
STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION



35th ANNUAL REPORT

2003

State of New Jersey
Commission of Investigation



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February 2004

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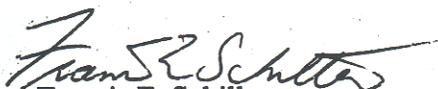
Kathy Flicker

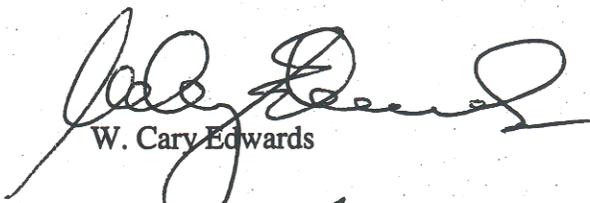
Commissioners

Governor James E. McGreevey
The President and Members of the Senate
The Speaker and Members of the General Assembly

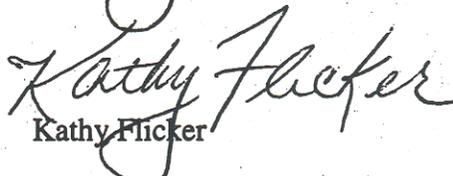
The State Commission of Investigation herewith formally submits, pursuant to
N.J.S.A. 52:9M, its 35th annual report for the year 2003.

Respectfully,


Francis E. Schiller


W. Cary Edwards


Joseph R. Mariniello, Jr.


Kathy Flicker

Members of the Commission



Rev. Francis E. Schiller
Chair

Rev. Schiller was appointed to the Commission in October 2001 by Acting Governor Donald T. DiFrancesco. An attorney, he is counsel to the

firm of Connell Foley L.L.P., Roseland, and former partner in the firm of Schiller, Squeo & Hartnett, L.L.C., Jersey City. Rev. Schiller served as a member of the New Jersey Athletic Control Board during 2000-2001 and was a member of the Seton Hall University Self-Study Committee from 1999 to 2001. He served as executive director of Jersey City Community Help Corp. between 1975 and 1980, executive director of the Community Drug & Alcohol Program of Hudson County from 1973 to 1978, and director of Patrick House Family Health Center from 1971 to 1973. Rev. Schiller has served in the Team Ministry at Saint Patrick Roman Catholic Church in Jersey City since 1969 and at Assumption/All Saints Roman Catholic Parish in Jersey City since 1994. A graduate of Seton Hall University and Seton Hall University Law School, he pursued graduate studies at the New School for Social Research. He was ordained in 1965 at Immaculate Conception Seminary.



W. Cary Edwards

Mr. Edwards was appointed to the Commission in 1997 by Governor Christine Whitman. An attorney since December 1970, he is a senior lawyer in the law firm of Edwards &

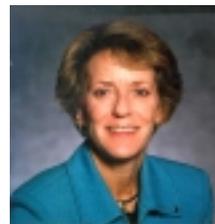
Caldwell, with offices in Hawthorne and Trenton. Mr. Edwards served as New Jersey Attorney General from 1986 to 1989, prior to which he was chief counsel to Governor Thomas H. Kean between 1982 and 1986. He was elected to the New Jersey General Assembly in 1977 and served three terms and was a member of the Borough Council in Oakland between 1975 and 1979. He has served as an adjunct faculty member of Seton Hall University and the Eagleton Institute of Government, Politics and Public Policy at Rutgers University. A graduate of Seton Hall, Mr. Edwards earned his law degree in 1970 from Seton Hall University Law School and is the recipient of five honorary Doctor of Law degrees and more than 100 public service awards and recognitions.



Joseph R. Mariniello, Jr.

Mr. Mariniello was appointed to the Commission in March 2002 by Assembly Speaker Albio Sires. An attorney, he is a partner in the law firm of Mariniello &

Mariniello, P.C., with offices in Fort Lee. Mr. Mariniello has served as counsel to numerous municipal governments, boards of adjustment, planning boards and boards of education throughout northern New Jersey. He has also appeared before a range of state agencies both in New Jersey and in Michigan. A resident of Ridgewood, Mr. Mariniello graduated from Villanova University in 1991 and earned his law degree from the University of Notre Dame in 1994.



Kathy Flicker

Ms. Flicker was appointed to the Commission in October 2002 by Senate Co-President John Bennett. An attorney and career prosecutor, she served as Director of the New

*Jersey Division of Criminal Justice from April 2000 until January 2002, when she was appointed Assistant Attorney General-in-Charge of the State Office of Counter-Terrorism. Prior to those positions, Ms. Flicker was a longtime Deputy First Assistant Prosecutor in Mercer County and a Deputy Attorney General. As a trial attorney, she prosecuted numerous corruption, organized crime and street crime cases, and was the lead prosecutor in *State v. Timmendequas*, the case which dealt with the murder of seven-year-old Megan Kanka. She is an adjunct professor at Rutgers University-Camden Law School and serves as Vice Chair of the Disciplinary Oversight Committee of the New Jersey Supreme Court. Ms. Flicker is a graduate of Indiana University and Rutgers University-Camden Law School.*

A Message from the Executive Director

The Commission welcomes the input of concerned citizens in the fight against organized crime, corruption, and the waste and abuse of taxpayer funds. Our mandate is to identify and investigate matters that may require administrative or legislative reform, civil remedies or even criminal prosecution.

Legitimate complaints received either directly at our offices or through the e-mail hotline available on our Internet Website are carefully evaluated to determine the most effective and efficient manner of response. In some instances, matters brought to our attention may become part of a larger investigative record. In other instances, complaints may be referred to other more appropriate governmental agencies for consideration. It may take some time, but in every case, the interests of an informed and responsive citizenry are paramount.

Americans should never accept crime or corruption as a way of life. There is a system in place in our Republic to address a citizen's problems and to work out a just conclusion. This structure includes the vast majority of honest, hard-working governmental agencies, elected officials, responsible private sector mediators and, of course, the prosecutors, Attorney General and the courts.

The Commission was established to serve the people of New Jersey fairly and independently by investigating and exposing systemic problems and by recommending significant improvements to the important legislative and enforcement arms of government. That is what we do best. We are fact-finders, not advocates, and we are dedicated to the successful pursuit of that goal.

*Alan A. Rockoff
Executive Director*

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INTRODUCTION

Why the SCI

The State Commission of Investigation was created in 1968 to fulfill a unique mission of vital importance to the citizens of New Jersey: to attack organized crime and political corruption; to root out waste, fraud and abuse of taxpayers' dollars; to shed light on matters that subvert public justice and public safety; and to recommend appropriate reforms and improvements in laws and in the operations of government. In order to achieve this mission effectively and credibly, the Commission was given an extraordinary mandate to pursue its work within a framework untainted by political intrusion, self-interest or favoritism.

Thirty-six years later, this investigatory and fact-finding mission – as well as the need for an independent entity to carry it out – remains no less vital.

Singular Achievements

During 2003, the Commission bolstered its record of exemplary public service with wide-ranging investigations targeting organized crime and corruption, waste of tax money and other abuses of the public trust. Significant probes are ongoing, and the goal in each instance is the same: to pursue the facts wherever they may lead and, as appropriate, to alert the citizens of New Jersey to systemic problems and to the need for comprehensive reforms.

Three important investigations collectively formed the centerpiece of the Commission's activities during the past year, highlighted as follows:

- ***WASTE AND ABUSE BY ASSOCIATED HUMANE SOCIETIES***

Following on its ground-breaking 2001 report of waste and malfeasance by the Societies for the Prevention of Cruelty to Animals (SPCAs) in New Jersey, the Commission in March reported the findings of a separate investigation into similar abuses involving one of the state's leading nonprofit animal-shelter organizations, Associated Humane Societies (AHS). The Commission disclosed that AHS officials had engaged in a range of questionable financial practices, conflicts of interest, mismanagement and negligent animal care and recommended a top-to-bottom overhaul of the organization, improvements in animal-shelter operations and greater involvement by municipal governments in the provision of animal-control services.

- ***OVERVIEW OF ORGANIZED CRIME IN NEW JERSEY***

Given its core statutory mission to conduct investigations “with particular reference to organized crime,” the Commission in April held two days of public hearings to examine the status, scope and changing shape of organized crime. Twenty-six witnesses, including top federal and state officials and criminal informants, provided significant testimony delineating how traditional elements of organized crime – the *Mafia*, *La Cosa Nostra* and other groups that dominated the underworld during the past century – have been joined by a chaotic, often violent array of criminal entities, adult gangs and drug-dealing syndicates that present law enforcement with new and difficult challenges. The hearings

represented the first such public status report on organized crime in New Jersey in more than a decade and will provide the basis for a comprehensive forthcoming report detailing a range of systemic reforms.

▪ ***NEW-HOME CONSTRUCTION AND INSPECTION ABUSES***

The Commission held two days of public hearings in November on the findings of an unprecedented statewide investigation of flawed and deficient practices in new-home construction, and graft and incompetence in the conduct of code-violation inspections. This investigation, which is ongoing and will be the focus of additional hearings and a report this year, is also focused on the extent and impact of lax oversight and enforcement of state and local laws and regulations, and on serious problems involving the adequacy of complaint-response mechanisms, home-warranty programs and remediation options for new-home buyers.

A Broader Mission

The true measure of the Commission's performance far exceeds the findings and results of any completed investigations. Beyond the public activities detailed in this annual report, the Commission and its staff currently are engaged at various stages in a range of significant investigations related to all elements of the Commission's statutory purview, including organized crime, official corruption, mismanagement, and waste and abuse of government funds. In that regard, more than 50 Commission subpoenas were served during 2003 seeking access to scores of

individuals, tens of thousands of documents and a range of other exhibits relevant to those active investigations. Also, as in years past, barely a week went by that the Commission did not receive requests for investigative action, assistance or advice from citizens of New Jersey. Commission records include scores of such citizen contacts via mail and telephone requiring evaluation and response. In order to facilitate public access, the Commission last year established a hotline link on its internet Web site for use by citizens seeking to file complaints or otherwise communicate confidentially with investigators.

Also, as has been standard practice for the more than three decades, Commission staff throughout the year provided expert assistance to multiple law enforcement and oversight agencies at the local, county, state and federal levels here and throughout the nation. Information and evidence suggesting possible criminal misconduct were referred on a number of occasions to the New Jersey Office of the Attorney General, pursuant to the requirement of the Commission's enabling statute. Further, Commission personnel worked closely with their counterparts in federal and state law enforcement agencies to share and develop information relevant to various investigations and, in the course of preparations for the organized crime hearings, to secure the participation of protected witnesses.

On the legislative front, the State Senate last year gave final approval to a measure to revising New Jersey's computer crime law for the first time since its initial passage nearly 20 years ago. The legislation, which was signed by Governor James E. McGreevey, embodied a central recommendation contained in the report, *Computer Crime*, which was issued jointly in

June 2000 by the Commission and the Office of the Attorney General. Enactment of this law followed final approval in 2002 of a separate measure implementing a 24-hour hotline to receive complaints of computer crime, another recommendation of the *Computer Crime* report.

Bolstered Leadership

Internally, after 18 years of exemplary service, Executive Director James J. Morley was appointed a Judge of the New Jersey Superior Court, and the Commission took the needed and significant step fill the void and to strengthen and broaden its staff leadership team with a number of key appointments. In June, Alan A. Rockoff, who had served two terms as the Middlesex County Prosecutor and 21 years as a Superior Court Judge, was appointed Executive Director. Simultaneously, two veteran SCI employees were reassigned. Charlotte K. Gaal was named Deputy Director, and Robert J. Clark was appointed Chief Counsel to the Commission.

* * *

In sum, 2003 was a productive year for the Commission in its service to the citizens of New Jersey. Above all, given the fact that savings generated by efficiencies, reforms and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again proved itself to be an effective public investment.

The Commission's confidential e-mail hotline, as well its public documents, including the full text of reports of many prior investigations, are available electronically via computer at **<http://www.state.nj.us/sci>**.

HISTORY

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

Two of the most significant recommendations were for the creation of a new criminal justice unit within the Executive Branch of state government, and the establishment of an independent state-level Commission of Investigation. The Forsythe Committee envisioned the proposed criminal justice unit and the Commission of Investigation as complementary agencies in the fight against crime and corruption. The criminal justice unit was to be a large organization with extensive personnel, empowered to coordinate, conduct and supervise criminal investigations and prosecutions throughout the state. The Commission of Investigation was to be a relatively small but expert body that would conduct fact-finding investigations, bring the facts to the public’s attention, refer findings to appropriate law enforcement agencies for possible prosecution and make recommendations to the Governor and the Legislature for improvements in laws and in the operations of government.

As the Forsythe Committee stated in the final report of its comprehensive study, this would not be “a ‘crime commission’ alone. There are many occasions,” the panel concluded, “when hard-hitting, expert fact-finding is needed without involving the criminal process or implying criminal violations are under investigation. . . .This Commission will provide a significant, independent ‘watchdog’ for the entire system. . . .”

As a result of the Forsythe Committee’s recommendations, the Division of Criminal Justice in the Department of Law and Public Safety and the State Commission of Investigation, structured as an independent agency of the Legislature, were created. New laws were designed – effectively so, as history has shown – to prevent conflict and duplication between the Commission’s operations and those of prosecutorial authorities.

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

Legislation creating the SCI in 1968 established an initial term beginning January 1, 1969, and ending December 31, 1974. The Legislature extended the term of the SCI for five-year periods on four subsequent occasions: in 1973 for a term expiring December 31, 1979; in 1979 for a term expiring December 31, 1984; in 1984 for a term expiring December 31, 1989; and in 1989 for a

term expiring December 31, 1994. On Dec. 28, 1994, legislation took effect extending the Commission's term for a period of 18 months, through June 30, 1996, pending the outcome of a review by a special committee appointed by the Governor, the President of the Senate and the Speaker of the General Assembly. On February 7, 1996, the review committee recommended that the Commission's operating authority be extended for six years, until July 1, 2002. Legislation incorporating this central recommendation was enacted into law with the Governor's signature on June 28, 1996.

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

The unique and complementary role of the Commission has been noted repeatedly in three separate and comprehensive reviews that have been conducted of the SCI's operations — in 1975, 1983 and 1995. In each instance, the reviewing panel found that the SCI performs a valuable function and strongly concluded that there is a continuing need for the Commission's work. The final review committee report summarized this view, stating, “. . . [I]t is crucial to New Jersey that its citizens have confidence that government on all levels is operating appropriately and efficiently. The SCI is uniquely positioned to expose corruption and mismanagement to New Jersey residents and to make recommendations aimed at improving New Jersey's system of government.”

OPERATIONS

To eliminate even the appearance of political influence in the Commission's operations, no more than two of the four Commissioners may be of the same political affiliation, and they derive from three separate appointing authorities. Two Commissioners are appointed by the Governor and one each by the President of the Senate and the Speaker of the General Assembly. It thus may be said that the Commission by law is bipartisan and, by concern and action, is nonpartisan. This central construct makes the Commission unique among all other agencies of government, endowing it with the integrity and the independence necessary to perform its job in a credible fashion, especially where politically-charged or otherwise sensitive investigations are concerned.

The Commission specifically is invested by law with the duty and power to conduct investigations in connection with:

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

The enabling statute provides further that the Commission shall, by direction of the Governor or by concurrent resolution of the Legislature, conduct investigations and otherwise assist in connection with the removal of public officers, and in the making of recommendations to the Governor and the Legislature with respect to changes in existing law required for more effective enforcement. The Commission also is empowered to investigate the management or affairs of any

department, board, bureau, commission, authority or other agency created by the state, or to which the state is a party.

The statute assigns to the Commission a wide range of responsibilities and powers. It may conduct public and private hearings, compel testimony and the production of other evidence by subpoena and has authority to grant limited immunity from prosecution to witnesses. Since the Commission does not have prosecutorial functions, it is required to refer information suggesting possible criminal misconduct possible immediately to the Attorney General.

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

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

portions of the report. The individual may then submit a written response which shall be included in the final report. As a practical matter, the Commission always has been careful to evaluate investigative data in private in keeping with its obligation to avoid unnecessary stigma and embarrassment to individuals.

Indictments and convictions which may result from referral of criminal matters by the Commission to other agencies are not the only test of the efficacy of its public actions. At least as important is the deterrent effect deriving from the Commission's very existence, as well as the corrective statutory and regulatory reforms spurred by arousing public and legislative interest. A prime example involved the enactment of legislation in the wake of a Commission investigation of a massive, organized crime-inspired scheme to evade taxes on motor fuels. According to the state Division of Taxation, that statutory change alone has enabled the state to recover an estimated \$22 million annually in tax revenues since the mid-1990s. Additionally, the Commission's December 1998 report on public pension and benefit abuses presented a veritable catalogue of needless waste and outlined a range of proposed reforms that would save taxpayers additional millions. Further, the Commission's September 2000 report on waste and abuse in public school roofing projects provided the state and its localities with invaluable insights into the subversion of multi-million-dollar public construction programs by unscrupulous contractors. In addition, the Commission's 2002 findings of a tainted contract to privatize motor-vehicle inspection services resulted in proposed legislation to strengthen the state contract procurement process and to shield it from manipulation through disclosure of contract lobbying and other means.

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

INVESTIGATIONS, REPORTS and PUBLIC HEARINGS – 2003

Waste, Fraud and Abuse

Report: Associated Humane Societies

Summary

Associated Humane Societies (AHS) is one of New Jersey's leading nonprofit animal-shelter organizations, under contract with scores of municipalities to provide a range of animal-control services. During the course of an extensive investigation, the Commission found that AHS officials over the years engaged in questionable financial practices, conflicts of interest, mismanagement and negligent animal care. Despite huge and highly successful fund-raising campaigns, the Commission found, "the history of AHS's shelter operation has been dominated by deplorable kennel conditions, inhumane treatment of animals by workers, mismanagement and nonexistent or inadequate medical care." Issuance of the Commission's report in March 2003 coincided with the resignation of Lee Bernstein, AHS's long-time Executive Director – a move recommended by the Commission – and spurred the organization to pursue a series of internal reforms that it had begun earlier in response to the probe.

The Commission found that a root cause of the problems that plagued AHS's shelters over the years was the organization's failure to commit adequate resources to facility operations and improvements despite accumulated cash and investment balances that at one point in 2002

topped \$11 million. This parsimony pervaded all aspects of shelter life, from physical plant to veterinary care. Bernstein, who ruled the organization as if it were his personal empire, balked at even the most basic improvements, including adequate heating and air conditioning systems, the purchase of sufficient cleaning supplies, septic-system repairs, emergency treatment for stray animals picked up at night, and a flea-and-tick eradication program. The Commission found that even when cost was not a factor, the organization failed to implement very basic improvements, such as supervision of kennel workers, proper cleaning and sanitation procedures, and staff-training on how to handle animals and to recognize illnesses and injuries.

Although AHS is a multi-million-dollar operation with multi-faceted activities, the Commission found that for years it operated without adequate internal controls or clearly delineated lines of responsibility. In addition, the organization lacked a system to ensure employee accountability and proper procedures and controls with respect to its finances. There was no review, for example, of revenues and disbursements, no requirement for supporting documentation for reimbursement of employee expenditures or disbursements from petty cash, and no established protocol for the hiring of contractors.

The Commission also found that the AHS fundraising operations were plagued with irregularities, including the absence of means to ensure that fundraising expenses were reasonable in relation to contributions generated. The organization also maintained no controls with respect to the receipt or deposit of contributions and no documentation of contributions made by check or cash. Further, the organization failed to make full disclosure to the state regarding its arrangements with independent fundraisers.

In addition to ignoring state regulations governing the operation of animal shelters, the Commission found that under Bernstein's direction, AHS defied the law by having veterinary

technicians perform spay and neuter operations on shelter animals and non-veterinarians administer rabies vaccinations. The Commission also found violations of record-keeping requirements for the maintenance and use of controlled dangerous substances and the improper use of expired drugs on shelter animals.

Beyond Bernstein's operational role, the Commission found that the AHS Board of Trustees failed to fulfill its stewardship obligations and, therefore, shared responsibility for the organization's serious problems. The board, which was hand-picked by Bernstein, provided no policy or management direction, exercised no oversight and functioned in contravention to its own by-laws. It removed itself from involvement with the organization's finances, and its officers performed no meaningful duties.

The Commission's examination of animal-control services provided by AHS to approximately 70 municipalities revealed problems in both the rendering of such services and in the municipalities' handling of contracts with the organization. The Commission found that AHS and local officials ignored a statutory mandate that restricts the provision of animal-control services to certified animal-control officers. In preparing and submitting contracts to the municipalities, AHS failed to utilize a consistent approach or uniform methodology in devising the service fees. Further, the Commission found that the vast majority of municipal officials failed to negotiate the contract provisions, to provide even a modicum of review of the contracts, to verify the invoices or to impose a system of accountability for AHS employees entering their jurisdictions.

Acting on information provided by former AHS shelter workers, the Commission also examined irregularities in the organization's system of providing fee-based cremation services for owners of deceased animals. In an addendum report issued in April, the Commission

concluded that the integrity of the cremation process was corrupted by the organization's failure to ensure proper custody and disposition of remains.

* * *

The Commission referred the findings of its investigation to a range of state and federal agencies, including the U.S. Internal Revenue Service and the New Jersey Office of the Attorney General, Division of Taxation Department of Health and Senior Services and the Board of Veterinary medical Examiners. The Commission also made reform recommendations in the following key areas:

- **ADMINISTRATION AND GOVERNANCE**

The AHS Board of Trustees should be re-constituted, and the Executive Director should resign. A framework for proper governance should be established, including such rudimentary steps as the creation of board committees dedicated to explicit operational and policy functions, the assignment and delegation of key duties to organization officers, the setting of priorities, and mechanisms to ensure adequate and effective oversight of employees, contractors, vendors and fundraisers.

- **SHELTER CONDITIONS**

The AHS Board and management staff should ensure consistent implementation of steps to improve conditions at the organization's shelters, including but not limited to proper training and oversight of staff, including veterinary personnel; proper cleaning and sanitation; provision of sufficient and appropriate food; fixed fee schedules for the adoption, surrender, recovery,

euthanasia, cremation and disposal of animals; and implementation of a disease-control program.

- **STATUTORY AND REGULATORY COMPLIANCE**

The AHS Board and administrators should take all necessary steps to ensure full compliance with all laws and regulations governing the operation of animal shelters, the rendering of animal-control services and the control and use of dangerous substances and other drugs.

- **SHELTER INSPECTIONS**

The Commission repeated a recommendation made in its December 2000 investigative report on the SPCAs to the effect that an aggressive and thorough animal-shelter inspection program should be implemented at the state and local levels in New Jersey. At the same time, the rules and regulations governing shelters should be vigorously enforced, and the state Department of Health and Senior Services should increase its staff of trained individuals to conduct regular inspections and assist local health offices in that regard.

- **ANIMAL-CONTROL SERVICES: MUNICIPAL DUTIES**

Municipalities and other entities that contract with AHS for animal-control services should better serve the public's interest by exploring the viability of providing animal control on their own or in conjunction with neighboring communities. Failing that, local officials should seek to actively negotiate contract terms and fees with AHS to ensure adequate service at a reasonable

price and review the contracts before executing them to make certain that the provisions are fair and adequate.

Organized Crime

Public Hearing: The Changing Face of Organized Crime in New Jersey

Summary

Since its creation in 1968, the Commission has monitored the activities of organized crime in order to assist law enforcement agencies and to fulfill a statutory obligation to inform the public as to the scope and nature of various criminal threats. Indeed, on numerous occasions over the years, the Commission's own investigations have exposed incursions by organized crime into specific areas of government and commerce, and those types of specific confidential probes continue. But it is important from time to time to step above the fray, to provide an up-to-date context within which such investigations are conducted. As a result, the Commission determined that it was vital to undertake a thorough assessment of the changing nature and threat of organized crime as New Jersey enters the 21st Century. To accomplish this overview project, the Commission bolstered the expertise of its own staff by reaching out across the law enforcement community at all levels to gain a full and accurate understanding of key trends. Twenty-six witnesses, including local, state and federal law enforcement officials and protected criminal witness assisted this process significantly during a two-day public hearing held April 29 and 30, 2003.

The Commission last conducted a comprehensive status report on organized crime more than a dozen years ago in its Annual Report for 1989. As starkly evidenced by last year's

hearing testimony and by a wide array other investigative data developed by the Commission in this regard, much has changed.

Traditional elements of organized crime – the *Mafia*, *La Cosa Nostra* and other groups that came to dominate the underworld for much of the past century – have been joined by a chaotic, violent array of other criminal entities, adult gangs and drug-dealing syndicates that operate under new and different rules. While the international trade in illicit narcotics is the lifeblood of organized crime, it and other longstanding traditional mob moneymakers, including gambling, prostitution, loansharking, and labor racketeering, have been supplemented and augmented by multi-million-dollar financial frauds, money-laundering schemes, identity-theft rackets, and other sophisticated criminal activities that employ the latest electronic and computer gadgetry to subvert legitimate commerce. Meanwhile, the effectiveness of important investigative tools long utilized by law enforcement to combat organized crime has come under threat by the dark side of high technology.

* * *

As testimony during the Commission’s hearings demonstrated, the changing shape of organized crime is exemplified by the rise of a vast network of heavily armed drug-trafficking gangs sustained by a lucrative underground economy. Led by adults and served to a considerable extent by juveniles, these gangs – Bloods, Crips, Latin Kings and others – have exploded in recent years to command a widening turf that extends beyond the cities and into New Jersey’s suburbs. Their presence ensures that illegal drugs, guns and other societal threats once the domain of traditional organized crime have gained a new and menacing lease in the

hands of ultra-violent groups whose scope and activity pose an enormous challenge to law enforcement.

That is not to say that the “old mob” has disappeared from the scene. State and federal law enforcement experts testified that elements of *La Cosa Nostra* are engaged in efforts to reclaim at least a share of the underworld empire they dominated until the important segments of the LCN were dismantled by prosecutions and infighting during the 1980s and 1990s. All of the top LCN groups – the so-called “seven families” – in the New York/New Jersey/Philadelphia region: the Gambino, Genovese, Lucchese, Bonanno, Colombo, DeCavalcante and Bruno organizations – are active in this region at least to some degree, according to evidence presented at the hearing. Each group continues to recruit members and associates, and a new generation of leaders has emerged. In recent years, these groups also have displayed greater willingness to partner with each other in pursuit of common criminal goals, a topic of concern in the law enforcement community.

Another area of concern that generated discussion during the hearings was that the scope of public participation in a range of unlawful activities, including drug abuse, prostitution, pornography and illegal gambling has expanded over the past decade. This phenomenon serves to provide elements of organized crime with lucrative sources of revenue with which to continue to finance other criminal activities. On the drug front, demand for heroin and methamphetamine has begun to overtake that for cocaine in some areas in recent years. Ecstasy and LSD are widely available, along with other so-called “club drugs,” such as PCP, ketamine and rohypnol. Meanwhile, sports betting and video poker have become established enterprises, generating millions in illicit profits and bankrolling efforts by organized crime groups to buy protection through payoffs and kickbacks to corrupt police and government officials.

Nonetheless, as Commission Chairman Francis Schiller stated at the outset of the hearings, it would be inaccurate, inappropriate and ill-advised to conclude that traditional organized crime continues to present the paramount threat. “To paraphrase an advertising slogan popular a few years back,” Schiller stated, “this is not your father’s mob. The shape, the players, the scope and extent of the threat – every key aspect of organized crime has undergone a radical shift, even to the point where the very term ‘organized’ has been reduced in some instances to a complete misnomer.”

Little more than a decade has passed since the Commission recorded the emergence of organized crime groups operating well beyond the scope of the LCN, the Sicilian *Mafia* and other long-established segments of the underworld. Today, these disparate groups, migrating post-Cold War from the former Soviet Union, Asia and Africa, and from a raft of Caribbean and Latin American countries, including Mexico, Columbia, Cuba and the Dominican Republic, have grown to become prominent players in their own right. With disturbing transnational components, they present law enforcement investigators with a host of difficult obstacles that must be overcome, including a penchant for violent, unpredictable behavior. Operated by organizational hierarchies far different from those of traditional organized crime, they also present an array of linguistic and cultural barriers. At the same time, these groups have demonstrated a willingness to forge temporary working alliances with elements of the LCN in order to achieve various criminal objectives.

A disturbing aspect of these non-traditional groups is their distinctive predatory nature. Testimony presented at the hearings demonstrated that they have the wherewithal and willingness to usurp and disrupt communities through intimidation and outright force, often focusing on victims of like ethnic, cultural and linguistic backgrounds. Decades ago, when the

Mafia was building the foundation of its criminal empire in America, entire neighborhoods lived in thrall of an extortionate enterprise known as the “Black Hand.” Today, similar phenomena afflict many communities, taking the form of home invasions, business shakedowns, and the involuntary servitude of smuggled human beings.

The Commission also examined the extent to which the changes that organized crime has undergone have affected that nature and scope of various groups’ criminal activities. While gambling, drug dealing, prostitution, loansharking, extortion and other such strong-arm activities remain foundation endeavors of the criminal underworld, certain adaptive and innovative segments of new and old criminal groups increasingly have adopted sophisticated schemes that twist legitimate businesses into enterprises making money illegally. Carefully contrived and highly lucrative frauds, for example, have been mounted from within the health-care industry. Organized criminals bent on manipulating stock markets have infiltrated Wall Street brokerage firms. As both a world financial center and a mecca for gamblers visiting Atlantic City’s casinos, the region also remains an integral transshipment point in the international money-laundering circuit.

One reason for this heightened sophistication is that the tools and weaponry available to elements of organized crime now includes an array of high-technology that has helped the underworld streamline operations and evade detection. Law enforcement officials expressed particular concern about the utility of remote electronic surveillance devices that, over the years, have become a staple in investigative and prosecutorial efforts to neutralize organized crime. The available technology now is such that devices designed to monitor telephone and computer communications can easily be defeated by cheap, easy-to-obtain encoding and encryption mechanisms that scramble digital signals.

* * *

The successful completion of this project, which will include the issuance of a comprehensive final report this year, was made possible by a cooperative effort involving multiple local, state and federal law enforcement agencies. The Commission particularly would like to thank the following agencies and organizations for their expert assistance: the Divisions of State Police and Criminal Justice in New Jersey's Department of Law and Public Safety; the Federal Bureau of Investigation, particularly the Newark and Philadelphia Divisions; the Newark Division of the U.S. Drug Enforcement Administration; the U.S. Attorney's Office for the District of New Jersey; the Bureau of Immigration and Customs Enforcement in the U.S. Department of Homeland Security; the National Drug Intelligence Center; the Paterson Police Department; the Jersey City Police Department; the Security Threat Group Management Unit in New Jersey's Department of Corrections; Police Management Consultants of Clarksburg, New Jersey; the Newark Office of the Office of Labor Racketeering and Fraud Investigations in the U.S. Department of Labor; the Waterfront Commission of New York Harbor; and the Anti-Trafficking Initiative of the International Institute of New Jersey.

Waste, Fraud and Abuse

Public Hearing: Abuses in New-Home Construction and Inspections

Summary

Based upon numerous citizen complaints, the Commission undertook an investigation of issues related to the new-home construction industry and found widespread problems and abuses in communities throughout New Jersey, including shoddy workmanship, lax and corrupt inspections, blatant code violations, poor government oversight and inadequate remedial options for consumers. The initial findings of this probe, which is ongoing, were aired during two days of public hearings held November 18 and 19, 2003. Twenty-five witnesses, including homeowners, state and local officials and Commission investigators and accountants, provided sworn testimony across a range of issues. The Commission reported that it found genuine and significant problems and abuses in 58 different complaint scenarios related to home-construction projects involving thousands of home-buyers. These scenarios encompassed the activities of 41 builders, large and small, scattered throughout 17 of the state's 21 counties. The Commission's ultimate goal, once the investigation is completed, is to set forth a comprehensive set of sensible, objective recommendations for strong, effective statutory and regulatory reforms.

The November hearings focused on faulty and deficient construction practices; lax, deficient and corrupt construction inspections; and questionable oversight of the building industry by appropriate governmental authorities.

The backdrop for the Commission's investigation was a booming home-construction market in which builder priorities have become increasingly defined by speed and volume rather than quality craftsmanship. Documentary evidence and sworn testimony revealed numerous instances in which unsuspecting consumers purchased new homes replete with structural flaws, such as missing roof-support struts and cracked foundations; defective plumbing; improperly installed heating, cooling and ventilation systems; faulty electrical networks; and moisture-related conditions conducive to the spread of toxic mold. A common theme involved reliance by builders on unsupervised subcontractors who employ unskilled, untrained workers. Witnesses testified that these types of construction deficiencies are as likely to be apparent in suburban developments of upscale, single-family homes as they are in multi-unit, affordable housing projects in the cities.

The Commission also examined evidence showing a systematic breakdown in the governmental process through which homes under construction are supposed to be subjected to rigorous inspection for structural and other deficiencies. In numerous instances, inspections were inadequately performed, incomplete or altogether non-existent. The investigation revealed that municipal inspection and code-enforcement officials frequently are poorly trained and over-worked. In other cases, local construction officials were found to have accepted a variety of inducements from builders and developers, including free luncheons and other meals, golf outings and gifts of liquor, construction materials and tickets to sporting events.

Experts testified that one of the most serious consequences of this flawed inspection system is that multiple construction code violations – some of them life-threatening, such as unventilated heating systems and unsecured foundations – went undetected even as buyers took possession of the property. Indeed, in some instances, the Commission found that real-estate

closings on new homes later determined to be plagued by code violations and structural problems were facilitated through the issuance of forged or fraudulent certificates of occupancy. Pursuant to the requirements of its operating statute, the Commission in connection with this investigation has referred evidence suggesting criminal misconduct to the Office of the Attorney General.

The November hearings triggered an outpouring of editorial commentary throughout New Jersey lauding the Commission's efforts and prompted dozens of additional home-buyer complaints and allegations, the facts and circumstances of which the Commission has undertaken to examine. Additional hearings were scheduled for 2004 to examine documented failures in government and private-sector new-home warranty programs, as well as other issues related to problems and abuses in the home-construction industry.

PRIOR INVESTIGATIONS

ORGANIZED CRIME

- | | |
|---|--|
| 1969 Garbage Industry | 1987-89 Solid Waste Regulation |
| 1970-71 Organized Crime Control of Long Branch | 1988-89 Cocaine |
| 1972 Organized Crime in Ocean County | 1989 Overview of Organized Crime |
| 1977-78 Organized Crime in Atlantic City | 1988-91 Garment Industry |
| 1980-81 Organized Crime Infiltration of Dental Care Plans | 1990-91 Afro-Lineal Organized Crime |
| 1981-82 Organized Crime Labor Relations Profiteering at Mass Housing Construction Sites | 1990-91 Video Gambling |
| 1983-85 Organized Crime in Boxing | 1991 Organized Crime in Bars |
| 1986-87 Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects | 1991-92 Motor Fuel Tax Evasion |
| 1986-1988 Check Cashing Industry | 1993-94 Money Laundering |
| | 1994 Medical Provider Contracts |
| | 1995 Organized Crime in Bars Part II |
| | 1996 Russian-Émigré Crime in the Tri-State Region |
| | 2003 Overview of Organized Crime in New Jersey |

LOCAL GOVERNMENT CORRUPTION

- | | |
|---|---|
| 1969-70 Monmouth County Prosecutor's Office-Misuse of Funds | 1982 Inappropriate Activities of the Lakewood Municipal Industrial Commission |
| 1970-71 Hudson County Mosquito Commission Embezzlements | 1984 Misconduct and Inappropriate Controls in the Newark School Security System |
| 1971 Misappropriation of Public Funds, Atlantic County | 1984 Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund |
| 1971-72 Point Breeze Development Frauds, Jersey City | 1992 Bergen County Utilities Authority |
| 1972-75 Improper Municipal Planning, Zoning Procedures | 1992 Local Government Corruption Overview |
| 1973-74 Passaic County vocational-Technical School: Misuse of Funds and U.S. Surplus Property | 1993 Belleville Township |
| 1974-75 Lindenwold Municipal Corruption | 1993 Passaic High School Print Shop |
| 1975-76 Land Acquisition Deals in Middlesex County | 1994 River Vale Recreation Department |
| 1979-80 Questionable Public Insurance Procedures | 1994 Point Pleasant School District |
| 1981-83 Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities | 1994 Borough of Jamesburg |
| | 1995 Garfield School District |
| | 1997 Borough of Seaside Heights |
| | 1998 City of Orange Township |

WASTE, FRAUD AND ABUSE

- 1970-71** Corrupt State Purchasing Practices
1970-71 Building Service Industry Abuses
1972 Stockton College Land Acquisition Deals
1972-73 Bank Fraud in Middlesex County
1972-74 Workers Compensation Frauds
1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising
1974 Conflicts of Interest at Delaware River Port Authority
1975-77 Investigation of Medicaid Abuses
1976-77 Prison Furlough Abuses
1977-78 Misuse of Public Funds in the Operation of Non-Public Schools for Handicapped Children
1977-78 Boarding Home Abuses
1978-79 Absentee Ballot Frauds
1978-79 Injury Leave Practices
1981-82 Mismanagement of the New Jersey Housing Finance Agency
1983 Abuse and Misuse of Credit Controls at Gambling Casinos
1983 Improprieties in Leasing of State Lands at Great Gorge in Sussex County to a Ski Resort
1985-86 Probes of N.J. Division of Motor Vehicles
1986-88 Union Lake
- 1989-90** AIDS Prevention Program – State Department of Health
1988-90 New Jersey School Boards Association
1992 New Jersey Transit’s Bus Subsidy Program
1992-93 Fiscal Year’ 89 Budget Over-Expenditures Division of Development Disabilities
1993 Quality Education Money to Lyndhurst
1994 Nursing Home Certificates of Need
1994 Marlboro State Psychiatric Hospital
1995 County Clerks’ Trust Funds
1995 N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher
1995 Casino Control Commission
1997 Contract Labor – The Making of an Underground Economy
1997 New Jersey School Busing Industry
1998 Pension and Benefit Abuses
1999-2000 Public School Roofing Projects
2001 Societies for the Prevention of Cruelty to Animals
2001-2002 N.J. Enhanced Motor Vehicle Inspection Contract
2003 Associated Humane Societies
2003 New-Home Construction and Inspection Abuses

REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT

- 1969-70** County Prosecutor System
1972-73 Office of the Attorney General of New Jersey
1973-74 Narcotics Traffic and Drug Law Enforcement
1976-77 Casino Gambling
1979 Inadequate Sudden Death Investigations
1983-84 Inadequacy of Laws and Regulations Governing the Boxing Industry
- 1986** State Racing Commission’s Regulatory Deficiencies
1986-87 Impaired and Incompetent Physicians
1993 Criminal Street Gangs
1996 Insurance Interests and Licensure of Former Insurance Commissioner Andrew J. Karpinski
1997 New Jersey Detective Agency
1999-2000 Computer Crime

SPECIAL REPORT

- 1995** N.J. State Commission of Investigation – An Important Agency for the Future

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

1969 Garbage Industry

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

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

1969-70 Monmouth County Prosecutor's Office-Misuse of Funds

After its February 1970 public hearing, the SCI recommended that all counties be served by full-time prosecutors. This proposal was gradually implemented, to the point where by 1986 all counties had full time prosecutors. The SCI

recommendation that supervisory regulation of prosecutors be centered in the Attorney General's department also was implemented. The Commission's report is contained in its 1970 Annual Report.

1969-70 County Prosecutor System

In an outgrowth of its investigation into the Monmouth County Prosecutor's Office, the Commission undertook a broader inquiry resulting in a series of recommendations and actions to improve the administrative practices and accountability of prosecutor's offices statewide. One key Commission proposal led to legislation making county prosecutors and assistant prosecutors full-time positions.

1970-71 Organized Crime Control of Long Branch

Following a March and April 1970 public hearing, the SCI referred to the U.S. Attorney for New Jersey its findings, data and fiscal records relating to corporations formed by Anthony (Little Pussy) Russo. These materials were, in part, the basis for a 1971 indictment of Russo for failure to file corporate income tax returns. Russo pleaded guilty to that charge and was sentenced to three years in jail, to run concurrently with a New Jersey court sentence for perjury. (Russo subsequently was murdered).

Additionally, a police chief whose conduct was targeted by the SCI's probe resigned from office, and Long Branch voters at the next municipal

election following the public hearing elected a new administration. The Commission's report is contained in its 1970 Annual Report.

1970-71 Corrupt State Purchasing Practices

After a June 1970 public hearing (reported in the Commission's 1970 Annual Report), a state buyer who was receiving payoffs from vendors was dismissed. SCI records were turned over to the Attorney General's office, which obtained an indictment charging the buyer with misconduct in office. He pleaded guilty, was fined and placed on probation.

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

1970-71 Building Service Industry Abuses

The Commission's June 1970 public hearing (reported in its 1970 Annual Report) on restraints of trade and other abusive practices in the building service industry aroused the interest of the United States Senate Commerce Committee. The committee invited the SCI to testify at its 1972 public hearings on organized crime in interstate commerce. As a result of that testimony, the Antitrust Division of the United States Justice Department, with assistance from the SCI, began an investigation into an association which allocated territories and customers to

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

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

1970-71 Hudson County Mosquito Commission Embezzlements

After the SCI probe, December 1970 public hearing and report (contained in the 1970 Annual Report), the Mosquito Commission was abolished, resulting in an annual county budget reduction of \$500,000.

After the SCI referred its findings to the Hudson County Prosecutor, a Grand Jury in 1971 handed up conspiracy and embezzlement indictments against the Mosquito Commission's executive director, his

two sons, his secretary and the Commission's engineer and foreman. The executive director pleaded guilty to embezzlement in 1972 and was sentenced to two-to-four years in jail. His sons were fined \$1,000 each and placed on four-year probation. The other indictments were dismissed.

1971 Misappropriation of Public Funds, Atlantic County

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

After an October 1971 public hearing (reported in the Commission's 1971 Annual Report), two bills implementing SCI recommendations were enacted into law. One improved the urban renewal process and the other tightened statutory provisions to prevent a purchaser of publicly owned lands from receiving any part of the brokerage fee on such a purchase.

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

given a six-month suspended sentence.

1971-71 Point Breeze Development Frauds, Jersey City

After an October 1971 public hearing (reported in the Commission's 1971 Annual Report), two bills implementing SCI recommendations were enacted into law. One improved the urban renewal process and the other tightened statutory provisions to prevent a purchaser of publicly-owned lands from receiving any part of the brokerage fee on such a purchase. The Commission also referred records to prosecutorial authorities. A Hudson County Grand Jury returned an indictment charging a former Jersey City building inspector with extorting \$1,200 from an official of the Port Jersey Corp. and obtaining money under false pretenses. The inspector was convicted of obtaining money under false pretenses, fined \$200 and given a six-month suspended sentence.

1972 Stockton College Land Acquisition Deals

After the Commission issued a report in June 1972, the State Division of Purchase and Property implemented SCI recommendations for tighter controls over land acquisitions and evaluations, including pre-qualification of appraisers and post-appraisal reviews by nationally accredited appraisers.

1972-75 Improper Municipal Planning, Zoning Procedures

The SCI canceled scheduled public hearings after a one-day session because litigation prevented three key witnesses from testifying about land development in Madison Township in Middlesex County. Although the courts subsequently ruled the witnesses must testify, the Middlesex Prosecutor in the meantime had requested the SCI to postpone its hearings and submit its investigative data for prosecutorial use. In early 1974 the Middlesex Grand Jury indicted three former Madison Township officials for extortion, bribery, misconduct in office and perjury in connection with housing development kickback schemes. In February 1975, a former Township councilman was found guilty of extortion and misconduct in office.

1972-73 Bank Fraud in Middlesex County

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

term. Suspended prison sentences were imposed on two others, including Santisi's lawyer, after they also pleaded guilty. The Commission's report is contained in its 1972 Annual Report.

1972-73 Office of the Attorney General of New Jersey

With the assistance of former Supreme Court Justice John J. Francis as Special Counsel, and at the request of the Attorney General and a Senate Committee, the Commission reported in January 1973 the results of its investigation into allegations surrounding the criminal investigation of former Secretary of State Paul J. Sherwin. The report exonerated the Attorney General and Criminal Justice Director on charges of a cover-up.

1972 Organized Crime in Ocean County

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

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

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

1972-74 Workers Compensation Frauds

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

The SCI's investigative findings were referred to the Essex County Prosecutor, who in 1975 obtained indictments of two partners of a law firm and the firm's business manager in connection with bill-padding and a phony medical treatment scheme. The indictments charged the defendants with conspiring with certain doctors and others to submit fraudulent reports to insurance companies. All indictments were dismissed but one, which charged a lawyer-defendant with obtaining money under false pretenses. Essex authorities, after being deputized in Middlesex County, obtained a seven-count indictment from a Middlesex Grand Jury.

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

Finally, three New Jersey Judges of

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

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

The Commission's public hearing in September 1973 and report (contained in its 1973 Annual Report) included many recommendations for improving surplus property distribution and tightening school purchasing practices to prevent thefts and abuse.

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

1973-74 Narcotics Traffic and Drug Law Enforcement

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

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

1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising

The SCI acquainted federal authorities with investigative findings during and after this probe. Subsequently, the owner of one company and the sales manager of another company, who were targets of a June 1974 public hearing and September 1974 report, pleaded guilty to federal charges of fraud.

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

1974 Conflicts of Interest at Delaware River Port Authority

Based on evidence from the SCI probe, reported in October 1974, the Port Authority claimed more than \$64,000 from its former chairman as repayment of profits his firms made on Authority construction projects. The claim was settled in 1977 for \$50,666. Although the former chairman was absolved of any wrongdoing, he was not reappointed to the Authority.

1974-75 Lindenwold Municipal Corruption

As a result of State Grand Jury indictments in 1975, a former Lindenwold mayor and a real estate developer pleaded guilty to bribery and conspiracy charges as their trial was scheduled to begin. One former councilman was found guilty on three counts and another former councilman was found guilty on two counts at the conclusion of the trial in October 1977. The SCI's December 1974 public hearing and investigative findings reported in its 1974 Annual Report led to these actions.

1975-77 Investigation of Medicaid Abuses

A number of statutory and regulatory steps were taken during and subsequent to the Commission's investigations, interim reports and public hearings. These actions included the Legislature's enactment of a New Jersey Clinical Laboratory Improvement Act, as well as a law increasing maximum penalties for bilking the Medicaid program through overbilling and false billing.

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

1975-76 Land Acquisition Deals in Middlesex County

As a result of the SCI's exposures in this investigation, the Administrator of the County's Land Acquisition Department was suspended and the County government moved to institute a more stringent process of checks and balances on land acquisition procedures. Even before the SCI completed its hearings in January 1976, arrangements were being formalized voluntarily by state officials, alerted by the Commission's findings, for the transfer of the Green Acres appraisal and post-appraisal review and control system from the Department of Environmental Protection to the Department of Transportation one of many general and technical recommendations by the Commission that were implemented. The SCI

reported its findings in its 7th Annual Report for 1975.

SCI data was referred to the Middlesex County Prosecutor's office, which investigated the conduct of the County Land Acquisition Department. In September 1976, a Grand Jury returned a presentment in which it said that while it found "no provable criminal act" by the department's former administrator, his activities "indicated an insufficient expertise and lack of concern to perform his office in the best interest of the citizens." The presentment also criticized the collection of political contributions from appraisers, "which if not improper under law certainly gave the appearance of impropriety."

1976-77 Prison Furlough Abuses

Following the SCI probe and May 1976 public hearing, a State Grand Jury indicted in December 1976 a former Trenton State Prison clerk for false swearing and perjury. These charges related to a forged Superior Court Appellate Division opinion which was inserted into the record of an inmate, Patrick Pizuto, enabling him to obtain a premature release from incarceration. (Pizuto became a federally protected informant in an unrelated case.) In January 1977, five former inmates of Leesburg Prison were indicted on charges of escape by means of fraudulent furloughs. These indictments led to convictions or guilty pleas. The Commission's report is contained in its 8th Annual Report for 1976.

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

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

1976-77 Casino Gambling

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

1977-78 Organized Crime in Atlantic City

The Commission's investigation and August 1977 public hearing confirmed the infiltration by the organized crime family of Angelo Bruno of Philadelphia into certain legitimate businesses cigarette vending and nightclubs after the legalization of casino gambling in Atlantic City. Also revealed were attempts by associates of the Gambino organized crime family to purchase a major Atlantic City hotel and by a New England mobster to intrude into the operation of a casino gambling school. In 1979, the Legislature enacted a law strengthening the licensing requirements for the cigarette industry to proscribe licensure of organized crime members or associates. The Commission's reports on these problems are contained in its 9th

Annual Report for 1977 and a separate December 1977 report.

1977-78 Boarding Home Abuses

The SCI's June 1978 public hearing and November 1978 report on this investigation were among a number of public actions by various agencies that led to the enactment of a boarding home reform law. However, this law did not implement a major recommendation of the SCI - that is, to center boarding home licensing and monitoring obligations, which were spread among three departments of government, into one department.

1978-79 Absentee Ballot Frauds

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

1978-79 Injury Leave Practices

After the January 1979 Commission report, inappropriate deductions of social security and income taxes from wages paid to public employees under various municipal and county injury leave policies were halted and efforts were made to recoup such deductions in the past.

1979 Inadequate Sudden Death Investigations

Following the Commission's November 1979 report, efforts to

reform the county medical examiner system were begun. However, none of the proposed revisions included the SCI's major recommendations that a statewide regional system of medical examiners be established, operating with accredited forensic pathologists in conjunction with the Institute of Forensic Science in Newark.

1979-80 Questionable Public Insurance Procedures

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

1980-81 Organized Crime Infiltration of Dental Care Plans

The Commission held a public hearing in December 1980 and issued a report in June 1981. Legislation was enacted in 1982-83 incorporating the Commission's recommendations for barring organized crime influence in dental care plans sold to labor unions and for increased auditing, monitoring and financial disclosure for such plans. The SCI was represented by a Commissioner and its Executive Director at a U.S. House Aging Committee hearing in 1981 on abuses of health care trust funds and at a public hearing by the Pennsylvania Crime Commission in 1981 on its probe of mob influence over the operation of labor union dental plans.

1981-82 Mismanagement of the New Jersey Housing Finance Agency

During the course of this investigation, the HFA's Executive Director, William Johnston, a subject of the inquiry, resigned and a new reform administration was put in place. After the issuance of the SCI's initial report in March 1981, certain HFA personnel discussed in the report resigned or were dismissed and new procedures for processing housing projects were instituted. The Commission's investigative findings, also contained in a December 1982 final report, were submitted to various prosecutorial authorities.

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

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

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

This probe, July 1982 public hearing and March 1983 report resulted in the enactment of a comprehensive law giving the State Local Government Services Division the same effective control over the fiscal and administrative operations of sewerage and other local authorities that it exercises over municipalities.

1982 Inappropriate Activities of the Lakewood Municipal Industrial Commission

The August 1982 report on this inquiry resulted in the enactment in 1984-85 of the SCI's recommendations for reforming the operations of all such commissions.

1983 Abuse and Misuse of Credit Controls at Gambling Casinos

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

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

The March 1983 public hearing and August 1983 report were followed by criminal and civil actions based on the SCI's investigative findings, which resulted in the reimbursement of millions of dollars owed to the State and in substantial fines and other penalties against the major principals of the Vernon Valley conglomerate and its subsidiary companies.

1983-84 Inadequacy of Laws and Regulations Governing the Boxing Industry

In line with the SCI's recommendations, contained in its March 1984 interim report, a law was passed revising the tax structure for boxing events, and another bill revising

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

1984 Misconduct and Inappropriate Controls in the Newark School Security System

Bills were introduced in the 1986-88 Legislature to implement certain reforms recommended by the June 1984 SCI report.

1984 Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund

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

1983-85 Organized Crime in Boxing

The SCI's December 1985 final report confirmed so serious an intrusion of organized crime into boxing that, were the same mob presence to afflict such other professional sports as baseball or football, it would constitute a public scandal.

Dissection of a dozen case histories not only reflected the ineffectiveness of the regulatory process in stamping out organized crime but also the inability of the regulators – and managers and promoters as well to prevent boxers from becoming brain-damaged and blinded. As a result, the SCI joined the American Medical Association and other medical groups in urging that professional boxing be banned. In the meantime, the SCI proposed a series of further reforms, to reduce the physical hazards of boxing, as well as its organized crime taint. Bills requiring background checks of prospective licensees, including promoters and managers, were enacted in 1986-87. Other “reforms” which were below the standards urged by the SCI also were enacted in 1988 (See 1983-88 interim report on boxing).

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

1) Photo license controversy, an investigation directed by the Legislature to be completed in 30 days. In a June 1985 report, the Commission criticized the Division of Motor Vehicles and the Attorney General for the intentional non-disclosure of a major political contributor’s proposed role in a universal photo license system.

2) Investigation, December 1985 public hearing and report (combined with the Commission’s 1985 Annual Report) on the DMV’s politicized, inefficient agency system. The Commission recommended conversion of all motor vehicle agencies to state operated entities, as well as internal reforms

within the Division to enhance the integrity of the licensing and registrations processes.

3) Investigation of the DMV-Price Waterhouse computer fiasco, which had its origins in the collapse of the DMV’s services to the public in mid-1985. This probe resulted in a June 1986 report critical of DMV’s management of the computer project, as well as the serious policy misjudgments and professional misconduct by the computer contractor. The report made recommendations for reform of bid waiver procedures.

1986 State Racing Commission’s Regulatory Deficiencies

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

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

This report was combined with the Commission’s Annual Report for 1986. It recommended centralization and strengthening of state and Casino

Control Commission procedures for prequalifying and disqualifying prospective contractors and subcontractors. The investigative findings demonstrated that two mob-operated companies had amassed millions in revenues from casino projects and public works from which they should have been barred. Bills which would extend Control Commission scrutiny to subcontractors and casino license applicants were enacted.

1986-87 Impaired and Incompetent Physicians

A report on the Commission's investigation on Impaired and Incompetent physicians was issued in October 1987. The report was critical of the New Jersey Medical Society's Impaired Physicians Program and the inability of the IPP and the State Board of Medical Examiners to adequately rehabilitate and monitor impaired doctors to prevent harm to patients. After Commission staff participated in Senate committee hearings, the Legislature and Governor enacted the Professional Medical Conduct Reform Act on January 12, 1990 (effective July 13, 1990). The law substantially improves the reporting, rehabilitation and supervision of impaired and incompetent doctors.

1986-88 Union Lake

The Commission investigated the process by which the State Green Acres program acquired Union Lake in Cumberland County.

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

1986-88 Check Cashing Industry

The Commission revealed in an April 1988 public hearing and August 1988 report the extent to which the check cashing industry in New Jersey is used by organized crime to finance loansharking and other forms of racketeering, as well as to defraud companies. Dozens of referrals of information were made to law enforcement and administrative agencies in New Jersey and New York.

1987-89 Solid Waste Regulation

Revisiting regulatory failures and criminal involvement in the solid waste industry in New Jersey, the Commission concluded in an April 1989 report that the Solid Waste Utility Control Act of 1970, enacted after the Commission's 1969 report on the garbage industry, had failed as a regulatory mechanism. The Commission found that organized crime, while no longer dominant, still had a presence in the industry. Moreover, the regulatory system had failed to stimulate competition in an industry that was amenable to it. In

response to a Commission recommendation, the Legislature and Governor enacted a law to phase out an ineffective system of utility-style rate regulation of solid waste collectors.

1988-89 Cocaine

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

1989 Overview of Organized Crime

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

1989-90 AIDS Prevention Program — State Department of Health

Allegations of impropriety in the AIDS prevention program in the Department of Health were made at a public hearing of the Assembly Committee on Health and Human Resources. The Commission found most of those allegations to be without merit but did find some laxity in the grant review process. In its January 1990 letter to the Committee Chairman, the Commission also found a mindset at the Department that virtually no irregularity would be sufficient to cancel a financial grant so long as the avowed purpose of the grant appeared on the surface to be served.

1988-90 New Jersey School Boards Association

The Commission issued a report in April 1990 about serious deficiencies in the management of the School Boards Association that led to losses of more than \$800,000 in the investment of funds entrusted to the NJSBA Insurance Group by local school districts. The NJSBA has made substantial progress toward reform.

1988-91 Garment Industry

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

1990-91 Afro-Lineal Organized Crime

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

1990-91 Video Gambling

In a January 1991 public hearing and September 1991 report, the Commission assessed the complicated

problem of video gambling, including the ramifications of organized crime involvement as well as weaknesses in the statutes that apply to gambling devices.

1992 New Jersey Transit's Bus Subsidy Program

The Commission held a public hearing in July 1992 into allegations of serious irregularities in NJT's \$5 million Bus Subsidy Program. The Commission revealed that two bus companies had, largely through the inattention of NJT overseers, been able to obtain several million dollars in subsidies for the personal and private commercial expenses of the companies' owners. As a result of the Commission's findings, NJT undertook an extensive reform effort. Criminal charges stemming from the Commission's probe resulted in prison terms and/or community service and restitution totaling more than \$750,000 by five individuals in February 1995.

1991-92 Organized Crime in Bars

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

1991-92 Motor Fuel Tax Evasion

In an October 1991 public hearing and February 1992 report detailing the findings of an investigation, the Commission showed how motor fuel tax evasion in New Jersey resulted in tens of millions of dollars in annual tax losses to the state. Legislation resulting from the Commission's work corrected the statutory flaws which permitted the fraud to occur, and allowed the state Treasury to recoup at least \$22 million annually. The Commission's report in this case was among the first in the nation to demonstrate publicly a direct link between traditional organized crime elements of La Cosa Nostra and the emerging trans-national Russian Mafia.

1992 Bergen County Utilities Authority

The Commission issued a comprehensive report in December 1992 detailing how the BCUA, through mismanagement and poor planning, had crafted an extravagant solid waste disposal program that needlessly cost the ratepayers of Bergen County many millions of dollars. The Commission's report resulted in a number of significant cost-saving actions and led to a 1995 task force study recommending privatization of BCUA sewage treatment services.

1992 - Present: Local Government Corruption

As part of the Commission's continuing assault on local

government corruption and the conditions which sustain it, public hearings were held in January 1992 and a report was issued in September. The report detailed purchasing scams, corrupted inspections, tainted land use decisions and a raft of embezzlements of government funds. A key focus involved troubling examples where organized crime has capitalized on the presence of municipal corruption. At least two statutes incorporating the Commission's recommendations have been enacted, and a number of other bills are under consideration by the Legislature.

1993 Fiscal Year '89 Over-Expenditures, Division of Developmental Disabilities

At the Attorney General's request, the Commission reviewed issues related to overspending in fiscal 1989 by the Division of Developmental Disabilities amid disclosures that the Division, under a former director, greatly exceeded its budget by awarding unauthorized contracts to providers of services for the disabled. The Commission found deficient contract monitoring coupled with a lack of competition in procurement at the Division's parent agency, the Department of Human Services. The Commission recommended a range of improvements in DHS procurement and oversight procedures.

1993 Belleville Township

Pursuing a widespread probe of municipal corruption in New Jersey launched statewide in 1992, the

Commission identified various failings in financial and purchasing areas in Belleville, including violations of bidding laws, expenditures in excess of appropriations and the absence of appropriate fiscal checks and balances. The Commission also examined allegations of administrative abuse involving the Township Fire Department.

1993 Quality Education Money-Lyndhurst

In conducting fact-finding for the State Board of Education, the Commission determined that the Commissioner of Education's failure to follow announced grant-review procedures led to an improper grant of \$1.5 million in discretionary funds to the community of Lyndhurst, Bergen County.

1993 Passaic High School Print Shop

Examining irregularities within the Passaic School District, the Commission reported on an industrial arts supervisor's use of high school facilities, supplies, faculty on overtime and work-study students to conduct a private printing business at taxpayer expense. The supervisor, Lawrence Mayo, was sentenced and ordered to pay restitution based upon criminal charges stemming from the Commission's probe.

1993-94 Criminal Street Gangs

Recognizing that criminal street gangs pose a most serious threat to New

Jerseyans as a whole, and to New Jersey youths in particular, the Commission conducted a groundbreaking assessment that culminated in two days of public hearings in June. The Commission's work product became an integral part of a broad new push by policy makers to reform and reinvigorate the state's juvenile justice system. In a March 17, 1994 executive order, Governor Whitman listed the Commission's report, Criminal Street Gangs, published in February 1994, as an important resource to be utilized by her Advisory Council on Juvenile Justice.

1993-94 Money Laundering

In December 1993, to highlight its assault on the deleterious effects of money laundering by the criminal underworld in New Jersey, the Commission held two days of public hearings to focus on the need for an explicit criminal statute targeting such unscrupulous financial activity for prosecution. In October 1994, the Legislature enacted and Governor Whitman signed into law a measure implementing the Commission's key recommendations.

1994 Nursing Home Certificates of Need

At the request of the Assembly Health and Human Services Committee, the Commission examined the state Health Department's certificate-of-need process and the efficacy of an executive branch policy aimed at insulating the program from abuse by unscrupulous officials. In a February 25, 1994 letter, the Commission recommended

statutory codification of Gov. Whitman's Executive Order No. 2, which sets forth criteria for the establishment of blind trusts by officials with financial holdings in such facilities.

1994 River Vale Recreation Department

Responding to complaints from residents of River Vale Township, Bergen County, the Commission examined the township's recreation department and the operation of its youth sports programs. In a May 26, 1994 letter to the township administrator, the Commission noted cash missing from departmental accounts amid sloppy and inappropriate recordkeeping. Recommendations included an overhaul of internal control mechanisms and the establishment of effective fiscal safeguards.

1994 Point Pleasant School District

Alerted by concerned local taxpayers, the Commission examined questionable financial practices related to the operations of the Point Pleasant Community School in Ocean County and the terms of a lucrative separation-of-employment agreement with a former schools superintendent. As a result of the Commission's August 1994 report, the Community School's former director, Vito Dellegrippo, pled guilty to two criminal charges of theft by deception. At his June 16, 1995 sentencing, he was placed on probation for 30 months, required to pay \$5,000 in restitution and barred

for life from holding public office. The school district transferred operation of the Community School to the County Educational Services Commission. The Commission's report served as a guide for other school districts and municipalities on avoiding similar abuses.

1994 Marlboro State Psychiatric Hospital

In an October 1994 report, the Commission revealed a tableau of waste, fraud, theft and corruption in which the squandering of taxpayer dollars virtually had become business as usual. The report prompted the Department of Human Services to send special review teams to Marlboro and other state institutions, and on February 23, 1995, the department confirmed serious problems across the board in inventory control, the granting of sick leave/injury benefits, purchasing and fiscal oversight. The findings spurred a number of systemic reforms in those and other key areas. Utilizing the Commission's evidence, the department also disciplined six Marlboro employees, dismissing two.

1994 Medical Provider Contracts

The Commission examined allegations of organized crime influence over firms that were awarded no-bid contracts to provide pharmaceutical services and unit-dose medications to patients at the Essex County Hospital Center, Jail, Jail Annex and Geriatric Center. In a letter to the County Board of Freeholder's President, the Commission alerted local officials of questionable circumstances related to the contracts and urged the

adoption of appropriate procedures for competitive bidding practices.

1994 Borough of Jamesburg

The Commission launched an investigation into the governmental operations of the Borough of Jamesburg, Middlesex County, in February 1993 after receiving numerous citizen complaints of corruption at the hands of key municipal officials. In a November 1994 report, the Commission revealed a systemic pattern of official misconduct, nepotism and abuse of the public trust so pervasive as to cause local budgetary hardships and jeopardize the local police department. The probe prompted the departure of longtime Borough Tax Assessor Carmen Pirre, spurred a Treasury Department audit and paved the way for wholesale municipal reforms. Richard Gardiner, director of the state Division of Taxation, stated in a February 27, 1995 letter: "This case is a prime example of governmental agencies working in a cooperative and efficient manner to accomplish common goals and to achieve worthwhile objectives."

1995 Organized Crime in Bars Part II

Following up on the ground-breaking 1992 report, the Commission exposed organized crime's continuing infiltration of New Jersey's licensed commercial bar and tavern industry. The 1995 report highlighted the threat posed by this phenomenon both to the integrity of the licensing system and to the state's overall economy. In a

series of recommendations for systemic reform, the Commission urged more vigorous enforcement of existing laws, as well as the adoption of additional measures necessary to strengthen the system of licensure and enforcement.

1995 Garfield School District

Pursuing a statewide assault on local government corruption launched in 1992, the Commission detailed evidence of organized crime connections, conflicts of interest and malfeasance involving personnel of the Garfield School District in Bergen County. Responding to the Commission's finding, district officials took steps to ensure greater accountability in the administration of a \$9 million lease/purchase program, as well as in other areas. A follow-up investigation by the state Education Department's Office of Compliance resulted in a number of reforms and actions, including a recommendation that the district reimburse the lease/purchase program fund \$279,647.45 and that it re-state its financial statements accordingly.

1995 County Clerks' Trust Funds

The Commission conducted a statewide review of trust funds for county clerks and registers of deeds and found that substantial sums were being used outside the statutory scope for which they were established. The investigation also revealed a number of questionable disbursements for such things as renovations, expensive decorations and furnishings in personal offices; the purchase of "specialty advertising,"

including pens, T-shirts and calendars; the payment of service club dues; and excessive travel expenses for conferences in resort cities.

1995 Casino Control Commission

A Commission probe of irregularities at New Jersey's Casino Control Commission revealed records that had been falsified and forged in connection with an improper scheme to award "golden parachutes" to former employees. The investigation also produced evidence of abuses involving official cars and expense allowances by Casino Control Commission personnel. The Commission's report, issued in September, resulted in a range of internal administrative reforms and in disciplinary action against the Casino panel's chief of staff

1995 Grant to N.J. Marine Sciences Consortium and Sham Retirement of East Brunswick School District Teacher

The Commission found that a \$500,000 grant was improperly awarded based upon undue political pressure to the New Jersey Marine Sciences Consortium. The investigation also revealed that East Brunswick School District officials, at unnecessary cost to taxpayers, circumvented tenure rules and orchestrated the retirement of a teacher who held dual employment under the grant. In a written response to the Commission's report, Education Commissioner Leo Klagholz said the findings provided

“several valuable observations and recommendations concerning the approval of contract settlements, the outside employment of school staff who are on sick leave, and the potential for abuse of pension funds. The Department of Education will pursue each of these matters and recommended needed policy changes to the appropriate authorities.”

1995 N.J. State Commission of Investigation - An Important Agency for the Future

In May, the Commission submitted a comprehensive report recounting its history and record of performance to a special review committee. The report provided the panel and the public at large with a detailed and authoritative recitation of the salutary results of the nearly 90 investigation undertaken by the Commission up to that date.

1996 Russian-Emigre Crime in the Tri-State Region

The Commission joined forces with state-level agencies in New York and Pennsylvania to examine the increasing threat posed by criminal elements emanating from within the former Soviet Union. The resulting report, issued in June, warned that gangsters with roots in the former Soviet Republics have established a strong and abiding presence in the region, engaging in a wide array of crimes that range from sophisticated financial frauds to narcotics trafficking to murder. Evidence developed by the project's staff showed that members of disparate Russian-emigre crime groups

here have the potential to become one of the most formidable organized crime challenges since the advent of *La Cosa Nostra*.

1996 Insurance Interests and Licensure of Former Insurance Commissioner Andrew J. Karpinski

A Commission investigation of circumstances leading to the 1995 resignation of this cabinet officer revealed a range of serious lapses in the ethics oversight system for officials in the Executive Branch of state government. In an October report, the Commission called for extensive reforms, the centerpiece of which was a recommended overhaul of the Executive Commission on Ethical Standards. Legislation incorporating key elements of the Commission's proposals was introduced in the Senate and Assembly in the aftermath of the investigation.

1997 Borough of Seaside Heights

Responding to citizen complaints, the Commission investigated the operations of the Borough of Seaside Heights, Ocean County, and found fiscal, administrative and procedural malfeasance so widespread as to transform the community's governing body itself into a tool for taxpayer abuse. This investigation, part of an intensified assault on local government corruption launched by the Commission in 1992, galvanized local reform efforts and led to the recovery of thousands of dollars in

taxpayer funds by various levels of government.

1997 Contract Labor — The Making of an Underground Economy

The Commission examined the activities of unscrupulous contract-labor providers, revealing an underground economy in which millions of dollars in state and federal income taxes and other levies are siphoned from the public coffers every year. This unprecedented investigation resulted in proposed legislative reforms and in heightened oversight at both the state and federal levels.

1997 New Jersey Detective Agency

Pursuing its statutory authority to provide oversight of the state's law enforcement system, the Commission examined an obscure entity known as the New Jersey Detective Agency and concluded that its members-handgun-carrying civilians who believe they have full police powers - pose a distinct danger to the community. The Commission's central recommendation - that the NJDA be abolished - was endorsed by the Governor and by top law enforcement officials, including the Attorney General and the Superintendent of the State Police.

1997 New Jersey School Busing Industry

A Commission investigation of New Jersey's public school transportation industry revealed a system rife with collusion, questionable bidding practices, poor record keeping and lax oversight. The Commission's findings

and recommendations provided a comprehensive framework for legislative and administrative reforms aimed at containing the state's exorbitant school-busing costs.

1998 City of Orange Township

In an investigation triggered by allegations of bidding and purchasing irregularities, the Commission found that from 1988-95, the city's operations were burdened by runaway expenses, unnecessary positions for political cronies, payment or unreasonably high salaries, lax financial procedures, the absence of purchasing controls, and violations of public bidding laws. The Commission tactics to extract political campaign contributions from public employees and private entities doing business with the city. The investigation also revealed the use of campaign funds for personal expenses and the misreporting of contributions and expenses to the New Jersey Election Law Enforcement Commission. The investigation produced a wide range of recommendations for systemic reforms.

1998 Pension and Benefit Abuses

The Commission examined certain aspects of public employee pension and benefit programs and found abuse, manipulation and excessive expenditures that cost New Jersey taxpayers substantial sums of money every year. Questionable practices were detected in every region of the state, among municipalities, school

districts, community colleges and independent authorities. Underlying the abuses, the Commission found a system lacking in adequate oversight and accountability and a loophole-ridden statutory framework that licenses potentially inappropriate conduct by public officials. In response, the State Division of Pension and Benefits launched a series of inquiries to determine the proper course of action, including pension adjustments and recovery of overpayments, in connection with each case detailed in the report. The Commission also called for a series of legislative and regulatory reforms.

1999-2000 Computer Crime

In an unprecedented project conducted jointly with the office of the Attorney General, the Commission held three days of public hearings in February 1999 to examine the threat posed by computer-related crimes in New Jersey. The two agencies mobilized combined resources in recognition of the fact that the “dark side” of high technology, ranging from computer hacking and fraud to identity theft and child pornography, has grown to such an extent that a unified approach by law enforcement is required to meet the challenge. A final report was issued in June 2000.

1999-2000 Public School Roofing Projects

A statewide investigation of public school roof construction projects revealed widespread waste and abuse,

including conflicts of interest, subversion of public contracting, improper labor practices and inadequate oversight that place the safety of school children in jeopardy and cost New Jersey taxpayers millions of dollars each year. The Commission aired the preliminary findings of its investigation during a two-day public hearing in December 1999. A final report was issued in September 2000.

2001 Societies for the Prevention of Cruelty to Animals

A statewide investigation of SPCAs revealed widespread abuse and malfeasance at the hands of numerous individuals responsible for animal welfare in New Jersey. The Commission’s findings resulted in a number of criminal prosecutions at the state and county levels and produced a series of recommended reforms to improve and strengthen animal-welfare operations in New Jersey. The final report was referenced as a key element in Governor James E. McGreevey’s Executive Order establishing a statewide Animal Welfare Task Force

2001-2002 N.J. Enhanced Motor Vehicle Inspection Contract

The Commission examined events and circumstances leading to the design and award of a contract to privatize motor-vehicle inspection services and found the procurement process thoroughly tainted by mismanagement and influence-peddling. As a result, the projected cost of the seven-year contract

ballooned to nearly \$600 million, necessitating wholesale re-negotiation of key provisions. Findings and reform recommendations set forth by the Commission during public hearings in July 2001 and in a final report issued in March 2002 resulted in proposed legislation to strengthen the state contract procurement process and to shield it from manipulation through disclosure of contract lobbying and other measures.

MEMBERS OF THE COMMISSION

1969-2004

Appointed by the Governor

William F. Hyland 1969-1970 <i>Chair</i>	Kenneth D. Merin 1990-1992	Charles L. Betini 1969-1976	Justin J. Dintino 1994-1996
John F. McCarthy, Jr. 1970-1973 <i>Chair</i>	Dante J. Sarubbi 1993-1995	Lewis B. Kaden 1976-1981	W. Cary Edwards 1997-
Joseph H. Rodriguez 1973-1979 <i>Chair</i>	M. Karen Thompson 1995-2001	Robert J. DelTufo 1981-1984	
Henry S. Patterson, II 1979-1990 <i>Chair</i> (1985-1990)	Francis E. Schiller 2001- <i>Chair</i> (2002-)	James R. Zazzali 1984-1994 <i>Chair</i> (1990-1994)	

Appointed by the President of the Senate

Glen B. Miller, Jr. 1969-1971	Paul Alongi 1985-1987
Wilfred P. Diana 1971-1973	W. Hunt Dumont 1988-1991
David G. Lucas 1973-1976	William T. Cahill, Jr. 1991-1995
Stewart G. Pollock 1976-1978	Leslie Z. Celentano 1995-2001 <i>Chair</i>
Arthur S. Lane 1979-1985 <i>Chair</i>	John J. Farmer, Jr. 2002
	Kathryn Flicker 2002-

Appointed by the Speaker of the General Assembly

Emory J. Kiess 1969	William S. Greenberg 1982-1987
James T. Dowd 1969-1971	Barry H. Evenchick 1987-1993
Thomas J. Shusted 1971-1972	Louis H. Miller 1993-1997
Thomas R. Farley 1973-1977	Audriann Kernan 1999-2002
Arthur S. Lane 1977-1978	Joseph R. Mariniello, Jr. 2002-
John J. Francis, Jr. 1979-1982	