STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION
17TH ANNUAL REPORT
and
PUBLIC HEARING REPORT
on
DIVISION OF MOTOR VEHICLES
AGENCY SYSTEM

STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION

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TO: The Governor and the Members of the Senate and
the General Assembly of the State of New Jersey

The New Jersey State Commission of Investigation is pleased to submit for the year 1985 its seventeenth annual report and its public hearing report and recommendations on the Division of Motor Vehicles Agency System, pursuant to N.J.S.A. 52:9M-10, the Act establishing the Commission.

Respectfully submitted,

Henry S. Patterson, II, Chairman
William S. Greenberg
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THE COMMISSION

Origin and Scope

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

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

The Committee's recommendations prompted immediate supportive legislative and executive action. New Jersey now has a Criminal Justice Division in the Department of Law and Public Safety and an independent State Commission of Investigation which is structured as a commission of the Legislature. The new laws were designed to prevent conflict betweenthe functions of the Commission and the prosecutorial authorities of the state. The latter have the responsibility of pressing indictments and other charges of violations of law and bringing the wrongdoers to punishment. The Commission has the responsibility of publicly exposing evil by fact-finding investigations and recommending new laws and other remedies to protect the integrity of the political process.

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

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

To eliminate any appearance of political influence in the Commission's operations, no more than two of the four Commissioners may be of the same political party. Two Commissioners are appointed by the Governor and one each by the President of the Senate and the Speaker of the Assembly. Itthus may be said the Commission by law is bipartisan and by concern and action is nonpartisan.

The paramount statutory responsibilities vested in the Commission are set forth in Section 2 of its statute. This section provides:

2. *The Commission shall have the duty and power to conduct investigations in connection with:*
   (a) The faithful execution and effective enforce ment of the laws of the state, with particular reference but not limited to organized crime and racketeering;
   (b) The conduct of public officers and public employees, and of officers and employees of public corporations and authorities;
   (c) Any matter concerning the public peace, public safety and public justice.

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

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

One of the Commission's responsibilities, when it uncovers irregularities, improprieties, misconduct or corruption, is to bring the facts to the attention of the public. The objective is to promotecorrective action. The format for public actions by the S.C.I. is based on the complexity of the subject and the clarity, accuracy and thoroughness with which the facts can be presented. The Commission may proceed by way of a public hearing or a public report, or both.

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

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

Members of the Commission

The Commission's activities have been under the leadership of Henry S. Patterson, II, since March, 1985, when he was designated as Chairman by Governor Thomas H. Kean. The other Commissioners are William S. Greenberg, James R. Zazzali and Paul Alongi. Mr. Alongi succeeded former Commissioner and Chairman Arthur S. Lane in 1985.

Mr. Patterson, of Princeton, is president and a director of the Elizabethtown Water Co. He also is a director of the Mount Holly Water Co. and of United Jersey Banks and three of its subsidiaries. He is a former mayor of Princeton Borough. He was graduated from Princeton University. He served during World War II in the U.S. Army and received his discharge as a first lieutenant in 1946. He was first appointed to the Commission in February, 1979, and was reappointed by Governor Kean.

Mr. Greenberg, of Princeton, a partner in the Princeton law firm of Greenberg and Prior, was appointed to the Commission in 1982 and reappointed in 1985 by then-Speaker Alan J. Karcher of the General Assembly. A graduate of Johns Hopkins University and Rutgers Law School, he is admitted to the bar in New Jersey, the District of Columbia and New York. He served as Assistant Counsel to former Governor Richard J. Hughes (1969-1970) and as Special Counsel to the New Jersey Chancellor of Higher Education (1968-1969). He is a certified civil trial attorney and is President-elect of the New Jersey affiliate of the Association of Trial Lawyers of America. He is a lieutenant colonel in the New Jersey Army National Guard.

Mr. Zazzali, of Rumson, former Attorney General of New Jersey, was appointed to the Commission in 1984 by Governor Kean. He served as State Attorney Gen-

eral in 1981-82, after prior public service as General Counsel to the New Jersey Sports and Exposition Authority (1974-1981) and as assistant Essex County Prosecutor (1965-68). A graduate of Georgetown College and Georgetown Law Center, he is a partner in the law firm of Zazzali, Zazzali and Kroll in Newark. He is an associate editor of the New Jersey Law Journal. He is serving as a court-appointed master responsible for investigating and evaluating overcrowding and other conditions at the Essex County, Monmouth County and City of Newark jail systems. During 1984 he was appointed by Chief Justice Robert N. Wilentz to the Disciplinary Review Board which hears and determines appeals of cases involving attorneys accused of unethical conduct. In 1981-82 he chaired a national study of remedies for victims of toxic wastes at the request of the U.S. Congress.

Mr. Alongi, of Bloomfield, an attorney, is a sole practitioner in Bloomfield. He is a graduate of Newark Rutgers University and Seton Hall Law School. A former president of the Bloomfield Board of Education, he has been and is active in civic affairs, including four years as chairman of the Bloomfield Drug Abuse Commission, eight years as attorney for the Patrolmen's Benevolent Association and 20 years as attorney for the Community Mental Health Services of Bloomfield, Belleville and Nutley. He is a member of the executive board of UNICO, the nation's largest Italian-American service organization, of which he was president in 1975-76. He has been a member of UNICO's Bloomfield chapter for more than 25 years. He is a director of both the National Italian-American Foundation and the National Italian-American Coordinating Association. Mr. Alongi was appointed to the S.C.I. in 1985 by then Senate-president Carmen A. Orechio.

THE COMMISSION'S PUBLIC ACTIVITIES

Public Hearing Report/Recommendations: Division of Motor Vehicles Agency System*

Background

The Commission's investigation into the Division of Motor Vehicles (DMV) agency system was announced on April 30, 1985. This was just prior to the Legislature's request, by means of Assembly Concurrent Resolution 180, enacted on May 2, that the SCI conduct an inquiry into the award by DMV of a state contract for photo drivers licenses to Sears, Roebuck & Co. and William F. Taggart and the "propriety of the concealment of Taggart's participation in the contract." (See p. of this section for a review of the S.C.I.'s Taggart report and recommendations). In its April 30 announcement, the Commission noted the pending status of ACR 180 and declared that a more extensive investigation of the DMV agency system was warranted than the legislative resolution contemplated and that it would "conduct an inquiry into every questionable aspect, past and present, of the motor vehicle agency patronage system whether or not SCR 180 is enacted." The S.C.I. further stated:

It appears to the Commission that the political controversy over a photo license processing contract may have its origins in the underlying deficiencies of operating an agency system strictly on a political basis, with little or no regard for sound business practice and, seemingly, with even less concern for the system's public credibility. No public institution can long survive if the citizens and taxpayers it is mandated to serve become convinced that it lacks integrity and candor in its public dealings. The Commission's investigative objectives will be to assure that this essential integrity of public service is strengthened and preserved and that the many citizens with whom the Division of Motor Vehicles makes such close and constant contact receive a response to their varying motoring needs that is not only efficient and courteous but also clean-cut and straightforward.

Public Hearing Preface

After completing its DMV-Sears-Taggart report (which condemmed the manner in which contract specifics were concealed) within the 30-day time limit imposed by the Legislature, the Commission widened its investigative focus to encompass the operations of the Division's 50 or more motor vehicle agencies, their administration by DMV headquarters, and the adverse impact of the system's deficiencies on law enforcement and the public. However, as the inquiry moved away from the photo license contract controversy to DMV's politicized and discredited agency network, certaine-vents occurred which complicated the expanded investigative effort. These events included the recurrence during the summer of long lines at the motor vehicle agencies, a backlog of 1.4 million automobile registration and title renewals, revelations of a functional catastrophe in the new motor vehicle computer system being implemented by Price Waterhouse, a "Big Eight" accounting firm, and finally, the Division's appeal to state and local police throughout New Jersey to excuse the expired licenses and registrations of thousands of motorists whose renewal applications had been mislaid in the computer fiasco. The Assembly Law and Public Safety Committee began a series of public hearings on the computer crisis as the SCI enlarged its investigation to include Price Waterhouse's contract performance. As a result, records were sought by both panels at the same time and the Commission had to delay scheduled interrogation of a number of technical witnesses necessary to cover the computer situation. Nonetheless, by the time the Commission was ready to wind up the MV agency part of its probe, 38 witnesses had been interrogated in executive session, enough books

*This report is being submitted to the Governor and the Legislature within the statutory deadline of 120 days from the public hearing conducted on December 18 and 19, 1985.

and records, including those of almost every agent, had been subpoenaed to constitute 183 exhibits, in-depth fiscal audits of nine agencies had been completed and more than a score of S.C.I. staff surveillances of agents and agencies had been conducted. Investigative findings gleaned from private testimony, fiscal records and surveillance reports provided the basis for the S.C.I.'s public forum at the State House Senate Chamber in December.

Faced, as noted, with a two-pronged investigative target, the Commission decided to concentrate on the problems of the motor vehicle agencies at the public hearing and to review and report subsequently on the DMV-Price Waterhouse computer controversy. As S.C.I. Chairman Henry S. Patterson, II, declared in a statement opening the Commission's two-day hearing on December 18, the DMV computer fiasco "has certainly spotlighted the fundamental weaknesses of a mismanaged and politicized motor vehicle agency system and the need for major reforms both of that system and of the motor vehicle division as a whole. Those are the issues on which our public forum will focus."

The Testimonial Foundation

The public hearing began on December 18 with the appearance of a series of witnesses whose combined testimony provided an overall depiction of the problems that beset the DMV's agency system and indicated some of the basic reasons for the Division's mismanagement of the system, the improprieties of some agents despite gross annual commission income that ranged beyond $90,000 a year, and the adverse impact of inadequate and inefficient agency operation on law enforcement entities in particular andNew Jersey's 5.2 million licensed motorists in general. These initial witnesses included Rudolph Torlini, an assistant DMV director who had supervised the Division's Bureau of Agencies for almost four years; Richard Malkin, chief of the MV agencies bureau; and Caesar Iacovone, former chief of the Bureau of Real Estate and Lease Management in the State Treasury Department.

Torlini, the leadoff witness, had been a key witness before the S.C.I. in its probe of the Taggart photo license contract. The Commission's report on this inquiry was issued early in June. Soon afterward, Torlini was relieved of his supervisory responsibilities for the MV agencies and of a new communications assignment that he was scheduled to have received and given other duties. He said during his public hearing interrogation by S.C.I. Counsel Robert J. Clark that he assumed the transfer was in retaliation for his testimony at the S.C.I. on the Division's handling of the photo license contract. Acting DMV Director Robert S. Kline in subsequent testimony denied Torlini's statements about the reasons for job the transfer.

Politics and the MV Agents

Torlini's candor as a witness in the S.C.I.'s Taggart probe was a factor in the Commission's request that he also testify at the hearing on other aspects of the agency system, including the political influences that traditionally dictated the selection of DMV agents, whether Republicans or Democrats controlled the Governor's office. While more than a dozen of the 50-odd agencies in New Jersey are operated by the DMV, the remainder are run by independent entrepreneurs who are paid commissions for processing licenses, registrations, titles and other transactions. By statute, the DMV appoints these agents but politicsguides the appointment process. Torlini's testimony on this subject:

Q. *Historically, the agents have sought the job through their county political chairpersons for both political parties; is that correct?*

A. That is correct.

Q. *When there has been a turnover or change in administration, the agents have typically, in virtually all cases, been replaced?*

A. Yes.

When Clifford W. Snedeker, a Republican, took over as DMV director in 1982 (he resigned as the photo license controversy peaked in 1985), he made certain positive adjustments in the appointment process. These included a rule that application forms should be compiled and given to interested applicants and that all agents had to sign an agreement to work at least 30 hours weekly at their agencies. The application forms, by the way, did not ask an applicant to declare his political affiliation. Nonetheless, political influence and pressures continued to season the motor vehicle patronage pot, as Torlini testified:

Q. *Now, Mr. Snedeker began replacing agents in the fall of 1982; is that correct?*

A. That is correct.

Q. *Previous to that time, although he came into office earlier, he had been preoccupied with problems such as the lines at the inspection stations; is that right?*

A. I would assume that's correct.

Q. *In any event, all of the agents, except for, perhaps, four or five, were replaced by Mr. Snedeker; is that true?*

A. I believe that's correct.

Q. Nearly all of them had some political party affiliations with the Republican Party?

A. I would have to assume that is correct.

COMMISSIONER ZAZZALI:
Mr. Torlini, let me focus on this for a minute. Three or four times you have used the word "assume." You said that you assumed that politics had a bearing; you assumed that politics was a factor; you assumed that agents went to their local party leader. While you obviously did not have direct personal knowledge of all of these things, isn't it a fair characterization that this was the understanding?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
More than an assumption, it was a fairly clear understanding that politics played a role in virtually all political appointments of agents. Is that a fair statement?

THE WITNESS: That is correct.

COMMISSIONER GREENBERG:
If I may, politics played a role when the Democrats were in power, and politics played a role when the Republicans were in power, is that your experience, Mr. Torlini?

THE WITNESS: Yes, yes.

COMMISSIONER ZAZZALI:
Was it really more prevalent in any of your 38 years?

THE WITNESS: It's always been part of the system.

THE COMMISSIONER ZAZZALI:
Whether Democrats or Republicans?

THE WITNESS: Whether Democrats or Republicans.

Agents Resigned en Masse Periodically

Because of the politicizing of DMV agency appointments, mass resignations of agents would occur whenever State House administrations changed political color. This created serious periodic operational problems at the agencies—and for the motoring public—but, according to Torlini, at most agencies a head clerk did much of the interim managing. He described the adverse impact of the turnover of DMV agents and the critical role that head clerks played in such political transitions:

Q. Now, we talk about the fact that there is a great deal of turnover in the changes of administration, what problems were created by this kind of wholesale turnover at one time?

A. Well, it was training of the new agents.

Q. Would you train them in single sessions?

A. If there was a mass turnover, as there was in September of '82, we did it en masse. If it was one resignation or one termination, then we would do it on a single basis.

Q. We have a 150-page procedures manual and an agent's handbook with an equivalent number of pages. They would have to learn all of that to function as an agent?

A. Well, normally they would retain the staff of the previous agent who would be well-versed in the agency operation.

Q. The State would have to run those agencies on a transition basis before the new appointments were made?

A. In many instances, yes.

Q. And so for that period of time, the employees of those agencies wouldn't know who would be in charge of them for a few months?

A. That's correct.

Q. Those staffs that were retained, did they usually include a head clerk?

A. That is correct?

Q. You consider that the head clerk position was a vital one?

A. Oh, yes.

Q. Would it be possible, in your opinion, for a capable salaried head clerk to run an agency?

A. Yes.

Q. Did you ever make a recommendation that the agencies be run by the head clerks as State employees?

A. In some instances, the Director appointed head clerks as agents.

Q. Was that for a temporary period of time until new agents could be appointed?

A. No. They are still agents, as far as I know.

MV Security Problems

Despite the agreements the agents signed (since 1982) to put in at least 30 hours a week of agency work, absenteeism persisted, according to Torlini. For this and other reasons, the DMV began expanding its staff of field representatives from five to 24 or 25, at which time their number enabled each field representative to monitor two agencies. But the DMV also was concerned that some field representatives weren't putting in the required working time. As a result, a "paging system" was developed with State Police assistance to check on the field representatives while they supposedly checked on the agents. Torlini declared that the appointment of field representatives was not a political process (although it had been 10-15 years ago, he recalled). Another precaution at DMV was the maintenance of a "problem employee" file. This file was useless, however, if agents failed to communicate with headquarters at Trenton about personnel conduct, resignations or terminations, as apparently was the case. Torlini was asked about one incident involving a dismissed employee.

Q. *Was there not at least one instance in which an employee was terminated by an agent for providing phony photo driver licenses to underage drinkers and that was not told to you, and that employee was hired, then, by another agency?*

A. I believe it was, sir, yes.

Q. *That's at least one problem that slipped through the cracks?*

A. That's correct.

Other Security Problems

Torlini discussed other security breaches and problems:

Q. *Blank title forms can be worth up to $10,000 each; is that correct?*

A. That's what we are told, yes.

Q. *Have there been instances of breaking and entering to steal title forms from agencies?*

A. Yes.

Q. *In one case, is it not true that the Paterson agent had titles taken from her in an armed robbery?*

A. Yes.

Q. *Were certain measures instituted to try to tighten up on security against those happenings?*

A. Well, we moved to add burglary alarm systems to the agencies. We moved to add safes.

Q. *Have those things been installed, that you know of?*

A. The burglary alarm systems, yes. I am not aware of the safes being installed at this point.

Q. *Is it the case that at the present time, you can only get a title for a car coming from outside of New Jersey over the counter at an agency if you are a licensed dealer?*

A. Correct.

Q. *Do you believe that dealers should be required to have their titles issued centrally, so that that checking can take place?*

A. We have the ability to control the dealers. We license them. If we determine that there is an infraction, we can lift their rights. So we have a hold on the dealers. I personally don't feel that anyone should get a title over the counter.

CHAIRMAN PATTERSON:
So your answer is, yes, the dealer ought to go through the central agency?

THE WITNESS: That's correct.

COMMISSIONER ZAZZALI:
Doesn't New Jersey have the unfortunate reputation of being cited as a clearinghouse for titles?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
By that you mean it's where altered or defective titles are brought into this state in an attempt to get a clean title? I am not saying that's a fact, I am saying is that the reputation?

WITNESS: That's correct.

Q. *Now, surrounding states all issue titles centrally; is that correct?*

A. I know New York does and I know Pennsylvania does.

Q. *How about Delaware?*

A. I believe they do.

Title Audit Review Abandoned

Q. *In the title bureau, there is a unit called the title document review unit; is that correct?*

A. Yes.

Q. The job of that unit is to review documents to determine if they are counterfeit or illegal?

A. Right.

Q. Another job of that unit is to check [out-of-state] titles with the home state?

A. Yes.

Q. Is it true that these functions were eliminated in May or June of 1985?

A. Yes.

Q. Was that over State Police objections?

A. They were not a part of the decision making process.

CHAIRMAN PATTERSON:
Do You know whether they objected or not?

THE WITNESS: Yes.

CHAIRMAN PATTERSON:
They did object, didn't they?

THE WITNESS: After—we found that out later.

Q. So at the present time, is it safe to say that no one is performing this function?

A. That is correct.

Q. In Connecticut, is it not true that 30 people are doing document examination?

A. That's what we were told.

Q. Is it safe to say that at the present time security has a low priority at the Division of Motor Vehicles?

A. Yes.

The Security-Versus-Service "Trade-Off"

CHAIRMAN PATTERSON:
So we have a trade-off in the attempt to help the public or get rid of the long lines. The trade-off was less security, titles that might be defective or titles on salvaged cars and things of that nature, that's the trade-off, isn't that right?

THE WITNESS: That's correct. We have to keep in mind that they were under, besides a budget cutback on personnel, the [management improvement] program which was being implemented which had reduced the number of available personnel to the title bureau.

CHAIRMAN PATTERSON:
But for whatever reason, there was a trade-off?

THE WITNESS: That's correct.

COMMISSIONER GREENBERG:
Is that the reason why New Jersey has this bad reputation, this trade-off that you just described between security of the titles and the paperwork and the need to get the vast majority of the public's documents cleared?

THE WITNESS: That's correct.

COMMISSIONER ZAZZALI:
Mr. Torlini, how can we avoid the trade-off? Putting it another way, how does the government get both security and decent service to the public?

THE WITNESS: First of all, we are going to have to have the necessary personnel to do the functions that are required. If you don't have the personnel, you just can't do them.

BY MR. CLARK:

Q. Do you consider that part of providing a good service to the public is to ensure the public that the transactions involving motor vehicles have integrity?

A. That's correct.

Q. Do you expect that the new computer system, when it is finally finished, will resolve some of these problems?

A. Yes, it will.

Q. The new computer system will still depend upon the integrity of the clerk at the agencies; is that true?

A. That is correct.

The VIN Number Lapse

Every car has inscribed on it a Vehicle Identification Number, or VIN number, which serves as a vital investigative reference for law enforcement agencies, insurance companies and others concerned with thefts and frauds involving motor vehicles. R.L. Polk & Co. of Detroit has traditionally maintained a file of VIN numbers for at least 30 states. New Jersey is not a part of the Polk program, in which the 30 member states are connected with a central VIN file by a computer relay network that expedites and otherwise assists investigations of stolen cars and motor vehicle document forgery. Torlini testified that a VIN verification "pack-

age" was proposed for the new computer systems "but we were told that the computers used at the agencies would not be capable of handling the additional storage which was required." Torlini's discourse on this DMV security defect concluded in a less than hopeful vein:

Q. *At the present time, approximately 30 states use this system; is that correct?*

A. That is correct.

Q. *Are there plans on the board for New Jersey's system to also be made to utilize it?*

A. We want it, yes. We wanted it when we went into the new agency system, but we were unable to utilize it.

Q. *The plans presently indicate that you may, in the future, be able to utilize it?*

A. Yes.

Q. *Do you know when that will happen?*

A. No, I don't.

Agent Absenteeism a Persistent Problem

Additional testimony about DMV agency operations came from Richard Malkin, a 36-year Division employee who has been Chief of the Bureau of Agencies since 1982. For example, he estimated that the field representatives who were hired to monitor the agencies had obligations that ranged from assisting an agent run the shop in emergencies and taking inventories to installing the software programs in agency computers and explaining them to agency personnel. He estimated that the field representatives had up to 40 job requirements.

Even with enough field representatives to check each agency every other day, Malkin indicated that absenteeism among agents continued to the extent that the worst culprits were forced to submit time sheets. Malkin's testimony:

COMMISSIONER GREENBERG:
Are all agents working 30 hours per week every week they are supposed to?

THE WITNESS: Right now, I have no evidence that would say that they are not.

Q. *You have given your answer in the negative. Do you have any evidence that they are?*

A. *Without a constant surveillance, I couldn't answer that question.*

Q. *Are the field reps telling you the agents are working?*

A. In most cases, yes.

Q. *Are they telling you in some cases that the agents are not working?*

A. Yes.

Q. *What do you do in those instances?*

A. If I have sufficient evidence that they are not putting the 30 hours a week in, we than—the latest policy has been to request them to submit time sheets.

Q. *What do time sheets prove?*

A. Just to verify their 30 hours a week on a daily basis.

Q. *Are you telling us that an agent who signed a contract to work 30 hours a week whom you suspect is not working 30 hours a week is permitted to just submit another time sheet to say that he is working?*

A. I would match that time sheet against my field reps' reports to see if there are any discrepancies.

Q. *Have you considered surveillance of those agents?*

A. In cases where—in isolated cases we have done that, yes.

Q. *Recently?*

A. Yes, as a result of the time sheet policy in August, I believe we had three cases that we did that.

Q. *You surveilled them?*

A. Not on a daily basis. I couldn't afford to have a field rep sitting outside the agency every day seven hours a day.

Q. *You have 25 field reps, couldn't you assign a couple to one particular agent for a few days?*

A. At the expense of something else, yes.

Q. *Now they submit time sheets and you are satisfied?*

A. As long as I find no discrepancies in my field reps' reports and the time sheets.

Q. *Is it fair to say that you didn't find any discrepancies?*

A. No, I didn't.

Q. *What about the situations where you know the*

agent has a full-time job or another business, does that raise any questions in your mind as to whether that agent is putting in the 30-hour minimum?

A. It's my job to enforce the contract. However, if the agency is well run, I see no causal relationship. It's not as important as if there was a causal relationship between the absence and the way the agency is run.

Q. *Could that be because there is an efficient head clerk?*

A. Yes, of course.

Q. *Are you telling me that as long as you don't have any problems with the agency, you really aren't concerned with whether or not the agent is putting in the 30 hours?*

A. No, I am not telling you that. I am concerned, because it's a contract that I have to enforce.

Law Enforcement Secondary

At one point in his testimony Malkin said that "to some degree" he would characterize the expanding cadre of field representatives as "watchdogs" over the agencies and at another point he said he disliked that word. His testimony confirmed the S.C.I.'s investigative finding that DMV placed a high priority on attempting to serve the public at the expense of the internal security of vital documents involved in agency transactions. While he would not preclude the employment of persons with law enforcement backgrounds as field representatives, Malkin said, he would try to avoid the "snooper" type of personality. Instead, he said he preferred his field representatives to reflect various backgrounds. With this preface, Malkin was asked by Counsel Gaal if the field representatives had been helpful in controlling misconduct at various agencies:

Q. *Has this cadre of field representatives uncovered any title scams, laundering of titles or fraudulent issuances of licenses?*

A. I don't recall. There were a number of them.

Q. *Have the field representatives uncovered any title scams? Let me ask you that one first.*

A. I don't recall any title scams.

Q. *Any instances of laundering of titles?*

A. Not characterized as that, no.

Q. *Fraudulent issuances or illegal issuances of licenses, driver licenses?*

A. I would have to say no.

Q. *Have you heard of problems with documents issued at agencies and the transfer being voided?*

A. One case.

Q. *Isn't that a way for the employee to beat the system, so to speak, by voiding the transaction and pocketing the money?*

A. Yes.

Q. *How do you regulate that sort of thing?*

A. There are a number of ways it can be regulated, and, unfortunately, we were not regulating it. I had a meeting this past Monday in the Justice Complex with all my field representatives [and] a person from internal audit [at which] we discussed ways to—that this can be checked. Hopefully, it could be checked in the back end, also on the voids when they come in with the reports.

Voiding transactions is of concern at DMV because, as indicated, the practice can facilitate fraud if not closely controlled. Voiding is permitted when a mistake is made on a license or title. The erroneous transaction is voided in the computer and, customarily, is replaced by a corrected transaction. Proof of the void must be preserved to explain it, as part of an "audit trail" to facilitate any subsequent accounting review. This subject led Counsel Gaal to the inability of DMV to maintain an adequate auditing program, much less to assure that there would be audit trails to audit. Malkin testified that document review and auditing of transactions were literally everyone's job, even field representatives. Malkin's testimony indicated how ineffective the audit and review effort was:

Q. *Can you recall any instances where the type of activities or suspected activities we just talked about at agencies have been discovered in DMV central by auditing, looking at documents or checking audit trails?*

A. If—there may be, perhaps, a few cases, not that many that have been brought to my attention in that way.

Q. *My question is, who at DMV should have the primary responsibility to handle detailed audits of agencies?*

A. I say people with auditing background, probably internal auditing.

Q. *Do they conduct detailed audits of agencies?*

A. They have what they call a full audit and partial audit, and it varies between the two what they check. You would have to really ask the manager.

Q. *Have you requested that surprise audits at the agencies be done?*

A. Yes, especially in the money end of it, I thought they did.

Q. *Who did you request that of, do you recall?*

A. I sent it to, at the time, Rudy Torlini, who was my immediate supervisor. I sent it to him.

Q. *Was it done?*

A. No. The response I got back, not from Rudy, but from someone else, I don't remember who, was that internal audit would not do that, that's the field rep's job.

Q. *They are not auditors, are they?*

A. No.

COMMISSIONER ALONGI:
Was it not a fact that a document review section would review the agency work every day?

THE WITNESS: That has been an historical problem that the review section was understaffed years ago. I have only been in the Bureau of Agencies for three years, and I found memos in my files going way back asking that the audit review be doubled and since it couldn't be doubled and since work has increased, they just do speed audits. They just don't look at documents. They can't, as previously testified. You have to make a choice, either get the work out or stop and audit and let the backlogs pile up.

Agency Lease Process Questioned

The procedures for leasing agency office sites are replete with inappropriate restrictions and have long been a controversial aspect of the Division's agency administration. For that reason Caesar Iacovone, who was involved with DMV lease problems during his recent three-year tenure as Chief of the Treasury Department's Bureau of Real Estate, was called as a public hearing witness. His testimony confirmed the rigidity of the statutory requirement that a site in a particular manicipality rather than an area be specified, unlike the process for other State leases. Because of the lack of flexibility on site location, certain other specifications of importance to the public, such as adequate parking and accessible toilets, often had to be waived or otherwise compromised. Further, in preparation for the inception of the photo licensing program, the original space requirement of 1,500 and 1,900 square feet for agencies, depending on their work load, was increased to a maximum of 4,000 square feet. This was reduced after the photo license concept was reduced to a minimal operation. And finally, all DMV leases had to be approved by various executive and legislative officials, a process that created political controversy and delayed the culmination of lease negotiations for so long (up to two and a half years) that many owners of property suitable for DMV sites refused to even consider dealing with DMV.

Understaffed, Overworked

Iacovone, who presently is director of Archives and Records Management in the Treasury Department, was first questioned by Counsel Gaal about whether the lease bureau's financial and personnel resources were adequate for its increasing responsibilities for state leases:

Q. *Can you tell us approximately how many leases you handled per year?*

A. Approximately 300 to 350.

Q. *How many people did you have handling all of these leases?*

A. The total staff commitment was 23 budgeted people with five negotiators actually negotiating leases.

Q. *You had five people doing the negotiations?*

A. Correct.

Q. *In addition to securing sites, do your people have to negotiate renovation costs and monitor construction compliance?*

A. Definitely.

Q. *How did you do it all?*

A. As best we could with the resources we had.

Q. *Has the bureau had insufficient staff during your tenure, in your opinion, to do the job assigned?*

A. Most definitely.

Q. *Is it fair to say that the office was severely understaffed?*

A. Most definitely.

Q. *Have additional staff been recommended during audits of your bureau?*

A. Yes, by the Office of Legislative Services in 1972, and I believe in 1976 and on countless other occasions.

Q. *Have you requested help?*

A. Yes, I have.

Q. *Did you get some increase in size?*

A. Yes, I did.

Q. *Was it enough?*

A. No.

Q. *Have there been times when because of the sheer lack of manpower, you couldn't do everything you would like to do in a lease?*

A. Of course.

Q. *Many times?*

A. Yes.

Iacovone cited the inflexibility of DMV leasing requirements as a hindrance:

Q. *Are requests for motor vehicle agency leases city or town specific?*

A. Yes, they are.

Q. *Does that mean that a specific city or town is specified?*

A. Yes, it is.

Q. *Does that differ from most other State leases?*

A. Most other state leases normally have a larger span of area that we can address, a catchment area, so to speak.

Q. *Does that limitation make your job more difficult?*

A. Of course.

No Renovation Follow-Up

Since most state leases involve renovation of the site, and almost all DMV sites do, Iacovone's responsibilities included verifying the improvement costs—but **before** the repairs have been completed. This was one of the concerns suggested by the witness about DMV lease arrangements:

Q. *Is it fair to say that most state leases require construction or renovation?*

A. Yes, I would say the majority do.

Q. *Do you or did your unit verify construction costs?*

A. Yes. The construction costs were verified before the leases were finalized. We would get cost proposals and it would be evaluated by our staff before we entered into any proposed lease.

Q. *Did you check that the construction that was completed actually dovetailed with the figures that you had in advance?*

A. No.

Q. *Typically, does the State pay the cost of renovation plus interest over the life of the lease?*

A. In all leases, yes.

Q. *When the lease is up, the State can be left looking for a new spot and having to make renovations again; is that fair?*

A. Yes.

Q. *Are there times when the State does not get an option to renew?*

A. Yes. In every Motor Vehicle lease, we attempted to include a renewal option . . .

Q. *You don't always get that?*

A. That's correct. That's within the discretion of the owner of the property.

DMV Supplied a Helper

Because of a lack of manpower, Iacovone said there were numerous occasions when he couldn't follow all the required procedures for acquiring sites. DMV tried to alleviate this personnel shortage with regard to its leasing needs, he testified:

Q. *Is there a person at the Bureau of Real Estate whose salary is reimbursed by DMV?*

A. For the past six months of my tenure at the bureau, there was one individual that I hired to concentrate full time on the motor vehicle agency program. The salary was reimbursed by motor vehicles. The person reported directly to me, took all instructions from me and all work was approved by me. Motor vehicles had no say in the performance of the individual.

Q. *Why did you utilize that route, having a salary reimbursed?*

A. Because there weren't sufficient staff resources to do it within the existing five people. The program initially had one person working part time to attempt to establish the total matrix of agencies.

Leases Delayed Over Two Years

Iacovone indicated why some leases have been held up for almost two and a half years:

Q. *Whose approval is needed before the lease can be signed after the space is located and the negotiations are complete?*

A. The Bureau of Real Estate or Lease Management has the authority to recommend approval of a lease. By statute any lease document cannot be executed before the State Treasurer, the State Budget Director, the Speaker of the [Assembly] and the President of the Senate give their concurrence on the lease.

Q. *Have there been occasions when approval has been withheld for long periods of time?*

A. Yes.

Q. *Can you tell us how long some of these approvals were withheld?*

A. I have had turnaround times that were as short as a week to up to two and a half years.

Q. *Does that problem run across administration lines?*

A. Yes, it does.

Q. *Where are the longest delays you have encountered in the statutory approval process?*

A. It rests with the legislative branch.

Q. *Have we lost sites because of the delay in approval?*

A. Yes, we have.

COMMISSIONER ZAZZALI:
When we hear of two-and-a-half-year delays, that's, of course, disturbing. Is it a problem with the system as opposed to one or more individuals, or is it a problem with both?

THE WITNESS: I would say it's probably a combination.

Legislature Ignored Its Own Findings

Iacovone recalled a major legislative effort to reform the lease process—that the Legislature ultimately ignored:

Q. *Some time back, did the Legislative Oversight Committee conduct hearings on this subject?*

A. Yes, they did.

Q. *Do you recall the date?*

A. Late 1983.

Q. *Did they make some recommendations?*

A. Yes, they did.

Q. *Can you recall them for us generally?*

A. I entered that document into evidence with S.C.I. in its preliminary hearing. I do not recall the specifics, but I believe I concurred with all of the recommendations.

Q. *Since the Legislative Oversight Committee made recommendations, has anything changed?*

A. Not to the best of my knowledge.

Q. *Was there a recommendation made for a time limit for legislative approval?*

A. Yes, that was one of the recommendations. The recomendation I believe was for a 30-day turnaround time.

Q. *Was that adopted?*

A. Not to the best of my knowledge, no.

Urges 30-Day Approval Deadline

A 30-day deadline for lease approval, one of a number of reforms urged by the legislative oversight committee, was also espoused by Iacovone. He also recalled other reform efforts that were rejected. His testimony continued:

COMMISSIONER ZAZZALI:
Mr. Iacovone, you would recommend a 30-day deadline for legislative action on leases, am I correct? That's your recommendation?

THE WITNESS: That's my own personal opinion, yes.

COMMISSIONER ZAZZALI:
Did you previously recommend that?

THE WITNESS: The Department of the Treasury introduced annually for several years a recommendation to have the Legislature sign off on an exception basis, and that leases could be approved without their individual signoff within certain parameters, because the integrity of the program could be maintained on that basis

without each and every lease being signed by the Legislature.

COMMISSIONER ZAZZALI:
What happened to that proposal?

THE WITNESS: It was never adopted.

COMMISSIONER ZAZZALI:
Who made that decision, the Legislature?

THE WITNESS: I assume so. Again, I was the mechanic in the process. The Department submitted that recommendation each year.

COMMISSIONER ZAZZALI:
Going back to your recommendation that legislative approval should be subject to a deadline of 30 days. Is an argument to be made that the Legislature should get out of the lease approval business entirely?

THE WITNESS: I don't see a reason for the Legislature to get out of the lease approval business entirely, that certainly is within the purview of the Legislature. All I would need or my successor would need is a streamlined timetable for approval.

Political Intercession

The witness conceeded that political contacts were made in connection with lease deals—but such intercessions only increased his bureau's effort to make certain the arrangements were fool-proof:

CONTINUATION BY MS. GAAL:

Q. *Did you regularly receive contact from the Legislature and other public officials concerning sites?*

A. Occasionally, yes.

Q. *Did they support certain sites for leases?*

A. Yes, that was very commonplace not only for the motor vehicle agency program, but for all programs as well.

Q. *How did you handle those instances?*

A. We extended courtesy to those legislative officials while making sure that any lease that was processed was economically defensible, regardless of the cast of characters involved.

Q. *When such contact occurred, did you look less hard at the price or less hard for an alternative site?*

A. Quite the contrary. The intent went up to make sure the price was right.

Q. *Did you do that to protect the integrity of the leasing program?*

A. Most definitely.

Plush Political Patronage

S.C.I. audits of agency books and records and the financial papers, including tax returns, of a number of agents demonstrated that agency appointments were an exceedingly generous form of political patronage. Although such patronage resulted more often than not in mediocre agency operators, they were well paid for whatever quality or volume of work they performed. As DMV agents they could also hold full time jobs and not until recent years was there any attempt to force them to put in at least 30 hours of work at their agencies each week.

The next public hearing witness, S.C.I. Chief Accountant Julius Cayson, introduced a chart* prepared by Commission auditors which demonstrated that in 1984 New Jersey's DMV agents grossed an average of $150,000 in commissions and an average of $58,000 in profits out of those commissions. Individual commission profits ranged up to almost $100,000 but the S.C.I. felt that by averaging the gross commissions and expenses a clearer overall picture of agency profitability statewide could be developed. Cayson explained the details of the chart:

Q. *On the question of profitability, the chart shows gross profit as a yardstick. Why not net profit?*

A. Gross profit was used because we examined the records of the motor vehicle agents and found that there was lack of a uniform accounting system. Some were commingling other business receipts with DMV receipts. We found that some of the agents also deducted personal expenses from the DMV accounts. So in absence of what we call financial or accounting uniformity, we had no alternative, but to use gross profit as a measure of the profitibility of agencies.

Q. *Therefore, gross profit is determined by subtracting payroll and payroll taxes from gross commissions?*

A. That's correct, yes.

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*See Agency Profitability Chart, p. 16

NJDMV
Profitability of Agencies by Range of Commissions
For Year 1984

RANGE OF COMMISSIONS	NUMBER OF AGENCIES	AVERAGE GROSS COMMISSIONS	AVG. PAYROLL AND PAYROLL TAXES	AVERAGE GROSS PROFIT
$227-235,000	3	$231,000	$150,000	$81,000
171-184,000	2	178,000	114,000	64,000
166-167,000	2	166,500	82.000	84,500
150-159,000	4	156,000	88,000	68,000
140-147,000	10	146,000	88,000	58,000
130-137,000	7	135,000	83,000	52,000
122-128,000	5	125,000	83,000	42,000
110-119,000	8	115,000	84,000	31,000
< -110,000	8	96,000	59,000	37,000

NOTE: State Pays Rent, Utilities, Janitorial Services, Telephone, Leasehold Improvements, Office Equipment and Supplies.

Source: Data Submitted to IRS by DMV

Q. *Your chart shows that the State pays rent, utilities, janitorial services, telephone, leasehold improvements, office equipment and supplies. Wouldn't these expenses normally be deducted from the gross profit to arrive at the net profit?*

A. That would be correct if the agent paid them but, as you correctly stated, the State pays these expenses. Therefore, they are not deductible.

Q. *Mr. Cayson, what are some of the legitimate expenses incurred by some agents other than those paid by the State?*

A. Well, I might enumerate insurance, accounting fees, nominal amounts of stationery, meals for employees.

Q. *Is it fair to say that these items do not fall in the category of major expenditures?*

A. No, they do not.

Q. *Would they have a major impact on agency net profit?*

A. They would not, no.

Excessive Expenses Write-Offs

Cayson reported on the findings of the S.C.I. accounting staff's assessment of the books and records and income tax returns of certain agents. Some of the fiscal ploys utilized by these agents were artful, according to Cayson's testiomy:

Q. *As a result of staff's audit of selected Division of Motor Vehicles agents' records and tax returns, can you give some instances of expenses which were deducted from gross profit by some agents which were clearly personal and excessive?*

A. Yes. In one instance, an agent paid off the balance of a loan on his car. That expense was deducted as licenses and fees. One agent deducted $3700 from his tax return as a miscellaneous expense of his agency for college tuition for his son. Another—many of the agents wrote off the personal use of cars. It was the view of the accounting staff of the S.C.I. that in no event is a car a legitimate deduction for a DMV agent. We found that one agent grossed $254,000 in the year 1983 and 1984 and that agent has not filed either Federal or State income tax returns. We found that two agents

erroneously deducted $82,000 in salaries paid to themselves from the Schedule C of their 1983 and 1984 tax returns and, of course, this is violative of the rules and regulations of the Internal Revenue Service and tends to, of course, understate the agency profit.

Q. *Did they deduct their salary, is that what they were deducting?*

A. That's right, yes. One agent had his wife, his mother-in-law, his son, his daughter and a niece on the payroll. This total came to $55,000 of the total payroll of the agency of $101,000.

Q. *Was that in addition to himself on the payroll?*

A. That's right. I'm sorry, I forgot him. And one agent understated his gross receipts on his tax return by $10,000.

Two Former Agents Testify

Following the appearance of the DMV officials and the S.C.I.'s chief auditor, the Commission put into the public hearing record the contrasting testimony of two former agents, Cass Tokarski, who resigned from the DMV agency in Rutherford in August, 1985, and John G. Hansbury, the Mercer County Republican chairman, who resigned from the Baker's Basin agency off Route 1 in June, 1985. Their testimony concerned topics that could be spotlighted by their own individual experiences and was followed by the testimony of a group of other DMV agents, during the afternoon of December 18, which focused on absenteeism and demonstrated how their profits remained high despite their truancy. Both Tokarski and Hansbury resigned from their agency appointments with pointed criticisms of certain aspects of the DMV system, including the fee schedules for reimbursing the agents.

DMV's Regressive Fee Schedule

At the time of the S.C.I. probe DMV was paying its agents a fee for each transaction, but on a declining scale. The scale was 90 cents per item for the first 50,000 items, 70 cents for the next 50,000 items, 55 cents for the following 50,000 items and 40 cents thereafter. The S.C.I.regards the declining rate of payment as regressive since there is no economic logic for it. In normal market place transactions, generally,the greater the volume of work the less the cost or charge per item. This accepted theory would suggest that an agent reached his periods of lowest fees when his volume of transactions was peaking—but this was apparently not the case, according to agents who made it a controversial issue. One of these was Tokarski, although he had an array of general complaints about the system that included the fee schedule. He quit the Rutherford agency in 1985 after serving in the post for two and a half years. He testified in general about some of the issues that arose during the S.C.I.'s inquiry:

Q. *Can an agent do a good job working 30 hours a week?*

A. No.

Q. *How many hours would an agent have to work per week to do a [good] job?*

A. In my opinion between 40 and 50 hours per week.

Q. *How many transactions did your agency handle last year?*

A. Approximately 250,000.

Q. *Are all expenses, except for your labor costs, insurance and miscellaneous expenses paid by the State?*

A. Yes, they are.

Q. *Did you have any other expenses besides the ones paid by the State?*

A. No, no.

Q. *Does an agent need a car to work as a motor vehicle agent?*

A. No.

Q. *Did you charge off a car?*

A. No.

Q. *How much money, approximately, did you make in '83, 1983?*

A. 1983, I would say about $40,000.

Q. *In 1984?*

A. Approximately $60,000.

Quit When Fees Dropped to 40 Cents

Tokarski resigned in August, 1985, when his fees had dropped to the lowest level of 40 cents per transaction. His testimony on his resignation:

COMMISSIONER ALONGI:

When it came to the 40 cents, at that time you felt it was not feasible to stay in office and you resigned; is that correct?

THE WITNESS: Right, that's correct.

COMMISSIONER ALONGI:
What was the major reason for your resignation? Was it because of the five people that you would have to put back into the system or the fact that you were on the 40 cent scale at that particular point?

THE WITNESS: It was the fact that I would not be making any money any more. I would have to hire five more people and become automated. The money I made up to that point, I would have put back into the agency and walked out with almost nothing.

COMMISSIONER ALONGI:
When did you come to the conclusion to resign, when you reached the 40 cent transactions?

THE WITNESS: No. I had been thinking about it, I would say, for about six months. Between the transaction where I moved from one location to the other, how that was handled, and moving back again, I felt that there was poor management involved, and then I just felt that possibly when I did get to the 40-cent level, I have had enough and I am going to get out with something in my pocket for the hours that I put in that agency.

The Hansburys at Bakers Basin

John G. Hansbury, who resigned as the DMV agent at the Bakers Basin agency off Route 1 in Mercer County in mid-1985, had succeeded his wife in that post in late 1984. She had been the agent since late 1982. In both of these appointive actions, the political endorsement was automatic since Hansbury has been the Mercer County Republican chairman since before 1982. Their agency, one of the largest in the State, handled about 423,000 transactions in 1984 and grossed $8.8 million in revenues, from which the Hansburys reported a net income of about $55,000. (S.C.I.auditors noted that even at 40 cents per transaction, the lowest level, the 1984 volume would have grossed more than $169,000 in commissions). The Hansburys each quit when their fee-level was at its lowest, 40 cents per transaction. Whenever a new agent takes over, the fee schedule immediately reverts to its highest level, 90 cents per transaction. Thus, when Hansbury replaced his wife in November, 1984, his fee schedule increased at once to 90 cents and also was pegged at that level when he began 1985 at the agency. When Hansbury was succeeded at Bakers Basin in June, 1985, by his head clerk, the fee level again returned to 90 cents per item.

The Commission questioned Hansbury about these agency turnovers and the DMV fee schedule, concerning which he subsequently read a statement into the hearing record. He also testified about his managerial pattern, which included employment benefits to his staff—paid sick days, vacation days, all State holidays, medical insurance—that were not available to employees at most other agencies.

The Commission questioned Hansbury about his succession of his wife at Bakers Basin:

COMMISSIONER ALONGI:
I believe you said you took over as the agent in November of 1984?

THE WITNESS: That's correct.

COMMISSIONER ALONGI:
What transaction level was your wife at as an agent, 40 cents?

THE WITNESS: She was at 40 cents.

COMMISSIONER ALONGI:
When you took over, what transaction level did you start at?

THE WITNESS: I started with a completely new contract, and I started at 90 cents.

COMMISSIONER ALONGI:
Ninety cents?

THE WITNESS: That's correct.

COMMISSIONER ALONGI:
So for the remainder of 1984, you made 90 cents on transactions between November and December 31; is that correct?

THE WITNESS: That's correct.

COMMISSIONER ALONGI:
Were you also making double transactions on photo IDs?

THE WITNESS: Yes. You get a double transaction for photos.

COMMISSIONER ALONGI:
You resigned in June of 1985. At that time, where were you on the transaction scale?

THE WITNESS: Forty cents.

COMMISSIONER ALONGI:
So, in essence, is it fair to say that in November of 1984 you and your wife knew that you were at the 40-cent level at that particular time? In other words, it was really regressive as you stated and was not economical to run your agency; is that correct?

THE WITNESS: That's correct.

COMMISSIONER ALONGI:
Was that the reason why your wife resigned and you then became the agent, in order to get the 90 cents per transaction?

THE WITNESS: If I could be permitted, I would like to read a statement in that regard, since this is going to be pertinent to my interview here.

COMMISSIONER ALONGI:
Could you answer the question without reading the statement?

CHAIRMAN PATTERSON:
Answer the question yes or no, then read the statement.

THE WITNESS: Could you read the question again?

COMMISSIONER ALONGI:
In 1984 both you and your wife knew that it was not economical to run the agency on 40 cents per transaction, so, in essence, your wife resigned and you became the agent, and you then began to get 90 cents per transaction? Was that the reason your wife resigned and you became the agent, in order to get the 90 cents as opposed to 40 cents?

THE WITNESS: Let me make it very clear and I will answer the question directly. My wife resigned because there was no money in the account, just as in 1983. She reached the point where she had to make a decision, she had three—two choices to make, resign or continue to lose money and borrow to make her payroll through the end of the year. She was resigning, regardless of whether or not I was appointed as the agent. I did apply for the agency. I did apply for it, and I was offered the agency after she had resigned. She resigned October 29. On November 14, I received a letter from the Director telling me that I would be appointed effective November the 16th. We had no idea whether or not I was going to receive the position. I would obviously not continue the agency at 40 cents. I was the logical choice to take over the agency. I was working there on a full-time basis with her, because of the high volume they were doing. I knew the system, I knew the employees and I offered to keep the agency going to get through the year, get through my commitment, which was a short-term commitment, to take the agency over.

COMMISSIONER ALONGI:
Why would you want to be the agent, and I know that you and your wife were sort of working this together, why would you want to be the agent, knowing that your wife was at a situation where she had zero balance in the account and it was a losing proposition?

CHAIRMAN PATTERSON:
Knowing that you would likely
situation?

THE WITNESS: I ask myself the
day, why I did it.

Commingled Funds

Hansbury testified that he maintained a single account for personal funds and agency funds:

Q. *Now, the commissions that you received as well as your own personal money, did you deposit that all into one account?*

A. Yes, we did.

Q. *You didn't have a separate account for agency commissions?*

A. Oh, yes. We had an agency account for the commissions. You know, it was an agency account, but also we did pay personal bills out of the account.

Q. *That was my next question. Did you live out of that account, so to speak?*

A. Yes, you might say we did.

"No Show" Agents

A succession of four DMV agents was next summoned for testimony about the amount of time they spent at their agencies. These agents testified both in S.C.I. Executive Sessions and at the public hearing that they for the most complied with, or exceeded, their agreements with DMV to work atleast 30 hours a week at the agencies. Three of them had been required by DMV to submit time sheets because they had had a history of suspected absenteeism, but Division officials contended they were unable for manpower reasons to conduct surveillances that would demonstrate whether the submitted timesheets accurately reflected the actual attendance of these agents at work. The S.C.I. therefore conducted its own surveillances, generally assigning two employees to track each of the DMV agents. The record of these surveillances demonstrated that these agents were spending as little as 10-15 minutes daily to a few hours a week at their agencies. Even so, according to a chart compiled by the S.C.I. accounting staff based on DMV records*, these agents were grossing substantial profits—ranging in 1984 from $62,000 to $93,000 a year. All four DMV agents and members of the various

*See Chart, Gross Profit of Selected Agencies, on p. 20

NJDMV
Gross Profit of Selected Agencies
For Year 1984

AGENCY AND AGENT	GROSS COMMISSIONS	PAYROLL & PAYROLL TAXES	GROSS PROFIT
Bayonne Frank Monaco	$166,000	$ 73,000	$93,000
Wayne Ralph Kushinsky	171,000	100,000	71,000
Cherry Hill Jules Rosa	150,000	86,000	64,000
North Bergen Louis Soto Rios	142,000	80,000	62,000

NOTE: State Pays Rent, Utilities, Janitorial Services, Telephone, Leasehold Improvements, Office Equipment and Supplies.

Source: Data Submitted to IRS by DMV

S.C.I. surveillance teams were interrogated at the hearing by Executive Director James J. Morley. In each appearance, the agent would describe his working hours and the S.C.I. surveillance witnesses would then demonstrate in his presence that he had lied.

Cherry Hill Agent's Truancy

The first such witness was Jules Rosa, the DMV agent in Cherry Hill, who said that he was able to comply with DMV's 30-hour weekly work requirement even while holding a fulltime job as operations manager at a trucking company because his hours at the company were from Midnight to 7 or 8 A.M. daily. His testimony in part:

Q. *Can you estimate how many hours per day you work at the motor vehicle agency?*

A. Well, I can't give you daily but I do get my 30 hours for the week. It could be eight, it could be five.

Q. *Is there any regularity in your attendance at the motor vehicle agency?*

A. No, there isn't.

Q. *Do you go there at the same time every morning?*

A. Roughly I do, yes.

Q. *About what time is that?*

A. I would say 9:30 to 10:00, sometimes 8:30.

Q. *Virtually every day?*

A. Virtually every day.

Q. *Have you ever been requested by the Division of Motor Vehicles to submit time sheets?*

A. Yes, I have.

Q. *When did that take place? When was the request made?*

A. To the best of my recollection it was sometime in either late August or September, I believe.

Q. *Were you made aware of why the request was being made?*

A. Not specifically, no.

Q. *Other than specifically. You said not specifically. My question is were you other than specifically made aware of why the request was being made?*

A. I received a letter telling me to state the hours that I was at the agency during a particular period.

Q. *Did anybody tell you either orally or in writing why that request was being made?*

A. Well, to see that I was adhering to the contract.

Surveillance Rebuttal on Rosa

Counsel Morley then called S.C.I. Special Agents

Bruce Best, Wendy Bostwick and Patricia England, who had conducted the surveillances. In witness Rosa's presence, Morley asked Special Agent England for an accounting of Rosa's on-the-job appearances:

MR. MORLEY: Ms. England, did you conduct various surveillances of the Cherry Hill motor vehicle agency or Mr. Rosa personally for the purpose of determining his attendance at the agency?

MS. ENGLAND: Yes, I did.

MR. MORLEY: Specifically, did you conduct surveillances on Thursday, October 31st, Monday, November 4th, Wednesday, November 6th, and Friday, November 8th, 1985?

MS. ENGLAND: Yes, I did.

MR. MORLEY: And at what time did you begin your surveillance of the agency?

MS. ENGLAND: Approximately 8:30 a.m.

MR. MORLEY: And until what time did you remain at the agency on the surveillance?

MS. ENGLAND: Approximately 4:30 p.m.

MR. MORLEY: On those four dates, did Mr. Rosa, the gentleman here, appear at the motor vehicle agency at any time?

MS. ENGLAND: No, he did not.

MR. MORLEY: Now, I'd like to also refer you to December 4, 1985. Did you conduct a surveillance on that date?

MS. ENGLAND: Yes, I did.

MR. MORLEY: Where did you begin the surveillance on that date?

MS. ENGLAND: Consolidated Freightways in Bellmawr, New Jersey.

MR. MORLEY: At what time did you begin the surveillance?

MS. ENGLAND: At approximately 8:15 a.m.

MR. MORLEY: At any time on that date did you observe Mr. Rosa leaving the premises of Consolidated Freightways?

MS. ENGLAND: Yes, he did.

MR. MORLEY: At what time?

MS. ENGLAND: At approximately 10:55 a.m.

MR. MORLEY: Did you follow Mr. Rosa as he left Consolidated Freightways?

MS. ENGLAND: Yes, I did.

MR. MORLEY: Where did he go from Consolidated?

MS. ENGLAND: Mr. Rosa went to the motor vehicle agency in Cherry Hill.

MR. MORLEY: At what time did he arrive there?

MS. ENGLAND: At approximately 11:13 a.m.

MR. MORLEY: And did you at any time thereafter observe Mr. Rosa leaving the agency?

MS. ENGLAND: Yes, he did leave.

MR. MORLEY: At what time?

MS. ENGLAND: At approximately 11:30 a.m.

MR. MORLEY: When Mr. Rosa left the agency did you maintain your surveillance?

MS. ENGLAND: Yes, I did. I kept him under surveillance until approximately 4:15 p.m.

MR. MORLEY: At any time between 11:30 a.m. and 4:15 p.m. on that date did he return to the agency?

MS. ENGLAND: No, he did not.

MR. MORLEY: According to my calculations the amount of time that he would have spent at the agency on that day was 17 minutes, is that correct?

MS. ENGLAND: That's correct.

MR. MORLEY: Now, finally, I'd like to refer you to Friday, December 6, 1985. Did you conduct a surveillance on that date?

MS. ENGLAND: Yes, I did.

MR. MORLEY: Where did you conduct it?

MS. ENGLAND: At the motor vehicle agency in Cherry Hill, New Jersey.

MR. MORLEY: Did you at any time on that day observe Mr. Rosa arriving at the agency?

MS. ENGLAND: Yes, he arrived at approximately 10:20 a.m.

MR. MORLEY: Did you at any time thereafter see him leave the agency?

MS. ENGLAND: Yes. He left at approximately 10:32 a.m.

MR. MORLEY: Between 10:32 a.m. and 4:30 p.m. did Mr. Rosa return to the agency at any time?

MS. ENGLAND: No, he did not.

MR. MORLEY: According to my calculations his total time at the agency would have been 12 minutes on that day, is that correct?

MS. ENGLAND: That's correct?

MR. MORLEY: Mr. Rosa, you've heard Ms. England's testimony. Do you care to—and I'm not asking you to—but do you care to make any response?

THE WITNESS: I can't recall what happened those particular days, four particular days, so I couldn't respond.

North Bergen Agent Also a Policeman

Louis Soto Rios, the North Bergen MV agent, whose gross profit was $62,000 in 1984, also is a full time member of the Jersey City Police Department and owner of a small construction company. Despite these apparent demands on his time, he contended in his public hearing testimony that he worked "more than 35 hours a week" at North Bergen:

Q. *You say you work from seven until three at the agency?*

A. Basically, yes.

Q. *What time is the agency open to the public?*

A. It opens 8:30. When I get there I get the computer, set up the whole system and have everything ready for the girls to start when they come in.

Q. *On a regular basis?*

A. That's correct.

Q. *Has there been any period of time in say the last three months when you were unable to meet the 30-hour a week requirement?*

A. Not that I recall.

Q. *What I'm speaking of is days when you just couldn't get to the agency for some reason and didn't work at all.*

A. No, I work every day because I'm the only one who opens in the morning. I open the agency in the morning and I set up the computer and have everything ready for the girls to start.

Surveillance Rebutal on Rios

S.C.I. Special Agent Bruce C. Best testified, in Rios's presence, that surveillances of the North Bergen agency were conducted on various dates in October and November. On one of these days, October 4, according to Best, Rios was at work for 50 minutes but, contrary to Rios's testimony, did not arrive at his work place until 2:50 p.m. On October 5, a Saturday, Best testified, Rios spent an hour and 15 minutes at work at the most. Best also testified that a surveillance report by S.C.I. Agent William Ward showed that on November 8, a Friday, Rios spent five hours at the agency. The next day, November 9, Rios was observed at work for no more than one hour and 14 minutes. Again on November 12 Best's surveillance showed that Rios arrived at the agency at 8:25 a.m., left at 10:01 a.m. and did not return during the remainder of the time the agency was open—an attendance period of an hour and 36 minutes. Upon completion of Best's testimony, Commissioner Zazzali questioned Rios about his appointment as the North Bergen agent:

COMMISSIONER ZAZZALI:
Mr. Rios, you were active in a mayoral 1982 campaign for the mayor of Jersey City?

THE WITNESS: Yes, sir.

COMMISSIONER ZAZZALI:
With whom did you speak after that election concerning your obtaining an appointment as a motor vehicle agent?

THE WITNESS: At that time they closed Jersey City Motor Vehicles so I spoke to the mayor, McCann, about if it was possible for me to get the motor vehicle [agency in North Bergen].

COMMISSIONER ZAZZALI:
What did he say to you?

THE WITNESS: He said he was going to try.

COMMISSIONER ZAZZALI:
Did he get back to you?

THE WITNESS: Yes, he did.

COMMISSIONER ZAZZALI:
What did he say when he got back to you—

THE WITNESS: When he got back to me he said go and see Charlie Catrillo, he was Director of the Water Department.

COMMISSIONER ZAZZALI:
And you eventually got the agency appointment?

THE WITNESS: That's correct, sir.

Bayonne No-Show Grossed $93,000

Frank Monaco, the DMV agent in Bayonne who grossed a profit of $93,000 from his agency in 1984, was another witness who was confronted with the issue of absenteeism. He is also a real estate broker who does what he described as "very little" appraising for the Jersey City Redevelopment Agency. He testified that he puts in from 28 to 35 hours at the Bayonne agency, arriving generally at 9 a.m. and leaving at 6 or 7 p.m. During the three months preceding the public hearing, Monaco testified that he did not recall any time when he failed to meet the DMV's 30-hour work mandate (this was the period of the S.C.I.'s surveillances). The Commission also questioned Monaco about the political contacts he made to gain his agency assignment:

COMMISSIONER ZAZZALI:
A question to demonstrate, I would think, that this crosses party lines. You are in Hudson County?

THE WITNESS: Yes, I am.

COMMISSIONER ZAZZALI:
You've been the agent for 13 years?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
You obtained reappointment a few years ago as your most recent reappointment?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
With whom did you speak? Did you speak with any political people in Hudson County?

THE WITNESS: I was told to talk to the county chairman.

COMMISSIONER ZAZZALI:
Was he a Socialist, Democratic or Republican?

THE WITNESS: All you have to ask me is what party. It's common sense he wasn't Communist. I'm sure he's Republican.

COMMISSIONER ZAZZALI:
Who told you to speak with him?

THE WITNESS: I don't remember.

COMMISSIONER ZAZZALI:
What did you say to him and what did he say to you?

THE WITNESS: Nothing. I just said does he intend to reappoint me and he said yes. It's as simple as that.

Counsel Morley next turned to S.C.I. Special Agent Best, who participated in the surveillance of Monaco. On Thursday, October 10, Best testified, Monaco spent five hours and 36 minutes at DMV agency; on October 11 Monaco was at the agency for 43 minutes; on Saturday, October 12, Monaco never appeared. Best also reported on the surveillance of the Bayonne agency by Special Agent Ward on November 4, when Monaco never appeared for work. Best also testified that on November 6 Monaco appeared for 33 minutes at the agency and then spent the remainder of the day at the Forest Hill Field Club in Bloomfield; on November 7 Monaco again went to the golf course after spending an hour at the agency. On November 26, Best reported, Monaco arrived at the agency three minutes after it closed at 8 P.M. and remained there for 41 minutes. Finally, on December 3, Best reported that Monaco was at the agency for an hour and 36 minutes—but the agency was closed to the public for all but 45 minutes of that time period.

Surveillance Refutes Time Sheets

Ralph Kushinsky, the Wayne MV agent (who grossed a profit of $71,000 in MV fees in 1984), had to file time sheets with the Division in November, 1985, because he was suspected of violating the 30-hour work week agreement. For the week of November 11-16, which included a holiday, he logged himself in at Wayne for 25 hours and for the week of November 18-23 he listed himself as working for 30 and one-half hours. Although Kushinsky testified that the time sheets that he compiled were "an accurate reflection" of his work performance during the specified time periods, the Commission surveillances during those same periods contradicted him.

S.C.I. Agent Best, for example, testified as follows about his observations at the Wayne agency on November 13:

MR. MORLEY: First of all, did you conduct some surveillances of the Wayne motor vehicle agency during November and December of 1985 to determine the time that Mr. Kushinsky was spending at the agency?

MR. BEST: Yes, sir, I did.

MR. MORLEY: Specifically, did you conduct a surveillance on November 13, 1985?

MR. BEST: Yes, sir.

MR. MORLEY: What time did you begin your surveillance at the agency on that date?

MR. BEST: Nine a.m.

MR. MORLEY: Until what time did you remain at the agency on that date?

MR. BEST: Until 5:45 p.m.

MR. MORLEY: At any time between 9:00 a.m. and 5:45 p.m., did you see Mr. Kushinsky arrive at the agency?

MR. BEST: No, sir, I did not.

MR. MORLEY: Would you look, please, at exhibit C-163 and tell me for November 13, 1985, does that exhibit reflect that Mr. Kushinsky reported having been at the agency at any time on that day?

MR. BEST: Yes, sir, it is indicated that he worked from ten o'clock a.m. to three o'clock p.m.

COMMISSIONER GREENBERG:
Mr. Kushinsky, were you there November 13 on the hours—

MR. KUSHINSKY: If I said I was, I was because there is an office in the agency that is a closed door and I'm there many days and nobody knows I'm there because I do so many things that I have to do as an agent that does not require my attendance at the counter or at a computer. Now, if Mr. Best did not see me go in or did not see me leave, I have no idea why he didn't but I don't stand at the counter during the hours I am there.

MR. MORLEY: Mr. Best, on the same day we've been talking about, November 13, C-163 [the time sheet exhibit] says that Mr. Kushinsky left the agency at 2:00 p.m. Were you at the agency at 2:00 p.m.?

MR. BEST: Yes, sir, I was.

MR. MORLEY: Did you see Mr. Kushinsky leave the agency?

MR. BEST: No, sir, I did not.

Again, on November 14, agent Best's surveillance demonstrated that Kushinsky had fabricated his time sheet report for that date:

MR. MORLEY: And on that day did you make any visual inspections of the inside of the agency to see if there were any male personnel working there?

MR. BEST: Yes, I did.

MR. MORLEY: At what time did you make any such inspections?

MR. BEST: At 9:30 a.m., 10:35 a.m., 11:40 a.m. and 2:50 p.m.

MR. MORLEY: During any one of those inspections did you observe any male personnel working at the agency?

MR. BEST: No, sir, I did not.

MR. MORLEY: What time did you conclude your surveillance on November 14?

MR. BEST: At 5:17 p.m.

MR. MORLEY: At any time between 7:45 a.m. and 5:17 p.m. did you see Mr. Kushinsky either enter or leave the agency?

MR. BEST: No, sir, I did not.

MR. MORLEY: Would you look again at C-163 and tell me for November 14 what does it state as the hours spent at the agency on that date?

MR. BEST: Eleven o'clock a.m. to six o'clock p.m.

Kushinsky again protested that he maintained on his time sheets "the best records I can" and that "the accuracy of those figures are the best I was able to keep and remember when I sat down and sent them." However, S.C.I. surveillances continued to contradict Kushinsky's logs on when he worked. Special Agent Best's testimony:

MR. MORLEY: Two days later, November 16, 1985, did you conduct another surveillance at the motor vehicle agency?

MR. BEST: Yes, sir, I did.

MR. MORLEY: Beginning at what time?

MR. BEST: 7:27 a.m.

MR. MORLEY: Did you make any inspections of the premises to determine whether any male personnel were working there at the time?

MR. BEST: Yes, sir, I did.

MR. MORLEY: And what time did you leave the agency?

MR. BEST: Well, after 12:01 p.m., 12:01 p.m. is when the agency was locked and all personnel left and I remained for a few minutes after that and I departed.

MR. MORLEY: At any time between 7:27 a.m. and 12:01 p.m. did you observe Mr. Kushinsky entering or leaving the agency?

MR. BEST: No, I did not.

The interrogation was interrupted when Kushinsky

complained that he was "disturbed personally at this Gestapo type thing that seems to be going on about the exact hour I got to the agency or left the agency." Commissioner Zazzali commented that, while the Commission understood the witness's "frustration," the S.C.I. was carrying out an obligation, adding: "It's a job that has to be done, so I think your characterizations are inappropriate."

Counsel Morley pressed on with the surveillance contradictions of Kushinsky's time sheets. On November 20, S.C.I. Agent Best monitored Kushinsky and the Wayne agency all day. His testimony on this:

MR. MORLEY: And did you at any time between 8:10 a.m. and 5:37 p.m. see Mr. Kushinsky either enter or leave the agency?

MR. BEST: No, I did not.

MR. MORLEY: Would you look at exhibit C-164 for a moment and tell us what hours are entered for Mr. Kushinsky as having been in attendance at the agency on November 20th, 1985?

MR. BEST: Nine o'clock a.m. to 1:30 p.m.

On November 21 S.C.I. Special Agent Bostwick tracked Kushinsky from 7:25 a.m. until after 3 p.m., during which time he went to his real estate and insurance office, to a bank in Edison and then back to the insurance office. She also testified that the time slips Kushinsky filled out and sent to DMV listed him as being at the DMV agency in Wayne from 10 a.m. until 5 p.m. on November 21, contrary to her observations.

Similarly on November 22 Special Agent England trailed Kushinsky while Special Agent Best observed the MV agency in Wayne. However, Kushinsky remained at his insurance office that day and was not, as Best reported, at the Wayne agency between 10 a.m. and 12 noon, as Kushinsky claimed he was on his DMV time sheet. Again, and finally, on December 4, Agent Bostwick observed Kushinsky travel to his insurance office and remain there until late afternoon. Never during this time period did he go to his MV agency in Wayne.

Bags, Bags, "All Over The Place"

Reports of auditors sorting paperwork, clerks doing audit work, backlogs back-to-back, and thousands of bags of unsorted vital documents swamping DMV desks and clogging corridors marked the testimony with which the first hearing day was concluded. The overall scene at offices of the DMV, particularly those sectors concerned with titles, document reviews and audits, was depicted as chaotic, or close to it, despite the efforts of many dutiful employees to keep the work pace from disintegrating.

Auditing Out of Bags

Ying F. Yee, a manager of internal auditing for DMV administrative services, told the hearing that his unit is understaffed, with another manager beside himself, seven auditors and two clerks in a table of organization that calls for 14 positions. Work conditions were such, Yee said in response to questions by S.C.I. Counsel Robert J. Clark, that he could not take the time to train new employees. His unit did manage to conduct a spot check of each MV agency once during a year, Yee continued, but auditing of agency transactions that were relayed back to various DMV offices has been a critical issue. Counsel Clark sought more data:

Q. *You check the work that's come from the agencies to the bureaus that receive that work?*

A. Yes, sir.

Q. *Isn't it the case that at the present time there are a number of documents piled up in bags? The figure that we have is 8,000 bags of documents that have been received from the agencies.*

A. There is a backlog, yes, sir.

Q. *And how is it that you can check the transactions for previous days when you have to look at 8,000 bags to find the transactions that you are interested in?*

A. We make a selection of the days for our sample, then we locate [them in] the bags and review the work.

Q. *Is that a time-consuming process?*

A. Yes, it is.

Q. *If you did not have to go through that time consuming process would you be able to conduct more audits?*

A. Yes, we would.

COMMISSIONER ALONGI:
And how many bags of piled-up work is there?

THE WITNESS: I really don't know how many bags there are down there, sir.

COMMISSIONER ALONGI:
Are there bags?

THE WITNESS: Yes, sir.

COMMISSIONER ALONGI:
And are we talking about a lot, lot of bags, in the hundreds or thousands or are we talking about one or two bags?

THE WITNESS: We're talking about a lot of bags, sir.

Clerks Review Audit Trail Reports

Although Yee contended that they are trained for the work, bureau clerks are assigned to review audit trail reports, which consist of the paperwork on which audits are based. He was asked about this:

BY MR. CLARK:

Q. *The individuals within the bureaus who conduct these reviews of the audit trail reports have no accounting or certified public auditing background, is that correct, sir?*

A. Yes, sir.

Q. *They are just clerks within those bureaus?*

A. Yes, sir.

Q. *Do you believe that they have the qualifications necessary to review those reports?*

A. Sir, I believe they can review them in a proper manner if they are properly trained.

Q. *Are you satisfied at the present time that those audit reports are being adequately examined?*

A. As I stated before, in some cases they are not because of the backlog.

Q. *Despite the fact that you are preparing a report to this effect to the senior management, have you orally brought this to the attention of senior management at Division of Motor Vehicles?*

A. I do not believe so.

COMMISSIONER ALONGI:
Does [your superior] know that bags and bags of documentation are unopened?

THE WITNESS: I believe he is aware that there are backlogs in various bureaus.

Salvage Title Law Ignored

The next witness was W. Patrick Scheffer, chief of the DMV's Bureau of Titles and Registrations, one of the vital "back offices" with which the Division's agencies in the field must maintain contact and refer transactions to for review and other purposes. Questioned by Counsel Gaal, he explained in more detail that his bureau issues corrected, duplicate and special titles, maintains title records, licenses motor vehicle dealers and"reviews the paperwork that is submitted to agencies and produced by them." His testimony was marked by revelations of administrative defaults and mishaps. The first incident reviewed with him was the failure of DMV for over two years to implement a State law that requires that automobile wrecks be identified on titles if they are salvaged:

Q. *Does New Jersey have a law on the books concerning salvage titles?*

A. Yes.

Q. *Does the law provide for vehicles that are a total loss to have their titles stamped "salvaged?"*

A. The law requires that the title issued for that vehicle be identified as a salvaged title.

Q. *What is the purpose of such a law?*

A. To reduce the value of "carcasses," total loss vehicles to persons that might steal good vehicles and then replace or use the big piece of paper they got for a totalled vehicle and use that to show that they have ownership of the one they stole.

Q. *To stop frauds?*

A. Yes, ma'am.

Q. *Was the law pased in 1983?*

A. I believe so.

Q. *Has it been implemented?*

A. No, ma'am.

Q. *Why not?*

A. We have not had the sufficient manpower or funding to implement it as yet.

Q. *Have you been told that you will be getting manpower in the future?*

A. Yes, ma'am.

Q. *Did you get a date?*

A. The anticipated date at this point is 1 March.

Q. *Have you been told in the past that it would be implemented with staff, only to find that it was not?*

A. Yes, ma'am.

Q. *Can you recall how many times in the past you've heard this?*

A. Two or three.

Document Review Problems

Scheffer's title review section—which is supposed to assure compliance with State laws governing titles—has 22 full time employees and about 20 half-day workers. The part-time workers were hired during the latter half of 1985 when the DMV agencies became crippled by the computer fiasco. As Scheffer explained it in response to Counsel Gaal's questions, the agents found it impossible to serve the motoring public adequately andalso collate their paperwork so that task, including preparations for microfilming, was relegated to the Division. As a result, part-time clerks had to be enlisted to collate the various documents, according to Scheffer's testimony:

Q. *Your people are now sorting these documents, is that right?*

A. Yes, ma'am.

Q. *And what are they sorting them for?*

A. In order that they can be microfilmed so we can recover the records at a later date.

Q. *The people you have sorting the documents in the past, would they have been reviewing audit trail reports for voids and other improprieties?*

A. The full time people, yes.

Q. *Would you consider these people to be watchdogs overthe agencies, so-to-speak?*

A. Their job is to review the work that is produced in a motor vehicle agency. I wouldn't characterize them as watchdogs, no.

Q. *Are they looking for anything in particular?*

A. They are looking to see that the agents have completed the transaction properly.

Q. *Are they auditors?*

A. They are clerical personnel.

Q. *Of late what has your unit been doing with the audit trail reports?*

A. Within the last several weeks we started doing what should be done with them. We started to review the audit trail reports to make sure there are no inconsistencies.

Q. *Was that after this Commission started asking questions about that area?*

A. After, yes, but not because of.

Q. *For several months did the unit not look at the audit trail reports?*

A. That's correct.

Q. *More than several months?*

A. That's correct.

Q. *Was any auditing work done on the agency work from May or June until a couple of weeks ago?*

A. The non-automated agencies, yes.

Q. *How about the automated?*

A. No.

Q. *And that's the vast majority?*

A. Yes, it is.

Q. *Is it fair to say that the State of New Jersey has little concept of what the [volume of] voided transactions was in the agencies over the last six or seven months?*

A. Yes.

Q. *In the past were these people in your section reviewing title documents for authenticity, alterations and other problems?*

A. Yes.

Sorting Documents Is Time Consuming

Scheffer indicated how laborious it is for anyone—clerks or auditors—to sort documents:

Q. *The sorting that your people have had to do, exactly what does that mean?*

A. You have to take the continuous form document that's produced off the printer, burst the pin feed holes off of it, remove or separate each one of the documents and then go to a pile of documents that were issued by six or seven different typists and match the produced document from the computer printer to the source documents from six or seven piles.

Q. *There were some 50 agencies in May or June, is that right?*

A. That's right.

Q. *And is it fair to say that most, if not all, began to send their documents in unsorted?*

A. Yes.

Q. *How long does it take one person to sort one agency's work for one day?*

A. Nearly an entire day.

Q. *With 50 agencies submitting bags per day, did your people have a tremendous backlog?*

A. Yes, ma'am.

Q. *Do your people have to work overtime?*

A. Yes, they do.

Q. *Did the agencies recently start sorting again?*

A. Yes.

Q. *When was that?*

A. This past Monday, the 9th [of December].

Q. *And is the State of New Jersey paying the agencies additional money to do that?*

A. Yes.

Q. *Do you know how much?*

A. $54 a day.

Q. *To each agency?*

A. Yes, ma'am.

Bags Had To Be Stockpiled

Bags began to accumulate, by the thousands, because of the difficulty of sorting the paper work that flooded in from the DMV agencies. Scheffer described the situation.

Q. *On December the 4th in testimony before this Commission in executive session it was learned that your section had some 14,000 bags and another 9,000 bags awaiting sorting. Can you tell us what the current figures are:*

A. This is the document review section or the audit section?

Q. *Both. Let's take the document review.*

A. There's approximately 9,000 bags in total, half of which have been sorted.

Q. *How about the other section?*

A. About 18,000 bags, six or seven thousand of which have been sorted.

Q. *So we're up to 18,000 bags?*

A. Yes, ma'am.

COMMISSIONER GREENBERG:
How many type documents are in a bag?

THE WITNESS: Several hundred.

COMMISSIONER GREENBERG:
And 18,000 bags?

THE WITNESS: Yes, sir. One thing that should be made clear is that there is no citizen waiting for some documentation for this work to be done.

BY MS. GAAL:

Q. *Where are these bags being kept?*

A. The title work is being kept within the Certificate of Ownership Bureau on the second floor of Division headquarters.

Q. *Could you be a little more specific? Where on the floor?*

A. In boxes on the floor piled up.

Q. *Are they on desks?*

A. In some cases, yes.

Q. *Hallways?*

A. Hallways, yes.

Q. *Closets? Spare rooms?*

A. All over the place on the second floor. Wherever there is a spare space.

S.C.I. Photos of Bag Backlogs

Counsel Gaal next introduced three exhibits consisting of photographs of the thousands of bags, which the witnesses were describing, stacked up in offices where people were working, cluttering up hallways to the point of impeding passage and spilling over into warehouses. The photographs were silent evidence of the continuing impact of the backlogs resulting from the computer crisis that struck DMV last summer. Because of the need to sort the bagged-up documents and

prepare them for microfilming, Scheffer's principal obligation, to review documents, had been abandoned until just shortly before the S.C.I.'s public hearing, as Scheffer testified:

COMMISSIONER ALONGI:
So after it's been microfilmed somehow it comes back to your section?

THE WITNESS: Yes, it does.

COMMISSIONER ALONGI:
Does it come back in microfilm or back in the bags?

THE WITNESS: Back in the bags. If the microfilm record is inaccurate, then the microfilm record would be useless also. So we have to make certain that the produced document is in agreement with the source documents.

COMMISSIONER ALONGI:
It appears that you really have a lot of work ahead of you.

THE WITNESS: Yes, sir.

COMMISSIONER ALONGI:
Right now you are just sorting and then it goes down—

THE WITNESS: Yes, but as I indicated we have now begun to review documents once again.

COMMISSIONER ALONGI:
You've begun to review documents that have already been microfilmed?

THE WITNESS: Yes, sir.

COMMISSIONER ALONGI:
How many bags of that?

THE WITNESS: We have several thousand bags that have been microfilmed and returned to us.

COMMISSIONER ALONGI:
So from June to the present date you feel that about three to four thousand bags have been done?

THE WITNESS: Have been sorted and microfilmed, yes.

COMMISSIONER ALONGI:
And reviewed?

THE WITNESS: We are reviewing now.

BY MS. GAAL:

Q. *Are some bags stored at another location?*

A. Different type of work, yes.

Q. *What type of work?*

A. License and registration documents.

No Reviews of Voided Transactions

Because of the time consuming need to sort out thousands of bags containing hundreds of thousands of documents, certain law enforcement monitoring precautions were abandoned. Scheffer testified that "voided" paperwork was a victim of the crisis:

Q. *Now, earlier today there was testimony that it's possible for a clerk to handle a transaction for someone from the public, void the transaction, and pocket the money, is that right. Have you heard testimony along that line?*

A. Yes.

Q. *Included in these boxes are voided transactions, is that correct?*

A. Yes.

Q. *And if your people were not so busy sorting, would one of their functions be to review the voided transaction?*

A. Yes.

Q. *This exhibit is a photograph taken at the warehouse. It shows the contents of one of the boxes that was opened. It reflects, does it not, voided transactions?*

A. It reflects documents that have the word void stamped on them, yes.

Q. *In the past some of your people would have been reviewing this to police the possibility that say a clerk in some agency was pocketing money, is that right.*

A. Yes.

Q. *Has any of this been checked for the last few months?*

A. No.

Q. *So we would have no way of knowing if something was going awry out there?*

A. That's right, but if it's gone awry and we get around to doing this, we'll find it at that point.

Q. *Some day?*

A. Yes.

Microfilming Also Backlogged

Compounding Scheffer's difficulties was the new computer system's microfilm retrieval project, which also was to be computerized but, according to Scheffer, couldn't be operated because of inadequate electrical resources:

Q. *How long has that system been in abeyance?*

A. Six or seven months.

Q. *How current is microfilming?*

A. They are microfilming July.

Q. *When the state archives did the microfilming, how current were they?*

A. Within three to four weeks after issuance.

Q. *Would you know whether there have been specific problems with the new microfilming company?*

A. There have been some.

Q. *Have payments been suspended?*

A. I believe so.

Q. *And are you going to look for a new vendor?*

A. I don't know.

Q. *Assuming the agencies continue to sort their documents, can you give us an estimate of how long it will take for your people to catch up on the backlog? And I mean just in the sorting area.*

A. Seven, eight months.

Q. *Just to sort the documents that have accumulated?*

A. Yes. My people, the full time people won't be doing that. We'll continue that effort with the part-time people and we'll start reviewing the paperwork.

Q. *And by reviewing you are talking about looking at the documents to see if there are problems with authenticity, counterfeits, whatever, and checking the voids for possible irregularities?*

A. Yes.

Q. *Is it fair to say that DMV will not be able to do thorough audits and checks on all of this work that's been accumulating?*

A. Yes.

Q. *Is the best we can hope for possibly a cursory review and spot audits down the line?*

A. Of certain things, yes. We will be reviewing voids and we are looking at [out-of-state] titles to make sure that [rollbacks of] odometers are not a problem again.

Q. *And just so we're clear, the documents have been issued to the public concerning these transactions and are in circulation and have been for months?*

A. Yes, sir.

DMV Didn't See Agency Problems

Because of its gusto and candor, the testimony of Roy R. Helsel, a 30-year DMV employee, brought the public hearing's first day to an exclamatory conclusion. At the time of his appearance as a witness he had been assistant chief of the Division's license bureau for three years and before that had for 20 years been assistant chief of the Bureau of Agencies. His testimony caught the Commission's attention from the outset:

Q. *Do you feel that there has been over the years a failing on the part of DMV to recognize the problems of agencies?*

A. Yes.

Q. *Do those problems include insufficient qualified staff and lack of equipment?*

A. Yes.

Q. *Did the fee structure limit the agents' ability to pay qualified staff?*

A. Yes.

Q. *Do you feel the type of person needed to work in agencies is more than merely a typist?*

A. Absolutely.

Q. *Why do you say that?*

A. The total knowledge that they need [is] to not only type documents but to review them and also to ascertain the correctness of the documents which they are working with. It requires a lot of time to gather and also because of the various natures of the so-called program letters, which are notices to the motor vehicle agencies on changes, on variations; they are extremely, shall we say, voluminous.

Q. *You mean the notices of DMV central out to the agencies?*

A. Correct. Even to read them and assume you can understand each one, to have your staff implement them on a day by day changing basis is a very tough job.

Q. *Over the years have you noticed a large turnover of agency employees?*

A. Yes.

Q. *On what do you base that?*

A. The pressure is too great.

Q. *Did that concern you in terms of the functioning of the agencies?*

A. Every time you bring in a new employee, you are starting all over with the idea of making more mistakes until they learn their job.

Q. *Why do you think the agencies generally had a large turnover? Was it the low salary?*

A. I believe it was the low salary, yes.

COMMISSIONER ZAZZALI:
Poor benefits or lack of benefits altogether?

THE WITNESS: You hit it on the nose.

Documents Difficult to Find

Helsel's duties include handling telephoned complaints by the public, providing data to law enforcement agencies, maintaining all license and registration files and directing a refund and correction unit which "updates and fixes errors." As a result, he is not only privy to many deficiencies which occur in DMV's operations but is among the first to field any complaints that result. He was asked by Counsel Gaal about document retrieval difficulties:

Q. *Do you receive and retrieve documents?*

A. Yes.

Q. *Can you locate documents efficiently?*

A. No.

Q. *Are you able to locate all the information on the computer?*

A. No.

Q. *Is your problem current with respect to retrieval of documents and information? In other words, are you currently experiencing that problem today?*

A. Yes.

Q. *How serious is the problem, in your opinion?*

A. Very serious. Anytime that we can't find something, it is a problem.

Q. *Was it always this bad or this serious?*

A. No.

Q. *Can you tell us chronologically when you began to experience the problem?*

A. When they changed the microfilming system to where they now film documents through the agencies on a day by day basis, therefore, you no longer have an alpha file.

Q. *Does this mean you have difficulty serving the public and law enforcement?*

A. Yes.

Q. *What do you do to try to find the documents? Do you look through the bags we saw a few moments ago?*

A. No. We have several methods that we use. First of all, if the inquiry comes in, whether it be correspondence or telephone service, we first use the computer like everyone else. Then if it's not there—

Q. *It's not in the computer?*

A. It's not in the computer.

Q. *Do you know why it's not in the computer?*

A. I wish I did.

Q. *Should it be in the computer?*

A. Yes.

Q. *Are there instances where you have the document and you can't find the record or the transaction in the computer?*

A. Yes.

Q. *Is it a continuing problem?*

A. Yes.

Q. *Is it getting any better?*

A. No.

Q. *What do you do when you can't find the record?*

A. Utilize everything that I know and my staff knows to find it, including using the certificate of ownership records, which are now a separate record,

utilizing interrogation of the—or I'll use the word interrogation anyway, using interrogation of the individual, tell us the day he got it, the agency [where] he received the transaction.

Q. *You mean the person from the public, you ask him where did you handle it, what agency and what date?*

A. Yes.

Q. *So hopefully he or she has got some information?*

A. Hopefully, they paid by check or if they remember the day and agency, then we go to the film for that particular day and agency and since we are not in alphabetical order, we have to go through them one by one until we find it.

Q. *How long might that take for one individual document?*

A. You could have 300 transactions on a particular agency so if you got only 300 transactions I would say you [need] probably better than an hour, hour and a half.

Q. *Are there transactions that you simply can't find?*

A. Yes.

Examples of Lost Transactions

Helsel was asked to explain what happens when a DMV transaction can't be found:

Q. *Can you give us some examples, without naming names,of the kinds of transactions that you need for the public, because of emergencies, or law enforcement, because of investigative needs, that you simply can't find? Can you give me a couple of examples?*

A. Sure. We have a particular [license] plate that was asked for by Captain Sanders of the State Police.

Q. *Do you work in conjunction with Captain Sanders?*

A. We work with all [law] enforcement—and he has an investigation and he wants this very desperately.

Q. *How current are we? When did he ask you for it?*

A. I believe yesterday evening.

Q. *He needs it desperately?*

A. That's what he advised me.

Q. *What happened when you tried to get it for—*

A. It's not on the computer and not on microfilm. It's still sitting in those boxes that you showed pictures of.

Q. *So you do need the information in the boxes?*

A. Without it, there's no record.

Q. *What do you tell Captain Sanders?*

A. Be patient. I'll try everything we can to help you as soon as we can. If we can't find the information immediately, we utilize every facet we can.

Public and Law Enforcement Impeded

All types of investigations as well as a variety of public needs have been adversely affected by lost or strayed documents, according to Helsel:

Q. *Are there other instances where law enforcement needs this information in connection with investigations?*

A. Certainly.

Q. *Do you recall the types of crimes that might be involved?*

A. All types, burglars, hit and runs, child molestations.

Q. *And you can't find the information at times?*

A. At times we cannot find the information.

Q. *How about the public, they need information, too, is that right?*

A. That's correct.

Q. *Typically, why might they need some type of information that you would have to provide?*

A. A stolen car. It's not on our computer that we can pick it up. We try various methods and they don't even know the license plate number. Ironically enough it's a new car.

COMMISSIONER GREENBERG:

If I might ask, is this a current problem, all these evils that you just described, these difficulties that your bureau is having for Captain Sanders and all the rest, is this something brand new in the Division of Motor Vehicles? Is this caused by some particular event or something over the last few months or is this just everyday life in the Division?

THE WITNESS: In May, 1985.

COMMISSIONER GREENBERG:
So everything you are describing as problems of administering your Division didn't occur until May of this year, is that a fact?

THE WITNESS: No.

COMMISSIONER GREENBERG:
You had problems before May of 1985?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
Is it a fairer statement to say that it was always a problem but now is substantially worse, is that a fair statement?

THE WITNESS: Since they've stopped sorting the documents alphabetically which was January 1st, 1985, we don't have an alpha file so anything from there on, if it's not on the computer and it's been filmed, we can't get to it because it's not alphabetized.

COMMISSIONER GREENBERG:
Why did they stop and who is they?

THE WITNESS: A decision made within the Division of Motor Vehicles.

COMMISSIONER GREENBERG:
Did you oppose that?

THE WITNESS: Yes.

COMMISSIONER GREENBERG:
Did you tell your higher-up this was going to happen if they changed?

THE WITNESS: Yes.

COMMISSIONER GREENBERG:
And they didn't listen?

THE WITNESS: Somewhere a decision was made.

Doubted Computer Would Work

The Commission questioned Helsel about various problems connected with his role in coping with problems caused by the computer failure. His testimony in this area continued:

COMMISSIONER ALONGI:
So, in effect, if it had worked, we probably would not have been in this dilemma, is that correct?

THE WITNESS: A great deal of it would have been solved, yes, except the fact that you still don't have the records if they are not filmed.

COMMISSIONER ALONGI:
But you even had trepidations before it was put into this system?

THE WITNESS: My experience of 40 years in government says yes.

COMMISSIONER ALONGI:
What were your trepidations at that time? You did not think the computer was going to work?

THE WITNESS: No, I didn't think the controls wereadequate to give us what we needed.

No Copy Machine, No Copies

Helsel's frustrations included an inability to obtain even a copier with which to perform his duties:

Q. *Is it your job to produce certified copies of records?*

A. Yes.

Q. *Are the supporting documents available?*

A. No.

Q. *Why not, same reasons?*

A. Same reasons. The stuff is sitting down in the warehouse, has not been filmed.

Q. *Do you at present have to actually go to the original hard copy record to get the information to go to the microfilm to make someone a copy because the retrieval system is not available?*

A. Correct.

Q. *Why can't you just photocopy it?*

A. We don't have a photocopy machine.

Q. *Have you ever asked for one?*

A. Yes.

COMMISSIONER ZAZZALI:
Were you given an answer?

THE WITNESS: No. The actual request was filed and it never was completed. Considerable DMV paper work required by insurance companies could not be located since May, 1985, the witness testified. This brought up the subject of the massive pile-up of bags:

Q. *Are there documents relating to insurance and insurance companies from the period of approximately May of this year to the present that cannot be located?*

A. Certainly.

Q. Where are they, if you know?

A. Two places. One, they are in the documents which were not sorted and we made microfilm of them but they are not in alpha order so there's no way for us to retrieve them since the prime system is not up. Two, they are sitting in the bags unaudited, unfilmed.

Q. Why doesn't the retrieval system work? Is it because we don't have the electrical capacity that you need in the building?

A. That has been the story that I have been told—not officially. It's a factor I got that the electricity in the building was being held up in the building because management was having trouble authorizing the installation of additional electric.

Q. Do you know why this new microfilming project was started without having the computer and the software and the plugs and the cords and everything else on line?

A. No.

Q. Would you agree that a test program should be set up to be assured that everything is in place before youimplement a program like this?

A. Yes.

Q. Should tests be run, including in an actual agency, to detect bugs and work out the bugs?

A. Yes.

DMV Management Critique

Helsel was asked for his views on the manner in which DMV is managed, from the standpoint of his many years with the Division:

Q. Are there frequent management changes at DMV?

A. Yes.

Q. Are bureaus and sections moved often?

A. There is a reorganization going on.

Q. How long has it been going on?

A. Two years, probably.

Q. Do you have people who don't know where they are assigned?

A. Yes.

Q. Why is that?

A. Because of the fact that the reorganization was supposed to have taken place and they received notices that they were reassigned and yet the reorganization never took place.

Q. Are you an accountant by profession?

A. Yes.

Q. Would you agree that it's important to build controls into a system rather than afterwards?

A. Yes.

DMV Staff "A Little Demoralized"

Helsel was asked how he would change the DMV agency system if he could. The question prompted an exchange about how Division employees were reacting to the crisis. Helsel's testimony concluded:

Q. I'd like to ask you just a few questions on the agencies side because you've had a lot of experience in that area. Would you recommend the State-run system?

A. Yes.

Q. Why. Any particular reasons?

A. We [would] control actually the training, we could control actually the number of people and where we found that there was an excess needed or additional employees, we would put them in, we would be able to establish some budgetary factors which will allow us to have some type of a free hand to administer a little more clearly the controls that we need, the processing of documents, the equipment that we need, yes

Q. Mr. Helsel, you are a long time State employee. At present does the public get abusive at times because you can't give them what they need?

A. Certainly.

Q. How do your staff and other employees feel right now?

A. Not very well. They are a little bit demoralized by the fact that they can't provide the information. They get frustrated because they try so hard.

Q. Do they work hard at trying to accommodate the public and law enforcement and so forth?

A. I have people who don't bother going on breaks, don't bother going on lunch, people who will con-

stantly plug, plug, plug trying to assist the public.

COMMISSIONER ZAZZALI:
The problem with the motor vehicle agency system rests, in part, with the agencies and personnel, et cetera, isn't that correct?

THE WITNESS: Yes. We are a complex organization and one part always affects the other.

COMMISSIONER ZAZZALI:
Isn't part of the problem besides the agencies out there, the Division of Motor Vehicles here, that is in Trenton, isn't that part of the agency problem, from what you said?

THE WITNESS: Yes.

COMMISSIONER ZAZZALI:
In terms of administrative decisions, policy judgments, et cetera?

THE WITNESS: Yes.

COMMISSONER ZAZZALI:
If we were to go to a state-run agency system, and I might be inclined to agree with you, but if we did, we would also have to address some of the problems adhering in the Division of Motor Vehicles here in Trenton, isn't that so?

THE WITNESS: Yes.

Security, Integrity Had Low Priority

Opening the second day of the public hearing on December 19, S.C.I. Commissioner William S. Greenberg noted that the testimony so far had "demonstrated why partisan political patronage has been so damaging to the public interest" in the operation of the DMV. However, as the Commission has pointed out in all previous inquiries and hearings, Greenberg said the S.C.I. wanted to emphasize relative to its DMV probe that "there are many hard-working and dedicated people at the Division who are providing a creditable public service." Nonetheless, he cautioned, "such industry and devotion to duty cannot prevail in the face of the managerial deficiencies that partisan political influence produces."

DMV Officials Quizzed

To lay the groundwork for an array of testimony on the adverse impact of an apparent imbalance between public service and public security at the DMV agencies, two key officials concerned with both areas were questioned by S.C.I. Counsel Morley. One was Christine R. Cox, senior assistant DMV director. As such she was responsible for DMV's planning and coordination of the computer project contract being implemented by Price Waterhouse, aswell as the liaison officer for the customer telephone center. In June, 1985, her obligations were enlarged to include what she described as the "management overview" of the DMV agency system. The second DMV official who was questioned at the outset of the second public hearing day was Joseph F. Mosner, special assistant to DMV Acting Director Kline and, as such, the Division's liaison for law enforcement and administrator of internal investigations.

Mrs. Cox devoted much of her testimony to her role in the computer program, her views on the future operation of the DMV agencies and her assessment of DMV priorities. At one point she indicated support for a State-run system in this exchange with Commissioner Zazzali:

Q. *Do you think the present system should be scrapped?*

A. Yes, I do.

Q. *And what should be substituted in its place?*

A. Either another method for obtaining vendors that does not have the label of politics around it; or, and preferable to me, the operation of the agencies with State employees, with the State management having the flexibility to do whatever's necessary in an agency to provide the service.

At another point Mrs. Cox, who said that Mosner, the DMV's internal security officer, kept her informed about "various schemes" to rip off the DMV at the agency level, indicated that service to the motoring public was the Division's primary goal, ahead of any other objectives:

Q. *Is it fair to say that you've decided it was a trade-off?*

A. I think there are trade-offs and I think we analyze them each time to find out what they are.

Q. *Do you have a priority in your own mind of service versus security?*

A. If I have to look at those two and choose one, I'll have to say customer service.

Mosner testified briefly on DMV's internal security activities. He said many "alerts" to the presence of fraud in DMV operations came from the State Police. However, he indicated he received none from those units within his own Division which were responsible for

reviewing documents, at least in part for the purpose of detecting scams:

Q. *Have you ever been alerted to the possibility of criminal conduct by any unit in the Division of Motor Vehicles which is responsible for reviewing back end reports?*

A. Not to the best of my knowledge. Back end reports are reports—

Q. *that are generated by the computer system and report on things like overrides and such?*

A. Employees in that specific area that review those reports, no, I have not been made aware of that.

Q. *Have you ever been alerted to possible criminal conduct by any person or any group of persons in the Division of Motor Vehicles who are responsible for reviewing documents, specifically voided documents?*

A. No, I have not.

State Police concerns about the new computer system's security defects appeared to make only a minimal impression on Mosner:

Q. *Have you ever discussed with the State Police their concerns that the computer system is too easy to override and therefore too susceptible to fraud?*

A. Yes.

Q. *Do you recall when those conversations took place?*

A. I've got an estimate in my mind but I really forget the date of that incident. It was roughly six months ago.

Q. *Did you make either a report in writing or orally to Mr. Kline or Mrs. Cox about that conversation?*

A. We discussed the matter orally.

NJ Second Worst MV Fraud State

The deficiencies of DMV's agency system, which the computer fiasco exacerbated last summer, were responsible for New Jersey's notoriety as a center of motor vehicle frauds, according to the testimony of a succession of law enforcement witnesses. One of these was Detective Sergeant William H. Sanders, who supervises the State Police Criminal Investigation Bureau's Auto Unit at DMV's Trenton headquarters. Questioned by Counsel Gaal, he explained his duties involved stolen or altered titles that are utilized in car thefts and also acting as liaison for law enforcement agencies with DMV. He recalled how the reporting of criminal cases by DMV to his office came to a halt as the computer fiasco began to unfold last May or June:

Q. *In the past, were cases referred to you from the Division of Motor Vehicles?*

A. Yes, ma'am.

Q. *What type of cases typically were referred to you?*

A. Cases where we have counterfeit documents, stolen documents, some cases of altered documents.

Q. *How many cases did you get from Division of Motor Vehicles in the past up until, say, six or seven months ago?*

A. Anywhere between 10 and 15 a week.

Q. *And did that change at some point?*

A. Approximately seven, seven and a half months ago, that number went down to just about nothing.

Q. *Just about nothing in the last six or seven months?*

A. Yes, ma'am.

Q. *Did that date coincide with the new computerization at the Division of Motor Vehicles?*

A. Yes, it did.

Q. *Now, these documents that you had received from Division of Motor Vehicles in the past, were they documents that were suspected to be altered or fraudulent or counterfeit?*

A. Yes.

Q. *Why has there been such a dramatic decline in the number of documents referred to you from Division of Motor Vehicles?*

A. Well, the internal system, as far as Motor Vehicles, had changed, with the computerization. The prior system, the older system, there was three different checks in the system for detecting the erroneous documents.

DMV Document Review Curtailed

Sgt. Sanders said that with computerization DMV curtailed its traditional mechanisms for detecting erroneous or fraudulent documents. He expressed particular concern that the DMV had discontinued sending auto titles back to the state of origin:

Q. *Yesterday someone from the Division of Motor Vehicles testified that sending documents back to the home state has been suspended because it never generated anything. What do you think of that statement?*

A. Well, that's not true because I can cite several states that have surrendered back information, we got approximately eight to ten counterfeit documents from the State of Missouri, we got between five and ten counterfeit documents from the State of California, we've received notices from the State of New York on counterfeit documents, we've received notice from Massachusetts on counterfeit documents. This is in the past.

Q. *Can you give us any idea of how many referrals might have come back from the home states say in a year? Can you give us a ballpark figure?*

A. Are you referring to counterfeit from other states?

Q. *Counterfeit or fraudulent from other states.*

A. I would say on a yearly basis I would say 50 to a hundred. This is in the old system, not the new, because we don't have it any more.

Q. *We don't do it any more?*

A. No.

"Number 2 on the Bad List"

In fact, over-the-counter handling of titles was a primary reason for New Jersey's poor reputation for the integrity of such documents, according to Sanders. His testimony continued:

Q. *In your opinion, is it easier to get titles in New Jersey than in other states?*

A. Well, I can think of four states that are primarilyused by auto thieves, one being Delaware, which is over-the-counter.

Q. *Over-the-counter issued?*

A. Over-the-counter issuance of titles, the State of New Jersey, the State of Ohio and the State of Oklahoma.

Q. *Those are the four primary states used by auto thieves?*

A. Most auto thieves use over-the-counter issue titles.

Q. *And do those states have over-the-counter title issue?*

A. They do.

Q. *Do other states have central issue?*

A. Most that I know of, yes.

Q. *Is it easier to get a title in New Jersey than in other states that have [over-the-counter] issue?*

A. No. From my understanding, speaking to various people who have been arrested in the State of New Jersey, Ohio is supposed to be an easier state.

Q. *Ohio is even easier than New Jersey?*

A. Yes.

CHAIRMAN PATTERSON:
So we're number two on the bad list?

THE WITNESS: Number two, we're number two, yes.

Reform Effort Unsuccessful

According to Sanders, who said neither he nor any other State Police official was consulted on the design of the DMV computer system, he discussed possible law enforcement reforms with certain Division bureau and systems chiefs in the summer of 1985. For one, he discussed getting New Jersey enrolled in the national Vehicle Identification Number (VIN) network of states and making use of the VIN in the DMV process but he stated that "the understanding was it had been rejected and that was it." He also discussed the need for cross-referencing a title with a control number, which—contrary to what he was told—the new computer system cannot achieve. He also sought easier and more prolonged access to source, or original, documents, which were now being shredded after three months. He also spoke with the technical people involved with DMV's computer program; also without success, as he testified:

A. I've spoken to people in SAC [Division of Systems and Communications] on several occasions on problems that have arisen, as far as I see.

Q. *Was that before we got involved in the computer program?*

A. Before and after.

Q. *And did you make similar suggestions you're making today at that time?*

A. Well, I think at one time I got to be a pain in the neck of the people in the computer section because they requested that I no longer make verbal requests [but] make them through the computer section at the Division of Motor Vehicle. So I have done that. But as of now, we haven't had some of

these changes done because of other priorities.

How Car Theft Rings "Used" NJ Titles

Sanders was asked for some examples of fraudulent utilization of New Jersey's procedures:

Q. *Do you recall a case from New York where counterfeit documents had been run through New Jersey and you checked out 30 or 38 of them?*

A. Yes.

Q. *How many did you check out?*

A. I think it was around 38 vehicles that an organized auto theft ring in New York had run through the State of New Jersey. That was [under] the old system.

Q. *That was when we had a document review section?*

A. That was the old system.

Q. *Out of that 30 or 30-some titles that had been run through New Jersey, how many did we catch at Division of Motor Vehicles then?*

A. If my memory is correct, I think it was five. Five out of 38 or so.

Q. *So we weren't even catching 25 percent and now we've eliminated the document review unit; is that right?*

A. That's correct.

Q. *Since 1980 can you tell us how many lost, stolen or missing titles there have been from motor vehicle agencies?*

A. I know there is in excess of two thousand.

Q. *Recently was there a case where titles were taken in Ridgefield?*

A. Yes, there was.

Q. *How were they taken, do you recall?*

A. Well, it's listed with Ridgefield Police Department as an armed robbery, but I really don't think it's an armed robbery. [It] was just a case of reaching behind the counter and stealing 70 some titles. But once he was chased out of the agency out to the street, he just exposed a weapon on his side and it was carried as an armed robbery, but it was really just a theft out of the agency.

Q. *Are there other similar type incidents you can recall?*

A. North Plainfield in '84 also had a theft of approximately 500 titles.

Q. *Why would someone want a blank title, how valuable is it?*

A. Well, you don't have to worry about a counterfeit being detected. If you have a good source of putting the information on the document, then you have the benefit of no longer having the process of Motor Vehicles mailing out a title to you.

Q. *It's an original source document?*

A. Exactly. You've got a Jersey document now instead of a foreign document and you can get a title over the counter at the various agencies.

Salvaged Cars Huge Theft Problem

Sanders noted that salvaged cars are a major factor in car thefts:

Q. *What's the problem there, what kind of problems?*

A. The primary auto theft in the State of New Jersey and probably all the other 49 states is salvage.

Q. *Without citing names, what occurs?*

A. It's a case where auto thieves go to various salvage yards throughout the State of New Jersey, they buy cars that have been totally wrecked, value could go anywhere from $100 to three or four thousand dollars, they buy these vehicles wrecked; they, in turn, get a valid New Jersey title, they take that title, take the identification numbers off of the wrecked vehicle, steal a similar vehicle, replace its numbers from the stolen vehicle with the salvaged vehicle numbers. They, in turn, have a good New Jersey valid title, they go to an agency, title most of the time in an erroneous name; they buy it under an erroneous name and they'll, in turn, sell the vehicle to some unsuspecting innocent purchaser, most of the time.

New Jersey and European "Gray Market"

Foreign cars which don't meet American standards are smuggled through New Jersey in part because of its lax title insurance procedures according to Sander's testimony:

Q. *Do you think there are a lot of non-residents coming into this state for titles?*

A. Yes.

Q. *Why are you concerned about that?*

A. Well, right now the big problem today with non-resident issuance of Jersey titles is the European gray market vehicles coming into the State of New Jersey.

Q. *We have a real problem in that area?*

A. Definitely we've got a problem.

Q. *Just so we're all clear, what's a gray market vehicle?*

A. That's a vehicle made in Europe, made for European standards, it's not made to meet the standards here in the United States. The vehicles are purchased in Europe at a far less cost than they would be here in the United States, they're brought in mostly by illegal means where they use what they call porters, they use a person's name, pay them anywhere from $300 to $500 to use their address to import the vehicle from Europe. They bring these vehicles into Motor Vehicle with German documents or some type of European documents and they're issued a Jersey title over the counter here as a result of these European documents and there have been cases in investigations ongoing where they're using counterfeit documents.

Q. *And we're not catching them?*

A. No.

Computer Made Police Work Harder

Sanders summed up his reaction to the new DMV computer system:

Q. *Is your job easier now or harder since we had the new computer system put in?*

A. My job is harder.

Q. *Significantly harder?*

A. I would think so.

Q. *Are there cases in which you simply can't find what you need to help you?*

A. I'll cite many. Again, there are many problems that can cause that. There is one particular vehicle, we've been trying two months on this particular plate and we finally [found which] agency issued this series of plates. On the particular date this plate should have been issued it just wasn't there.

Q. *It wasn't where?*

A. It wasn't on the computer list, it wasn't on the agency-issued list, but it is on the street on a vehicle in New York City.

BY COMMISSIONER ALONGI:

Q. *Have you—as an expert in this area, have you talked with the people at Division of Motor Vehicles to implement some stopgap procedures before these problems—*

A. Yes, I have.

Q. *And have these suggestions been taken?*

A. Not to date.

NJ: "Scourge of the East"

Additional testimony on the ease with which DMV's operation, particularly its agency system, could be misused and abused for fraudulent purposes came from Detective Sergeant Richard A. Avalone and Sergeant Thomas P. Casey of the State Police who appeared together. Avalone is the assistant supervisor, and Casey is a member, of a special projects unit which handles criminal investigations pertaining to the DMV. At one point, when Counsel Gaal was asking about the prevalence of crime related to odometer rollbacks in New Jersey, Sgt. Casey described how really notorious New Jersey was for such frauds:

Q. *Sergeant Casey, do you belong to a national association of odometer investigators?*

A. Yes.

Q. *And do you go to national meetings?*

A. Yes, ma'am.

Q. *What is the purpose of that organization?*

A. Basically they want to have different representatives from each state so that information can be pulled together on ways of combatting odometer rollbacks and to share information on the individuals that are doing it and how it's done.

Q. *And you meet with other people at these meetings?*

A. Yes.

Q. *Would you tell us the esteem in which New Jersey is held at these meetings?*

A. In the past year we went to two, one in New York where Sergeant Avalone and myself went, and in

August I went to Chicago, and we are literally the scourge of the east.

Q. *The scourge of the east?*

A. Yes.

Q. *Why is that?*

A. Because so many Jersey titles have been, or so many foreign titles, out-of-state documents, have been washed through New Jersey with the sole purpose of reducing the mileage.

Q. *Would you consider New Jersey to be one of the title-washing states?*

A. Definitely.

Q. *Are there a number of other states?*

A. There are other states, but on the east coast we seem to be the most popular.

Q. *What is the object of odometer rollback?*

A. Well, definitely to perpetrate a fraud on the consumer by decreasing the mileage of a vehicle. They can obtain anywhere from $2,000—the [value of the] vehicle increases aproximately $2,000. They usea rule of thumb of $50 for each thousand miles off the vehicle.

Q. *How serious is that?*

A. Tremendous. The numbers are overwhelming. It's nationwide and it's a very popular scheme.

Q. *Do you recall a particular dealer washing a large number of titles through one agency in New Jersey?*

A. Yes. We have one investigation in which we are cooperating with Pennsylvania where the individual admitted to washing 2,300 titles through one agency in a six-month period.

CHAIRMAN PATTERSON:
In New Jersey?

THE WITNESS: Yes.

CHAIRMAN PATTERSON:
2,300 transactions in how long a period?

THE WITNESS: This one particular individual again admitted, admitted, pushing 2,300 titles through in a six-month period; and he received for this service approximately $25 a title and that's cheap. He did it cheap.

CHAIRMAN PATTERSON:
And these were mostly odometer changes?

THE WITNESS: Right, all the titles were altered for the purpose of reducing the mileage reading.

CHAIRMAN PATTERSON:
And one of the things that the dealers do is buy rental cars which are high mileage cars but with a low number of years?

THE WITNESS: Right, correct.

CHAIRMAN PATTERSON:
And then roll the odometers of those cars back?

THE WITNESS: They can buy a leased vehicle, or vehicles that have been used, are fleet vehicles is the word I want, fleet vehicles that are fairly new vehicles but have high mileage, and to back up the claim that the odometer—or the vehicle has a low mileage they then present a title that also shows low mileage and this is where New Jersey becomes popular.

COMMISSIONER ALONGI:
When you find out a fact like there were 2,300 title involved, do you tell anyone at Division of Motor Vehicles about this?

THE WITNESS: Yes.

COMMISSIONER ALONGI:
And do you know if anything was done in order to ensure this system against such happenings?

THE WITNESS: To the best of my knowledge nothing was done.

Casey's testimony concerned several types of fraud perpetrated at the DMV agencies. One type, he said, utilized "voided" transactions:

Q. *In addition to those areas, Sergeant Casey, have you also begun to see cases involving money being taken from the Motor Vehicle agencies?*

A. Yes, ma'am.

Q. *How does that work?*

A. It's possible to take the money by entering a void, voiding out a transaction on the computer.

Q. *In other words, after the public comes in, pays the fee and gets their documents?*

A. Right, the individual, the applicant for the registration would obtain a title and registration, pay his fee, and leave with valid documents. The individual who wanted to take the money at that point could

go back to the computer and void out the transaction and take the money. At the end of the day the balance—the accounting procedure would balance out.

Q. *And have you seen cases like that?*

A. Yes.

Q. *Do you recall the amounts of money that may have been taken in any of those cases?*

A. Normally they deal with registrations for tractor trailers which run $800 and up.

Q. *$800 and up?*

A. Right.

Q. *Should that or could that be picked up by Division of Motor Vehicles auditing?*

A. I'm not an accountant, but it seems like there should be a way of doing it.

Avalone: $2,000 for a Phony License

Sgt. Avalone testified about drivers license scams:

Q. *Are illegally obtained licenses a real problem, in your opinion?*

A. Yes.

Q. *Have you seen more and more of this over the last few months?*

A. Yes. As a matter of fact, we're starting to receive calls from other states now. Last week I received calls from Maryland [and] New York about people that they've arrested and they have picture driver licenses with the subject's picture on them but different names, different addresses, different identifications.

Q. *Do these involve people that are underage as well as people on the revoked list?*

A. Yes. The licenses are issued to persons in two basic categories, persons that are under the drinking age to make them of drinking age, and people whose licenses have been revoked by the Division of Motor Vehicles.

Q. *Can you tell us the ratio between the underage and the revoked, how does it split?*

A. It's probably half and half.

Q. *Do you recall how much money people have paid to get some of these licenses?*

A. Well, we have cases where somebody's paid $2,000 for a license.

Q. *Will the new surcharge laws provide added incentive for people to get these illegal licenses?*

A. Yes, that's one of the big reasons . . . even if they're not revoked, if they have to pay a surcharge of a thousand dollars a year because of a conviction for drunk driving, it's easier to pay a clerk $50 to $100 to obtain a license giving them a new identity. And the new identity is really just the—a change of a middle initial or the dropping of a middle initial so it's really the same person.

CHAIRMAN PATTERSON:
So in many cases they obtain the false document by bribing a clerk in the motor vehicle agency?

THE WITNESS: Well, almost every case is by bribing a clerk.

BY MS. GAAL:

Q. *Can you tell us mechanically how it's done?*

A. Well, there are two ways. One way is where the license will go right onto the Division of Motor Vehicles computer system.

Q. *Right on line with the computer?*

A. Yes. The computer system is designed so that if the main computer goes down, it can be overridden by the clerk so that services wouldn't have to stop for the day.

Q. *Have you seen instances where or have you had cases where the clerk has overridden the computer and—*

A. Yes, yes most of the cases are overrides on the computer. What happens is the person applies for a license using a different date of birth or a different middle initial. When the clerk puts the information onto the computer system, the computer will say no license on file. The clerk will override that and issue a duplicate license to this individual. This typical license is issued actually for a license that never existed in the first place.

Q. *That is a situation where the license will be on the computer; is that right?*

A. Yes. And there is no way now to ever find out if a license was illegally issued. These licenses are put

on line right at the agency and there is no way for us to go back to the computer to find out if they were illegally issued licenses.

Q. *What's the other method where photo licenses are put out?*

A. The other method is mainly used by people looking for licenses so that they can go into bars and drink, underaged juveniles—I shouldn't say juveniles, people under the age of 21. And what they'll do is they'll go into an agency where they have made contact with a clerk and the clerk will take out a legitimate application card from some other driver with another driver's information on it that closely resembles the person who wants to get a license and they'll just take that card and stick it in the camera and use that information, take the applicant's picture. So now the applicant will have his picture on somebody else's license.

Q. *And there is somebody else out there with the same name on his license?*

A. The legitimate person.

Q. *Assuming the [other] person got involved in illegal activities, the points and so forth are going to be credited on the legitimate person's license?*

A. That happened in New York, the New York Police arrested an individual and did their arrest reports on the basis of the identification that he gave them, and I don't know exactly how they later on found out that this was not the real person.

Q. *Are you saying that the form used for photo licenses can be reused?*

A. Oh, yes, definitely.

Q. *Are there any checks or balances on that, to your knowledge?*

A. No.

CHAIRMAN PATTERSON:
Does that second license get into the computer?

THE WITNESS: No. That second method doesn't get into the computer. That's why it's mainly used for kids that want to become 21. They'll only need it for a couple years until they really turn 21.

NJ License No Longer Secure

Sgt. Avalone recalled that a New Jersey license once was a widely respected proof of personal identification—but no longer:

Q. *At one time was the New Jersey driver's license considered a secure document?*

A. A New Jersey driver's license was considered, I know, by the Immigration and Naturalization service as one of the few driver's licenses, few state driver's licenses, that they would accept as tentative proof of an alien's legitimacy in the United States because of our security in issuing driving licenses.

Q. *In your opinion, is it as secure a document now?*

A. The New Jersey driver license is absolutely not secure.

Q. *How prevalent is this problem, the phony or the illegal photo license situation, in your opinion?*

A. Well, I believe that it's very widespread, only because of the contacts that we're getting from different local police departments and out-of-state police departments.

Q. *Is it increasing?*

A. Yes. The number right now, I would say that we probably have come up with maybe a hundred that were issued, but I'm sure that the number has got to go into the thousands. The problem is that we cannot detect from any records or the computer system in the Division of Motor Vehicles whether or not a license was illegally issued. If I change my middle initial today and get a license illegally and it goes on line by paying a clerk at the motor vehicle agency, there is no way for anybody to ever find out that this license—that I didn't take any of the tests.

Q. *Do you think we should go back to central issue of licenses?*

A. Without question.

Computer System an Impediment

Sgt. Avalone was critical of the new DMV computer system's adverse impact on law enforcement efforts:

Q. *Do you have occasion to try to get information from the computer—and I'm talking about the new computer system; do you have any problems?*

A. Yes.

Q. *What kind of problems are you experiencing?*

A. Well, my office receives calls from out-of-state police departments as well as local police departments in New Jersey where they need driver infor-

mation or vehicle information for crimes that have been committed with New Jersey vehicles.

Q. *What kind of crimes are we talking about here?*

A. We've had a homicide in New York where there was a description of the car that the suspect used and they would have the year and the make of car and partial plate number and they would ask us to give us them a list of all cars that meet this description, that have these particular numbers on the plate, and I tell them that that's impossible to do.

Q. *Do you think you could get that from another state?*

A. Oh, yes.

Q. *Do you recall, do you know any particular states where you can get that kind of information?*

A. New York.

Q. *New York can provide that?*

A. Yes.

Q. *We couldn't do that with the state of the art computer we have?*

A. No. I don't think we have a state of the art computer.

Can't Get Original Documents

Sgt. Casey testified that the inability to locate original documents—some of which may be in the thousand of bags that have accumulated at DMV—is delaying the prosecution and trial of criminal matters:

Q. *Sergeant Casey, have you had occasion to try to get information from the Division of Motor Vehicles in the last, say, five, six, seven months?*

A. Yes.

Q. *Or from the computer or both and have you run into any problems?*

A. We continuously have problems, a lot of problems in obtaining original documents.

Q. *Are they in the bags that we've all heard about?*

A. It gets to the point where nobody knows where they are. It becomes important to have original documents when you appear in court. The problem [is] that the prosecutors don't want to recognize a photocopy and you trying to show on a photocopy.

Q. *How about a microfilm, do they like microfilm documents?*

A. They like original documents so you can actually see the alteration or distinguish whether it's a counterfeit document or whatever problem it is, where the microfilm will not show it.

COMMISSIONER ZAZZALI:
For that matter, that's what the judges prefer based on your experience in court, I would assume?

THE WITNESS: Absolutely. It's hard to show, especially an alteration, it's very hard to show an alteration, the way they do it, you cannot pick it up because it will just blend into the picture, and that's what we're showing them is a picture and not the document.

DMV Rejected State Police Recommendations

Sgt. Avalone was familiar with the attempt in February, 1985, by State Police Superintendent Clinton Pagano through then—Attorney General Irwin I. Kimmelman to persuade DMV to adopt a series of vital law enforcement reforms in connection with odometer fraud. The Sergeant was asked to review each of the proposals briefly:

Q. *Does this document contain some recommendations that were made by the State Police with the purpose to eliminate the vast number of altered motor vehicle titles and odometer rollbacks occurring in the state?*

A. Yes, it was.

Q. *And briefly if we could go through the various recommendations, what's the first recommendation?*

A. Well, the first thing that we recommend is that over-the-counter titles be eliminated.

Q. *In other words, we should have central issue of all titles?*

A. Yes.

Q. *Including dealers?*

A. Yes. Especially dealers.

Q. *Why do you say especially dealers?*

A. Well, because the odometer rollbacks are primarily performed by dealers, who are the only ones that are exempt from the over-the-counter title, which doesn't make any sense.

Q. *And has that been implemented to date?*

A. No.

Q. And the second recommendation, what was that?

A. That the odometer reading on a vehicle be recorded by the owner of the vehicle every time he renews his registration application so that we would have a yearly record showing the increasing mileage on the vehicle. So that when this person sold his car, if the odometer was rolled back by a dealer, we can go back to the original owner's registration records and have documented proof of the higher odometer reading.

Q. Has that been implemented?

A. No.

Q. What's the next suggestion?

A. Well, we also recommend that the odometer be recorded on sales contracts at automobile auctions for the same purpose as the registrations.

Q. Is there a problem, in your opinion, with cars coming from automobile auctions?

A. Yes. The automobile auction is a big wash, in my opinion, for odometers that are rolled back, especially from cars coming from out-of-state.

Q. Any action on that recommendation to date?

A. No.

Q. The third recommendation involves out-of-state dealers; is that right?

A. Yes, it does.

Q. And what was the recommendation?

A. Well, we recommend that any dealers from foreign states that are buying and selling motor vehicles in New Jersey should be licensed by the State of New Jersey so that we would have information on their dealership locations, the owners of the company, signature cards of the persons that were authorized to sign documents, the same requirements that we have for New Jersey.

Q. Has that been implemented to date?

A. No.

Q. The fourth area is legislative recommendations and could you summarize those for us?

A. The federal government requires mileage verification forms to be completed by dealers and persons selling cars to dealers when they trade their vehicle in. This requirement—it's federal law and it cannot be enforced by the State Police. We recommended that New Jersey pass legislation requiring the keeping of these forms so that we could be privileged to obtain the forms.

Q. Did you also make a recommendation concerning needed legislation involving the previously leased vehicles in that that terminology should appear on the title to warn the purchaser that this was a leased vehicle and it might have more mileage?

A. Yes, we did. The same as is required right now for used police vehicles or vehicles that were in a flood.

Q. What's the third legislative recommendation dealing with leasing companies being required to keep certain information to be licensed?

A. Well, we recommended that leasing companies, should be required to be licensed as motor vehicle dealers in that they are dealing in motor vehicles. And they should be required to keep odometer verification forms so that we would have a record of odometer readings, especially since leased vehicles are primarily the vehicles that the odometers are rolled back on.

Q. And finally under legislative recommendations, did you or the State Police make certain suggestions concerning the language in the statute concerning odometer rollback?

A. Yes, the statute concerning rolling back of odometers leaves a lot to be desired. One thing it mentions, it uses the statement "used motor vehicles" when it talks about rolling back the odometer or tampering with the odometer. We recommended that the word "used" be dropped, only because many times the odometer is tampered with by a dealer on a new car, by disconnecting the odometer and driving the car around, using it as a demonstrator car, salesmen usually take cars home with the odometer disconnected. Right now they drive around six, seven, eight months and connect the odometer and sell it. Right now there is no action we can take because it's not illegal.

Q. Have any of the legislative changes you just discussed been adopted?

A. No, they haven't.

COMMISSIONER ZAZZALI:

Sir, Colonel Pagano indicated in his memo that if its

recommendations were adopted, we would cure 90 percent of the odometer problems.

SERGEANT AVALONE: Yes, sir.

COMMISSIONER ZAZZALI:
And title problems?

SERGEANT AVALONE: Yes, sir.

COMMISSONER ZAZZALI:
You both agree with that?

SERGEANT AVALONE: Yes.

SERGEANT CASEY: Yes.

Car Insurance Frauds Widespread

Stanford C. Tice, director of the New Jersey Insurance Department's Fraud Prevention Division, told the Commission he believes that "insurance fraud is the second most pervasive and monetarily productive crime in America," exceeded only by tax evasion. According to his testimony, automobile insurance scams account for a major share of insurance fraud losses and because of inadequate DMV law enforcement controls, many car insurance frauds are taking place in New Jersey. Tice, questioned by Counsel Gaal, declared that the manner in which New Jersey processes out-of-state titles over the counter at its motor vehicle agencies, for example, provides a "conduit" for insurance crime:

Q. *We heard testimony today that in some circles New Jersey is considered the scourge of the east as a title washing state; have you seen any evidence of that?*

A. I wouldn't characterize the State of New Jersey as the scourge of anything, but I would say yes, we are unfortunately in that position right now.

Q. *That title washing is occurring in this state?*

A. Yes.

Q. *Why do you think that's occurring here?*

A. I think primarily because there is no systematic approach to the gathering of information with regard to VIN histories and I think if one were to consider one of the things to do it would be to become a part of that data processing system.

Tice's testimony was based not only on his experience in New Jersey, where he has been the Insurance Department's fraud expert since 1983, but also on his prior background as deputy director of New York's state fraud division and more than 20 years of service in the New York City Police Department.

"Phantom Cars"

Tice's testimony covered a wide range of scams concocted for the purpose of profiteering from false insurance claims:

Q. *Can one license a phantom car in New Jersey?*

A. Yes. There is a series of events that can take place that will accomplish that, but by primarily obtaining a title out of state, if you will, and then coming into the State of New Jersey, you can literally use that negotiable instrument to title a vehicle in the State of New Jersey.

Q. *Is there also a problem with salvage titles?*

A. Yes, there is.

Q. *And what is the problem there?*

A. Well, basically speaking, the carriers assume the risk and the responsibility of insuring a vehicle, sight unseen as it now stands, and they have no knowledge or evidence of the fact that it may be a "cube" [a compacted scrap automobile] in somebody's garage.

Q. *And how are these titles obtained?*

A. Through the normal course of business in the Division of Motor Vehicles. They actually get these titles by attending auctions, out of state or in state.

Q. *And what might one pay for a title and a cube?*

A. Well, say, for example, if you had a late model cube, a high-value vehicle, and even though the car is totally undriveable or unrepairable, the bidding could bring a considerable amount of money at an auction.

Q. *Can you give us some examples?*

A. Let's just say we're talking about a $12,000 vehicle if it were available and driveable on the streets. One might pay say $7,000 for that at an auction. An individual can go into the auction and this cube, which is—

Q. *You mean literally a cube?*

A. Literally a cube, could basically bring about maybe $3,000, $4,000 during an auction and you'd have to wonder why.

Q. *And why do people do that?*

A. Well, they're not really interested in the cube unless it's for decorative purposes, but what they basically are interested in is obtaining the paper, the title.

Q. And what might they do with it?

A. They get it insured.

Q. And then?

A. And then somebody steals their cube.

Q. And they put in a claim?

A. And they put in a claim.

Q. Some of these cubes could be for high-priced luxury vehicles, couldn't they?

A. They could, yes.

VIN Is Like a "Fingerprint"

Similar scams are conducted with cars that have "pre-existing" damage but for which titles are obtained in New Jersey, according to Tice, that don't indicate this. Then the owner "arranges for it to be hit" and sues for the previous damage. One way to reduce such crimes, Tice testified, would be through the Vehicle Identification Number inscribed on all cars and which can be tracked, or which enables a car to be tracked, through a central registry system. His testimony continued:

Q. I'm sure you're familiar with the term VIN—Vehicle Identification Number; is that right?

A. Yes.

Q. Is it in essense like a fingerprint?

A. It's a birth certificate.

Q. What can it tell us?

A. Make, model, date of production, factory production, factory where it originated, and the sequential number off of the production line.

Q. Are there systems to track VINs?

A. Yes, there are.

Q. Is New Jersey part of a system to track the VIN?

A. No.

Q. Are other states part of that system?

A. Yes.

Q. Do you recall any off the top of your head?

A. New York State where I had come from is part of that VIN tracking system and we used the National Auto Theft Bureau for the most part to give us that birth certificate information as well as, say, the life of the vehicle to date.

Other NJ Deficiencies

Tice described other types of auto insurance frauds that can be perpetrated more easily in New Jersey than elsewhere because the State either lacks certain controls or doesn't enforce them. One the witness mentioned was the lack in New Jersey of a statute requiring that every relatively new car be inspected and photographed for insurance purposes. Another was New Jersey's failure to enforce a law that would identify a salvaged car as such on its title. Tice illustrated the types of frauds that these two requirements would discourage, frauds in which so-called "player's cars" are used because prior damages have made them eligible for faked claims:

Q. What is a player's car?

A. Well, a player's car, for example, could be a vehicle that's utilized by an individual whose intent and purpose is to engage in fraudulent activities by claiming to have been involved in an accident or, in fact, being in a staged accident. There have been instances where preexisting badly damaged vehicles have been flatbedded to a location, let off at that intersection and then owners call the cops and said, "We had this terrible accident."

Q. Do crime rings "play" cars in more than one state?

A. Yes.

Q. How serious a problem are these in New Jersey?

A. It's something we can't really determine at this point only because we don't have a mandatory inspection system. If we did, we could limit the amount of occurrences of that nature.

Q. Does New York have a mandatory inspection system?

A. Yes, it does. Vehicles four years of age or younger are required to be inspected by an organization certified by the Department of Insurance and the Department of Motor Vehicles to conduct examinations of vehicles and these vehicles are photographed as well as physically inspected by these private organizations who then supply that information to the carrier who is about to assume the risk.

Q. *We have a salvage law in New Jersey; is that right?*

A. Yes, we do.

Q. *Has it been implemented?*

A. No, to the best of my knowledge, no.

Q. *Would it help this area?*

A. Yes, it would.

Q. *When New York implemented its laws, did it discover a mammoth fraud ring that was operating there?*

A. The initial case that the New York State Insurance Fraud Division worked on had ramifications which are still being felt today. Initially the losses that we were able to uncover and, if you will, they had up until that point, within a three-year period, earned, if you want to use that term, $52,000,000 in fraudulent claims.

Q. *One ring earned $52,000,000 in fraudulent claims?*

A. Right.

Q. *And that was discovered when some of these rules were implemented in New York?*

A. As a result of both the creation of the New York State Insurance Fraud Division and efforts with law enforcement.

Q. *Can you estimate the amount of monies involved in New Jersey?*

A. I think the rule of thumb that's accepted throughout the industry, as well as law enforcement, is approximately ten percent of the premium writings in any one particular regional area could be used as a fraud indicator.

NJ Not In Auto Theft Registry

Tice also testified that New Jersey does not require insurance companies to report car thefts to a centralized national registry:

Q. *In New York are insurance companies who suffer an auto theft required to report to a centralized reporting organization?*

A. Yes, they are.

Q. *Is that the National Auto Theft Bureau?*

A. They have been so designated, yes.

Q. *Does New Jersey require that?*

A. Not to my knowledge.

Q. *Would that be important in the context of what we've been talking about today?*

A. Yes, it would.

Q. *Why?*

A. Well, it provides a history, if you will, of ownership or alleged ownership of vehicles that would curtail the ability of individuals that are bent on moving titles which are, in fact, negotiable instruments from one state through another state and changing the series of names, and it would provide us history and data when examining suspected claims.

Q. *Is the end result of insurance fraud higher premiums?*

A. No doubt in my mind.

Q. *Any other recommendations that we haven't talked about today that you think are important to this area?*

A. I think the mandatory inspection is something that ought to be considered. I think joining a data gathering organization such as N.A.T.B. in their efforts in a combined way would be helpful. I think we find ourselves at the cutting edge of what is probably the most popular crime in America other than tax evasion at this point. People don't really believe insurance fraud is a crime. They think they have an inherent right to defraud an insurance company and we need to address that in a sociological way.

Computer Faulted on Security

Gerald S. Divock, who was an assistant DMV director in charge of internal auditing from 1982 until early 1985, recalled during his testimony his efforts to strengthen the new computer program's security system—with little or no success. His testimony indicated he strongly believed in surprise audits and, in fact, changed the auditing activity at DMV from "very little" when he began his job to auditing "all the functions which I felt were necessary to be audited" when he left. With this background, Divock indicated, he felt compelled during 1984 to assure that adequate audit and other security controls were built into the automated program Price Waterhouse was implementing at the Division. Questioned by Counsel Clark, Divock testified in part:

Q. *Now, during the planning for the new computer*

being programmed by Price Waterhouse, do you recall pushing for a [security system]?

A. Yes.

Q. *Why did you do that?*

A. I felt one of my responsibilities at Division of Motor Vehicles was to ensure that there was an appropriate system in the computer.

Q. *Did you meet with upper management at the Division of Motor Vehicles on security?*

A. Yes, I did.

Q. *With regard to Price Waterhouse, did you meet with representatives of that firm?*

A. Yes, I did.

Counsel Clark asked Divock to explain what he meant by adequate security:

Q. *What are some of the features of such a sophisticated system?*

A. Okay, what you would want to do is to prevent unauthorized access to records, unauthorized changing of records. Only allow certain people, the auditor, to allow certain terminals to be used, to work with certain records; a system where any terminals and the people and functions trying to be performed would be identified and you'd have to have the right system in allowing people to know what to do.

Q. *You provided a list of features to upper management of DMV as well as Price Waterhouse?*

A. Yes.

Q. *Did you take the position such a system should be on board at the time that the comprehensive system became operational?*

A. Yes, I did.

Q. *And that would be before any vulnerable transactions would be processed? When I say that, I mean voiding, duplicates, titles, that sort of thing.*

A. Correct.

Q. *Did you initially [receive] any assurances that such a system would be available.*

A. In the discussions it was agreed that some of the systems should be in place. It wasn't discussed at that time whether it would be or not. . .

Q. *Now, did you raise questions about the lack of such a system at that time?*

A. Yes, I did.

Q. *Were you fairly firm or vocal in your position?*

A. I was. I was in charge of internal auditing, and being [in] that position I felt it was important to voice my opinion when it came to something like this.

Q. *What were you told by people at Price Waterhouse?*

A. At that particular time it was my understanding through being at least with them, there were a lot of things said at a lot of these meetings, there was a problem that they had intended to use and because of that problem the type of sophisticated C.R.T. [Cathode Ray Tube] security would not be available initially.

Q. *Was there any indication at that point that they would not provide [a] detailed security system?*

A. Prior to that there was some discussion concerning whether or not they were actually responsible to implement such a system.

Q. *So you say you learned there was a question as to whether Price Waterhouse was . . . to provide a detailed security system?*

A. That's correct. What had happened, we had discussed this and I had been discussing this all along with them from the onset of the project which was around, I believe, around November, and that's a guess, whether or not they were actually for doing this. That question came up . . . We were anxious to get this done regardless . . . because I felt it was a necessary system.

Divock indicated an "interim system" was provided for computer security purposes but it fell short of his standards:

Q. *Do you think the interim system offered some protection?*

A. It offered . . . protection but not as much as I would like to see.

CHAIRMAN PATTERSON:
So not sufficient?

THE WITNESS: In certain areas it was and certain areas it wasn't. On the overall look at the controls, I'd say it wasn't the full system I would like.

Q. *Did Price Waterhouse representatives indicate that a sophisticated security package would be available to the State?*

A. Yes, they did.

Q. *Did they indicate when this would be available?*

A. From my recollection, the latest that was said concerning that was that it was going to be a year or so before that would be available. That's what I recollect.

Q. *A year or so dating from when?*

A. From around the end of '84.

Two Former DMV Directors Testify

Two former directors of the DMV testified during the public hearing's final hours. They were Joan H. Wiskowski, who was director from August, 1980, to March, 1982, and her successor, Clifford W. Snedeker, who ran DMV until his resignation in April, 1985. Their testimony confirmed that DMV's problems persisted no matter whether Democrats or Republicans were in charge, that the politicization of the Division was a bipartisan failing and that unsuccessful DMV reform efforts which had highlighted previous administrations also dominated their own regimes.

DMV Deficiencies Were Historic

Wiskowski, owner of an advertising agency in Jersey City, was DMV's director under former Attorneys General John J. Degnan and James R. Zazzali during the Democratic administration of - Governor Brendan T. Byrne. Questioned by Counsel Gaal, she testified about many of the contentiousissues that had plagued her predecessors and were to concern Snedeker when he succeeded her:

Q. *What were the main problems that you found at DMV when you first came into the position?*

A. First and foremost, I would say that the problems were service to the public, the agencies being inaccessible to the public by phone or in person, long waiting lines at the agencies, few or no services for the non-English-speaking public, and fairly inadequate levels of assistance provided to the public, both at the agenices and at the Division itself.

In addition, problems less obvious to the public were internal operations of the Division of Motor Vehicles, large backlogs, issuing driver's license renewals and registrations, license restorations,backlogs in answering correspondence; also there were high error rates, high staff turnovers which resulted in some of the poor quality service to the public.

Another area of problems centered around systems and procedures at the Division, inadequate and technologically obsolete systems and procedures, not allowing the personnel in the Division to take advantage of the availability of technology to speed transactions and to bring down the error rate to moremanageable levels.

In addition to that, I would say the other area, maybe the cause of the first three I mentioned, would be problems relating to security, document security, as well as cash control and management security.

Q. *Is it fair to say that the funding level for DMV had not kept pace with legislative and administrative mandates?*

A. Yes, I believe it is. And I think if you look over the course of many years and see the additional burdens placed upon the Division for the primary responsibilities of licensing and registration, as well as the additional well-intentioned legislative mandates that the Division was responsible for performing in an administrative way, you could see that the needs for funds far outstripped the ability of the Division to obtain those funds, and, in fact, the Division was very much in need of additional funds to perform its primary roles.

DMV Agency Management Controls Lacking

Wiskowski also recalled how difficult it was to maintain managerial control over the politically favored agents in DMV's agency system. This lack, then as now, impeded efforts to provide more adequate public service because certain agents would refuse to work in the evenings or on Saturdays. And also then, as now, the integrity of the system—or lack of it—was a constant concern, as Wiskowski testified:

Q. *How would you rank the issue of integrity and security of documents, such as titles and licenses?*

A. It was a very significant problem. The issuance of licenses and titles is very important to law enforcement in the state, not only to effectively control stolen cars, and so forth, but also for the purpose of highway safety, and if we did not have an adequate system to assure that licenses and registrations and titles were being given out properly or called back when they were supposed to be called back, then we couldn't insure effective law enforcement.

Q. *Should there be a concern or effort to stop bad documents before they get out into the public?*

A. Absolutely. Once they are in the hands of the public, there is no almost no way to prevent their fraudulent use.

High Praise For State Police

Wiskowski's concern for the security of the DMV's operation, at headquarters as well as at the agencies, prompted her to initiate a strong working relationship with the State Police—a relationship that was to become sharply reduced in the current administration. Wiskowski's testimony on this subject:

Q. *Were you concerned about the lack of accountability internally at DMV?*

A. Yes.

Q. *Was the integrity and security of documents, files, money, and so forth, a concern?*

A. It was a primary concern.

Q. *Did you coordinate or work with the New Jersey State Police?*

A. Yes, I did, and in several dicussions with the attorney general we made a determination that document issuance and cash management was such a significant issue that we thought it was in the best interest of the State and the public to get the very best experience and talent to work with us. We then set about specifically to recruit a number of people from the State Police who were retiring at the rank of major to work with us in establishing controls and monitoring systems.

Q. *Would you describe for us the relationship between DMV and the State Police at that time.*

A. The relationship between the Division of Motor Vehicles and the state police was an extremely effective working relationship. We could not have accomplished what we did were it not for the strong support and very active support of the State Police and specifically Colonel Pagano.

Q. *Do you feel that those people that you brought on board at DMV who had worked for the State Police contributed to the goals you had set for DMV?*

A. They contributed immeasureably in many ways: in establishing an audit, internal audit section, in coordinating the very many investigations that we had begun between State Police and [the Division of] Criminal Justice and Motor Vehicles and local law enforcement agencies, and in insuring the timely disposition of license restorations and renewals. They were extremely effective in the work that they performed.

Q. *If you know, are any of those people still at DMV?*

A. To my knowledge, they are not.

Ombudsman Position Created

The position of ombudsman, an independent official for processing citizen complaints and otherwise monitoring bureaucratic performance, was created during Wiskowski's term but was not carried over by her successor. Since the Commission was considering the prospect of recommending its revival, Wiskowski was asked to testify on the subject:

Q. *Did you start the ombudsman position?*

A. The ombudsman position was a position that was recommended in the previous report to the Attorney General by the Public Advocate, I believe it was a 1979 report that called for establishing an ombudsman, and the Attorney General and I did implement that recommendation.

Q. *Generally speaking, what was the role of the ombudsman?*

A. The role of the ombudsman was two fold: one, it was an individual to serve at the most senior level within the Division of Motor Vehicles to address specific citizen complaint problems, and, in addition to that and probably equally as important, was based upon the patterns of complaints coming in to that office from citizens as well as based upon complaints that were coming into the Office of Citizen Complaints. There would be recommendations made for changes. And, for example, if we were having significant problems with non-English-speaking citizens, there was a pattern that we would quickly determine. The ombudsman would have the ability to work towards a structural change of that problem so that that problem could be resolved and we could go on to the next.

Q. *Was the ombudsman independent of administrative or bureaucratic restraints?*

A. The ombudsman reported to me, and if I didn't give the ombudsman satisfaction, the ombudsman had the opportunity to go directly to the Attorney General.

Q. *Do you think it was a valuable position to have?*

A. Very valuable in terms of the citizen complaints about handling and service.

Price Waterhouse Origins at DMV

Wiskowski recalled that she embarked on a DMV reform program that emphasized both short-term and long-range objectives. As for the latter, she stressed that the long-term analysis was not intended to be a problem solver but was, rather, to determine the "extent of the problems, for the first time in a clear way, from a management point of view, a service point of view and a technological point of view." For this extended outlook and planning project, DMV employed the "Big Eight" accounting firm of Price Waterhouse. Thus began prior to 1982 an association by Price Waterhouse with DMV that was to develop four years later into a major public controversy.

Snedeker Faced Instant Crisis

When Clifford Snedeker took office as director in April, 1982, DMV was maintaining its historic problem pattern. An almost instant crisis confronted him, Snedeker recalled at the outset of his testimony:

Q. *Were you confronted initially with the crisis of long lines at inspection stations?*

A. The first thing I had were the long lines in the motor vehicle inspection stations during that summer and we had to try to solve that problem.

Q. *Is it fair to say that that was your first priority?*

A. Yes, it was.

Mass Turnover of DMV Agents

Amid the problems of restoring adequate service to motorists at the DMV at the beginning of his term, Snedeker also was confronted by another burden—replacing the 40-odd agents who ran his Division's motor vehicle agencies. An insurance broker who also was an active Republican Party member and who had been an Assemblyman, Snedeker recognized the political factors involved in the appointment of agents whose assignments had been accepted Republican or Democratic party patronage since the early 1900s. Having succeeded a Democratic administration, Snedeker knew that a mass turnover of agents would occur and that Republicans would be replacing Democrats. He recalled that he began receiving numerous telephone calls about agency appointments:

Q. *Did you receive calls from politicians about people they knew who wanted to be agents?*

A. Yes.

Q. *Did you get a large number of calls?*

A. Yes. We had about 50 agencies, and I would say we had several hundred people who wanted the positions.

Q. *Did you get calls from both Republicans and Democrats alike?*

A. Yes, I did.

Q. *Did you hear from certain categories of people, such as county chairmen?*

A. Yes, county chairmen, legislators, congressmen, citizens, people in the administration, people who worked for state government, people who didn't.

Q. *Did you hear from people who were not politically affiliated?*

A. Yes.

Q. *Did you have more than one candidate for each agency?*

A. I would guess, I would say about three plus for each agency we had.

Q. *Did some people want the agency for themselves, such as county chairmen?*

A. Yes, they did.

Q. *Did you get calls from lower echelon people who said they worked in the governor's office?*

A. Yes.

Q. *Did you get letters?*

A. Yes, there were a number of letters, and they are all in the files.

Snedeker Improved the Appointment Process

While accepting political realities that he could not change, Snedeker attempted to at least refine the process. He instituted certain changes in the procedure for appointing agents in an effort to promote other-than-political qualifications for the jobs and to discourage absenteeism among agents. Counsel Gaal questioned him about these reforms:

Q. *When you came to be director, was there a procedure set up to handle the appointment process prior to your tenure?*

A. Not to my knowledge, no.

Q. *Did you make an effort to set up a procedure and*

did you, in fact, set up a procedure?

A. Yes, we set up an application procedure, yes.

Q. *And, to your knowledge, there had been no application procedure before, or application form before?*

A. Not to my knowledge, there wasn't.

Q. *Did you interview all interested candidates?*

A. Yes, everyone who had an interest.

Q. *Did you want to require more time to be spent by the agent in the agency?*

A. Yes. We were computerizing agencies and it was required that we put in more equipment than the normal typewriter and it would require that we have more personnel and more time for the agent, and that included weekend hours and evening hours.

Q. *Did you require a minimum of 30 hours per week of the agent when the agency was open?*

A. Yes.

COMMISSIONER GREENBERG:
Before you were director, Mr. Snedeker, was there any minimum time requirement for these agents?

THE WITNESS: No. Many agents were absentee agents completely.

COMMISSIONER GREENBERG:
So it was during your regime that you instituted this minimum 30 hours per week?

THE WITNESS: Yes. There were no requirements that the agent had to be in his agency before I became director.

BY MS. GAAL:

Q. *You mentioned the absentee agents. Were there problems with the absentee agents or were you concerned with—*

A. We were concerned about having absentee agents. We felt that if the agents were there they would take a greater interest in the citizenry and it would be better service for the public.

Q. *Now, the absentee agent, would they pay a manager or head clerk to run the agency or—*

A. Some had their wives and members of the family and others hired people.

Q. *Is it fair to say that you wanted full-time agents, so to speak?*

A. As much as possible.

Q. *Did the Division of Motor Vehicles have little control of the number of people hired by the agent?*

A. We had some control over them. If there were a number of terminals put into an agency, they were required to have personnel to man those terminals. We would not put terminals in and have those empty, and we required them to have terminals if the volume required it.

Q. *In the past was there little control over the number of employees?*

A. There was no control over the number of personnel you had to have.

COMMISSIONER ALONGI:
The contracts, they would [specify] the number of people to employ?

THE WITNESS: It said we had the right to tell them the number they had to hire. There was no specific number in the contract, to my knowledge.

BY MS. GAAL:

Q. *Was this agreement new to your tenure as director of DMV?*

A. Yes, it was.

Q. *Is it fair to say that it was designed to have some greater control over the agent and what the agent was doing, how the agent was running the agency?*

A. It was designed to give better service.

Solved Inspection Crisis First

Snedeker didn't start hiring new DMV agents until he resolved the inspection station congestion. He conceded the political nature of the appointments:

Q. *You mentioned you got lots of calls and there were lots of applicants. Why did so many people want to become motor vehicle agents?*

A. I think that many of them thought it was a business where they could be their own boss, that there was a profit in the business. Certainly, if you ran it the right way and put your time into it, there would be a profit in each one of those agencies.

Q. *I think you also made it clear that you faced a crisis when you came in as director of DMV. At some*

point were you able to deal with that crisis and were you able to address the reappointment of agents?

A. Yes. About August and September of that year, that first year I was in office, we could pretty much say that we solved most of the inspection line problems; at least we started to, anyway.

Q. *Did you ultimately replace most of the agents?*

A. Yes.

Q. *Why did you replace them?*

A. New people came in and were interviewed and I was impressed with those who were interviewed. Many were referred to me by the county chairmen, many were referred by the state chairman. It was political patronage for agents' appointments at the time.

Q. *Did you get complaints from people about the fact that you didn't do it fast enough?*

A. A number of complaints, number of letters that I received as soon as I came into office, [saying] it should have been done the day after I was there, yes.

Q. *But you wanted to deal with the inspection line problem?*

A. I had the problem with lines, and we solved that first.

Q. *Did you try to give it to county chairmen when they asked for it?*

A. If at all possible, yes.

DMV Site Leases

Snedeker recalled some of the problems of leasing sites for DMV agencies in various localities, as cited by other witnesses in prior testimony. He testified that the state's leasing procedures needed to be reformed:

Q. *What suggestions would you make in the area of leasing motor vehicle agency sites?*

A. I think there has to be a much better system. It depends on what you're going to do with the motor vehicle sites, whether you're going to make them owned and operated by the State or by agencies. I would like to see a site that consisted of an inspection station like Bakers Basin, and motor vehicle agency and driver improvement center.

Q. *Why?*

A. Because it's inconvenient for the public to have them go to the agency and get a permit or buy a car and get the license or registration at an agency and then go another 10 or 15 miles to have the car inspected and then take their son another 20 miles to go get a driver's test someplace else and then come back to the agency 20 miles away to get their license validated, it doesn't make any sense.

Concedes Fraud Problems

Snedeker recalled that he attempted to process all titles out of Trenton, a central issue procedure such as New York follows, but that both car dealers and banks objected so vigorously he rescinded the order. He indicated the objections related to the inability of financing car purchases expeditiously if banks could not have car titles immediately at hand. Nonetheless, Snedeker conceded that security of titles and other documents was lax. He recommended the establishment of a small force to improve the security and integrity of DMV operations:

Q. *In you opinion, is the New Jersey title well checked?*

A. No.

Q. *Has it ever been?*

A. No.

Q. *Would you agree that there have been problems with out-of-state titles being washed through New Jersey?*

A. Yes.

Q. *Have there been odometer rollback problems?*

A. Yes, and they have occurred not only in the last three years, but for the last 40 years.

Q. *And not only in this state?*

A. In all states.

Q. *What was the relationship between the DMV and the State Police when you were there?*

A. We had a good relationship, except that the State Police were at the time in the same crunch that we were in manpower and that they could not do all the services for Motor Vehicles that we thought the State Police bureau should do. Motor Vehicles did have its own highway patrol originally. That patrol was finally turned over when I was there to the State Police officially, and it was turned over before I arrived there, they were working for the state police at that time.

I think the Division needs to have its own manpower, not for highway patrol but for external and internal security purposes of checking titles and picking up licenses and registrations, which the Division does not do. I think without that you're never going to solve the security in the Division, because the State Police cannot provide the manpower. We have three or four troopers working there in the auto theft division and it's not enough to control the volume of work that the Division has with possible valuable paper material that can go out of fake automobile registrations.

Q. *This enforcement unit that you say we need at DMV, would it be a relatively small unit?*

A. I don't think you're talking over 50 to 70 men, depending upon how much enforcement you're going to do. The Division in the past, years ago, in talking to enforcement personnel, used to go out and pick up licenses. Motor Vehicle has a lot of bad checks given to it and we don't go out and pick up the license plates and they are still driving until they can get picked up on the road for a violation. We can pick up the license plates with our own personnel and go out and make the necessary investigations.

We do make some investigations now in the Motor Vehicles inspection stations of cars that we feel are being snuck through and again stickers put on the cars illegally, but it takes manpower away from inspections and there is not enough enforcement personnel, so we have to work with local authorities.

Civil Service Reform Urged

Robert S. Kline, acting director of DMV since Snedeker's resignation in April, 1985, had been the Division's deputy director since 1982. During his testimony at the public hearing he was supportive of his and his staff's efforts to modernize DMV and to improve the adequacy and efficiency of its operations. At one point he urged—as did the Commission at the conclusion of the hearing—that the present agency system be replaced by agencies operated and staffed by the State. To effectively accomplish this reform, he testified, New Jersey's civil service statutes would have to be revised. S.C.I Counsel Morley asked him to elaborate:

Q. *Do you believe that there are going to have to be some civil service concessions in order to make a state-run agency system work?*

A. As I have testified before in executive session, the civil service system does not work necessarily to the benefit of serving the public, and particularly the greatest illustration of this is the Division of Motor Vehicles.

Q. *For the moment I want to limit my question to whether you believe there would have to be concessions made in the classification and ranking of salary ranges in an agency or any other civil service concessions in order to make a state-run agency system work.*

A. Yes, most definitely. I think that you have to come up with some type of category in civil service based on education and experience, perhaps, to allow for a group of individuals who can be trained to be put in without having to go through a long, lengthy process of testing, and who may not necessarily have the qualifications to run the agencies and then could compensate them more than they would be in some other area of some other department because they are on such a low level in the civil service structure. And you also have to do that for another reason, because if at that agency you have someone resigned or someone is terminated, or whatever, and you get three or four resignations, without the ability to quickly fill those positions, you're going to again have problems in servicing the public in that particular agency. So there are three elements that you have to look at in any type of civil service reform with that particular category of service to the state government.

Q. *Do you believe that there is a need for further expansion of the unclassified corps of managers in the Division of Motor Vehicles?*

A. I believe so. I believe, based on my experience, that it should be a generic type of designation. I think people get stale somewhat when, after years and years and years that they are in one job, they lose their objectivity about it, and I think that if a director has the ability to have a generic title of, say, assistant director and have six or seven of those, and if, in fact, he finds that one person is talented in another area and has the ability to move that person into that area, I would most definitely say that there should be an assistant director dedicated solely to supervising the agency system, because it's such a huge system regardless of what way the State chooses to go.

Q. *Do you think there is any need to extend unclassified service in the Division any deeper into the Division than the assistant director level?*

A. I think there has to be civil service reform, because again you have individuals who are entrenched in titles, and regardless of their performance one way or the other they are there, and they serve as an impediment in many cases. And then, on the other hand, I have seen many examples of individuals who did outstanding work at lower levels and it is extremely difficult, if not impossible, to reward them for that.

COMMISSIONER GREENBERG:
Why is that?

THE WITNESS: Because they are not in a position where you can promote them two or three rungs higher, Commissioner. They have to go the next level. And if the next level happens to be filled by someone who hasn't died yet or who hasn't resigned yet, then that individual has to get into another category or go to another department or go to another division.

Kline Sought Security, Auditing Aid

Counsel Morley noted the "considerable discussion" by previous witnesses about the inadequate security and integrity of documents and procedures at DMV. He asked Kline a number of questions in this area:

Q. *Do you believe that the Division is presently doing enough in the area of internal audit to maximize its efforts to protect the integrity of the system?*

A. I would have to preface that answer by saying we are doing a hell of a lot more now than we did three years ago, because three years ago we didn't have a professional internal audit section.

Q. *Even considering that, are you satisfied?*

A. No, I am not satisfied. I think there will always be a question as to whether you're doing 100 percent. I would say that we are doing a very credible job compared to what was being done in the past, but I think, yes, you can do more. You can hire more auditors, you can hire more high level people than clerks to examine documents. But right now in a lot of areas you do have people who are clerks, paid $10,000 a year, or seven or eight or nine thousand, to examine documents and do things that maybe you should have professional auditors do.

Q. *Have you made any recommendations, either to the Attorney General or to the Governor, in the area of upgrading the internal audit capacity in the division?*

A. Indirectly, I have. That's in the enforcement area I have made recommendations to the Governor's office and to the Attorney General's office.

Q. *Could you share with us what some of those ideas are that you have proposed?*

A. The idea that I proposed is that we should have an enforcement unit within the Division that would have the capability, by statute or otherwise, to be an enforcement unit, to do a lot of the checks that involve integrity, to license commercial dealers. We license auto body shops, we license private inspection centers, and we also have the requirement that we have to maintain inspection of these various businesses to insure that they are complying with various rules and regulations, and we have no enforcement mechanism to do that. We refer all of these matters out to the State Police. As a matter of fact, in the past twelve months we have referred 241 matters to the State Police, and approximately a third of those have resulted in some type of complaint or arrest, action being taken. But I think that in conjunction with the professional internal audit section that we have that an enforcement unit is indeed necessary, and I have made that recommendation.

Kline contended that, contrary to statements by some law enforcement witnesses, "you had a much less secure system" prior to the current administration. Further, he claimed that DMV examined more than 2.4 million titles in 1984 and only a fraction of a percent required referral to state or federal law enforcement authorities. Much of Kline's testimony similarly defended of DMV's practices. He was asked by the Commission to comment further on the security issue:

Q. *We have heard considerable testimony over the past two days about the problems of title fraud. Now, you have already pointed out your view that title fraud is not a significant problem.*

A. No, I didn't point out that it wasn't a significant problem. I just wanted to balance out some of the testimony that had been given with facts.

Q. *That the numbers don't match the characterizations that have been put on the record so far?*

A. That's correct.

Q. *In view of the facts that you're aware of and that you have pointed out to us today, do you have a view, an opinion, as to whether central titling is, a, necessary and, b, desirable?*

A. Regarding central titling, I feel that once the

Division is done with its computerization project, once we are done with resolving the issue of agencies, and once we dedicate sufficient resources and sufficient civil service reform to hiring appropriate individuals, at that point we can consider central titling, because if we did it today you would not get your titles.

And to answer Chairman Patterson's question to Director Snedeker why they can do it in New York but we can't do it in New Jersey, it's my understanding that the reason in New York, by statute or regulations, I am not sure which, that a dealer can get his lien, his encumbrance released, that the bank has the application for the title as opposed to the title itself. Now, we can't do that in New Jersey.

CHAIRMAN PATTERSON:
We could change the law to do it.

THE WITNESS: We could, yes, we could, and that's probably a good recommendation if, in fact, that can be done, if the various constituencies would agree to that. My experience, based upon what I am told in New York and Pennsylvania—first of all, in Pennslyvania, it's the only way you can do it. They don't have agencies. As a matter of fact, Pennsylvania has come over to New Jersey because they want to implement agencies, they want to have our agency system, maybe not exactly the way it is right now, but they want to have some reasonable facsimile thereof.

Regarding New York, I have heard the horror stories in New York. If you talk to the banking community,very reputable members of the banking community, they will tell you that New York can tell you just as we can tell you it's only a 20-minute waiting time in an agency, they can tell you that it's only 15 days to get a title, but try it. It doesn't work that way all the time. It can go as much as three months, nine months, depending upon particular budgetary constraints that you have in central DMV headquarters in Albany.

CHAIRMAN PATTERSON:
But given the timing, given the people and problems behind you, you would recommend the central process?

THE WITNESS: Yes, given those conditions that I have specified, yes.

BY MR. MORLEY:

Q. *One last area Mr. Kline, it's one that you discussed with the Commission in Executive Session and it's one that you adverted to a little earlier and I don't think we quite got into it.*

Do you have an opinion as to whether the Division of Motor Vehicles should be reconstituted as a separate department of state government?

A. Yes. That's another recommendation I have made, I think it should be a department, and the reasons being, first and foremost, that as a division it puts a ceiling on the titles and the salaries of everyone that works in that Division, all 2,200 individuals, and, as a result, I think that is, in my mind, the greatest reason to make it a department so that if there is no civil service reform and, hopefully, there will be, but if there is not civil service reform, you can at least compensate those people and attract those people that you would want to do this work, which is it's a clerical intensive operation and you have a lot of people that are paid very, very low salaries and given great responsibilities and they do a hell of a job for the amount of money that they are paid.

1985 Task Force Study

During the summer of 1985 it was apparent that the computer program Price Waterhouse was implementing for DMV was malfunctioning in a number of critical areas. This was at least one of the reasons why a special task force to review DMV's agency system was organized, according to the next hearing witness, Robert J. Russell, supervising projects manager for the Office of Telecommunications and Information Services (OTIS). One of his duties, he recalled, was "dealing with the cleanup" of the DMV's new computer system, a duty he felt would be advanced by a swift but intense study of the Division's agency system. The task force, which began its work on July 1, 1985, consisted of representatives of OTIS, DMV, the Office of Management and Budget and a state technical consultant, the Honeywell company. Russell subsequently became chairman of the task force. In response to questions by Counsel Clark, Russell summarized the goal of the task force as follows:

A. Well, one of our objectives was to take a look at the agencies because we were beginning to hear that there were a lot of emerging problems as the customers were not being served and that the data base was not being updated accurately.

There was also a concern that while we were doing that we also could have been helping the local motor vehicle agencies to improve their efficiency and their service to the public and to upgrade their operating standards.

Q. *This was a type of organizational development activity?*

A. And a review, as well.

Q. *Now, why was OTIS involved in something like this?*

A. I think it's because primarily that we were concerned with all the problems that were occurring and at that moment there was no one group that was at that time willing to jump in and try to take a look at the problem in a comprehensive manner and try to arrive at a set of recommendations that could help to cure some of these problems.

Q. *Is it correct that OTIS was, in part, responsible for implementing the computer system within the agencies?*

A. No, I don't think that OTIS was responsible for the implementation. That implementation, as I remember reading some of the contract documents, was on the part of DMV and Price Waterhouse. The system was being implemented on equipment that was under the control of OTIS.

Studied 15 Representative Agencies

According to Russell, the task force selected 15 representative motor vehicle agencies for study and comparison, which was accomplished primarily by personal observation by teams of task force members. Emphasizing that the agencies under review represented 30 percent of the total number of agencies, Russell contended that the group was a "good sampling size" from which significant findings could be extracted. For example, he recalled, about 15 percent of the 15 agencies were ranked as excellent, 15 percent as poor and the remaining 70 percent as "in the middle."

That some of the task force conclusions were negative comes as no surprise to the S.C.I. but a few were of particular interest. For example, the study indicated, according to Russell's testimony, a cool relationship between DMV employees and management:

Q. *Did you find some employees of the agencies had negative attitudes towards the Division of Motor Vehicles central office?*

A. Probably about the best term that we found to describe that situation was one of almost an adversarial situation, and it went so far as people telling us how difficult it was to get supplies, how difficult it was to meet the security requirements, how difficult it was so many times simply to get some kind of help out of the central DMV.

Security Again an Issue

Russell said that questions were raised about DMV security in both the administrative and technical aspects of the computer program. It was decided that a meeting on the issue should be held late in August or early in September, after the task force had concluded its review, but that DMV objected to including any State Police input, according to Russell's testimony:

Q. *Did you recommend state police representation?*

A. Yes.

Q. *And what was the response from the Division of Motor Vehicles personnel?*

A. They didn't want to have the State Police involved at all because it was felt that there was enough talent for the security issue in-house at DMV and it could he handled that way.

Q. *Who indicated that from the Division of Motor Vehicles?*

A. That was Chris Cox.

Q. *Now, regardless of whether the State Police attended, did that meeting actually ever take place at all?*

A. No, it did not. The reason why it didn't is because on the day or two days following that conversation with Chris she was supposed to have received a report from some of her staff that addressed the security issue.

Q. *Was it the case that Miss Cox indicated she felt that her own staff could adequately address the security issues?*

A. Yes.

Q. *Did you feel that they would be able to adequately address the security issues?*

A. Well, no, I didn't, but that's largely because of the observations that we made on our visits to the agencies. In other words, there were problems at the agencies that dealt with security that many of us felt that if they had been there for so long and they had been recognized for so long, why are they going to be completed tomorrow just because somone would ring a bell.

Finally, Russell's concluding testimony suggested that, so far as the task force's efforts were concerned, DMV was not fully supportive:

Q. *Did you get the level of support that you felt was appropriate for this DMV task force effort?*

A. In a final sense, yes, we did get it, but we had to go after it in order to get it.

Q. *How do you mean you "had to go after it"?*

A. Well, frequently we would ask for some information, some copies of documents, and so forth, to come to us, and they wouldn't come. But we found out that we could get them by going to the DMV headquarters and saying, Here I am, I called for something, it wasn't mailed, can I have it now, and we would get it.

S.C.I. Chief Accountant's Audits

S.C.I. Chief Accountant Cayson, the public hearing's concluding witness, described in detail the in-depth fiscal review to which DMV's agencies, and selected agents, were subjected. He recalled that S.C.I. auditors made unannounced personal observations at the 51 agencies at least twice and up to a dozen times at 10 of these sites. In addition, DMV fiscal data for all 51 agencies for the years 1983 and 1984 were analyzed and intensive audits were conducted of the books and records of certain selected agencies, namely those in North Bergen, Cherry Hill, Camden, Bergenfield, Edison, Bayonne, Bakers Basin and Williamstown. The charts that Cayson previously discussed (See pp. 16 and 20) were again reviewed. Further, a third chart—Space Utilization Based on Transactions Processed in 1984—was introduced. Cayson said itdemonstrated a relationship between the square footage of an agency and the volume of its transactions. On this basis, according to Cayson's analysis of the chart, the 32 agencies with the lowest volume of transactions were conducting business in offices with the least amount of working space. Counsel Clark's concluding question concerned whether the staff audits had demonstrated that the agencies by and large were profitable entities. Cayson's response:

A. I have used gross profit because the prime costs of doing business by any business entrepreneur-agent have been assumed by the state. By that I mean the rent, utilities, the janitorial services, telephone, light, heat, and power and anything else in the matter of supplies that may be needed.

With limited exceptions, the gross profit by an agency is a close approximation to the net profit. In fact, we had one agent—in fact, one of the most profitable agents in the state testify at executive session that his gross profit was his net profit because he had no other profits.

In my opinion, motor vehicle agencies are very profitable because, A, the agent has no equity investment in the business; B, all expenses, except payroll, are assumed by the State; C, agents have a fairly predictable volume of customers, therefore, a so-called monoply in a certain geographical area; and D, the 30-hour arrangement enables many agents, as we have heard by testimony here, to engage in other business activities. In other words, they can put in their 30 hours, make a reasonable profit, and also do other things.

Concluding Statement

S.C.I. Chairman Patterson concluded the hearing with a statement which outlined the primary findings of the inquiry—according to the testimony of more than a score of witnesses—and listed the Commission's recommendations for reforming DMV and its agency system. The reform proposals actually were the product of deliberations dating back to the Commission's executive session interrogation of witnesses and thus were ready for incorporation in the Commission's final statement at the close of the two-day hearing.

Chairman Patterson indicated that the hearing had confirmed the Commission's concern about the administrative inadequacies of DMV and its agency system "as well as the partisan political influences that have encouraged such incompetence since the system was initiated in the early 1900's." His closing statement continued:

The public hearing record has confirmed our belief, as stated last April when we announced our investigation, that most motor vehicle agents have been selected primarily for reasons of political patronage and only secondarily on the basis of how they can most appropriately cope with the problems and requirements confronting New Jersey's five million plus automobile drivers. Witnesses have demonstrated, some more reluctantly than others, that the system as a whole, not just the selection procedure for agents, is in dire need of reform. Managerial controls are so inept that the Division's main office has been unable to eliminate the absentee problem among agents, even though some 25 representatives, or one for every two agencies, have been appointed to monitor the system. Indeed, we heard testimony that certain of the more negligent agents, whose gross profits ranged up to $93,000.00 a year, spent hardly a couple of hours a week at their agencies, and this absenteeism took place during the

chaos of the Division's computer crisis when thousands of drivers were being inconvenienced by lost licenses, registrations, and titles.

License Frauds, Title Scams

We also received testimony about driver's license frauds and auto title scams that have occurred because of the Division's failure to assure the security of its vital paperwork and the integrity of its procedures. In fact, the security operation staffed by retired State Police officers that once operated at Trenton headquarters was disbanded rather than expanded.

As the hearing record indicates, the whole subject of security, so necessary in the honest titling of cars, in the proper utilization of licenses for identification purposes, indeed, to guarantee the Division's public credibility, has been largely overlooked at the Division. No administrative deficiency appalled the State Police and other agencies concerned with motor vehicle law enforcement problems more than the low priority given to system integrity and security. This kind of step-child treatment for security procedures apparently also figured in the Price Waterhouse computer fiasco, the hearing record indicates, but this issue will be further explored in our continuing inquiry into the Division's management and Price Waterhouse's implementation of the motor vehicle computerization contract. As noted in the statement with which we opened this hearing, our investigative findings with respect to the Price Waterhouse contract will be the subject of a subsequent public action.

The Commission has considered, both during its inquiry and in the course of these public proceedings, a number of proposals that might diminish the Division's reputation for inefficiency and carelessness while also increasing its value as a vital law enforcement tool. In addition to our own deliberations, some possible reforms also have been discussed during the course of this public forum that the Commission believes should receive serious consideration.

Reform Recommendations

As Chairman Patterson stated, the Commission combined its reform proposals with significant recommendations that were made during the interrogation of witnesses at its hearings or that were submitted as exhibits during these hearings. This program of proposed reforms follows:

Establish State-operated DMV Agencies

The DMV should convert all privately-operated motor vehicle agencies into State-operated agencies, staffed by State employees. This will have the effect of depoliticizing the agency system while enabling the Division to establish direct control over the handling of transactions through its own personnel. State-operated agencies should be located, whenever possible, in major shopping malls, not only to assure adequate parking but also to provide alternate activities for members of the public while their motor vehicle transactions are being processed.

A recommendation for State-operated agencies was made after a 1979 study of DMV and was followed in 1981 by another review which proposed that agencies be allocated on a competitive bid system, except for existing State-operated agencies. The competitive bid proposition, we believe, is contrary to the Commission's insistence that DMV's administration be based on sound business tenets since it would be operating its agencies in part with private enterprise and in part as a state enterprise. There has been testimony that State-operated agencies have a better general record than the private agencies. But more important is the Commission's belief that only by making the DMV totally responsible for the conduct of its agency system can the necessary administrative controls be imposed and the operational patterns be set that will enable the agencies to properly serve the public.

As noted, the Commission considered the possibility of open bid competition for the privilege of operating the agencies but was concerned that public service might be sacrificed, as it has been by a number of the present agency operators, in order to assure profits. Public service is not a typical marketplace activity that can be withheld or reduced to increase an operator's cash return. Further, the Commission believes that the proposed conversion of the agency system from the political appointment process to an extended state government function would be in line with the Division's already developing trend towards state operation, since more than a dozen of the 50-odd motor vehicle agencies are presently state-operated. At these agencies, at least, there is a direct rather than an indirect responsibility of state government to serve the public. A state-operated agency system may not be a perfect system, but, with constant fine-tuning, it should be a decided improvement over the long-term than the present system.

Eliminate Civil Service for DMV Managers

The Commission believes that a major impediment to effective administration of the Division has been an entrenched cadre of managers over whom the Director has had insufficient authority because of Civil Service rules. As a result, a rigidity of executive conduct has

developed, discouraging individual enterprise and innovation. The Commission recommends, therefore, that an immediate effort be made to reconstitute all top supervisory positions as **non**-civil service positions.

Restore the position of Ombudsman

The position or office of DMV Ombudsman should be re-instituted in a manner that will guarantee its independence of political partisanship. This office should serve as a liaison between the DMV and the public and as a "trouble-shooter" against inefficiency and internal fraud. The Commission realizes that DMV replaced its former Ombudsman's office with an Information and Citizens Complaints unit. Whatever its merits, this office has not been distinguishable from any other part of the Division's bureaucracy.

Strengthen the Mail-in System

Probably the most striking step toward increasing the efficiency of the DMV in processing licenses and registrations has been the "mail order" arrangement for the process accompanied by an extension of the licensure terms. The mail-in system should be expanded and otherwise strengthened so that it can be utilized for as many DMV-public transactions as possible. As part of the effort to strengthen the mail-in system, DMV should encourage the handling of all routine **renewals** of driver's licenses and registrations by mail. At present a motorist may renew at a motor vehicle agency if he so desires, an option which should be discouraged. Even more important, all titles should be issued out of Trenton to provide for a review process and to assure that they are legally utilized.

central issuing titles

Establish a special inspector or police unit within DMV

A special inspector service or police unit should be established within DMV to handle security or integrity problems, to monitor the safeguarding of important paper work, to pick up the licenses and registrations of suspended or revoked motorists, to conduct internal inquiries and to cooperate with the State Police and other law enforcement agencies in the investigation and prosecution of criminal matters.

Restore, Expand Auditing and Document Review Functions

DMV's audit and document review capacities have been reduced, with a result that driver license scams and title and other frauds are in all probability going undetected. These operations should be expanded immediately and auditing procedures should require fraud audits as well as routine audits.

Enforce Salvage Law

A law was enacted, effective in 1983, requiring that all salvaged cars be so identified on their titles. This requirement has been urged by law enforcement authorities as another weapon against title frauds, but it has not been enforced. The Commission recommends that this law be implemented at once.

Odometer Tampering

Law enforcement witnesses testified at length before the Commission on the magnitude of odometer tampering and the utilization of car mileage adjustments in various commercial crimes, including auto insurance fraud. The Commission recommends the following reforms be adopted to reduce odometer abuse:

1. Amend *N.J.S.A.* 2C:21-8, the criminal statute prohibiting misrepresentation of car mileage, to refer to **any** motor vehicle rather than to only a "used" motor vehicle, to cover the act of altering or disconnecting the odometer as well as the sale or exchange of a car on which the mileage reading has been reduced, and to require resetting to the actual previously recorded mileage following service repairs in all instances.

2. Odometer readings should be recorded annually on registration renewal applications and also on all automobile auction sales contracts (which records shall be kept for at least two years).

3. Legislation should be enacted requiring licensed motor vehicle dealers to provide or obtain mileage verification data on all purchases and sales.

4. Legislation should be enacted requiring that all car leasing companies be licensed as motor vehicle dealers and be required to maintain odometer verification forms for all vehicles sold or traded, and that the titles of all such sold or traded vehicles contain the designation, "Previously Leased Vehicle," to alert consumers that the mileage of such a vehicle should be high relative to its actual age.

5. Any conviction of a dealer for altering a title or an odometer reading should result in a mandatory suspension of the his license. Such a license should be reinstated only upon the verified correction of both the odometer reading and the certificate of ownership to reflect the true mileage of the vehicle.

License Non-Resident Dealers

All non-resident motor vehicle dealers buying and selling vehicles at automobile auctions in New Jersey should be required to possess a New Jersey dealer's license.

Computer Security Reforms

Testimony by certain law enforcement witnesses dealt with weaknesses detected in DMV's new computerized system. Proposed corrections of these weaknesses included:

1. New Jersey should have VIN EDIT capability to prevent titling of vehicles with altered, fictitious or counterfeit VINs or the use of VINs from stolen cars.

2. Registrations and titles should be linked by a computer program that cross-references control numbers.

3. Documents should be scrutinized by a document examination unit with training and expertise to detect irregularities.

Reform DMV's Leasing Procedure

The Commission regards as deplorable the excessive delays experienced by the DMV in obtaining leases for its motor vehicle agencies. The Commission recommends that a 30-day limit be set for legislative approval of leases and that this review be a strictly bipartisan process. Indeed, the Commission endorses the five-step program recommended in 1984 by the General Assembly's Legislative Oversight Committee in its review of DMV's leasing problems. This committee's program, which has yet to be implemented, should be activated at once. The proposals are as follows:

1. The Division of Purchase and Property should give advance public notice of any search for office space for motor vehicle agencies. An announcement of the general location and the required physical features of an office should be circulated to real estate brokers and landlords. This approach would foster increased competition among landlords, would provide the Division with a larger pool of possible sites, and would undoubtedly yield more favorable rental rates.

2. Leases should continue to be subject to legislative approval, but this review should be carried out by a bipartisan committee. Further, the committee should be required to approve or disapprove a lease within a reasonable time period. A timely review within the legislative branch will help to ensure that the State obtains the most competitive rates possible and that the public is served as quickly as possible.

3. Where the rental rate includes a significant payment for renovations, the lease should contain an option to renew at a lower rental rate (after discounting for inflation) upon the expiration of the original lease. There is absolutely no justification for continuing to pay a rate based on renovation costs that have already been amortized.

4. The role of the Division of Motor Vehicles in the selection of agency sites should be clarified. The DMV must certainly be assured that its program requirements and design specifications are met, but it should not participate in rental negotiations. A strict delineation of the jurisdiction of both the DMV and the Division of Purchase and Property will serve to avoid the introduction of any possible confusion as to the lines of authority in the conduct of lease negotiations and will enhance the bargaining posture of the Division of Purchase and Property.

DMV's Future

Finally, with respect to the reform proposals cited above, the Commission wishes to reiterate for the record its belief that a majority of the people at DMV are loyal and devoted public servants. Although the misdeeds and misjudgments addressed by the public hearing were wide-ranging in volume and impact, they were the product of a relatively small segment of the Division's and its agencies' personnel. The Commission is convinced that a large reserve of devoted and faithful employees remain at DMV who not only desire an improved operation but will also strive zealously to implement these and other reforms designed to achieve that goal.

Further 1985 Update

In addition to its hearing on the Division of Motor Vehicles (DMV)agency system (reported at the beginning of this section) and its revelations of organized crime's incursion into the boxing industry (reviewed in this report's Organized Crime Section), the Commission also conducted an investigation and prepared a public report on the DMV's handling of the Sears, Roebuck-William F. Taggart photo license contract. That report is summarized below.*

*Copies of the Sears-Taggart report are available at the S.C.I. office in Trenton.

Sears-Taggart Probe

As noted in the introduction to its public hearing report on the DMV agency system, the Commission's probe and report on the Sears-Taggart deal was ordered by the Legislature in Assembly Concurrent Resolution

180 that was enacted on May 2. This resolution stipulated eight areas of legislative concern for examination. These included the "method used to select" Sears and Taggart and the "basis for contracting" with them, the "capability" of the DMV agency system to process photo licenses "in lieu of special contractors," the need for a concessionaire to operate the program, how the license processing fee and the "division of monies between Sears and Taggart" were determined, the difference in the cost of processing photo licenses by a private contractor or by the State, the "propriety of the concealment of Taggart's participation in the contract," and possible violations of the State's "bidding laws and procedures." The resolution specified that the S.C.I. file its findings with the Legislature and Governor Kean within 30 days. That necessitated submission of the S.C.I. report on or before June 3, 1985.

Despite the time limit imposed by the Legislature, the Commission's probe resulted in a timely 90-page report of investigative findings that were sharply critical of DMV's mishandling of the photo license contract. The report particularly criticized then-Attorney General Irwin I. Kimmelman's role in the concealment of Taggart's connection with the contract and declared that whatever the circumstances of Motor Vehicle Director Clifford W. Snedeker's forced resignation in April, 1985, Kimmelman had joined in the non-disclosure and "deserved equal condemnation."

"Harsh Lessons to be Learned"

The Commission noted that Governor Kean's predecessor, Brendan T. Byrne, had postponed the effective dates of the Legislature's mandatory photo license law to 1982 or later to permit a reconsideration of the "wisdom of this program." The full force of the mandate thus took effect after the Kean administration took office. Even so, Snedeker was forced to put off implementing the law for two years because only eight of his Division's 50-odd motor vehicle agencies had been sufficiently equipped to handle the program. A belated effort to implement the law in 1984 resulted in major backlogs and public inconvenience at the agencies. The contract to issue photo licenses at Sears stores with Taggart, who was a prominent Republican Party contributor, as the vendor, represented an attempt to resolve the distribution problem. However, the press release on that contract, issued by Kimmelman and Snedeker, failed to disclose Taggart's role. The preface to the Commission's Sears-Taggart report was highlighted by this warning:

The Commission believes there are harsh lessons to be learned from the enactment of a program that would force millions of citizens into individual confrontation with their government and from the subsequent bureaucratic bumbling and public discontent that ensued. For one, the Commission cannot find any evidence that the Legislature, before approving the photo licensing law, first determined whether the massive proposal could be activated within a reasonable time and without unreasonably disrupting the DMV's outmoded licensure procedures. Second, as was emphasized in the introduction to this report, the misjudgments that marked the photo licensing effort can primarily be attributed to the bureaucratic paralysis that sets in when political influence replaces sound business judgment.

Sears-Taggart Report Conclusion

The Commission's summary of its findings and its recommendations follow:

The Commission concludes the inquiry required by ACR 180 with a sense of dismay and regret—dismay at the irresponsibility of key officials involved in the episode and regret that their stupidity forced the cancellation of what might well have been, under some other private enterprise auspices that posed no conflicts issue, a successful resolution of the DMV's photo license processing dilemma.

This is not to say that the Commission endorses a mandatory photo license program encompassing all of New Jersey's 5 million motorists. The Commission does believe that motorists under age 21 should be required to carry photo licenses. Indeed, this task apparently has not been a DMV burden and should be continued, with other drivers having the option of obtaining a photo license if they wish. However, the record of this investigation dictates a need for a closer scrutiny of whether a universal photo license concept is justified.

We turn now to the investigative record. Based on the sworn testimony of the leading participants in the Sears-Taggart transaction the Commission is convinced that Attorney General Kimmelman displayed a serious lack of judgment by endorsing the intentional non-disclosure of the Taggart connection which he knew existed. Whatever the merits of Snedeker's forced resignation, both he and Kimmelman joined in the concealment in their press release on March 13 of Taggart's link with Sears in the proposed photo license expansion and both deserved equal condemnation.

Further, the Commission is disturbed by the obvious contradictions and apparent evasiveness in the testimony of certain witnesses about the March 11 meeting in Snedeker's office, concerning what was said or not said, and by whom, on the subject of omitting or disclosing the fact that Taggart and not Sears would be DMV's actual photo license agent. The record confirms not only a dispute over what draft of a DMV press release was actually discussed at the meeting but also includes among the probe exhibits the actual documents that are in conflict. Apparently only one of these documents can be genuine. Therefore, the Commission has decided to refer this portion of its executive session record in its entirety to an appropriate prosecutorial authority. The Commission reviewed this decision with Attorney General Kimmelman and both he and the Commission agreed that, in order to avoid even an appearance of a conflict of interest, the matter should not be referred to the attorney general's office. The attorney general then requested, and the Commission agreed, that the matter should be turned over to Prosecutor Philip S. Carchman of Mercer County. (Carchman subsequently presented the matter to a Grand Jury, which ruled there was insufficient evidence on which to base an indictment or a presentment).

As for the code of ethics issue, the Commission has several comments. First, DMV officials must be faulted for not adhering to a code that was designed to bar conflicts of interest by the Division's motor vehicle agents and their employees, even though the document lacked legal force. The Commission concedes the code was not statutorily viable but feels that, nevertheless, it was a policy mandate that should have been obeyed. Second, while the Commission does not necessarily believe that either Snedeker's or Kimmelman's transgressions rose to such a level as to warrant forced resignations, it does feel that the ethics issue when it came to light was misused as an excuse for action against Snedeker. Indeed, the Commission believes that the time for imposing sanctions against both Snedeker and Kimmelman should have been immediately upon the expose of the concealment of Taggart as DMV's photo license processor. Third, the State Conflicts of Interest Law should be amended to cover motor vehicle agents and a thorough study should be made to decide what other contractual relationships by state government with private sector entities and entrepreneurs should be covered by the statute.

One of the questions ACR 180 requested the Commission to address was whether bidding laws or procedures had been violated. The Commission found no such violations. Indeed, the Commission's legal staff agrees with the attorney general's opinion supporting the DMV's authority to appoint a commercial entity, such as a retail chain store, to process photo licenses.

ORGANIZED CRIME PROGRAM

1985 Update

How Mobsters Influence Boxing

After its Interim Report on the Inadequate Regulation of Boxing, issued in March, 1984, the Commission as initially planned shifted its investigative focus from regulatory improprieties to organized crime incursion into the boxing industry. The investigative findings from this spin-off were so pronounced and adverse that two public actions resulted during 1985, 1) a probe-in-progress report in June in New York City at a public hearing of the President's Commission on Organized Crime, and 2) a final report on the boxing investigation, emphasizing mob influences in the industry, that was submitted to Governor Thomas H. Kean and the Legislature and otherwise distributed to the media and the public throughout the state in December.*

In addition to revealing the pervasive encroachment of boxing by the underworld, the final report was supplemented by revelations of contrived mismatches, which often cause crippling injuries to the weaker adversary, and by a review of medical studies confirming the severe mental and physical damage inflicted on boxers in general because of the brutal nature of the "sport" and the inability of its regulators to reduce such carnage, particularly brain and vision destruction, in any substantive way. The sum of the Commission's findings—that even the most stringent of regulatory schemes at the state level would be unable to reform an industry so susceptible to mob corruption and physical perils—led to a decision to join forces with the American Medical Association and other medical groups by recommending the total abolition of boxing. Realizing that a boxing ban might be difficult to achieve, the Commission also proposed an alternative program of reforms, which are summarized at the conclusion of this section.

Mobsters Reluctant to Talk

In the introduction to its final report, the Commission noted that the boxing probe had demonstrated the difficulties of conducting an exposure of organized crime's machinations:

No intelligent reader needs to be lectured about the sinister impact of the mob's strongarm gluttony on various facets of the construction, shipping, trucking, waste collection and other essential industries despite decades of investigations at every government level. Law enforcement monitoring of organized crime's presence in boxing, however, has been sporadic at best and mob interest in the sport since its revival in New Jersey as a casino gaming industry promotional gimmick easily kept pace with increased opportunities for profit, organized crime's life-blood. As for the difficulty of exposing organized crime's incursion into boxing in this state, the S.C.I.'s record of executive session interrogations shows that, out of 70 witnesses who appeared to testify under subpoena, 17 exercised their Constitutional privilege to remain silent. Of those who invoked their Fifth Amendment right, the Commission granted immunity (after consultation with appropriate prosecutorial authorities) to 12, and testimony, much of it evasive, subsequently was extracted from them.

Despite memory lapses that seemed to occur only when interrogation touched on organized crime and despite a posture of childlike innocence, the testimony of hard-bitten promoters, managers, trainers and other boxing specialists before the S.C.I. corroborated the penetration of boxing in this state by mobsters and mob associates. Although, as the Commission has stated, the probe findings offer no conclusive proof that any particular boxer is a mob pawn or that organized crime has "fixed" prize fights, nonetheless the inquiry provides ample confirmation of underworld intrusion. Indeed, as SCI Executive Director James J. Morley told the federal commission:

If the same mob presence we have found in boxing existed, for example, in professional baseball or football, it would constitute a massive public scandal.

Organized Crime Episodes

The investigative record confirmed an intrusion of boxing by mob members and associates "so threatening," the S.C.I. report stated, "as to require New Jersey's emerging regulatory agency be put on notice." The report included more than a dozen episodes of mob ties to boxing that constitute what the Commission characterized as an "early warning of scandals waiting to erupt." These case histories reflected both the industry's susceptibility to mob influences and the ineffectiveness of the regulatory process against such intrusion.

The report confirmed close ties between Carlo (Dee) Deluliis of Florham Park, a promoter, and Andrew Licari, an associate of the Luchese organized crime family, and Alfred Certisimo, or Certo, a Secaucus tailor and boxing "agent," who pays homage to the Genovese crime family soldier John DiGilio. Licari has a contract guaranteeing him a share of boxer Bobby Czyz until 1991, S.C.I. probers learned. A mass arrest of 26 members and associates of the Luchese crime family was conducted by the office of New Jersey's U.S. Attorney Thomas W. Greelish in August, 1985, as the S.C.I.'s inquiry was concluding. One of the gangsters arrested was Anthony (Tumac) Acceturo, who fled to Florida in 1971 to avoid an S.C.I. subpoena, and who was described by Greelish as the ring leader of the Luchese mob. Another was Michael (Mad Dog or Fat Boy) Taccetta, who directed the Luchese gang's New Jersey operations for Acceturo while he was self-exiled in Florida. Licari admitted in his testimony at the S.C.I. that he has known Acceturo "a lot of years." Carlo Dee also told the S.C.I. he was close enough to both Licari and Taccetta to socialize with them. Dee obtained exclusive rights to promote Boxer Czyz in 1985 after Licari "bought" a right to Czyz's future earnings.

Further, Barry Shapiro of Philadelphia, a longtime associate of Nicodemo (Little Nicky) Scarfo and other survivors of the old Angelo Bruno gang, testified under immunity at the S.C.I. that he "invested as much as $150,000" in boxing as a manager licensed in New Jersey and Pennsylvania as recently as 1984. According to the S.C.I. report, he financed his boxing enterprises with proceeds from a scrap metal business and the help of his brother, Kenny, who is described by State Police as the business "agent" for the Scarfo mob. Shaprio, the S.C.I. learned, "owns" 5 percent of boxer Dwight Braxton, a cruiserweight champion. As with the Shapiro brothers, the report confirmed that Arthur R. Pelullo of Voorhees also became an instant boxing VIP with the help of his brother, Leonard, a close friend of major mobsters, and through his own numerous gangster ties. His immunized testimony included the disclosure that he was connected with an $80,000 contract on boxer Kenny Bogner.

As expected, Atlantic City's gaming casinos provided the setting for several episodes. In one case, Frank Gelb of Ventnor, the so-called boxing consultant for Resorts International, served as a co-promoter providing on-site services for out-of-state promoters of boxing events at various casinos and other sites in Atlantic City. His application for a required casino vendor's license has been pending since 1980. His S.C.I. testimony revealed a close relationship with the Scarfo mob soldier Frank (Blinky) Palermo and a personal and business association with Frankie (Flowers) D'Alfonso, a Scarfo-Bruno mob moneymaker until he was killed in an ambush on a Philadelphia street in July, 1985. The S.C.I. report described how D'Alfonso once "loaned" $50,000 in a Gelb deal for a closed circuit broadcast of the Ali-Holmes prize fight in 1980, a project that was marked by huge cash-only transactions. Similarly, the widely known closed circuit promoter Joe Hand, who was associated with Gelb in the Ali-Holmes deal, himself had close connections with Palermo and D'Alfonso. The longtime lawyer for these mobsters, Robert Gabriel, testified under immunity at the S.C.I. that D'Alfonso put $70,000—in cash—into Hand's Cooney-Holmes closed circuit telecast in 1982. S.C.I. accountants traced cash payments of $114,000 to Gabriel after the 1982 broadcast, part of it in a "brown paper bag," according to Gabriel.

Hand was a former Philadelphia police detective whose law enforcement background was no barrier to his mingling with mobsters. Boxing manager Anthony (Butch) Cristelli was another former Philadelphia policeman who persistently discounted official police confirmation that a number of his close friends were longtime members and associates of organized crime families. The S.C.I.'s findings also showed similar organized crime connections with such boxing entrepreneurs as Joseph Elentrio of Sewell (particular with Scarfo mob member Thomas DelGiorno), the promoter Joseph Verne (who also has conducted extensive realty transactions with Scarfo's agent Ken Shapiro), the New Jersey licensed boxing manager Robert Botto (a sausage maker who is close to Scarfo mob soldier Salvatore Sparacio), and manager Harry D'Ascenzo of Somerdale (an admitted organized crime associate who pled guilty in the mid-1970s to loan shark crimes). The report's case histories of boxing ties with the mob concluded with an episode demonstrating the active (but futile) interest of several known gangsters in promoting a prospective nominee for the post of "boxing commissioner" in New Jersey.

Why Boxing Should be Abolished

In conclusion, the Commission emphasized that its call for a legislative prohibition of boxing was based on findings of an intensive probe of all phases of the industry, "including a State regulatory system that has been, and probably always will be, unable to reduce the one-on-one brutality that constantly endangers boxers." The conclusion continued:

The SCI's call for abolition is no precipitous decision. In its Interim Report on Boxing (published in March, 1984) the Commission urged a wide-ranging series of reforms at the State level while emphasizing a concern that some type of centralized registration or "passport" system at the Federal level would be necessary to prevent the disintegration of even the most stringent ***intra*** *state system of controls. However, a further assessment of the industry has convinced the Commission that, even though most of the corrective recommendations proposed by its interim report have been implemented, the inherent problems of professional boxing—and most particularly its constant threat of bodily destruction, mentally and physically—cannot be effectively resolved at any governmental level. The Commission's interim report focused on the regulatory chaos and improprieties that have plagued the industry since its resurgence as a gambling casino attraction in the late 1970s. That report also emphasized a callous disregard for the physical safety of boxers by official monitors of the sport as well as by certain profiteering promoters and procurers of these fighers. This final report on the intrusion of organized crime into the industry confirms that an additional element of degradation has been inflicted on a boxing scene already marred by official misconduct, promotional greed and matchmaking barbarism.*

Alternative Recommendations

The Commission declared that whatever the reaction was to its abolition proposal, "boxing's threat of bodily destruction is so constant and perverse that there must be immediate, stringent enforcement of reforms newly in place" as a result of legislative and executive action following the SCI's 1984 report. The Commission also emphasized its belief that "no *intra*state effort to regulate boxing can possibly succeed without the regulatory cooperation of other states and the only way to achieve such an *inter*state relationship is by enactment of a Federal program of controls." The Commission's proposed reforms, representing an alternative to outright abolition, included:

Background Checks: Full background checks should be required for all state-licensed promoters, managers and trainers as well as for applicants for licensure in these categories. Background fact-finding should be extensive enough to permit a determination of whether the activities or associations of licensees or license applicants are inimical to the integrity of the industry. Such background reviews should assess particularly the extent, if any, of a subject's activities and relationships with known organized crime members and associates. The confirmation of such connections should subject a licensee to suspension pending a disqualification hearing and to rejection in the case of an applicant for licensure. In addition, an existing provision which exempts from scrutiny persons holding 10 percent or less of the stock of a promotional corporation should be replaced by a requirement subjecting all persons holding any interest, no matter how small, to a complete background investigation.

Casino Vendor Licensure: No promoter of boxing events at or under the auspices of a New Jersey gambling casino should be permitted to stage such programs without first being approved as a casino vendor licensee under the Casino Control Act.

Enforce Licensing Requirements: No one should be permitted to engage in the business of boxing in a managerial, matchmaking or related capacity and escape licensure by the utilization of such titles as "booking agent," "agent," "recruiter" or other designations of an unofficial nature.

Medical Council Powers: In its interim report the S.C.I. recommended that the Medical Council in the revised regulatory system have, in its specific medical and safety field, absolute rule-making authority shielded from any veto or revision by the Athletic Control Board. The reform law's depiction of the Medical Council's role as "advisory" should be stricken and amendments should be enacted to delineate the Council's special rule-making powers.

Ban Head Blows: Since medical surveys have demonstrated that head blows impose the most serious physical harm in boxing, the S.C.I. joins with national medical groups in recommending that all blows above the shoulders be banned.

Require Headgear: Until head blows are banned, all boxers should be required to wear protective headgear pending further study by the Medical Council. The S.C.I. realizes that the adaquacy of headgear has not yet been fully established but believes, nonetheless, that wearing of a protective covering of some type can not be other than helpful.

Require Safer Gloves: Thumbless or thumblock gloves should be required not only in public bouts but

also in the training process. The Medical Council should authorize a series of studies designed to produce and/or improve gloves, headgear and any other equipment intended to promote safety in boxing. Following completion of these studies, the Medical Council, without lay interference, should issue appropriate regulations.

Medical Insurance: All boxers should be covered by medical insurance, at the expense of the promoter, covering expenses for treatment of any injuries suffered in a fight under that promoter's auspices. Insurance protection should be required to extend for at least a year and to cover any disabilities manifested during that period that can be reasonably attributed to the bout for which the insurance contract was arranged.

Two Physicians at Ringside: Two physicians designated by the Medical Council should be at the ringside of a boxing event to provide a medical presence if one physician is required to treat a boxer elsewhere or to provide attention in the event both contestants in a bout require medical treatment.

Post-Fight Examinations: Every boxer must be required to obtain complete cerebal and vision examinations by a Board-designated physician or at a designated hospital after each bout. A certified copy of the medical findings must be submitted to the Medical Council. In no case should a boxer be permitted to engage in another fight if the examination report after his previous fight reveals irregularities or has not been submitted to the Medical Council for its review.

Time Lapse Between Bouts: Until the Medical Council has had an opportunity to review this issue, there should be a mandatory 30 day layoff between fights—60 days in the case of knockouts. Present regulations mandating layoffs of as little as 10 days are an unwarranted invitation to tragedy.

SCI's Organized Crime Expert

The Commission in August appointed retired State Police Deputy Superintendent Justin J. Dintino as Chief of its Organized Crime Intelligence Section. In that post he is coordinating the collection, analysis and investigative utilization of organized crime information and related data that had been a shared responsibility among SCI personnel.

A 33-year veteran of the State Police, Dintino at retirement was a lieutenant colonel, a rank to which he was promoted in 1981 when he was assigned as Executive Officer in charge of criminal investigations, special staff and technical services and of the records and identifications sections. A nationally recognized authority on organized crime activities, he served with the National Task Force on Organized Crime in 1975-76 and is presently a member of the President's Commission on Organized Crime. He isalso in his third term as General Chairman of the Law Enforcement Intelligence Unit, an organization representing more than 700 law enforcement agencies in the United States and Canada.

Dintino's expertise in organized crime developed during his State Police career as a specialist in criminal investigations, beginning in 1961, and in intelligence compilation and usage, beginning in 1971. By 1974 he had been promoted to Supervisor of the Division's Intelligence Bureau. He rose from captain to major in 1978 when his responsibilities were expanded to include casino gambling and Atlantic City special investigations.

His investigations of major organized crime families and bosses in the 1960's and 1970's led to a number of successful prosecutions. He established innovative procedures, particularly in the application of centralized and computerized intelligence resources to crime probes. He was cited by Scotland Yard in 1981 for developing model intelligence guidelines which Scotland Yard's Home Office in London adopted. A special Organized Crime Planning Council of the U.S. Justice Department expressed public commendation in 1980 for Dintino's promotion of cooperative relationships between state and federal law enforcement authorities. He also was cited for his contributions as a member of the International Police Chiefs Association's Organized Crime Committee in 1980. In 1975 he was commended for his work on a national crime commission's assessment of gambling law enforcement and its impact on organized crime.

Dintino, who was born on October 30, 1928, was graduated from the State Police Academy in 1952, Northwestern University's Police Command School in 1971 and the California Justice Department's Intelligence Command School in 1974.

LAW ENFORCEMENT LIAISON

Introduction

The Commission last year was contacted almost daily by telephone or mail for various types of assistance by federal, state, county and local law enforcement agencies within New Jersey and by such agencies in numerous states. Additionally, the Commissioners adopted resolutions accommodating formal requests for information by federal, state and county law enforcement agencies, regulatory agencies and legislative committees. A number of referrals of evidence of criminal activities were also made by the Commission pursuant to Section 9M-8 of its enabling law. According to Commission records, S.C.I. personnel spent a total of 87 working days during 1985 processing requests for law enforcement assistance.

Liaison With The U.S. Attorney For New Jersey

Continuing close contact was maintained throughout 1985 with the office of the United States Attorney for New Jersey. Such liaison included the submission of investigative findings, hearing transcripts and other data, as well as the same seven-day advance notices of the Commission's intention to immunize a witness that it gives to the State Attorney General and appropriate county prosecutors. An example of the cooperative relationship with the U.S. Attorney's Office was the designation of S.C.I. Special Agent Raymond H. Schellhammer as a special Deputy Marshal to permit his participation in the U.S. Attorney's Organized Crime Drug Enforcement Task Force out of Newark. This assignment will continue into 1986.

Liaison With The Attorney General

During 1985 the Commission continued its liaison with the Office of then-Attorney General Kimmelman and various components of his Department of Law and Public Safety. Commission supervisory and legal personnel and the staff of the Attorney General's Office, particularly the Division of Criminal Justice, met on scores of occasions during the course of the year with regard to day-to-day activities.

A number of prosecutorial actions were instituted as the result of referrals to the Attorney General by the Commission of investigation data indicating criminal misconduct. Reflecting the interchange between the Commission and the Attorney General was the Commission's completion of a report on organized crime's incursion into the boxing industry, which had been requested by Kimmelman.

Liaison With County Prosecutors

The Commission takes pride in its increasingly close relationship with all of New Jersey's 21 county prosecutors and their staffs. This linkage between prosecutors and the S.C.I. is being constantly reaffirmed as prosecutorial changes occur. One example of this liaison was the Commission's continuing effort during 1985 to provide appropriate county prosecutors with the findings of various S.C.I. inquiries and public hearings.

Interstate Cooperation

The Commission continued its membership in various interstate organizations of a formal and informal nature which relate to its work. Additionally, the Commission received numerous requests for assistance on investigations from various law enforcement agencies throughout the nation. The Commission, in fulfillment of its statutory duty and in recognition of the importance of cooperation among the states in areas such as organized crime, responded to all such requests. The Commission itselfalso obtained assistance from various other states on matters of mutual concern with particular relevance to organized crime and racketeering. S.C.I. records indicate that such give-and-take liaison took place during 1985 with authorities in California, Florida, Georgia, Michigan, Minnesota, New Mexico, New York, Pennsylvania, Texas and Virginia.

COMMISSION STAFF

Executive Appointments

The Commission in February, 1985, made two administrative appointments reflecting the agency's expanding activities. Robert J. Clark, former Assistant Director for special projects at the New Jersey Division of Criminal Justice, was appointed as Deputy Director. Helen Koenig Gardiner, formerly the SCI's fiscal officer, was promoted to Assistant Director.

Clark as Deputy Director is assisting Executive Director James J. Morley in supervising the SCI's investigations and legal affairs. Gardiner in her new post is coordinator of the agency's administrative functions. Both were sworn into office by Superior Court Judge Samuel D. Lenox, Jr.

Prior to his appointment at the SCI, Clark coordinated investigations, initiated special projects and maintained legislative liaison at the Criminal Justice Division. He previously had been Assistant Director of the Division's Economic Crime Bureau and Investigations Bureau, Chief of the Division's Health Services Section (responsible for control of medicaid fraud and drug trafficing by professionals), and a deputy attorney general in the Antitrust Section. He was graduated in 1970 from the University of Illinois and in 1975 from the Rutgers-Camden School of Law. He became a certified public manager in 1984. An honor graduate of the U.S. Army Military Police Officer Training School in Fort Gordon, Ga., he was operations officer with the Provost Marshal's office in Fort Monmouth when he was honorably discharged in March, 1972.

Gardiner, a former accountant for the State Division of Taxation and the Mercer County Prosecutor's Office, joined the SCI as an investigative accountant in 1975. She became fiscal officer in 1981. She was graduatedin 1967 from Skidmore College with a B.A. in economics and has been a Certified Public Accountant since 1981.

Investigative Accountant Christine Klagholz was promoted in August to the position of Systems Analyst, responsible for the SCI's enlarging data storage program and other computerized operations. An agency accountant since 1979, Klagholz obtained her Master in Business Administration at Rider College in 1984. More recently, in connection with her new assignment, she completed an indoctrination course in systems administration in Natick, Mass. One of Klagholz's responsbilities has been the wider utilization of the SCI's computer services in its various investigations.

Also in August the Commission announced the appointment of Justin C. Dintino, retired Deputy State Police Superintendent, as Chief of the SCI's Organized Crime Intelligence Section (See Organized Crime section).

Professional Activities

The Commission's staff in 1985 consisted of 48 individuals, including 6 lawyers, 4 investigative accountants and 20 special agents. As in past years, various officers and employees participated in law enforcement conferences, seminars and workshops. Counsel Gerard P. Lynch participated as Chairman in meetings of the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network (Magloclen). Justin Dintino, the S.C.I.'s chief ofOrganized Crime Intelligence, continues to serve on the President's Commission on Organized Crime. In April he was elected to a third term as national chairman of the Law Enforcement Intelligence Unit (LEIU) and he lectured in New England on intelligence system management before the New England State Police Intelligence Network.

The Commission's accountants not only kept abreast of advances in their field but also shared their knowledge and experience with other law enforcement agencies, particularly in the areas of white collar crime and organized crime. The S.C.I.'s chief accountant, Julius Cayson, lectured at the intelligence school sponsored by the State Police at the Division of Criminal Justice and before the North American Securities Administrators Association and the New Jersey Chapter of the Association of Government Accountants. Three accountants are CPA's and one holds an MBA degree. Two accountants are former veteran investigators for the U.S. Internal Revenue Service.

Special courses and seminars on white collar crime, government corruption, organized crime and other law enforcement problems were attended by the Commission's special agents. The wide ranging background of these agents has been particularly helpful in the successful completion of the Commission's unusually varied investigations. Collectively, this background includes previous careers or tours of duty with the U.S. Justice Department, the U.S. Senate's organized crime investigations, the Federal Bureau of Investigation, the State Police, various county prosecutor offices, the Pennsylvania Crime Commission, many municipal police departments and the military police. A number of special agents are active as officers or members of law enforcement intelligence groups, including Frank Betzler, Robert Diszler, Cyril Jordan, William Rooney and Kurt Schmid. Special Agent Bruce C. Best is active in the New Jersey Polygraphists, Inc. Rooney conducts lectures about the S.C.I. for recruits at State Police and municipal police training schools. Rooney is a certified State Police instructor and a member of the teaching staff of the Essex County Police Academy. Special Agent/Analyst Paul Andrews is adirector and chairman for training, education and career development of the International Association of Law Enforcement Analysts. He also presented in December a 35-hour advanced criminal intelligence analysis course at the Philadelphia Police Academy as well as an eight-hour lecture on tactical network analysis at a seminar conducted by the New Jersey State Police Intelligence Bureau.

Investigative Teams

Special Agent Schmid assisted Executive Director James J. Morley in the conduct of the probe of the Sears-Taggart photo license contract.

The investigative team for the report on Organized Crime In Boxing consisted of Counsel Lynch, team leader, and Special Agents Bostwick, Diszler, Robert K. Lagay and Dennis McGuigan, Investigative Accountant Arthur A. Cimino, and Intelligence Analyst Elizabeth Calamia. Also contributing to the inquiry were Chief of Intelligence Dintino and Special Agents Michael R. Hoey, Anthony J. Quaranta and Schmid.

At the conclusion of the public hearing on the Divison of Motor Vehicles Agency System in December, Commission Chairman Patterson commended the work of the DMV investigative team, which consisted of Counsel Charlotte K. Gaal, team leader, and Deputy Director Robert J. Clark, Special Agents Best, Bostwick, Patricia England and Richard S. Hutchinson, and accountants Cayson, Cimino and William Miller, and secretary Patricia M. Leach.

LIAISON WITH THE PUBLIC

Introduction

Since its inception the Commission has sponsored a total of 82 public actions, including 27 public hearings, 33 public reports based on those hearings, and 22 public reports which were not preceded by public hearings. These public actions are mandated by various provisions of the S.C.I.'s enabling law as supplemented by revisions enacted since 1968. For example, annual and interim reports to the Governor and Legislature have been required from the outset. Such reports have helped to fulfill another requirement that the Commission keep the public informed as to the operations of organized crime, law enforcement problems and other activities "by such means and to such extent as it shall deem appropriate." The 1983 S.C.I. Review Committee stated that it "found the reports produced by the S.C.I. in connection with its investigations to be of a high quality."

Public Hearings, Reports

A brief listing of the S.C.I.'s 82 public actions illustrates the wide-ranging variety of allegations and complaints that, by formal authorization of the Commission, were subjected to its traditional process of probes, hearings and public reports. In the organized crime field, the Commission's continuing confrontation of high-ranking mob figures was highlighted by public hearings and reports on organized crime influence in Long Branch and Monmouth County (1970), criminal activities in Ocean County (1972), narcotics trafficking (1973), infiltration of legitimate businesses in Atlantic City (1977), incursions into the dental health care industry (1980-81), into labor relations profiteering at housing projects (1981-82) and into the boxing industry (1985).

In addition, investigations in other law enforcement areas that were subjected to both public hearings and reports included: state cleaning services abuses and state building service contractual irregularities (1970), Hudson County Mosquito Commission corruption (1970), New Jersey City waterfront land frauds (1971), workers compensation misconduct (1973), misuse of surplus federal property (1973), pseudo-charity solicitations (1974), Lindenwold borough corruption (1974), medicaid-clinical labs (1975), Middlesex land deals (1976), prison furlough abuses (1976), medicaid nursing home schemes (1976-77), improper conduct by private schools for handicapped children (1978), boarding home abuses (1978), absentee ballot law transgressions (1978), mishandling of public insurance programs (1979), misconduct by certain county and local sewerage authorities (1982), abuse and misuse of casino gambling credit (1983), improprieties in the leasing of state lands by a ski resort in Vernon Valley (1983) excessive spending and other irregularities in the operation of the Newark school system's Supplemental Fringe Benefits Fund (1984) and the inappropriate operation of the Division of Motor Vehicles agency system (1985).

Further, although no public hearing ensued, critical public reports and corrective recommendations followed the Commission's investigations of the garbage industry (1970), an Atlantic County embezzlement (1971), Stockton College land deals (1972), the Attorney General's office (1973), Middlesex bank fraud (1973), conflicts of interest on the Delaware River Port Authority (1974), medicaid nursing home cost reimbursements (1975), medicaid "mills" (1976), casino control law problems (1977), medicaid hospital problems (1977), wrongful tax deductions from public employees' injury leave wages (1979), mishandled sudden deaths (1979), truck unloading complaints (1980), inappropriate HFA conduct (1981 and 1982), industrial commission law reforms (1982), the inadequate regulation of boxing in New Jersey and the school security guard abuses in Newark (both 1984), and the mishandling of the Division of Motor Vehicles photo license contract (1985).

Citizens Assistance

As in past years, hardly a week passed in 1984 that the Commission did not receive requests for investigative action, assistance or advice from citizens of New Jersey. Commission records include 65 such contacts by citizens, mostly for the purpose of filing complaints about law enforcement and other problems affecting them or their communities.