangs in New Jersey, the Commission held a public hearing on June 15 and 16, 1993. A comprehensive report issued by the Commission in November 1993 summarized the investigation and the hearings, expanded our comprehension of the problem and presented recommendations for solutions.

This investigation, conducted in the spring and summer of 1993, revealed that within the previous two years, at least 717 street gangs with a total membership of approximately 14,000 operated throughout New Jersey. The Commission estimated that these figures represent most, but not all of the gangs and members actually operating in this state.

The Commission found that, although the gang threat is well-recognized in certain areas

of New Jersey, many municipalities were unaware of the full extent of the problem or denied or minimized its existence. Ignorance, apathy or the desire to avoid blame or stigma have prevented some communities from facing up to the existence or influence of gangs and thereby hampered the implementation of effective solutions. The Commission's comprehensive report now serves as the first important resource document promulgated in New Jersey — a compendium of knowledge about gangs and gang-control efforts — and has helped to overcome debilitating denial of the problem and to promote greater awareness of helpful programs. The report has facilitated networking by those interested in understanding and solving the gang dilemma.

Two months after the Commission's public hearing, the Attorney General announced a "1993 Youth Gang Initiative" to be coordinated as the top priority of a newly created Office of Juvenile Justice in the Division of Criminal Justice. The stated goals of the Youth Gang Initiative are to control gangs by disrupting their capacity to engage in criminal activity and to prevent the expansion of gang culture and identification among young people. Citing the Commission's survey on criminal street gangs, the Attorney General noted that "while New Jersey does not have the gang problems such as Los Angeles, the problem is growing across the state."

In keeping with the Commission's recommendations, the FY 1994-95 State Budget allocates \$3 million for a boot camp pilot program for nonviolent, first-time young-adult offenders aged 18 to 26. Also, legislation (S-893, Bennett/Gormley) signed into law in July 1994 mandates disclosure of identities of juveniles deemed delinquent because of serious offenses

unless they can demonstrate a substantial likelihood that specific harm would result. The law also allows authorities to share information with other states. Moreover, L.1994, c. 56 requires authorities to inform school staff about students who have been charged with or convicted of a violent offense or who represent a potential threat to school order, safety or discipline.

On March 17, 1994, the Governor signed Executive Order No. 10 reconstituting the Advisory Council to assist in resolving a number of issues, including several addressed by the SCI in its report. In April 1994, the Office of Juvenile Justice was expanded into a Bureau, which among other duties, staffs the Governor's Advisory Council on Juvenile Justice. The Governor directed the Council to utilize "to the extent practicable" ... [the SCI's] report on Criminal Street Gangs, 1993."

The Commission concluded that New Jersey must put into place or expand effective programs to control the spread of criminal street gang activity. Society must recognize and protect itself from violent and repetitive offenders who are often gang members, even those who are juveniles. To curtail gangs successfully, all segments of society must develop the collective will to provide hope, training and opportunity particularly for troubled young people, as well as their parents and guardians. Otherwise, we will lose our children and ourselves to violence, indifference and degradation.

Although implementing the needed remedies would involve some additional investment of public funds, the Commission's report stressed that presently available money and effort can

be shifted to programs and approaches with the most promise of success. Volunteer and private resources, an important part of nearly every suggested solution, would also be focused in the most productive areas. Given enough support, these worthwhile approaches should eventually guide youth away from expensive juvenile justice alternatives. This would, in turn, free more public funds to aid successful "front-end" interventions.

Limited public resources should be devoted to the most helpful programs. Although programs are not equally effective, each may have its place in the continuum of services that will control negative gang activity. Therefore, the Commission recommended that the state develop better assessment strategies to determine which programs are helpful and which are not. The state must also develop better coordination strategies to discover the right mix of programs for troubled youths and their families.

Recommendations

- Reserve incarceration for serious and repetitive juvenile delinquents. Provide for speedy trials and custody without bail for juveniles and adults deemed dangerous to the community.

- Create and expand community partnerships dedicated to curtailing gang activity, youth violence and drug trafficking and to improving neighborhoods and offering constructive activities for youth.

■ Provide state-level leadership and guidance for community partnerships centering around existing Youth Services Commissions, School-Based Youth Services, Municipal Alliance Committees, Human Relations Commissions, the business community, religious and other grass roots organizations, as well as media campaigns.

■ Establish and expand outreach efforts to identify at-risk youth early and to guide them and their families to suitable programs; increase employment opportunities for youth and affirmative action to assist minority-owned businesses; boost job training, placement and entrepreneurship programs; and increase, organize and coordinate mentoring programs.

■ Expand havens (safe harbors with late afternoon, evening and week-end hours) in schools, housing projects, community centers and religious institutions for recreation, outreach and help programs.

■ Establish strong school board policies to promote safe school environments, and begin in the early grades preventative education to counter negative gang activity, violence, drugs and bigotry. Expand such programs in the upper grades.

■ Expand alternative education programs for school dropouts, kickouts and truants.

■ Expand programs that help parents raise their children effectively and preserve families; increase child care, literacy, education, vocational training, employment and child support

programs that help adults become better parents; and expand adult-supervised, peer-guided conflict resolution programs in schools and elsewhere.

- Expand community-oriented policing, and boost recruitment of minority and bilingual police, teachers, social service workers and civil servants who live in the communities they serve.

- Increase the intensity of supervision of juveniles in the early stages of delinquent behavior, and create disciplined and structured alternative incarceration, such as boot camp-style programs focused on work, job training and education. Review the effectiveness of mandatory minimum incarceration for juvenile and adult offenders.

- Automatically make public the adjudication records and names of those determined guilty of serious or violent delinquencies, and spell out in more detail in the law the proper use and retention of delinquency records by school administrators.

- Establish a statewide gang database with coordinators in each county to ensure the collection and sharing of intelligence about the activities and membership of criminal street gangs; track gang-related incidents and crimes in a centralized system, and establish gang and bias crime units or specialists in each county prosecutor's office.

- Seek civil injunctions against nuisances caused by gangs, adopt curfews in appropriate areas; draft delinquents into programs that clean up graffiti and neighborhoods and channel their

energy into creative pursuits, and consider a statewide statutory ban on the sale of spray paint and heavy-duty indelible markers to minors.

Organized Crime: *Money Laundering*

Over the past decade, the Commission repeatedly has highlighted its concern regarding the deleterious effects of money laundering — particularly in the absence of a state law that would make this practice a crime in New Jersey. The Commission first called for a money laundering control statute in its 1988 report on the check-cashing industry. Money laundering was also addressed in subsequent Commission investigations into Afro-lineal organized crime (1991), motor fuel tax evasion (1992) and organized crime control of bars (1992).

In December 1993, the Commission determined that money laundering warranted an explicit and direct focus. As a result, two days of public hearings were held on December 9 and 14, 1993. The first day's witnesses were federal officials, who discussed money laundering from the perspective of the agencies they represented. The witnesses the second day were state and county officials from New Jersey as well as an official from the state Attorney General's office in Arizona, which enacted the first state money laundering statute in the nation in 1985, predating even the federal statute enacted in 1986.

The picture that emerged from the hearings was a disturbing one. Witnesses repeatedly told the Commission that New Jersey — by virtue of its geographic location as a corridor state,

its airports and seaports, its close proximity to New York City and Philadelphia, its population density and its casinos — is particularly vulnerable to the criminal enterprise of money laundering. Numerous and ingenious means and methods of concealing this illicit cash stream were exposed in detail by the witnesses called before the Commission.

Witnesses also told the Commission that substantial New Jersey income is avoiding taxation at both the federal and state levels and that the impact on New Jersey's economy is significant. The dollar amounts involved in money laundering are staggering. Several witnesses estimated that, on a national scale, money laundering involved as much as \$150 billion per year, with between \$1 billion and \$2 billion in New Jersey alone.

Conclusions and Recommendations

A detailed report on the hearings was issued on July 11, 1994 and is available at the Commission's offices, 28 W. State St., Trenton, NJ 08625-0045. As a result of its findings, the Commission concluded that New Jersey should enact a state money laundering statute to provide a new basis to attack financial facilitation of a crime. The Commission also noted, however, that no money laundering statutory scheme would be complete without true reform of the kinds of financial machinery, such as the check-cashing industry, that foster money laundering in the first place. New Jersey's weak regulation of non-bank financial institutions, like check cashers and money remitters, continues to permit this state to serve as a haven for such activities.

Legislation (S-889, Scott) following many of the Commission's recommendations was introduced and approved unanimously by the Senate on May 23, 1994. This measure would criminalize money laundering and authorize the Attorney General to bring actions for civil penalties, including treble damages against those convicted, and would prohibit making property available for the purpose of money laundering and forbid the investment of lawfully obtained funds for such operations. A companion bill, A-1467 (Stuhltrager/Solomon) has been released by the Assembly Law and Public Safety Committee and is pending before the Assembly.

The Commission also recommended that check cashers be prohibited from cashing checks made payable to other than a natural person, thereby eliminating any checks payable to business entities, trade names, etc. They should also be prohibited from cashing checks in excess of a specific dollar amount, except for government and insurance checks. Moreover, any business cashing a high dollar amount of checks as a secondary part of its business should be subject to recordkeeping provisions whether or not a fee is charged. Legislative hearings should determine when such provisions would be applicable, with a view toward minimizing the burden placed on legitimate businesses.

These key reform provisions, which had been recommended during the Commission's garment and check-cashing investigations, were not enacted into law when the Check Cashers Regulatory Act was passed in January 1994. In late 1993, they were deleted by legislative committee from the pending bill due, in part, to pressure from lobbyists representing the check-cashing industry.

Local Government Corruption: *Belleville Township*

In September 1992, the Commission issued a report detailing New Jersey's continuing experience with corruption in local government, school districts and public authorities. At that time, the Commission announced its intention to launch continuing attacks against government corruption, against the conditions which sustain and encourage it and against the consequent cost to taxpayers and to the public's confidence in local governance.

In August 1993, the Commission issued a report on Belleville Township — the first in a continuing series of reports highlighting irregular conduct, some of it possibly criminal, in communities around the state.

The Commission investigated allegations of mismanagement of Belleville during the period from 1990 through 1992. On July 1, 1990, Belleville's form of government had changed from commission form to the council-manager plan, pursuant to New Jersey's Optional Municipal Charter Law. Bertrand N. Kendall was the first township manager under the new form of government. He served from September 1990 until he resigned in November 1992.

The Commission did not examine all actions undertaken by Kendall. Those that were scrutinized, however, were in apparent violation of applicable laws and regulations, and referrals on these matters were made to the Attorney General. The Commission was aware of the disarray Kendall found in Belleville upon assuming office — formal financial, purchasing and other

administrative procedures either non-existent or ignored. Also, although Kendall initiated some improvements during his two years in office, in several instances he failed to adhere to even the most basic procedures mandated by law. If he had, the Commission concluded, many of the problems examined would never have developed.

Most significant among the Commission's findings were the Township's disregard of bidding laws and the requirements for written contracts and certification of funds, and the absence of documents memorializing the decisions of Council and directives to the Township Manager. In the areas examined by the Commission, no public bidding for certain services occurred, although required by law. There were no resolutions reflecting the Council's authorization for some acts that were undertaken. There was no certification of the availability of public funds prior to obtaining goods or services. There were no written contracts for the purchase of a variety of goods and services. Minutes were not kept of Council meetings. Where minutes were kept, they were woefully inadequate in reflecting discussions and votes.

The Commission also examined allegations regarding the Township Fire Department and found that Fire Chief Walter Beresford abused his power and disregarded administrative procedures, rules and regulations, both of his own department and the Township. The abuses were not isolated but were many and varied. They ranged from misuse of overtime monies to unauthorized disposition of proceeds from the sale of Township property. Following issuance of the Commission's findings, Beresford was suspended and administrative charges filed against him, and he was demoted to Deputy Chief and suspended for six months without pay.

Conclusions and Recommendations

■ *Strengthen the Division of Local Government Services.*

The Division of Local Government Services of the Department of Community Affairs was established to serve as a watchdog over the activities of local government. The Division should be given the resources to address fully the monumental task of overseeing and correcting the purchasing, financial, personnel and other aspects of local government. While recognizing the fiscal constraints of state government, the Commission emphasized the important role this entity is intended to fulfill and urged that its funding be enhanced, as appropriate.

■ *Training and Technical Assistance.*

Municipal council members are effective only when they are knowledgeable about their responsibilities and duties and operate within the dictates of the law. The investigation of Belleville highlighted the problems that can arise when council members lack experience and education in the craft of municipal governance.

■ *Adherence to the Local Public Contracts Law.*

It is the responsibility of every municipal manager, governing body and municipal attorney to know the legal requirements of this vital statute.

Belleville's repeated disregard of the requirements for public bidding, including those pertaining to seeking quotations where bidding is not mandated, enacting necessary resolutions and certifying funds, constituted egregious violations. Moreover, the improper use of state

contract numbers, as demonstrated by the events in Belleville, was determined to be regularly occurring throughout the state. Responsibility rests not only with the vendor who misrepresents the items or services covered under his/her contract number, or who fraudulently provides another's authorized contract number, but also with the municipality that fails to verify the number.

■ *Financial Arrangements Involving Professionals*

The Commission urged Belleville, as well as other municipalities where the practice exists, to review financial arrangements with certain professionals, such as municipal judges, attorneys and physicians, who receive full benefits in addition to a salary and/or retainer. Many of these positions could be treated as "professional services" as a result of which substantial tax dollar savings could be effected.

■ *Manual of Procedures.*

Apart from undertaking formal training programs, municipalities should set forth basic operating and governing procedures in a manual, and indoctrinate newly hired/promoted department directors in its particulars.

Unfortunately, the problems uncovered in Belleville are not uncommon. Therefore, the Commission reiterated its suggestion that all municipalities take advantage of the introductory, technical assistance and continuing education courses designed by the Center for Government Services at Rutgers University's School of Planning and Public Policy. Further advantage should

be taken of on-site programs individualized for particular local governments and technical assistance offered by the Center. Municipalities also should send representatives regularly to attend seminars offered throughout the state by the Division of Purchase and Property. Every governing body must ensure that its employees are properly trained.

Local Government Corruption: *Quality Education Money to Lyndhurst*

In conducting fact-finding at the request of the State Board of Education, the Commission determined, among other things, that the failure by then-Commissioner of Education John Ellis to follow announced grant-review procedures led to an improper grant of discretionary funds to the Lyndhurst School District in Bergen County in July 1991.

The controversy which led to the Commission's involvement began in March 1991 when the State Quality Education Act (QEA) was amended by the Legislature to establish a one-time \$25 million state aid fund. The fund was to be distributed at the discretion of the Education Commissioner and was designed to provide supplemental assistance to school districts that would be adversely affected by the basic terms of the QEA. In the case of Lyndhurst, questions were raised in the media, by members of the Legislature and by the State Board of Education about whether a \$1.5 million grant, funneled to the community via an inter-departmental transfer involving the Department of Community Affairs, was handled properly.

Based on the Commission's findings, the State Board of Education ordered the Lyndhurst

School District to return \$1.5 million to the State.

In a January 7, 1993 letter to the President of the State Board of Education, the Commission reported the following key conclusions and recommendations:

■ *The Department of Education, indeed all departments of state government, should establish and adhere to a grants management procedure.*

The controversy which precipitated the Board's request for the Commission's assistance probably could have been avoided if Commissioner Ellis had not abandoned his original plan to have an impartial panel operating under just such a procedure pass on all applications for QEA discretionary funds. Although Ellis said he elected not to do so in order to ensure that only he would "take the heat" for the final decisions, the failure to establish an impartial panel virtually guaranteed that the Commissioner would be criticized for the results.

■ *The Attorney General should prepare certification language for inclusion on applications for all forms of state funding.*

Officials of the Lyndhurst School District, believing the QEA grant application to be a mere formality, included plainly misleading information in it. The application form did not call for the representations to be certified. To deter future misrepresentations, and to make sanctions available if they do occur, the Commission recommended that certifications be required as a matter of law on applications for any form of funding from any state agency.

■ *The Department of Education should review the adequacy of mechanisms to eliminate and screen out erroneous education aid data.*

Data entry errors at the state level led at the outset to inflated state aid figures for the Lyndhurst School District. The initial mistake was compounded by the Department's failure to purge the error from all of its computer programs, even using the incorrect data in making aid payments six months after discovery of the mistake. The State's fiscal difficulties notwithstanding, efforts are encouraged to make sure that sufficient resources and personnel are dedicated to this task.

In the aftermath of the Commission's findings and a subsequent follow-up report by the Division of Criminal Justice, the Acting Attorney General brought a civil suit to recover the DCA's \$1.5 million grant to Lyndhurst. On December 30, 1993, the Governor signed legislation creating a Special Prosecutor in the case. On May 4, 1994, a state grand jury indicted then Superintendent of Schools of Lyndhurst, Joseph A. Abate, Jr., and former Superintendent Gaetano Donald Travisano for falsifying a budget statement for the 1991-92 school year. Travisano also was charged with falsifying the application for discretionary funding. The grand jury also issued a presentment detailing inappropriate conduct by other public officials in connection with the Lyndhurst matter.

Local Government Corruption: *Passaic High School Print Shop*

During the course of a broader investigation of the City of Passaic, the Commission

received allegations of improprieties in the operation of the print shop at Passaic High School. In a June 1993 letter to the Commissioner of Education, the Commission reported that it had verified the allegations, finding that Lawrence Mayo — director of the school's industrial arts department — had used the print shop to conduct a commercial printing operation for personal gain. Further, the Commission found that not only had Mayo used the print shop equipment, but also the school's paper, ink and other supplies, as well as the labor of students and salaried teachers.

In the course of its investigation, the Commission also found a pattern of laxity and poor oversight on the part of school officials and the local Board of Education in regard to purchasing and other activities. For example, although the print shop was regularly praised by members of the Board, not only as an educational facility but also as a cost-saving alternative to high-cost commercial printing, how they came to such a conclusion is a mystery: cost comparisons were never made, and neither the financial records of the school district nor the operational records of the print shop were kept in a fashion that would facilitate such a comparative analysis. Another mystery was how the Board concluded that the print shop was an efficient facility. In fact, while the Passaic School District's printing work, all of which was planned and predictable, often became backlogged for weeks, Mayo's commercial customers — whom he was servicing at taxpayer expense — had no such problems.

Moreover, while state law requires bids and the awarding of contracts when a public entity anticipates it will exceed a certain dollar threshold in annual purchases, the Passaic School

District allowed Mayo to purchase paper and other supplies without competitive bidding. In addition to those irregularities, the Commission found a range of gaps elsewhere in the District's purchasing controls. For instance, orders did not list reasons for purchases, and negotiations for price, vendor and terms were all handled by Mayo. Higher administrative approval was required only to confirm the availability of funds. Also, because print shop payroll records did not allocate particular work hours to any specific project or printing job, the amount of overtime wages attributable to Mayo's commercial printing activities could not be calculated.

Clearly, the Commission concluded, lack of compliance with generally accepted administrative and business procedures, as well as the decentralization of purchasing and payroll duties, created an atmosphere that afforded Mayo the opportunity to conduct a commercial printing business utilizing publicly-funded facilities, material and labor.

A Statewide Warning

In its letter of findings to the Education Commissioner, the Commission took the opportunity to issue a warning to school districts across the state.

Approximately 260 public schools in New Jersey offer vocational training, and more than 50 of these schools have a printing curriculum as a component of industrial arts and vocational education. Because such programs all may be open to abuses similar to those discovered at Passaic High School, the Commission called on the Department of Education to establish strict

guidelines as to what use can be made of school facilities.

Conclusions and Recommendations

In addition to referring the results of its investigation to the Attorney General, the Commission also recommended:

- *Stronger Inventory Procedures:* All school districts should maintain both perpetual and physical inventories of stock and supplies in order to reduce the likelihood of abuse and misuse of the sort documented at Passaic High School.

- *Tighter Purchasing Rules:* The Commission noted that purchasing procedures in the Passaic School District were strengthened as a result of its investigation, but called upon the Department of Education to promulgate explicit procedures in this area for all school districts to follow. Specifically, there should be a comprehensive requirement that order forms contain justifications for purchases.

- *Cost Comparisons:* Members of the Passaic Board of Education and the administrative staff of the District repeatedly argued that the cost of materials, labor and investment in equipment in the print shop was justified because the alternative was more costly. The Commission questioned this assertion and recommended that a detailed cost study be undertaken focusing on all costs associated with printing, including materials used and labor hours for each

employee.

After the Commission issued its report, the Passaic School District formulated a job list in order to determine and control what is being printed. The District also began to evaluate the cost of in house printing vs. contracted printing by competitive bids.

Other Investigations:

Over-Expenditures by the Division of Development Disabilities

At the request of the Attorney General, the Commission reviewed certain issues related to the over-expenditure of funds in the fiscal 1989 budget of the Division of Developmental Disabilities (DDD). The review stemmed from disclosures that the Division, under a former Director, had greatly exceeded its budget by awarding unauthorized contracts to providers of services for the disabled. Following up on a Division of Criminal Justice investigation, the Attorney General in 1992 referred the matter to the Commission "for possible recommendations with respect to correcting management policies and procedures which led to the overexpenditures, as well as practices relating to the awarding of contractual services and payment for those services."

Findings and Recommendations

On January 7, 1993, the Commission made public a detailed letter of response. It

concluded that the disturbing fiscal situation within DDD was the product of forces and circumstances that went far beyond the questionable actions of a single government bureaucrat. In essence, the Commission found that the system maintained by DDD's parent agency, the Department of Human Services (DHS), for contracting with third parties to provide services to the developmentally disabled not only lacked effective oversight but also was fraught with burdensome regulations that defeated the very goal of effective and efficient government contracting.

Based on its analysis of the facts, the Commission defined the problem to include the absence of competition in procurement, as well as deficient contract monitoring. The Commission found that the DHS system had not used competition to provide community placements for the disabled. The agency could have done substantially more for DDD clients within the allowed budget had contracts been awarded through "normal" procedures like those employed by the Purchase Bureau in the Treasury Department. DDD's system evolved as it did, differently, for two primary reasons: its history of privatizing institutional services and its inappropriate interpretation and application of a longstanding Attorney General's Formal Opinion.

The Commission recommended improving procurement procedures to bring DHS into compliance with the law. The Commission also found serious problems in the DHS reimbursement system for third-party providers. The described reimbursement process was found to be extraordinarily complicated and labor-intensive yet it ignored contractor performance and client outcomes to the extent that they have become barriers to competition.

If regulations and the reimbursement form of contract serve important purposes, the Commission concluded, then DHS must find ways to satisfy those purposes which are not inconsistent with competition. The Commission suggested that since the Division of Purchase and Property has wide experience with competitive bidding on all types of goods and services, it could provide useful assistance in effecting an appropriately drastic revision of these procedures.

New Jersey Transit's Bus Subsidy Program

Alerted by an anonymous letter received in the fall of 1991 which was screened and found to be accurate by an initial investigation, the Commission launched an intensive analysis of the operation of New Jersey Transit's (NJT) \$5 million Bus Subsidy Program. As the investigation uncovered evidence of substantial fraud, the matter was referred to the Attorney General. The Commission held public hearings in July 1992 and, in March 1993, issued a final comprehensive report that detailed the following findings:

- *Payroll Padding*: The Farrelly family, which controlled two of the bus companies subsidized under the program — Monmouth Bus Lines of Asbury Park and Middlesex Metro of East Brunswick — padded the payrolls of both firms with family members and others who performed no work. Some of these people didn't even know their names were on the payroll, and checks issued in their names were endorsed and cashed by others.

■ *Misappropriation Of Funds*: Various personal or household expenses of Farrelly family members were charged to bus company accounts reimbursed by the taxpayers. These included home additions, garage-door openers, decks, appliances and many other such items. Vendors were instructed to bill the bus companies for the purchases. A family maid was also paid with public funds.

■ *Fraud*: Used NJT vehicles, including buses and cars, were sold by one bus company acting as the agent for NJT. Inadequate records were kept of how many or which vehicles were sold. Vehicles intended to be resold were appraised at salvage value, some vehicles were stripped for parts and the parts sold separately, and some relatively new vehicles in good condition were sold as junkers. In each case, the illicit profits went to individuals involved in the operation of the company.

Recommendations and Reforms

Shortly before the Commission's report was completed, New Jersey Transit, at the request of the Commission, announced a wide range of reforms and corrective actions it had undertaken to remedy problems uncovered by the investigation. The reforms were detailed in the Commission's 1992 Annual Report.

Legislation was introduced to mandate competition for NJT bus routes. Based upon information referred by the Commission to the Attorney General, a state grand jury, on December

7, 1993, indicted Howard Farrelly — head of the family that controlled Monmouth Bus Lines and Middlesex Metro — his wife, Virginia; two sons, Kerry and Keith; a daughter, Kelly Casiero; and a bookkeeper, Florence Saldutti, on charges connected to the Commission's investigation. Meanwhile, another target of the investigation — Ronald Brousell — and his firm, Monmouth Petroleum, pleaded guilty to a scheme involving the Farrellys. Brousell was sentenced on February 4, 1994 to five years probation, community service and \$125,000 restitution.

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 Commission's October 1969 report, responding to the Legislature's request for an investigation, exposed infiltration of the solid waste collection and disposal industry by organized criminal elements. Responding to a Commission recommendation, the Governor and Legislature enacted the New Jersey Antitrust Act in 1970.

The SCI also recommended licensing waste collectors and determining the real persons in interest of each collection and disposal company. The Governor and Legislature in 1970 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). In keeping with another SCI recommendation, the law also prohibited discrimination in the use of privately owned disposal facilities. A law providing for disclosure and investigation of the backgrounds of real parties in interest of waste firms was not passed until 1983, and its a lengthy court challenge concluded in 1986.

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

After its February 1970 public hearing, 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 also was implemented. The Commission's report is contained in its 1970 Annual Report.

1970-71 Organized Crime Control of Long Branch

Following a March and April 1970 public hearing, 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. The Commission's report is contained in its 1970 Annual Report.

1970-71 Corrupt State Purchasing Practices

After a June 1970 public hearing (reported in the Commission's 1970 Annual Report), 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.

1970-77 Building Service Industry Abuses

The Commission's June 1970 public hearing (reported in its 1970 Annual Report), on 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 Division 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 and the other defendants had 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).

1970-72 Hudson County Mosquito Commission Embezzlements

After the SCI probe, December 1970 public hearing and report (contained in the 1970 Annual Report), 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 Grand Jury in 1971 handed up con-

spiracy 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 Misappropriation of Public Funds, Atlantic County

In December 1971, the Commission reported the details behind the diversion of over \$130,000 in public funds by the Assistant County Purchasing Agent between 1958 and 1970, as well as the cover-up of the affair before and after his suicide. The County implemented several Commission recommendations to insure greater financial accountability.

1971-72 Point Breeze Development Frauds, Jersey City

After an October 1971 public hearing (reported in the Commission's 1971 Annual Report), two bills implementing SCI recommendations 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 re-

turned 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

After the Commission issued a report in June 1972, 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 canceled scheduled public hearings after a one-day session because litigation prevented three key witnesses from testifying about land development 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 investigative 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 canceled 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. The Commission's report is contained in its 1972 Annual Report.

1972-73 Office of the Attorney General of New Jersey

With the assistance of former Supreme Court Justice John J. Francis as Special Counsel, and at the request of the Attorney General and a Senate Committee, the Commission reported in January 1973 the results of its investigation into allegations surrounding the criminal investigation of former Secretary of State Paul

J. Sherwin. The report exonerated the Attorney General and Criminal Justice Director of a charges on cover-up.

1972-80 Organized Crime in Ocean County

The Commission exposed organized crime activities in a February 1972 public hearing and its 1972 Annual Report.

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.

1972-74 Workers Compensation Frauds

The Commission's May and June 1973 public hearing and January 1974 report helped lead to a major overhaul of the workers compensation system in New Jersey.

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 Workers 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.

1973-1978 Passaic County Voc-Tec School—Misuse of Funds and U.S. Surplus

The Commission's public hearing in September 1973 and report (contained in its 1973 Annual Report) included many recommendations for improving surplus property

distribution and tightening school purchasing practices to prevent thefts and abuse.

The SCI referred its probe data to the Attorney 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

In a December 1973 public hearing and its 1973 Annual Report, the Commission recommended mandatory minimum sentences for serious offenders, forfeitures of money seized in connection with narcotics arrests and the establishment of full-time prosecutors. All were substantially implemented by the Legislature and law enforcement authorities.

The SCI identified the victim of a murder and then located three sus-

pects 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 a June 1974 public hearing and September 1974 report, pleaded guilty to federal charges of fraud.

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, reported in October 1974, 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 December 1974 public hearing and investigative findings reported in its 1974 Annual Report 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 over-billing and false billing.

Many of the Commission's recom-

mendations were adopted by the Division of Medical Assistance and Health Services as a result of the SCI's six reports and its public hearings in June 1975 and January, May and October 1976.

1976-76 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 in January 1976, 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. The SCI reported its findings in its 7th Annual Report for 1975.

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 May 1976 public hearing, a State Grand Jury indicted in December 1976 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. The Commission's report is contained in its 8th Annual Report for 1976.

1977-78 Misuse of Public Funds in the Operation of Non-Public Schools for Handicapped Children

The Commission's January 1978 public hearing and May 1978 report exposed widespread misuse of public funds and recommended significant legislative and administrative changes.

1976-77 Casino Gambling

After voters approved casino gambling in Atlantic City on November 2, 1976, the Governor asked the Commission to undertake a review of the problems and consequences and to recommend measures to preclude criminal intrusion. Many of the Commission's recommendations, contained in its April 1977 report, were enacted into law.

1977-78 Organized Crime in Atlantic City

The Commission's investigation and August 1977 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. The Commission's reports on these problems are contained in its 9th Annual Report for 1977 and a separate December 1977 report.

1977-78 Boarding Home Abuses

The SCI's June 1978 public hearing and November 1978 report 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.

1978-79 Absentee Ballot Frauds

The Commission's report is contained in its 10th Annual Report for 1978. Many of the SCI's proposed reforms, drafted in cooperation with the Attorney General's office after a December 1978 public hearing, have been enacted.

1978-79 Injury Leave Practices

After the January 1979 Commission report, 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

Following the Commission's November 1979 report, efforts to reform the county medical examiner system were begun. However, none of the proposed revisions included the SCI's major recommendations that a state-wide regional system of medical examiners be established, operating with accredited forensic pathologists in conjunction with the Institute of

Forensic Science in Newark.

1979-80 Questionable Public Insurance Procedures

The Commission's proposed reforms for the purchase and regulation of county and municipal insurance programs, contained in an April 1980 report, were submitted to the Legislature in bill drafts.

1980-81 Organized Crime Infiltration of Dental Care Plans

The Commission held a public hearing in December 1980 and issued a report in June 1981. 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 U.S. 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.

1981-82 Mismanagement of the New Jersey Housing Finance Agency

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 in March 1981, 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, also contained in a December 1982 final report, were submitted to various prosecutorial authorities.

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

Contained in the 13th Annual Report for 1981, this report spurred tremendous interest, but no action was taken on the SCI's recommendations at either the state or federal level.

1981-83 Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities

This probe, July 1982 public hearing and March 1983 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 August 1982 report on this inquiry resulted in the enactment in 1984-85 of the SCI's recommendations for reforming the operations of all such commissions.

1983 Abuse and Misuse of Credit Controls at Gambling Casinos

This inquiry, March 1983 public hearing and June 1983 report resulted in more effective controls, albeit less stringent than recommended.

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

The March 1983 public hearing and August 1983 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 Inadequacy of Laws and Regulations Governing the Boxing Industry

In line with the SCI's recommendations, contained in its March 1984 interim report, 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 subsequently 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 1986-88 Legislature to implement certain reforms recommended by the June 1984 SCI report.

1984 Excessive Spending That Almost Led to the Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund

After a December 1984 public hearing, a report on the investigative findings was incorporated in the Commission's 16th Annual Report for 1984. Litigation involving the Fund's director, who was dismissed during the SCI probe, was brought.

1983-85 Organized Crime in Boxing

The SCI's December 1985 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 professional 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. In a June 1985 report, 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, December 1985 public hearing and report (combined with the Commission's 1985 Annual 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 June 1986 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

In an October 1986 letter to the Racing Commission, the SCI noted the Racing Commission's reform efforts during the course of the investigation, but emphasized numerous areas — race track security and integrity, regulatory timidity, auditing of track operations, more stringent drug controls and tighter licensing procedures — that remained to be corrected. Legislation incorporating SCI reform proposals was enacted.

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.

1986-90 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. After Commission staff participated in Senate committee hearings, the Legislature and Governor enacted the Professional Medical Conduct Reform Act on January 12, 1990 (effective July 13, 1990). The law substantially improves the reporting, rehabilitation and supervision of impaired and incompetent doctors.

1986-88 Union Lake

The Commission investigated the process by which the State Green Acres program acquired Union Lake in Cumberland County. The March 1988 report concluded that the Department of Environmental Protection failed to follow good management and internal communications procedures in taking title to the lake, which was contaminated with arsenic and held in place by a deteriorated dam. Revised acquisition procedures and a successful state lawsuit resulted from the Commission's findings.

1986-88 Check Cashing

The Commission revealed in an April

1988 public hearing and August 1988 report 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 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.

1987-91 Solid Waste Regulation

Revisiting regulatory failures and criminal involvement in the solid waste industry in New Jersey, the Commission concluded in an April 1989 report 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. In response to a Commission recommendation, the Legislature and Governor enacted a law to phase out an ineffective system of utility-style rate regulation of solid waste collectors.

1989 Overview of Organized Crime

In its 1989 Annual Report, the Commission detailed the status of traditional and non-traditional organized crime groups in New Jersey.

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 Resources. The Commission found most of those allegations to be without merit but did find some laxity in the grant review process. In its January 1990 letter to the Committee Chairman, 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 on the surface to be served.

1988-90 New Jersey School Boards Association

The Commission issued a report in April 1990 about 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.

1988-91 Garment Industry

An October 1990 public hearing and April 1991 report on the garment industry revealed numerous economic problems in the industry as a whole, as well as many instances of workers and contractors being taken advantage of by unscrupulous entrepreneurs. The investigation also revealed the intrusion of organized crime into garment trucking in New Jersey.

1990-91 Afro-Lineal Organized Crime

In furtherance of its responsibility to keep the public informed about organized crime in the state, the Commission held a November 1990 public hearing into the problem of organized criminality by persons of African heritage. The hearing and a March 1991 report dealt with gangs of African-Americans, Jamaicans and others.

1990-91 Video Gambling

In a January 1991 public hearing and September 1991 report, the Commission assessed the complicated problem of video gambling, including the ramifications of organized crime involvement as well as weaknesses in the statutes that apply to gambling devices.

1992 New Jersey Transit's Bus Subsidy Program

The Commission held a public hearing in July 1992 into allegations of serious irregularities in NJT's \$5

million Bus Subsidy Program. The Commission revealed that two bus companies had, largely through the inattention of NJT overseers, been able to obtain several million dollars in subsidies for the personal and private commercial expenses of the companies' owners. As a result of the Commission's findings, NJT undertook an extensive reform effort.

1992 Organized Crime in Bars

At a public hearing in February 1992, the Commission released information for the first time showing that elements of organized crime had gained control of numerous bars and restaurants in New Jersey. The Commission's investigation found that state and local regulators were doing little to enforce fundamental policies established by the Legislature in 1937 and reaffirmed in 1985. A preliminary report on investigations of liquor license applications was issued in March 1992 and a final report was issued in October 1992.

1991-92 Motor Fuel Tax Evasion

In an October 1991 public hearing and February 1992 report detailing the findings of an investigation, the Commission showed how motor fuel tax evasion in New Jersey resulted in an estimated \$40 million a year in tax losses to the state. Legislation resulting from the Commission's work corrected the statutory flaws which permitted the fraud to occur.

1992 Bergen County Utilities Authority

The Commission issued a comprehensive report in December 1992 detailing how the BCUA, through mismanagement and poor planning, had crafted an extravagant solid waste disposal program that needlessly cost the ratepayers of Bergen County many millions of dollars.

1992-Present — Local Government Corruption

As part of the Commission's continuing assault on local government corruption and the conditions which sustain it, public hearings on the subject were held in January 1992 and a report was issued in September. The report detailed purchasing scams, corrupted inspections, tainted land use decisions and a raft of embezzlements of government funds. A key focus involved troubling examples of instances where organized crime has capitalized on the presence of municipal corruption.

MEMBERS OF THE COMMISSION 1969-1994

Appointed by the Governor

William F. Hyland
1969-1970
Chairman

Charles L. Bertini
1969-1976

John F. McCarthy, Jr.
1970-1973
Chairman

Lewis B. Kaden
1976-1981

Joseph H. Rodriguez
1973-1979
Chairman

Robert J. DeTufo
1981-1984

Henry S. Patterson, II
1979-1990
Chairman (1985-1990)

James R. Zazzali
1984-1994
Chairman (1990-1994)

Kenneth D. Merin
1990-1993

Justin J. Dintino
1994-

Dante J. Sarubbi
1993-

Appointed by the President of the Senate

Glen B. Miller, Jr.
1969-1971

Arthur S. Lane
1979-1985
Chairman

Wilfred P. Diana
1971-1973

Paul Alongi
1985-1987

David G. Lucas
1973-1976

W. Hunt Dumont
1988-1991

Stewart G. Pollock
1976-1978

William T. Cahill, Jr.
1991-

Appointed by the Speaker of the General Assembly

Emory J. Kiess
1969

John J. Francis, Jr.
1979-1982

James T. Dowd
1969-1971

William S. Greenberg
1982-1987

Thomas J. Shusted
1971-1972

Barry H. Evenchick
1987-1993

Thomas R. Farley
1973-1977

Louis H. Miller
1993-

Arthur S. Lane
1977-1978

