State of New Jersey Commission of Investigation



55th ANNUAL REPORT 2023



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Tiffany Williams Brewer Chair

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January 2024

Governor Phil Murphy
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M-1 to -20, herewith formally submits its 55th Annual Report for 2023.

Respectfully,

Tiffany Williams Brewer

Chair

Robert J. Burzichelli

Commissioner

John P. Lacey
Commissioner

Kevin R. Reina Commissioner

A MESSAGE FROM THE CHAIR

I am proud to serve as the 12th Chair of the New Jersey State Commission of Investigation, the only independent state government watchdog empowered to conduct criminal justice investigations. The SCI was created to serve the people of New Jersey fairly and independently by investigating and exposing systemic problems and recommending significant improvements to the legislative and enforcement arms of government.



Over the last 55 years, the SCI has fulfilled that mandate by completing more than 130 publicly-reported investigations, shining a light on organized crime, government laxity and the waste, fraud and abuse of tax dollars. Most significantly, our work has served as the catalyst for important legislative reforms, bolstering the integrity of government at all levels and saving taxpayers millions of dollars.

In the past year alone, SCI reports found deficiencies in a state law governing nonprofit hospital sales, exposed local government corruption in Edgewater Borough, probed allegations of misconduct in New Jersey's congressional redistricting process and uncovered mismanagement in the State of New Jersey's response to the COVID-19 pandemic at the Veterans Memorial Homes.

We are committed to continuing the legacy of important investigative work done by the SCI and to put forth sensible remedies to make government more accountable, transparent and generally work better for the residents of our state.

Tiffany Williams Brewer Chair

MEMBERS OF THE COMMISSION



Tiffany Williams Brewer Chair

Mrs. Williams Brewer was appointed to the Commission in January 2022 by Governor Phil Murphy. She is a law professor and the Chief Executive

Officer for the Esther Project, a nonprofit organization created to empower women. After starting her legal career in private practice in Boston, Mrs. Williams Brewer became an Assistant U.S. Attorney for the District of New Jersey and eventually joined the law firm of Riker Danzig Scherer Hyland & Perretti. She later served as Chief Counsel to the Speaker in the General Assembly, as Deputy Chief Counsel to Governor Jon Corzine and as Deputy Assistant Secretary of State, prior to her appointment as an Administrative Law Judge in 2010. A trustee of Northeastern University School of Law Alumnae Board, Mrs. Williams Brewer is an American Bar Foundation Fellow, and Secretary, Section of Litigation, for the American Bar Association. In addition, she is a member of the Delta Sigma Theta Sorority, Inc. An ordained minister, Mrs. Williams Brewer is also a co-pastor at the Transform Church. A graduate of Rutgers University, she earned a Master's Degree in Public Administration from Rutgers University-Camden and a law degree from Northeastern University School of Law.



John P. Lacey Commissioner

Mr. Lacey was appointed to the Commission in January 2022 by Governor Phil Murphy. Co-

managing partner of the Newark Office of Connell Foley LLP, he is Chair of the firm's White Collar Criminal Defense practice. Mr. Lacey has decades of experience managing internal investigations, particularly those involving fraud, financial crimes, mismanagement and corruption. Prior to joining Connell Foley in 1990, Mr. Lacey was an Assistant U.S. Attorney for the District of New Jersey, where he successfully prosecuted one of the first international terrorists apprehended in the United States. Past President of the Association of the Federal Bar of New Jersey, he is a member of the American Bar Association and the New York and New Jersey State Bar Associations. A graduate of Arizona State University, Mr. Lacey received his law degree from Seton Hall University.



Robert J. Burzichelli Commissioner

Mr. Burzichelli was appointed to the Commission in June 2014 by the Senate President Stephen M. Sweeney.

A founding partner of the New York law firm Greenberg Burzichelli Greenberg P.C., Mr. Burzichelli specializes in employment and labor law and represents a broad spectrum of labor unions. Prior to launching his own firm in 2005, Mr. Burzichelli was a partner at Solomon Richman Greenberg, P.C. Mr. Burzichelli began his legal career as an associate with Coudert Brothers LLP, an international law firm, where he worked in the firm's litigation and antitrust departments. Mr. Burzichelli received his B.A. from Rutgers College, a Masters Degree in Public Administration from New York University and a law degree from Rutgers School of Law-Newark.



Kevin R. Reina Commissioner

Mr. Reina was appointed to the Commission in October 2020 by

Assembly Speaker Craig J. Coughlin. An attorney who specializes in real estate law, Mr. Reina has spent most of his career in private practice. For the past ten years, he has been the Managing Counsel for the New Jersey-based in-house litigation office of a Fortune 500 title insurance company. Mr. Reina earned both his bachelor's and law degrees from St. John's University in Queens, NY. He also received a Master's Degree in Theology from Seton Hall University. In 2016, he was ordained as a Deacon for the Roman Catholic Church and currently serves in that capacity in the Archdiocese of Newark.

INTRODUCTION

The State Commission of Investigation was established in 1968 because responsible, reform-minded citizens and government officials recognized the need for an independent, non-prosecutorial fact-finding agency to:

- Identify and expose public corruption, mismanagement, ethics irregularities and governmental laxity
- Shed light on waste, fraud and abuse, and promote taxpayer savings
- Monitor and assess the threat posed by organized crime, and
- Recommend new laws and other systemic remedies to protect the integrity of the governmental process on behalf of the citizens of New Jersey.

The framers of the SCI's enabling statute recognized a critical distinction in the landscape of unscrupulous activity in our society. They understood that malfeasance, misconduct and wrongdoing do not always rise to the level of criminality, that the public interest and the public trust frequently fall victim to behavior and events outside the realm and reach of traditional law enforcement. In short, they saw that the battle against organized crime and corruption had to be waged as comprehensively as possible with every tool imaginable. The special Joint Legislative Committee that proposed the SCI's creation intended it to be more than

a "crime commission" alone. There are many occasions when hard-hitting, expert fact-finding is needed without involving the criminal process or implying criminal violations are under investigation. . . . This commission will provide a significant, independent "watchdog" for the entire system.

Thus, in order to fulfill its vital mission with fundamental clarity, credibility, transparency and effectiveness, the Commission was invested with an extraordinary

statutory mandate: to pursue its work within a framework untainted by political interference or self-interest.

By virtue of a unique structure anchored in two constitutional branches of State government – it is "in but not of" the Legislature with Commissioners appointed jointly by the Legislative Leaders and by the Governor – the Commission is an independent fact-finding agency and a tested, result-oriented leader among the few full-time watchdogs and sentinels of New Jersey government.

Over the course of more than 55 years, the SCI has earned a stellar reputation based upon a record of performance that includes more than 130 completed and publicly-reported investigations. Most importantly, since its inception, the Commission's work has saved taxpayers millions of dollars, and it has been the catalyst for numerous important statutory, regulatory and administrative reforms bolstering the integrity of government at all levels.

During 2023, the Commission bolstered its record of exemplary civic service with four important investigations completed over the past 12 months, collectively forming the centerpiece of its public activities, highlighted as follows:

GUARDING THE ASSETS: AN INQUIRY INTO THE STATE LAW GOVERNING HEALTHCARE CONVERSION FUNDS

In March, the Commission issued a final report of an investigation identifying various weaknesses and ambiguities in the Community Health Care Assets Protection Act (CHAPA), a law created to protect charitable assets and proceeds from the sale of nonprofit hospitals to for-profit operators in New Jersey. The SCI investigated allegations of mismanagement and improper business practices at the Salem Health and Wellness Foundation – the first trust created under CHAPA – and found it had engaged in certain questionable practices that appeared to be inconsistent with CHAPA's statutory purpose. To make the law more effective, the Commission recommended amending the law to clarify specific operational and financial responsibilities assigned to the trusts and giving the state a more

significant role in ensuring CHAPA funds are appropriately designated and utilized to provide for community health care needs.

PUBLIC MATTERS, PRIVATE INTERESTS: AN INQUIRY INTO LOCAL GOVERNMENT ETHICS AND INTEGRITY ISSUES IN THE BOROUGH OF EDGEWATER

The Commission issued a final report in May in an inquiry that revealed a prominent developer had undisclosed financial arrangements with some elected and appointed officials in Edgewater Borough. Fred Daibes, who developed much of the municipality's Hudson River waterfront over the past two decades, had benefitted from repeated local government actions favorable to his business interests. Daibes' financial ties to the local officials, which included lucrative business contracts for a councilman and discounted rent at a luxury apartment for the mayor, remained shielded from the public, in part, because New Jersey's Local Government Ethics Law does not require municipal and county elected officials and employees to disclose certain financial benefits. In response, the Commission recommended strengthening the ethics law and creating a conflicts of interest law specifically for municipal government.

AN INQUIRY INTO ALLEGATIONS OF IMPROPRIETY IN THE CONGRESSIONAL REDISTRICTING PROCESS IN NEW JERSEY

A Commission report issued in September found no merit to allegations of manipulation in New Jersey's most recent cycle of congressional redistricting, completed in January 2022, but concluded the mapmaking process could benefit from reforms to make it more uniform, transparent and less susceptible to claims of political corruption. Among the actions recommended by the SCI were the adoption of statutory language specifying the duties and authority of the New Jersey Congressional Commission chair, legal guidance concerning the retention and use of outside consultants in the process and required sharing of proposed voting maps among the partisan delegations and with the public before selection of a final map.

AN INVESTIGATION INTO THE STATE OF NEW JERSEY'S COVID-19 RESPONSE AT THE VETERANS MEMORIAL HOMES

An examination into the management of the COVID-19 pandemic at the Veterans Memorial Homes operated by the State of New Jersey found the residences were overwhelmed and unprepared for the conditions presented by the onset of the virus. The Commission's investigation revealed the Menlo Park and Paramus homes, where nearly 200 people died from COVID-related causes, were ill-equipped to manage the massive absenteeism by staff in the initial weeks of the pandemic and botched securing replacements. Communication breakdowns among the various State agencies overseeing the pandemic response and within the homes

exacerbated an already challenging situation. A day after the report's release, Governor Phil Murphy announced a plan to restructure New Jersey's oversight of the veterans homes, the primary reform proposed by the SCI.

Considering that state, county and local governments in New Jersey today comprise a taxpayer enterprise that carries a combined annual cost approaching \$100 billion, the SCI's independent, investigative fact-finding and problem-solving expertise is more crucial than ever to the challenge of safeguarding the systemic integrity of this vast public trust.

Further, given the Commission's unique status as the only non-prosecutorial government watchdog agency authorized by law to conduct investigations involving matters that impinge upon the criminal justice system, it serves as a valuable partner to law enforcement. Over the years, the SCI has provided multiple forms of assistance, including referrals, investigative expertise and intelligence sharing, that have proved instrumental in the successful outcome of numerous criminal cases.

The Commission's extensive behind-the-scenes investigative work and ongoing law enforcement partnerships point up the fact that the true measure of its overall performance far exceeds the findings and results of investigations and reports completed in any given year. Beyond the activities detailed in this annual report, the Commission and its staff currently are engaged at various stages in a range of significant inquiries related to all elements of its statutory purview, including organized crime, official corruption, mismanagement and waste and abuse of government funds.

In that context, the Commission stands ready to address specific concerns raised by average New Jersey taxpayers, and they routinely avail themselves of this service. In order to facilitate public access, the Commission has established a Tip Hotline on its website for citizens to file complaints or otherwise communicate confidentially with investigators. It can be accessed at Hotline@sci.state.nj.us.

In sum, 2023 was a productive year for the Commission in its service to the citizens of New Jersey. Above all, given the fact that savings generated by reforms, efficiencies and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again has proved itself to be an effective and worthwhile public investment.

The Commission's confidential e-mail hotline, as well as its public documents, including the full text of reports of prior investigations, are available at https://www.state.nj.us/sci/index.shtm.

PUBLIC RESULTS - 2023

* * *

Regulatory, Ethics and Law Enforcement Oversight

Final Report:

GUARDING THE ASSETS:

An Inquiry into the State Law Governing Healthcare Conversion Funds

Summary

The Commission's inquiry into the Community Health Care Assets Protection Act (CHAPA) found various weaknesses and ambiguities in the New Jersey law intended to protect charitable assets and proceeds from the sale of nonprofit hospitals to forprofit operators, leaving it vulnerable to abuse and manipulation.

In March, the Commission issued a final report on its CHAPA investigation, an inquiry launched in response to allegations of mismanagement and improper business practices at the Salem Health and Wellness Foundation (Foundation) – the first charitable trust created under CHAPA. While the inquiry revealed no violations of law, it found improvements were needed both in the Foundation's business practices and

within CHAPA to make it more effective and better safeguard assets arising from certain nonprofit hospital sales.

As part of its inquiry, the Commission examined the Foundation's financial and business practices, including the transfer by internal managers of more than \$52.5 million in assets to an outside fund to manage the monies. Some elected officials in the southern New Jersey region objected to the transfer because they wanted to use the assets to assist a nonprofit hospital in acquiring Memorial Hospital of Salem County. The Foundation was initially created in August 2002 with \$32.2 million in proceeds from the sale of the nonprofit hospital to a publicly traded hospital system.

The Commission's inquiry found none of the Foundation's actions appeared to be unlawful, however, it uncovered inefficiencies and laxity in its business practices and that the charitable entity did not always adhere to its own internal standards in certain areas.

Concerning the CHAPA law, the Commission found state government has no meaningful role in providing ongoing active oversight of hospital assets or ensuring that funds go toward appropriate charitable healthcare purposes of the community historically served by a facility, as required under the law.

The Commission also examined the CHAPA-related obligations of the Health Care Foundation of the Oranges (HCFO). It found that the HCFO, which received proceeds after the 2016 sale of the nonprofit East Orange General Hospital to a forprofit operator, had been lax in meeting annual reporting requirements under CHAPA. The HCFO also lost its federal tax-exempt status in 2022 after failing to file tax forms for three consecutive years starting in 2019.

The Commission recommended amending the law to clarify whether a charitable entity created with CHAPA assets is temporary or permanent, and to determine if a trust has any financial obligation to a successor nonprofit hospital. Additionally, the state government's role in overseeing entities created under CHAPA should be strengthened and expanded beyond the collection of an annual report submitted to the Office of the Attorney General.

The Commission also recommended specific reforms to bolster governance practices at the Foundation and other charitable entities created under CHAPA. Among the proposed recommendations were for the Foundation's governing body to seek input from community stakeholders to identify more diverse board candidates, the adoption of certain procedures to guide grant-making decisions and increasing transparency by posting its annual reports online.

Waste, Fraud and Abuse

Final Report:

PUBLIC MATTERS, PRIVATE INTERESTS:

An Inquiry into Local Government Ethics and Integrity Issues in the Borough of Edgewater

Summary

The Commission investigated allegations of local government corruption in Edgewater Borough and found local elected and appointed officials in the Bergen County municipality took repeated government actions beneficial to a prominent developer who had undisclosed financial arrangements with some of them.

In a May 2023 report, the Commission revealed private financial ties between the public officials and Fred Daibes – the local developer who had transformed much of the Hudson River waterfront town over the past two decades – including lucrative business contracts and discounted rent at a luxury apartment. SCI investigators found Daibes' power and influence in Edgewater were so strong he even held sway in local political decisions and other municipal concerns.

The SCI's investigation revealed more than half of the business revenue from Councilman Jose Luis Vidal's flooring firm – totaling more than \$2.6 million between

2015 and 2018 – was provided by Daibes and his business partner for flooring projects. Edgewater Mayor Michael McPartland received below market, payment deferred and interest-free rent at a luxury apartment building owned by Daibes within months of his appointment to the position in January 2015. While neither public official disclosed their financial ties to Daibes, New Jersey's archaic Local Government Ethics Law, which oversees ethical conduct for municipal and county officials and employees, enables such information to remain shielded from public disclosure and accountability.

"Lacking any legal requirement to disclose finances related to client payments means this information can be kept private, even in cases where such fiscal arrangements could present a potential conflict of interest for a public official," the report stated. No explicit mechanism exists in the law for disclosing a favorable rent arrangement either.

The Commission's investigation uncovered other financial activity concerning Daibes and his corporate entities, including illicit business practices, the questionable collection of unemployment insurance benefits and nonspecific payments to associates of organized crime. As required under the Commission's statutory authority, all evidence of a reasonable possibility of criminal wrongdoing was referred to appropriate law enforcement authorities.

The SCI recommended strengthening the Local Government Ethics Law to expand financial disclosure requirements, implement mandatory ethics training and increase penalties for violators. Further, the Commission recommended creation of a conflicts of interest law specifically for local government employees and elected officials, similar to the New Jersey Conflicts of Interest Law that applies to State and

Legislative branch employees. In addition, the Commission recommended that state and local officials and other interested parties involved in affordable housing-related issues study whether the State should oversee affordable housing mandates and associated public funding mechanisms to protect them from manipulation and abuse.

Regulatory, Ethics and Law Enforcement Oversight

Final Report:

An Inquiry into Allegations of Impropriety in the Congressional Redistricting Process in New Jersey

Summary

In a report released in September, the SCI found that New Jersey's system for congressional redistricting largely works, but needs reform to make the mapmaking process more transparent, consistent and less vulnerable to charges of manipulation for political purposes.

The SCI launched an inquiry into the process concluded in January 2022 by the New Jersey Congressional Redistricting Commission after receiving allegations of impropriety in the development and selection of a final map serving the state's voters in United States House of Representative elections for the next decade. Among the most serious of the claims questioning the integrity of the process was the improper manipulation of the data used by the panel to carry out its mapmaking work.

New Jersey is among a select group of states that relies on a commission of political appointees to draw the lines of the state's congressional voting map. The state's process allows for a 13-member commission comprised of six Democratic

delegates, six Republican delegates and one independent member serving as the panel's chair and tiebreaker, if necessary.

During the most recent cycle, Chair John E. Wallace Jr., a former Supreme Court Justice, chose the Democrat's map after the commission vote ended in a tie. Chair Wallace also hired the Princeton Gerrymandering Project (PGP) as an expert outside consultant to assist in the technical evaluation of each delegation's maps. Some Republican delegates questioned Wallace's selection of the Democrat's map and the overall fairness of the process, as well as the integrity of PGP and its work.

After reviewing hundreds of pages of documentary evidence and receiving sworn testimony from more than a dozen individuals directly involved in the state's latest redistricting cycle, the SCI found no lack of fairness in the process and no merit to the unspecified claims of data manipulation by PGP. However, the SCI concluded there should be greater transparency, uniformity and statutory guidance in certain areas to ensure the reliable operation of the commission, its duties and the mapmaking responsibilities assigned to it.

To improve the system, the SCI recommended the adoption of statutory language specifying the duties and authority of the independent 13th member who serves as the group's chair. There should also be legal guidance concerning the retention and use of outside consultants hired to assist in redistricting. The criteria that drive the creation of voting districts should also be codified into law to help promote transparency and consistency in the mapmaking process. Moreover, the SCI recommended creating a mandate compelling the Democrat and Republican delegations to share maps and offer critiques on the other side's proposal before the entire body votes on a final map. To encourage public participation in the process

and potentially obtain valuable feedback, the final maps created by each delegation should also be posted online at least five days before the commission's final vote.

Regulatory, Ethics and Law Enforcement Oversight

Final Report:

An Investigation into the State of New Jersey's COVID-19 Response at the Veterans Memorial Homes

Summary

The COVID-19 pandemic had a devastating outcome at the Veterans Memorial Homes operated by the State of New Jersey in Menlo Park and Paramus, ending the lives of nearly 200 residents and staff, many in the initial weeks of the onset of the virus.

The SCI's final report, issued in October, of an inquiry into the State's COVID response at the facilities, found the pandemic presented a perfect storm of circumstances that exposed systemic weaknesses within the management, operation and structures of the homes, some of which remain.

The investigation revealed managers of the homes were unprepared and entirely overwhelmed by the massive absenteeism among nurses and other frontline staff in the initial weeks of the pandemic, leaving them unable to provide basic care

¹ The State also operates a veterans home in Vineland that did not experience significant problems during the pandemic. The facility has a more modern layout as compared to the other two homes and is located in a region where COVID rates were far lower.

to residents. In Menlo Park, there was a 480% increase in "call-outs" by workers in the weeks after COVID arrived at the home.

There was also no realistic strategy to get employees to report to work or to find replacement staff. Staffing agencies were unwilling to send nurses and other medical personnel to the veterans homes to replace absent staff because the per diem rates paid by the State were fixed and not competitive with pay at other healthcare facilities. As a result, the remaining staff were left to deliver care while trying to contain a highly contagious virus in facilities not built to handle quarantine or isolation situations.

Worsening an already chaotic situation were communication breakdowns among the various State government departments overseeing New Jersey's COVID response and within the management of the homes. The rapidly changing guidance on virus management from the Centers for Disease Control and Prevention (CDC) was not well communicated by state health officials to the veterans homes' managers or within the homes, creating confusion and upending planned strategies. There was also no reliable system to ensure family members of the residents received regular and upto-date communication from the homes' staff with information on their loved ones, leaving some getting limited to no updates or, in some cases, inaccurate status updates.

Further, the Commission's investigation found the physical layout and outdated infrastructure of the Menlo Park and Paramus veterans homes were not designed or equipped to handle isolation or quarantine situations. Therefore, keeping residents separated during the initial stages of the pandemic was challenging.

The Commission's chief recommendation was to remove oversight of the veterans homes from the Department of Military and Veterans Affairs (DMAVA) and

transfer responsibility to a newly created cabinet-level agency or commission with specific authority for the homes. A day after the Commission issued its report, Governor Murphy's office announced a plan to restructure oversight of the homes, citing the SCI's report and findings.

The SCI also recommended that any future directive from the state government regarding a public health emergency should include language specifically designating skilled nurses and other frontline staff at the three veterans homes as essential workers deemed necessary for the continued safe operation of the residences. Given the need to provide uninterrupted care to residents in a public health emergency or any other crisis, the SCI also recommended suspending or temporarily increasing the contract rates paid for temporary healthcare workers to supplement staff to enable the homes to remain competitive with the private sector.

To allow the homes to better weather another healthcare crisis and to better meet the needs of residents, the Commission recommended prioritizing numerous facility and technology upgrades at the Menlo Park and Paramus facilities. Some of those improvements have already begun, such as converting units from double occupancy to single-bed rooms, updating from a paper-based to an electronic medical record keeping system and installing wireless Internet access throughout the facilities.

PARTNERSHIPS AND OUTREACH

The true measure of the Commission's value far exceeds the results of investigations completed in any given year. Throughout 2023, the SCI maintained its record of exemplary public service by assisting multiple law enforcement and oversight agencies at the local, county, state and federal levels. The following is a summary of the Commission and its staff's outreach and support activities throughout the year.

* * *

For the second year in a row, SCI Chair Tiffany Williams Brewer delivered opening remarks at the Morris County Sheriff's Office New Jersey Gang Awareness and Identification Training on June 13. The Commission served as a co-sponsor of the two-day training event, held at Saint Elizabeth University, which was attended by over 275 law enforcement personnel from across the region. In her remarks, Chair Williams Brewer acknowledged and discussed the important role that the SCI's partners in law enforcement play in enabling the agency to fulfill its mission to monitor and report on the activities of organized criminal groups.

* * *

The Commission and its top executive staff delivered a Continuing Legal Education (CLE) presentation educating New Jersey attorneys about the unique role of the SCI, its history and record of important work on September 21. Commission Chair Williams Brewer, along with Commissioners Kevin Reina, Robert Burzichelli and John Lacey, Executive Director Chadd Lackey and Chief Counsel Marian Galietta all participated in the two-hour online presentation. Legal professionals who tuned in for the presentation learned about the SCI's creation and the statutory framework

governing the agency, as well as key court decisions that have shaped the SCI's investigations over the last 50 years. Additionally, the CLE course included summaries of recent SCI investigations into local government oversight of real estate and development matters in Edgewater Borough, the Pagans outlaw motorcycle gang, healthcare conversion funds and the addiction rehabilitation industry. The event, which was co-sponsored by the New Jersey State Bar Association, was viewed by nearly 50 attendees. Licensed New Jersey attorneys who viewed the presentation were eligible for CLE credits required by the State to maintain their legal credentials.

* * *

For the past year, Investigative Analyst Joshua King has been assigned to the New Jersey State Police Regional Operations and Intelligence Center (ROIC) South in Gloucester County as part of a new partnership between the SCI and State Police. The arrangement is intended to boost intelligence gathering and fortify investigative efforts to benefit both agencies. In his assignment, Analyst King works primarily with the New Jersey Gun Violence Reduction Task Force to gather and provide information as part of a statewide intelligence-sharing network across New Jersey's 21 counties, facilitated by collaboration among federal, state and county law enforcement and prosecutors in support of reducing shooting crimes.

* * *

During 2023, SCI Special Agent Eric Rennert, an investigative accountant, continued to serve as a member of an Internal Revenue Service Task Force responsible for investigating illegal money service business schemes throughout New Jersey. The Task Force's operation resulted in five individuals being arrested in September and

charged by the United States Attorney's Office for the District of New Jersey for illegally processing more than \$600 million through unlicensed money transmitting businesses.

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Special Agent Edwin Torres, the SCI's resident gang expert, continued to assist and advise county prosecutors' offices and municipal police departments across New Jersey regarding outlaw motorcycle gang activity in their jurisdictions. Agent Torres made presentations and conducted training on street gangs to nearly 1,700 individuals at more than 15 conferences and events for school, community and law enforcement groups across the country during the year. In these sessions, Agent Torres shared tips for identifying gang affiliations and activities, and offered strategies for combatting gangs and preventing youth participation in gangs.

* * *

Over the past year, the SCI hosted three intelligence round table meetings attended by law enforcement personnel from New Jersey, New York and Pennsylvania to discuss and share information concerning outlaw motorcycle gangs. During the meetings, which took place in March, July and October, investigators from various Federal, State, County and local law enforcement organizations shared intelligence on outlaw motorcycle gang activities in the tristate area. More than 220 law enforcement investigators and analysts attended the roundtables. Further, SCI personnel also attended other outlaw motorcycle gang intelligence meetings during the year hosted by law enforcement partners in other states, including Pennsylvania.

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 (the "Forsythe Committee"). That panel was directed by the Legislature to find ways to correct a serious and intensifying problem involving organized crime and political corruption. The Forsythe Committee's final report, which confirmed a crime-control crisis in those areas, 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 state's criminal justice apparatus were proposed.

Two of the most significant recommendations were for the creation of a new criminal justice unit within the Executive Branch of state government, and the establishment of an independent state-level Commission of Investigation. The Forsythe 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, conduct and supervise 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 findings to appropriate law enforcement agencies for possible prosecution and make recommendations to the Governor, the Legislature and appropriate authorities at other levels for improvements in laws and in the operations of government.

That is why the Forsythe Committee, in the final report of its comprehensive study, characterized what it had in mind as not just "a 'crime commission'" in the conventional sense. "There are many occasions," the panel, concluded, "when hard-hitting, expert fact-finding is needed without involving the criminal process or implying criminal violations are under investigation. . . This Commission will provide a significant, independent 'watchdog' for the entire system. . . ."

As a result of the Forsythe Committee's recommendations, the Division of Criminal Justice in the Department of Law and Public Safety of the Executive Branch and the State Commission of Investigation, structured as an independent agency "in but not of" the Legislative Branch, were created. New laws were designed – effectively so, as history has shown – to prevent conflict and duplication between the Commission's operations and those of prosecutorial authorities. With the creation of the Office of the State Comptroller, it has been proven that there is more than enough work to go around for entities that take seriously the responsibility to hold government accountable and look out for the public's best interest. The Commission consults and cooperates regularly with other government watchdog agencies in an effort to maximize limited public resources to serve the public across a wide spectrum of responsibilities.

The Commission was given the responsibility to maintain a constant vigil against the intrusion of organized crime into society, to expose systemic wrongdoing or governmental laxity via fact-finding investigations, and to recommend new laws and other remedies to protect the integrity of the governmental process. The Division of Criminal Justice and other prosecutorial agencies were given the responsibility to seek indictments or file other charges of violations of law and to bring the violators to justice, where appropriate.

Legislation creating the SCI in 1968 established an initial term beginning January 1, 1969, and ending December 31, 1974. The Legislature extended the term of the SCI for five-year periods on four subsequent occasions: 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 December 31, 1994. On Dec. 28, 1994, legislation took effect extending the Commission's term for a period of 18 months, through June 30, 1996, pending the outcome of a review by a special committee appointed by the Governor, the President of the Senate and the Speaker of the General Assembly. On February 7, 1996, the review committee recommended that the Commission's operating authority be extended for six years, until July 1, 2002. Legislation incorporating this central recommendation was enacted into law with the Governor's signature on June 28, 1996.

The Commission's status as a temporary agency subject to periodic review was rescinded effective January 7, 2002. On that date, legislation was signed establishing the Commission as a permanent entity of New Jersey government.²

The unique and complementary role of the Commission has been noted repeatedly in three separate and comprehensive reviews that have been conducted of the SCI's operations – in 1975, 1983 and 1995. In each instance, the reviewing panel found that the SCI performs a valuable function and strongly concluded that there is a continuing need for the Commission's work. The final review committee report summarized this view, stating, "it is crucial to New Jersey that its citizens have confidence that government on all levels is operating appropriately and efficiently. The SCI is uniquely positioned to expose corruption and mismanagement to New Jersey residents and to

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² The full text of the Commission's enabling statute may be reviewed at N.J.S.A. 52:9M-1 to -20.

make recommendations aimed at improving New Jersey's system of government."	

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 affiliation, and they derive from three separate appointing authorities. Two Commissioners are appointed by the Governor and one each by the President of the Senate and the Speaker of the General Assembly. Thus, the Commission, by concern and action, is nonpartisan. This central construct makes the Commission unique among all other agencies of government, endowing it with the integrity and the independence necessary to perform its job in a credible fashion, especially where sensitive investigations are concerned.

The Commission specifically is invested by law 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 enabling 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, and in the making of recommendations to the Governor and the Legislature with respect to changes in existing law required for more effective enforcement, regulation and administration. The

Commission also is 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 limited immunity from prosecution to witnesses. Since the Commission does not have prosecutorial functions, it is required to refer information suggesting possible criminal misconduct to the Office of the Attorney General.

One of the Commission's primary statutory 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 action 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, the issuance of public reports, or both.

Witnesses appearing before the Commission in public and private hearings are protected by the New Jersey Code of Fair Procedure, the requirements of which were incorporated in the Commission's enabling statute in 1979. Constitutionally required due process is afforded under the provisions of that code, and the courts have upheld the integrity and fairness of the Commission's investigative procedures. For example, all witnesses have the right to be represented by counsel when appearing before the Commission at public or private hearings. Additionally, any individual criticized in a proposed Commission report is, by law, given an opportunity to review relevant portions of the report. The individual may then submit a written response which, under certain

circumstances, shall be included in the final report. As a practical matter, the Commission always has been careful to evaluate investigative data in private in keeping with its obligation to avoid unnecessary stigma and embarrassment to individuals.

Indictments and convictions which may result from referral of criminal matters by the Commission to other agencies are not the only test of the efficacy of its public actions. At least as important is the deterrent effect inherent in the Commission's very existence, as well as the corrective statutory and regulatory reforms spurred by arousing public and legislative interest. A prime example involved the enactment of legislation in the wake of a Commission investigation of a massive, organized crime-inspired scheme to evade taxes on motor fuels. According to the state Division of Taxation, that statutory change alone enabled the state to recover millions annually in tax revenues.

Additionally, the Commission's December 1998 report on public pension and benefit abuses presented a veritable catalog of needless waste and outlined a range of proposed reforms that would save taxpayers additional millions. Further, the Commission's September 2000 report on waste and abuse in public school roofing projects provided the state and its localities with invaluable insight into the subversion of multi-million-dollar public construction programs by unscrupulous contractors.

In 2003, in a move that embodied a central recommendation of the Commission's 2000 report, Computer Crime, legislation was signed into law revising and updating New Jersey's computer crime law for the first time since its enactment two decades ago. The Commission's 2004 report on the flawed procurement process for the E-ZPass cashless toll system included recommendations that resulted in a complete overhaul of New Jersey's contract procurement procedures.

In 2007, new budget accountability measures were adopted for public school districts based on the findings and recommendations of an SCI investigation of questionable and hidden compensation for school administrators. Also in 2007, new laws against fraud in taxpayer-subsidized hospital reimbursements were enacted in the wake of an SCI investigation of waste and abuse in the State's Charity Care program.

In 2008, in the wake of an investigation by the Commission into the ready availability of firearms ammunition to gang members and other criminal elements, legislation was enacted refining the State's regulation of ammunition sales. Under the law, only individuals who hold and can display a valid firearms purchaser identification card, a certified copy of a permit to purchase a handgun, a valid permit to carry a handgun, a valid New Jersey hunting license or valid documentation identifying the purchaser as a federal, state or local law enforcement officer authorized to possess a firearm are permitted to purchase and possess ammunition in New Jersey.

In 2010, a series of Commission recommendations to overhaul public higher education – designed to strengthen the governance of New Jersey's state colleges and universities while protecting the integrity of the substantial public trust in these institutions – were incorporated into legislation signed into law. The statute implemented key reforms recommended by the Commission in its October 2007 report, Vulnerable to Abuse: The Importance of Restoring Accountability, Transparency and Oversight to Public Higher Education Governance. Among the most significant improvements were provisions for greater administrative and financial oversight of higher education institutions and the creation of a Cabinet-level Secretary of Higher Education.

Reforms recommended repeatedly by the Commission, most recently in the December 2009 report, The Beat Goes On: Waste and Abuse in Local Government

Employee Compensation and Benefits, provided the foundation for legislation that became law in 2010 that holds all new local government and school employees to the same standard applicable to state workers regarding the amount of sick and vacation time that may be carried forward each year and cashed in at retirement. The law capped sick leave payouts at retirement at \$15,000 for all local government and school employees. It also prohibited carrying more than one annual allotment of vacation time from one year to the next by those employees.

Legislators enthusiastically responded to the Commission's 2014 report, *Inside*Out: Questionable and Abusive Practices in New Jersey's Bail-Bond Industry by drafting comprehensive legislation that addressed abusive practices within the bail business. A package of bills that targeted the majority of the Commission's recommendations for regulatory and statutory reforms was introduced in each house of the Legislature.

In 2015, the findings and recommendations in the Commission's ground-breaking 2013 inquiry into the abuse of prescription opioids and heroin, inspired legislation that resulted in two important new laws. One statute provided the New Jersey Attorney General with new powers to direct statewide law enforcement efforts to combat drug diversion, while the second law expanded a program that provides drop-off sites for individuals seeking to dispose of unwanted prescription medication.

As a direct result of the Commission's 2017 follow-up investigation into New Jersey's SPCAs, legislation was signed into law overhauling the system for the enforcement of the State's animal cruelty statutes. As recommended by the SCI, unsupervised groups of volunteers no longer have the authority to uphold the cruelty laws and government now performs the enforcement function.

In 2020, three new laws were enacted in response to findings and recommendations made in the SCI's 2019 report on hospital-related regulatory accountability and oversight. The laws require hospitals to submit more expansive financial information to the Department of Health, give the agency broader oversight to determine if hospitals are in or near financial distress and to require notification of local elected officials if certain facilities have reached a level of distress. Another new law spurred by the SCI's work enacted in 2020 required businesses and individuals that work in certain elements of the recycling industry to undergo criminal background checks and obtain licenses to operate. The Commission issued investigative reports in 2017 and 2019 exposing the corrupt recycling of contaminated dirt and debris and urging passage of legislation to uphold the same licensure requirements for solid waste operators as those who work in the recycling business.

In 2023, Governor Phil Murphy announced a plan to change oversight of the New Jersey Veterans Memorial Homes just one day after the Commission released a report finding that systemic problems in the management and supervision of the homes contributed to devastating outcomes during the COVID-19 pandemic. Reassignment of the homes' oversight was a chief recommendation put forth by the SCI in its report.

The Commission takes particular pride in the response to these and other investigations and reports that have similarly resulted in taxpayer savings and in improved laws and governmental operations throughout its existence.

PRIOR INVESTIGATIONS

ORGANIZED CRIME

1969 Garbage Industry

1970-71 Organized Crime Control of Long Branch

1972 Organized Crime in Ocean County

1977-78 Organized Crime in Atlantic City

1980-81 Organized Crime Infiltration of Dental Care Plans

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

1983-85 Organized Crime in Boxing

1986-87 Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects

1986-88 Check Cashing Industry

1987-89 Solid Waste Regulation

1988-89 Cocaine

1989 Overview of Organized Crime

1988-91 Garment Industry

1990-91 Afro-Lineal Organized Crime

1990-91 Video Gambling

1991 Organized Crime in Bars

1991-92 Motor Fuel Tax Evasion

1993-94 Money Laundering

1994 Medical Provider Contracts

1995 Organized Crime in Bars Part II

1996 Russian-Émigré Crime in the Tri-State Region

2003-04 The Changing Face of Organized Crime in New Jersey

2006-07 Subversion of Firearms Ammunition Sales

2008-09 Organized Criminal Street Gangs in New Jersey Prisons

2011 Circumvention of Oversight in Solid Waste and Recycling

2011-13 Investigation into Prescription Pill and Heroin Abuse

2016 Armed and Dangerous – Ten Years Later

2016-17 Dirty Dirt: The Corrupt Recycling of Contaminated Soil and Debris

2018 Corrupt Commerce: Heroin, Thievery and the Underground Trade in Stolen Goods

2018 Juvenile Gun Violence and Neighborhood Gangs

2018 Organized Crime Spotlight: MS-13

2019 Dirty Dirt II: Bogus Recycling of Tainted Soil and Debris

2019-20 Organized Crime Spotlight: Outlaw Motorcycle Gangs – The Pagans

WASTE, FRAUD AND ABUSE

1969-70 Monmouth County

Prosecutor's Office-Misuse of Funds

1970-71 Hudson County Mosquito Commission Embezzlements

1970-71 Corrupt State Purchasing Practices

1970-71 Building Service Industry Abuses

1971 Misappropriation of Public Funds, Atlantic County

1971-72 Point Breeze Development Frauds, Jersey City

1972 Stockton College Land Acquisition Deals

1972-73 Bank Fraud in Middlesex County

1972-74 Workers Compensation Frauds

1972-75 Improper Municipal Planning, Zoning Procedures

1973-74 Passaic County Vocational-Technical School: Misuse of Funds and U.S. Surplus Property

1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising

1974 Conflicts of Interest at Delaware River Port Authority

1974-75 Lindenwold Municipal Corruption

1975-76 Land Acquisition Deals in Middlesex County

1975-77 Investigation of Medicaid Abuses

1976-77 Prison Furlough Abuses

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

1977-78 Boarding Home Abuses

1978-79 Absentee Ballot Frauds

1978-79 Injury Leave Practices

1979-80 Questionable Public Insurance Procedures

1981-82 Mismanagement of the New Jersey Housing Finance Agency

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

1982 Inappropriate Activities of theLakewood Municipal Industrial Commission1983 Abuse and Misuse of Credit Controls at

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

1984 Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund 1984 Misconduct and Inappropriate Controls in the Newark School Security

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

1986-88 Union Lake

System

Gamblina Casinos

1989-90 AIDS Prevention Program – State Department of Health

1988-90 New Jersey School Boards Association

1992 Solid Waste Management by the Bergen County Utilities Authority

1992 New Jersey Transit's Bus Subsidy Program

1992 Local Government Corruption Overview

1992-93 Fiscal Year' 89 Budget Over-Expenditures Division of Developmental Disabilities

1993 Quality Education Money to Lyndhurst

1993 Passaic High School Print Shop

1993 Belleville Township

1994 Nursing Home Certificates of Need

1994 River Vale Recreation Department

1994 Point Pleasant School District

1994 Marlboro State Psychiatric Hospital

1994 Borough of Jamesburg

1995 Garfield School District

1995 County Clerks' Trust Funds

1995 Casino Control Commission

1995 N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher

1997 Contract Labor – The Making of an Underground Economy

1997 New Jersey School Busing Industry

1997 Borough of Seaside Heights

1998 Pension and Benefit Abuses

1998 City of Orange Township

1999-2000 Public School Roofing Projects

2001 Societies for the Prevention of Cruelty to Animals

2001-02 N.J. Enhanced Motor Vehicle Inspection Contract

2003 Associated Humane Societies

2003-05 New-Home Construction and Inspection Abuses

2004 E-ZPass: The Making of a Procurement Disaster

2005 Funding and Operations of County Clerks

2005 The Gifting of New Jersey Tax Officials

2006 Questionable and Hidden Compensation for Public School Administrators

2007 Charity Care: An Ailing System

2007 Public Higher Education Governance

2008 Waste and Abuse in Fire Truck

Procurements

2009 Waste and Abuse in Local

Government Employee Compensation and Benefits

2010 New Jersey State Interscholastic Athletic Association

2012 Taxpayer Cost of Public-Employee Union Leave

2017 New Jersey's SPCAs 17 Years Later

2020 Waste and Abuse in Local Public Employee Compensation and Benefits Follow-up

2020 Mismanagement and Questionable Hiring at the New Jersey Schools Development Authority

2021 The New Jersey Schools Development Authority, Part II

2023 Public Matters, Private Interests: An Inquiry into Local Government Ethics and Integrity Issues in the Borough of Edgewater

REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT

1969-70 County Prosecutor System

1972-73 Office of the Attorney

General of New Jersey

1973-74 Narcotics Traffic and Drug

Law Enforcement

1976-77 Casino Gambling

1979 Inadequate Sudden Death Investigations

1980 Truck Unloading Practices

1983-84 Inadequacy of Laws and Regulations Governing the Boxing

Industry

1986 State Racing Commission's

Regulatory Deficiencies

1986-87 Impaired and Incompetent

Physicians

1987 Property Cost Reimbursement System for Nursing Homes

1993 Criminal Street Gangs

1996 Insurance Interests and Licensure of Former Insurance Commissioner

Andrew J. Karpinski

1997 New Jersey Detective Agency

1999-2000 Computer Crime

2007 Integrity of Electronic Voting Machines

2014 New Jersey's Bail-Bond Industry

2015 Abuse and Influence-Peddling in

New Jersey's Used-Car Industry

2016 No Bids, Lax Oversight and a

Monopoly in Online Tax Sales

2018 Gaming the System II: Abuses in the Used-Car Industry

2019 Hospital-Related Oversight and

Accountability Issues

2021 Bitcoin ATMs

2021 Abusing the Badge: An SCI

Investigation into Constables in New

Jersey

2022 The Addiction Rehabilitation

Industry in New Jersey

2023 Guarding the Assets: An Inquiry into

the State Law Governing Healthcare

Conversion Funds

2023 An Inquiry into Allegations of

Impropriety in the Congressional Redistricting Process in New Jersey

2023 An Investigation into the State of

New Jersey's COVID-19 Response at the

Veterans Memorial Homes

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State of New Jersey Commission of Investigation