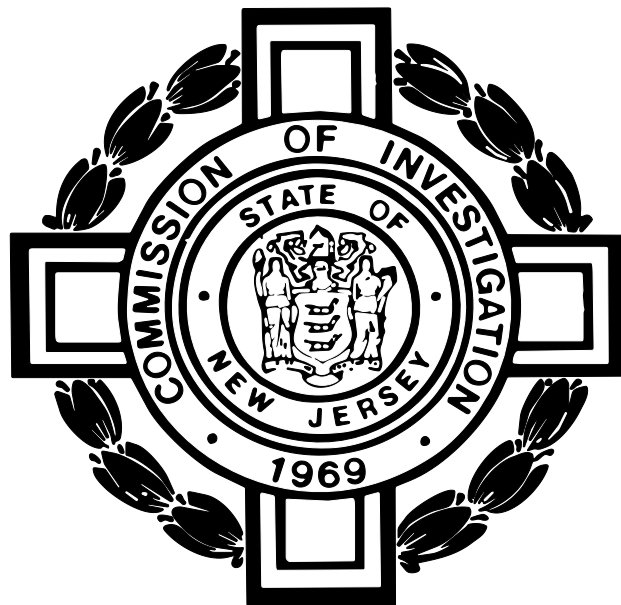


---

*STATE OF NEW JERSEY*

**COMMISSION  
OF  
INVESTIGATION**



**SCI**

***44<sup>th</sup> ANNUAL REPORT***

***2012***

---



*State of New Jersey*

# Commission of Investigation



*SCI*  
28 West State St.  
P.O. Box 045  
Trenton, N.J.  
08625-0045

609.292.6767

[www.state.nj.us/sci](http://www.state.nj.us/sci)





# State of New Jersey

COMMISSION OF INVESTIGATION

28 WEST STATE STREET

PO Box - 045

TRENTON, NEW JERSEY 08625-0045

Telephone (609) 292-6767

Fax (609) 633-7366

Patrick E. Hobbs

*Chair*

Robert J. Martin

Joseph F. Scancarella

Eric S. Pennington

*Commissioners*

Philip James Degnan

*Executive Director*

February 2013

Governor Christopher J. Christie  
The President and Members of the Senate  
The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith  
formally submits its 44th annual report for the year 2012.<sup>1</sup>

Respectfully,

Patrick E. Hobbs  
Chair

Robert J. Martin  
Commissioner

Joseph F. Scancarella  
Commissioner

Eric S. Pennington  
Commissioner

---

<sup>1</sup> Todd Caliguire resigned from the Commission on June 27, 2012. On October 25, 2012, Joseph F. Scancarella was appointed to the Commission by Governor Chris Christie to fill the vacancy. The fourth Commissioner position, which was vacant, was filled when Eric S. Pennington was appointed by General Assembly Speaker Sheila Y. Oliver on November 11, 2012.



## Members of the Commission- 2013



**Patrick E. Hobbs**  
*Chair*

*Mr. Hobbs was appointed to the Commission in November 2004 by Governor James E. McGreevey. He is the Dean of Seton Hall University School of Law, a position he has held since 1999. From 1996 through 1999, Mr. Hobbs was Associate Dean for Finance at the Law School. He is also a professor of law at Seton Hall, teaching in the areas of taxation and law & literature. He is a member of the boards of the Newark Beth Israel Medical Center and the New Jersey Law and Education Empowerment Project, a diversity pipeline initiative housed at Seton Hall Law School. From 2010 through 2011, he oversaw athletics for the University. He served two terms as Chair of the American Bar Association Section on Legal Education's Development Committee. In 2004, he chaired the Mayor's Blue Ribbon Commission on the development of Newark's Downtown Core. Prior to joining the faculty of Seton Hall School of Law, he was an associate in private practice. Mr. Hobbs graduated magna cum laude from Seton Hall University, earned his law degree from the University of North Carolina at Chapel Hill and earned an advanced law degree in taxation from New York University School of Law.*



**Joseph F. Scancarella**  
*Commissioner*

*Mr. Scancarella was appointed to the Commission in November 2012 by Governor Chris Christie. He currently handles arbitration and mediation matters for several North Jersey law firms. Mr. Scancarella retired in 2004 after serving as a Superior Court Judge in Passaic County for more than 21 years. He was appointed to the court by Governor Thomas H. Kean with whom he had previously served in the Legislature. During his tenure, he oversaw cases in the Family Part, the Special Civil Part and the Criminal Division. During the latter part of his judicial career, he sat in the Civil Division and, beginning in 1996, served as its Presiding Judge until retirement. Prior to his appointment to the bench, he was an attorney in private practice in partnership with the late Sidney Reiss, former Criminal Presiding Judge in Passaic County. A former member of the New Jersey Legislature, Mr. Scancarella was elected to the General Assembly, representing Passaic County, in 1967 and served in the position until 1972. He served as Passaic City Attorney from 1971 to 1976, as Little Falls Planning Board Attorney from 1975 to 1982 and as Assistant Passaic County Counsel from 1977 to 1982. In 2012, he served on the Victim of Violent Crimes Commission, also having been appointed by Governor Christie. Mr. Scancarella is a graduate of Clifton High School, Villanova University and earned his law degree from Fordham Law School.*



**Robert J. Martin**  
*Commissioner*

*Mr. Martin was appointed to the Commission in February 2009 by Senate President Richard J. Codey. A professor at Seton Hall University School of Law, he serves as the Director of the Center of State and Local Government Law. Prior to joining the Seton Hall faculty, Mr. Martin was a partner in a law firm specializing in land use and municipal practice and represented numerous municipalities as municipal attorney, prosecutor and zoning board attorney. He is former chairman of the Department of History and Political Science at the County College of Morris. He served four terms in the New Jersey General Assembly from 1985 to 1993 and three terms in the Senate starting in 1993 before deciding not to seek re-election in 2007. Mr. Martin is a member of the Board of Directors of the New Jersey Institute of Continuing Legal Education. In 2008, he became education policy consultant to the Council of State Governments/Eastern Regional Conference. Mr. Martin is a graduate of Dickinson College, received a masters degree from Lehigh University and graduated cum laude from Seton Hall School of Law. He completed an L.L.M. degree from the New York University School of Law and also holds an Ed.D from Columbia University.*



**Eric S. Pennington**  
*Commissioner*

*Mr. Pennington was appointed to the Commission in November 2012 by General Assembly Speaker Shelia Y. Oliver. An attorney who operates his own private law firm, he specializes in employment and commercial litigation. Prior to launching his own practice in 1999, Mr. Pennington was employed by the Newark-based firm of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, now Gibbons P.C., working in the firm's labor and employment group. Prior to that, he was an associate with Paul, Weiss, Rifkind, Wharton & Garrison in New York City, working in the firm's litigation section as well as its corporate department. Starting in 2000, Mr. Pennington was a Municipal Court Judge in the City of Orange for a decade, serving as the Chief Judge from 2004 to 2010. He also served as General Counsel to the Village of South Orange Parking Authority from 2008 to 2010. Mr. Pennington is a graduate of Thomas A. Edison State College and earned his law degree from Rutgers School of Law in Newark.*





# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	1
<b>LAW ENFORCEMENT ASSISTANCE</b> .....	4
<b>PUBLIC REPORTING – 2012</b> .....	12
<b>WASTE, FRAUD AND ABUSE</b> <i>The Taxpayer Cost of Compensation and Benefits         for Public-Employee Union Leave</i> .....	12
<b>HISTORY</b> .....	17
<b>OPERATIONS</b> .....	20
<b>PRIOR INVESTIGATIONS</b> .....	24
<b>COMMISSION MEMBERS, 1969-2013</b> .....	53



# ***INTRODUCTION***

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

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

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

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

Thus, in order to fulfill its vital mission with fundamental clarity, credibility, transparency and effectiveness, the Commission was invested with an extraordinary statutory mandate: to pursue its work within a framework untainted by political interference or self-interest.

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

Over the course of nearly four and a half decades, the SCI has earned a stellar reputation based upon a record of performance that includes more than 120 completed and publicly-reported investigations. Most importantly, since its inception, the Commission’s work has saved taxpayers millions of dollars, and it has been the catalyst for numerous important statutory, regulatory and administrative reforms bolstering the integrity of government at all levels.

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

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

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

including organized crime, official corruption, mismanagement and waste and abuse of government funds.

In that context, the Commission stands ready to address specific concerns raised by average New Jersey taxpayers, and they routinely avail themselves of this service. During 2012, as in years past, barely a week went by that the Commission did not receive requests for investigative action, assistance or advice from citizens. Throughout the year, the Commission received more than 260 citizen contacts by regular mail, e-mail and telephone requiring evaluation and response. In order to facilitate public access, the Commission has established a Tip Hotline on its website for citizens to file complaints or otherwise communicate confidentially with investigators. It can be accessed at [Hotline@sci.state.nj.us](mailto:Hotline@sci.state.nj.us).

In sum, 2012 was a productive year for the Commission in its service to the citizens of New Jersey. Above all, given the fact that savings generated by reforms, efficiencies and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again has proved itself to be an effective public investment.

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

## ***LAW ENFORCEMENT ASSISTANCE***

In 2012, the SCI took its statutory responsibility to assist the law enforcement community to unprecedented levels with a series of collaborative efforts that resulted in criminal indictments, convictions and other noteworthy action. Commission personnel were involved in significant matters including the takedown of a multi-million-dollar gambling operation; federal criminal charges filed against a key Philadelphia organized crime figure; and the conviction and sentencing of former senior officials of the New Jersey Division of Taxation based upon improprieties first brought to light by an SCI fact-finding investigation.

Nowhere was this partnership better exemplified than the Commission's participation in an investigation by the New York City Police Department (NYPD) and other federal, state and county agencies into a nationwide illicit sports betting and money-laundering enterprise that spanned New Jersey, New York, Pennsylvania, Nevada and California.

A New York State indictment returned by a Queens County, N.Y. Grand Jury in October charged 225 counts of enterprise corruption, promotion of gambling and money laundering involving 25 individuals. The defendants, including two owners of a sports betting Internet website, were charged with running an illicit wagering operation that profited by more than \$50 million during an 18-month period through bets on various sporting events, including horse racing and professional and college football, basketball, hockey and baseball.

The probe began in February 2011 when NYPD Organized Crime Investigation Division detectives developed information about an illegal sports betting network and launched a joint investigation with the N.Y. District Attorney's Organized Crime and Rackets Bureau. The SCI was among a number of federal, state and local law enforcement agencies asked by NYPD to assist. Special agents of the Commission participated in all facets of the New Jersey end of the

investigation, including physical surveillance and gathering intelligence.

Those arrested included two individuals in New Jersey who were taken into custody at private residences in Hamilton Township and Fair Lawn by SCI agents working in conjunction with other law enforcement officers. According to the indictment, one of those arrested here was among 15 defendants charged as bookmakers responsible for overseeing “agents” whose job was to recruit bettors. The other was employed as a “collector” or “bank” to handle the illegal flow of money between bookmakers and agents.

In addition to the arrests, dozens of search and asset seizure warrants were executed in the multiple jurisdictions in New Jersey, New York, Pennsylvania, Nevada and California, resulting in a seizure of more than \$7.6 million in cash and gambling chips.

\* \* \*

Ground-breaking investigative work by the Commission into the abuse of addictive prescription painkiller medication garnered attention among law enforcement officials and others in New Jersey and beyond its borders during the year.

In January 2012, SCI Counsel Chadd W. Lackey, who led the *Pills to Heroin* investigation, testified before a joint session of the Vermont Senate and House Judiciary Committees in Montpelier about the Commission’s findings. Mr. Lackey told legislators that the growing abuse of prescription drugs among adolescents and the pursuit of a cheaper and more effective high often lead to heroin use and addiction. Mr. Lackey was in Vermont at the request of State Senator Dick Sears, Chairman of the Senate Judiciary Committee, who invited the counsel to speak after hearing him give a presentation at the Council of State Governments Eastern Regional Conference in Halifax, Nova Scotia in 2011.

\* \* \*

Intelligence developed by the Commission during the course of the *Pills to Heroin* investigation also contributed to the filing of criminal charges against two individuals, including a licensed physician, at a Bergen County medical clinic where authorities charged that prescriptions were written in exchange for cash. The February 2012 arrests followed a five-month investigation by the Fort Lee Police Department which developed the case based on findings referred by Commission investigators. According to the criminal charges, the two men were prescribing large amounts of oxycodone pills to patients, the majority of whom traveled from South Jersey to obtain the medication.

\* \* \*

The Commission's investigative expertise in the realm of prescription painkiller abuse earned it an invitation in September from the U.S. Attorney's Office for the District of New Jersey to participate in a public service campaign, "The Right Prescription for New Jersey." The SCI was part of the statewide drug abuse prevention initiative, along with the U.S. Drug Enforcement Administration, the Partnership for a Drug-Free New Jersey, the New Jersey Department of Education, the New Jersey Division of Consumer Affairs, the New Jersey Parent Teacher Association, the New Jersey Prevention Network and the New Jersey Broadcasters Association.

The ongoing multimedia campaign includes online resources available at [www.AmericanMedicineChest.com](http://www.AmericanMedicineChest.com), as well as a series of radio, billboard, bus and train public service announcements. The website features a compelling video testimonial, filmed and edited by Commission staff, from the mother of a young man who became addicted to the narcotic pain medicine oxycodone after a back injury and died of an overdose at age 21.

The initiative's objectives include establishing a dialogue between parents and children



about the dangers of abusing prescription drugs and over-the-counter medications. Further, the aim is to get parents and other adults to safeguard their medications and to dispose of them properly when no longer used or when the medication has expired.

\* \* \*

In December 2011, the Commission released a report, *Industrious Subversion: Circumvention of Oversight in Solid Waste and Recycling in New Jersey*, which detailed the continuing intrusion of organized crime elements in the solid waste industry. Among other things, the report led to additional charges in a 2012 federal criminal prosecution against the leadership of the Philadelphia mob.

During the course of that same investigation, additional intelligence was gathered by Commission investigators that resulted in a separate criminal extortion case against a former Essex County sheriff's officer and two co-conspirators. According to a federal grand jury indictment, the former sheriff's officer and his co-conspirators threatened violence and economic harm against an Ocean County construction contractor in order to collect \$50,000. Prosecutors charged that the defendants convinced the victim that the money was owed to an organized crime associate who would hurt the victim if it was not repaid. During the course of the conspiracy, the former sheriff's officer received a Rolex watch and \$2,500 in cash from the victim toward payment of the debt. The former officer is charged in the indictment with conspiring to collect a debt and collecting a debt using extortionate means. If convicted, he faces a maximum potential penalty per count of 20 years in prison and a fine of \$250,000. In February 2012, the two co-conspirators entered guilty pleas in federal court to conspiring to collect a debt using extortionate means and are to be sentenced at a later date.

\* \* \*

For the past several years, the SCI has participated as a member of the FBI's Newark-based Organized Crime Task Force. The group has been involved in a number of high-profile cases with numerous criminal indictments and the convictions of several reputed mobsters. In May, the Task Force completed an investigation that resulted in racketeering conspiracy charges against a member and a dozen associates of the Genovese organized crime family in connection with an illegal online gambling enterprise. The criminal complaint, filed in the U.S. District Court of New Jersey, charged that the Genovese crew committed a range of criminal acts including extortion, gambling and loan sharking. Prosecutors charged the defendants established and used an Internet website to operate and administer an illicit business centered in northern New Jersey. Bettors did not use credit cards to pay losses or collect winnings; rather, they received cash or paid debts through "agents." According to the complaint, these agents, or bookmakers, were ranking members of the Genovese crew who collected money, adding exorbitant interest onto amounts owned by bettors who were delinquent in repaying debts. If gamblers were unable or unwilling to pay, the agents employed extortionate means to collect their due.

The complaint also stated that the crew operates social clubs in North Jersey, profiting from card games and other illegal games of chance. It also charged that the defendants engaged in cargo theft and the receipt and sale of stolen goods in interstate commerce, which alleged organized crime associates referred to S.W.A.G. – Stolen Without a Gun.

In another investigation completed late last year with SCI assistance, the Task Force conducted two undercover sting operations that ended with charges filed against eight people in connection with a conspiracy to steal \$1 million worth of cigarettes. The defendants were charged with conspiracy to commit cargo theft and to transport stolen property in interstate

commerce. A cooperating witness, who surreptitiously wore a recording device and consensually recorded conversations with various individuals, assisted federal authorities by providing information, intelligence and evidence concerning members and associates of *La Cosa Nostra* and their criminal activities.

\* \* \*

As a direct consequence of a Commission investigation exposing corruption inside the New Jersey Department of Treasury, two former senior officials of the Division of Taxation last year were barred for life from public employment for their convictions on official misconduct charges in the acceptance of gifts and entertainment from a corporate vendor. The SCI's findings were detailed in an investigative report, *The Gifting of New Jersey Tax Officials*, issued in 2005, that revealed high and mid-level department managers accepted a wide and lavish array of meals, alcohol, outings and other gifts from the vendor, OSI Collection Services Inc. The Commission developed evidence showing the receipt of those inducements coincided with the submission by the vendor of inflated billings that cost New Jersey taxpayers hundreds of thousands of dollars a year, including more than \$1 million between 2000 and 2004 alone.

Following a trial in Superior Court that concluded in July 2012, a former director of the Division of Taxation was found guilty of one count of third-degree official misconduct and sentenced to one year of probation. Also, a former Assistant Deputy Director for Contract Compliance was found guilty of two counts of third-degree official misconduct and one count of third-degree pattern of official misconduct. Both received one year probation, were required to forfeit their jobs and are permanently barred from public employment in New Jersey.

\* \* \*

An area of special expertise the Commission has developed in recent years has helped the

agency earn the reputation as a regionally recognized expert in the structure, membership and behaviors of organized criminal street gangs. As a result, Commission investigators – notably Special Agent Edwin Torres – frequently are requested speakers at gatherings of law enforcement officials and youth gang-prevention events for educators, social service organizations and the public. In 2012, Torres spoke before approximately a dozen groups across New Jersey, detailing information to assist law enforcement on how to identify gang members and explaining the unique characteristics among particular organized criminal groups as well as the dynamics involved in managing gang populations inside correctional facilities, community programs and schools. Further, Torres provided an expert opinion for the prosecution in a homicide trial in Hunterdon County.

\* \* \*

In an example of how diligent work by Commission investigators can thwart ongoing criminal activity, information obtained by the Commission and referred to local law enforcement authorities resulted in criminal convictions in January 2013 of two former employees of the New Brunswick Parking Authority for failing to report or prevent other employees from stealing tens of thousands of dollars in parking fees. A jury found the two defendants, a security sergeant and a security officer, both guilty of official misconduct. Two other security officers pled guilty to theft charges two years ago. The two defendants face up to 10 years in state prison. Criminal charges are pending against the Parking Authority manager and another supervisor. The investigation began with an anonymous call to the Commission reporting a range of problems and would have progressed no further without the perseverance of SCI Investigative Agent Joseph Bredehoft who, after several phone conversations and in-person meetings, convinced the caller to come forward and provide additional information to law enforcement authorities.

\* \* \*

Finally, the Commission would like to take the opportunity to commend our partners in law enforcement – both inside and outside New Jersey – for their efforts and cooperation with the SCI over the past year. The Commission’s ability to serve as a statewide intelligence and investigative agency depends in large part upon its relationship with partner law enforcement agencies and upon their willingness to participate in the exchange of information and expertise. The Commission looks forward to expanding these relationships in an effort to protect the citizens of this State from the intrusion of criminal elements and corruption into lawful society.

# ***PUBLIC REPORTING***

## **UNION WORK**

## **PUBLIC PAY**

### ***The Taxpayer Cost of Compensation and Benefits for Public-Employee Union Leave***

#### **Summary**

In May, the Commission completed an investigation and issued a report showing that New Jersey taxpayers are on the hook for millions of dollars each year to cover salary and benefits for public-sector labor representatives on full- or part-time paid leave from government jobs to conduct union business. In some instances, these labor officials have been on paid leave for years or even decades while occupying government job titles but doing no government work, with some earning up to six figures in salary.

While it is not necessarily improper for government employers to provide some form of time-off for union work, the Commission examined how these paid leave arrangements are crafted and the wide disparity in the way such leave is authorized, who qualifies for it, who keeps track of it and who ultimately pays the bill. In many cases, costs associated with compensation and medical benefits for union officials on leave are borne by the union. Conversely, the Commission found numerous examples in which all or a portion of the salaries, health benefits and pension contributions are covered by public funds with no reimbursement by union organizations.

The Commission found that the practice of providing government-paid leave for union work persists amid confusing and inconsistent statutory provisions covering different classes of public employees, including teachers, municipal workers, corrections officers, police and fire officials. The lack of uniformity in the rules governing union leave is so pronounced that within individual

communities, it is possible for some public employees to be on full- and/or part-time union leave at public expense while counterparts in other collective bargaining units engage in similar activity but are fully paid for by the union.

Despite the public's stake in these types of arrangements, the Commission found that they often are established in ways that defy public transparency, oversight and accountability. Some leave agreements are authorized by contract "sidebar" agreements not easily discoverable by the public. In others, leave is a matter of longstanding "custom and practice" with no written authorization. In one case, top school district officials themselves learned that the local teachers' union president was on full-time leave at taxpayer expense only when information to that effect was brought to their attention by Commission investigators.

Another problem identified by the Commission is the inadequacy of current methods of tracking union-related leaves of absence. In cases where public-sector employers were aware of personnel on union leave, many could not identify when such individuals began their leave and/or the specific period of time they had been on leave. In addition, the Commission discovered a recurring theme that regardless of the employer of record – whether police or fire department, school, county or state agency – union officials on paid leave are not required to account for their workday time or to report for work at any government facility.

The Commission also found instances in which additional forms of payment apart from salaries were provided at taxpayer expense to those on leave. Some union officials received additional compensation in the form of overtime if, beyond their union obligations, they performed duties associated with their official government jobs. In certain cases, union officials received attendance stipends. In others, taxpayers picked up the tab for cars, office space, computers and other equipment used for union business.

Moreover, not only are some individuals on union leave receiving sizable salaries, some retire with substantial pensions even though they spend much of their careers conducting union business on a full-time basis. The Commission found numerous examples of this practice. In one, an individual on full-time release in the Paterson School District was a member of the Teachers Pension and Annuity Fund pension systems for 43 years. For more than 20 years, this individual had been on leave as a local teachers' union president. As of March 1, 2012, he was entitled to an annual pension of approximately \$79,000, despite the fact that he spent nearly half of his public-employment service on full-time union release.

The overall cost of these arrangements is not insubstantial. From 2006 to 2011, the Commission found that government-paid leave for public employees within the scope of the investigation cost taxpayers more than \$30 million in salaries and medical benefits. That finding was drawn from an examination of contracts and employment agreements involving public employees in a sample of more than 120 urban, suburban and rural school districts; 17 municipalities; all 21 counties; and 12 departments of state government.

In several instances, questions raised by Commission investigators prompted local officials to take steps aimed at modifying or altogether rescinding the terms of union leave arrangements.

This inquiry was an outgrowth of the Commission's work to examine the expenditure of tax dollars at all levels of government in New Jersey. The record of that work includes an investigation into questionable and hidden compensation for public school administrators in 2006 and an examination in 2009 of excessive benefits for municipal employees.

As a result of these findings, the Commission made the following recommendations for statutory and regulatory reform:



## **Eliminate or Curtail Taxpayer Funded Union Leave**

- The Governor and Legislature should undertake a thorough examination into whether there are limited circumstances under which it may be appropriate for government to cover any portion of the costs associated with public employees on leave or release from their regular duties to conduct union business or whether this practice should be entirely prohibited.

## **Establish Uniform Statutory Rules for Granting Union Leave**

- The Commission recommends that, if upon reviewing the general practice of union leave the Legislature and Governor determine that it serves a meaningful purpose and merits continued use, the appropriate authority and circumstance for granting such leave be consolidated and set forth within statutes that are uniformly applicable to all categories of public employees.

## **Enhance Public Disclosure and Transparency**

- All public entities in New Jersey should be required by law to establish and maintain files containing records that detail the terms of any personnel contracts and arrangements permitting union leave and that such materials be readily available for public inspection.
- Public employers should submit any sidebar agreements negotiated with labor unions to the Public Employment Relations Commission for inclusion in and posting on its online public contracts database.

**Require Individuals Currently Receiving Full-Time Paid Union Leave to Provide Immediate Proper Notice**

- Individuals currently receiving union leave at taxpayer expense should immediately be required to provide written notice of such status to the state Division of Pension and Benefits and/or the state Civil Service Commission.

# ***HISTORY***

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

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

That is why the Forsythe Committee, in the final report of its comprehensive study, characterized what it had in mind as not just “a ‘crime commission’” in the conventional sense. “There are many occasions,” the panel concluded, “when hard-hitting, expert fact-finding is needed

without involving the criminal process or implying criminal violations are under investigation. . . . This Commission will provide a significant, independent ‘watchdog’ for the entire system. . . .”

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

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

Legislation creating the SCI in 1968 established an initial term beginning January 1, 1969, and ending December 31, 1974. The Legislature extended the term of the SCI for five-year periods on four subsequent occasions: in 1973 for a term expiring December 31, 1979; in 1979 for a term expiring December 31, 1984; in 1984 for a term expiring December 31, 1989; and in 1989 for a term expiring December 31, 1994. On Dec. 28, 1994, legislation took effect extending the

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

The Commission's status as a temporary agency subject to periodic review was rescinded effective January 7, 2002. On that date, legislation was signed establishing the Commission as a permanent entity of New Jersey government.<sup>1</sup>

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

---

<sup>1</sup> The full text of the Commission's enabling statute may be reviewed at [N.J.S.A. 52:9M-1 et seq.](#)

## ***OPERATIONS***

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

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

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

The enabling statute provides further that the Commission shall, by direction of the Governor or by concurrent resolution of the Legislature, conduct investigations and otherwise assist in connection with the removal of public officers, and in the making of recommendations to the Governor and the Legislature with respect to changes in existing law required for more effective enforcement, regulation and administration. The Commission also is empowered to investigate the management or affairs of any department, board, bureau, commission, authority or other agency created by the state, or to which the state is a party.

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

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

Witnesses appearing before the Commission in public and private hearings are protected by the New Jersey Code of Fair Procedure, the requirements of which were incorporated in the Commission's enabling statute in 1979. Constitutionally required due process is afforded under the provisions of that code, and the courts have upheld the integrity and fairness of the Commission's investigative procedures. For example, all witnesses have the right to be represented by counsel when appearing before the Commission at public or private hearings. Additionally, any individual criticized in a proposed Commission report is, by law, given an opportunity to review relevant portions of the report. The individual may then submit a written response which, under certain circumstances, shall be included in the final report. As a practical matter, the Commission always has been careful to evaluate investigative data in private in keeping with its obligation to avoid unnecessary stigma and embarrassment to individuals.

Indictments and convictions which may result from referral of criminal matters by the

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

Additionally, the Commission's December 1998 report on public pension and benefit abuses presented a veritable 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 insight into the subversion of multi-million-dollar public construction programs by unscrupulous contractors.

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

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



abuse in the State's Charity Care program.

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

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



# **PRIOR INVESTIGATIONS**

## **ORGANIZED CRIME**

- 1969** Garbage Industry
- 1970-71** Organized Crime Control of Long Branch
- 1972** Organized Crime in Ocean County
- 1977-78** Organized Crime in Atlantic City
- 1980-81** Organized Crime Infiltration of Dental Care Plans
- 1981-82** Organized Crime Labor Relations Profiteering at Mass Housing Construction Sites
- 1983-85** Organized Crime in Boxing
- 1986-87** Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects
- 1986-88** Check Cashing Industry
- 1987-89** Solid Waste Regulation
- 1988-89** Cocaine
- 1989** Overview of Organized Crime
- 1988-91** Garment Industry
- 1990-91** Afro-Lineal Organized Crime
- 1990-91** Video Gambling
- 1991** Organized Crime in Bars
- 1991-92** Motor Fuel Tax Evasion
- 1993-94** Money Laundering
- 1994** Medical Provider Contracts
- 1995** Organized Crime in Bars Part II
- 1996** Russian-Émigré Crime in the Tri-State Region
- 2003-04** The Changing Face of Organized Crime in New Jersey
- 2006-07** Subversion of Firearms Ammunition Sales
- 2008-09** Organized Criminal Street Gangs in New Jersey Prisons
- 2011** New Jersey's Flourishing Narcotics Trade
- 2011** Circumvention of Oversight in Solid Waste and Recycling

## **LOCAL GOVERNMENT CORRUPTION**

- 1969-70** Monmouth County Prosecutor's Office-Misuse of Funds
- 1970-71** Hudson County Mosquito Commission Embezzlements
- 1971** Misappropriation of Public Funds, Atlantic County
- 1971-72** Point Breeze Development Frauds, Jersey City
- 1972-75** Improper Municipal Planning, Zoning Procedures
- 1973-74** Passaic County vocational-Technical School: Misuse of Funds and U.S. Surplus Property
- 1974-75** Lindenwold Municipal Corruption
- 1975-76** Land Acquisition Deals in Middlesex County
- 1979-80** Questionable Public Insurance Procedures
- 1981-83** Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities
- 1982** Inappropriate Activities of the Lakewood Municipal Industrial Commission
- 1984** Misconduct and Inappropriate Controls in the Newark School Security System
- 1984** Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund
- 1992** Bergen County Utilities Authority
- 1992** Local Government Corruption Overview
- 1993** Belleville Township
- 1993** Passaic High School Print Shop
- 1994** River Vale Recreation Department
- 1994** Point Pleasant School District
- 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  
**2001-02** N.J. Enhanced Motor Vehicle Inspection Contract  
**2003** Associated Humane Societies  
**2003-04** New-Home Construction and Inspection Abuses – Public Hearings  
**2004** E-ZPass: The Making of a Procurement Disaster  
**2005** New-Home Construction and Inspection Abuses - Final Report  
**2005** Funding and Operations of County Clerks  
**2005** The Gifting of New Jersey Tax Officials  
**2006** Questionable and Hidden Compensation for Public School Administrators  
**2007** Charity Care: An Ailing System  
**2007** Public Higher Education Governance  
**2008** Waste and Abuse in Fire Truck Procurements  
**2009** Waste and Abuse in Local Government Employee Compensation and Benefits  
**2010** New Jersey State Interscholastic Athletic Association  
**2012** Taxpayer Cost of Public-Employee Union Leave

## **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

**2007** Integrity of Electronic Voting Machines



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 of interest in 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 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 including cigarette vending companies 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 school 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 Freeholders' 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 investigations 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 investigation revealed 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

### **2001-02 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.

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

The Commission in May 2004 issued the final report of a multi-year project to examine the status, scope and changing shape of organized crime – the first such undertaking of its kind in New Jersey in more than a decade. Based on extensive work by Commission investigators in concert with personnel from other state, local and federal law enforcement agencies, and testimony from an array of witnesses who appeared during a two-day public hearing in 2003, the report incorporated a wide range of programmatic and policy recommendations designed to assist law enforcement authorities in meeting the new and difficult challenges of organized crime.

#### **2003-05 New-Home Construction in New Jersey**

The Commission in March 2005 issued the final report of a multi-year investigation into abuses in the new-home construction and inspection process. It capped an unprecedented, statewide inquiry that included five

days of public hearings in 2003 and 2004 to air findings of flawed and deficient practices in the new-home construction and inspection process, including shoddy workmanship, lax and corrupt construction inspections, blatant code violations, poor government oversight and inadequate home-warranty and other remedial options for consumers.

This investigation prompted Governor Richard J. Codey to sign Executive Order 33, which implemented a series of reforms, many of which were based on recommendations made in the Commission's report, to bolster the oversight of the home construction industry, to strengthen the inspection and enforcement process and to safeguard the home-buying public.

#### **2004 E-ZPass: The Making of a Procurement Disaster**

The Commission in June 2004 issued a report that found the contract to provide an electronic toll system for New Jersey roadways was the product of an ill-advised, inappropriate procurement process that lacked proper safeguards to ensure accountability. Amid conflicts of interest involving top Department of Transportation officials, proper due diligence was sacrificed for expediency and costly overruns and mechanical failures plagued the project from the start.

#### **2005 Funding and Operations of County Clerks**

The Commission found that millions of dollars in fees collected by County Clerks to officially record and file real

estate documents were used instead to subsidize general state and county budgets through a process that causes significant recording delays and constitutes a form of hidden taxation. Little of this money was returned to the Clerks' offices despite the increase in recording and filing fees amid the housing market boom.

### **2005 The Gifting of New Jersey Tax Officials**

The Commission found that officials of the Taxation and Revenue Divisions of the New Jersey Treasury Department accepted thousands of dollars in gifts and entertainment from a vendor hired by the State to collect back taxes and then turned a blind eye when the firm padded its billings. Officials accepted meals, alcohol and outings courtesy of the vendor. In 2012, following a criminal trial in which they were found guilty of official misconduct, the two highest-ranking former officials were sentenced to one-year probation and barred for life from holding any public employment.

### **2006 Questionable and Hidden Compensation for Public School Administrators**

In March 2006, the Commission issued a report that examined lucrative compensation agreements given to public school administrators and found these deals often include hidden perks that are not made public. These benefits may include the cashing in of unused sick and vacation time, salary boosts to pad pension payouts or deposits into tax-deferred personal accounts. The Commission called for greater

transparency of administrator salary information and tighter restrictions on pension padding.

### **2006-07 Subversion of Firearms Ammunition Sales**

The Commission in February 2007 issued the final report of an investigation that showed the ease with which handgun ammunition may be legally purchased in New Jersey and called for reforms to tighten the sales restrictions. In response, legislation was enacted in January 2008 to regulate the sale of ammunition. The report followed a December 2006 public hearing that included testimony from law enforcement officials who said this largely unregulated area is contributing unnecessarily to rising gang violence.

### **2007 Public Higher Education Governance**

Triggered by revelations of corruption at the University of Medicine and Dentistry of New Jersey, the Commission launched a broad-based investigation into the operations and administration of higher education and found an entire system vulnerable to waste, problematic governance and serious shortcomings in operational oversight, accountability and transparency. The inquiry showed that the deregulation of higher education in 1994 left the institutions to operate as islands unto themselves with no oversight. While institutional autonomy is important, the Commission concluded it must be coupled with proper governance and

oversight. In January 2010, Governor Jon Corzine signed legislation into law that incorporated a number of recommendations made by the Commission to reform New Jersey's higher educational system.

### **2007 Charity Care: An Ailing System**

In April 2007, the Commission issued a report that showed New Jersey's Charity Care hospital-subsidy program failed to recover tens of millions of dollars due to fraud and the failure to pursue third party claims. To stop those losses, the Commission recommended safeguards to detect fraud and protect the integrity of the program. In response to these findings, the "Charity Care Fraud Prevention and Detection Act was signed into law by Governor Corzine in December 2007, incorporating reforms recommended in the report.

### **2007 Integrity of Electronic Voting Machines**

The Commission investigated the process by which electronic voting machines are purchased and certified for use in New Jersey and in December 2007 issued a final report recommending the system be overhauled because it lacks competitive bidding, independent oversight and uniform contracting practices – weaknesses that expose the system to possible manipulation and abuse.

### **2008 Alarming Contracts: Waste and Abuse in Fire Truck Procurements**

In September 2008, the Commission issued a report revealing that local

public purchasing authorities routinely rely on design specifications provided by manufacturers for the purchase of fire trucks. The Commission found that this occurs, in large part, because local officials lack technical expertise and have no guidance from the State to assist in the process. The Commission also found instances in which fire officials, doubling as sales representatives, financially profited by selling trucks to their own volunteer fire companies. The Commission recommended greater transparency and oversight in the procurement process.

### **2008-09 Criminal Street Gangs in New Jersey State Prisons**

The Commission in May 2009 issued a report that recommended a series of reforms to assist the Department of Corrections combat a growing gang population that has manipulated systemic weaknesses in the prison system. The report followed a November 2008 public hearing that detailed how gang-affiliated inmates inside New Jersey state prisons have organized and thrived while behind bars. Most significantly, the investigation showed how these inmates are able to manipulate financial and communication systems in the prisons to further criminal enterprises on the streets.

### **2009 Public Benefit Abuses**

In December 2009, the Commission issued a final report that found select local public employees are collecting extravagant benefits and perks costing taxpayers tens of millions of dollars.

The Commission found waste and abuse in a wide range of personnel compensation arrangements, including paid time off for Christmas shopping and exorbitant payouts for unused leave time. The Commission recommended uniform limits on leave time, regulation of severance payments and greater transparency in contracts and compensation arrangements. In 2010, comprehensive legislation was introduced to address all the reforms recommended by the Commission.

#### **2010 New Jersey State Interscholastic Athletic Association**

In September 2010, the Commission revealed questionable and excessive spending and a lack of basic internal controls inside the New Jersey State Interscholastic Athletic Association, which oversees high school sports in New Jersey. The Commission found that the NJSIAA routinely violated its own policies and procedures to address prior financial mismanagement. Concluding that the organization was not capable of policing itself, the Commission recommended outside oversight if not a full government takeover of its operations, stricter financial controls and reduction and control of personnel expenses.

#### **2011 Pills to Heroin: New Jersey's Flourishing Drug Trade**

In June 2011, the Commission held a public hearing that examined the state of the criminal drug trade in New Jersey and identified a disturbing trend in which a growing number of young people are abusing prescription pills and, in many, cases ending up as heroin addicts because the street drug is a

cheaper substitute. Drug dealers use increasingly sophisticated techniques to both sell drugs and conceal their illegal activities presenting significant challenges for law enforcement.

#### **2011 Circumvention of Oversight in Solid Waste and Recycling in New Jersey**

The Commission in December 2011 reported that New Jersey's solid waste industry remains open to abuse and manipulation by criminal elements that circumvent the State's regulatory and oversight system. Government oversight of the industry is hampered by a lack of resources and a statute hamstrung by loopholes. The Commission recommended the creation of licenses for those engaged in recycling, greater scrutiny of those who seek to participate in the solid waste industry and centralized governmental supervision and enforcement.

#### **2012 Union Work Public Pay – The Taxpayer Cost of Compensation and Benefits for Public-Employee Union Leave**

In May 2012, the Commission exposed that some public-sector union representatives who receive paid leave from government jobs while they conduct union business are getting taxpayers to foot the bill for their salaries and benefits. In some cases, workers remain on paid leave for decades without doing any government work. The Commission found wide disparity in the way such leave is authorized, who tracks it and who ultimately pays the bill. The Commission recommended reforms to

establish uniform statutory rules for granting union leave and to enhance public disclosure and transparency of these arrangements.



# MEMBERS OF THE COMMISSION

## 1969-2013

### *Appointed by the Governor*

William F. Hyland 1969-1970 <i>Chair</i>	Dante J. Sarubbi 1993-1995	Charles L. Betini 1969-1976	Justin J. Dintino 1994-1996
John F. McCarthy, Jr. 1970-1973 <i>Chair</i>	M. Karen Thompson 1995-2001	Lewis B. Kaden 1976-1981	W. Cary Edwards 1997-2010 <i>Chair</i> (2004 -2010)
Joseph H. Rodriguez 1973-1979 <i>Chair</i>	Francis E. Schiller 2001-2004 <i>Chair</i> (2002-2004)	Robert J. DelTufo 1981-1984	Todd Caliguire 2011-2012
Henry S. Patterson, II 1979-1990 <i>Chair</i> (1985-1990)	Patrick E. Hobbs 2004 - <i>Chair</i> (2011-)	James R. Zazzali 1984-1994 <i>Chair</i> (1990-1994)	Joseph F. Scancarella 2012-
Kenneth D. Merin 1990-1992			

### *Appointed by the President of the Senate*

Glen B. Miller, Jr. 1969-1971	W. Hunt Dumont 1988-1991
Wilfred P. Diana 1971-1973	William T. Cahill, Jr. 1991-1995
David G. Lucas 1973-1976	Leslie Z. Celentano 1995-2001 <i>Chair</i>
Stewart G. Pollock 1976-1978	John J. Farmer, Jr. 2002
Arthur S. Lane 1979-1985 <i>Chair</i>	Kathy Flicker 2002-2008
Paul Alongi 1985-1987	Robert J. Martin 2009 -

### *Appointed by the Speaker of the General Assembly*

Emory J. Kiess 1969	Barry H. Evenchick 1987-1993
James T. Dowd 1969-1971	Louis H. Miller 1993-1997
Thomas J. Shusted 1971-1972	Audriann Kernan 1999-2002
Thomas R. Farley 1973-1977	Joseph R. Mariniello, Jr. 2002-2009
Arthur S. Lane 1977-1978	William J. Castner, Jr. 2010 -2011
John J. Francis, Jr. 1979-1982	Eric S. Pennington 2012-
William S. Greenberg 1982-1987	







*State of New Jersey*  
*Commission of Investigation*  
*609-292-6767*  
[www.state.nj.us/sci](http://www.state.nj.us/sci)