
STATE OF NEW JERSEY

**COMMISSION
OF
INVESTIGATION**



SCI

51st ANNUAL REPORT

2019

State of New Jersey

Commission of Investigation



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June 2020

Governor Phil Murphy

President Stephen M. Sweeney and Members of the Senate

Speaker Craig J. Coughlin and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith formally submits its 51st annual report for the year 2019.

Respectfully,

Joseph F. Scancarella
Chair

Robert J. Burzichelli
Commissioner

John A. Hoffman
Commissioner

Rosemary Iannacone
Commissioner

Members of the Commission



Joseph F. Scancarella
Chair

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. He sat in the Family Part, the Special Civil Part and the Criminal Division. He was the first ever Presiding Judge of the Civil Division when the position was created in 1996. Prior to his appointment to the bench, he was an attorney in private practice. 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 Villanova University and Fordham Law School.



Rosemary T. Iannacone
Commissioner

Mrs. Iannacone was appointed to the Commission in February 2015 by Governor Chris Christie. Formerly Chief Administrator at the Office of the United States Attorney for New Jersey, she served there from June 2000 until December 2009. Prior to that, she held the same position at the United States Attorney's Office for the Eastern District of New York in Brooklyn. As Chief Administrator at the U.S. Attorney's Office in New Jersey, Mrs. Iannacone was the primary advisor for planning and managed all resources for the Office, including a budget of more than \$30 million. Among her duties was management of all personnel resources, including approximately 270 attorneys and staff; budget administration; procurement; information technology management and facilities management. Before becoming Chief Administrator of the U.S. Attorney's Office in Brooklyn, Mrs. Iannacone rose from Assistant Systems Manager to Budget Officer to Deputy Administrative Officer.



Robert J. Burzichelli
Commissioner

Mr. Burzichelli was appointed to the Commission in June 2014 by the Senate President Stephen M. Sweeney. A founding partner of the New York law firm Greenberg Burzichelli Greenberg P.C., Mr. Burzichelli specializes in employment and labor law and represents a broad spectrum of labor unions. Prior to launching his own firm in 2005, Mr. Burzichelli was a partner at Solomon Richman Greenberg, P.C. Mr. Burzichelli began his legal career as an associate with Coudert Brothers LLP, an international law firm, where he worked in the firm's litigation and antitrust departments. Mr. Burzichelli received his B.A. from Rutgers College, a Masters Degree in Public Administration from New York University and a law degree from Rutgers School of Law in Newark.



John A. Hoffman
Commissioner

Mr. Hoffman was appointed to the Commission in December 2018 by Assembly Speaker Craig J. Coughlin. Chairman of the Board of Wilentz, Goldman & Spitzer, P.A., Mr. Hoffman specializes in administrative and government law, energy law and in legal matters impacting redevelopment. He has represented numerous public agencies, including Middlesex County College, the New Brunswick Housing Authority and the Middlesex County Utilities Authority. Mr. Hoffman has also represented many major public utilities in regulatory proceedings and served as the co-chair of the Board of Public Utilities Transition Committee for former Gov. James E. McGreevey. A graduate of Seattle University, Mr. Hoffman earned his law degree from Georgetown University Law Center.

TABLE OF CONTENTS

INTRODUCTION	1
PUBLIC RESULTS	6
REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT	
<i>Hospital-Related Oversight and Accountability Issues.....</i>	6
ORGANIZED CRIME	
<i>Dirty Dirt II: Bogus Recycling of Tainted Soil and Debris</i>	9
ORGANIZED CRIME	
<i>Outlaw Motorcycle Gangs – The Pagans.....</i>	13
HONORS AND ACHIEVEMENTS	17
HISTORY	20
OPERATIONS	23
PRIOR INVESTIGATIONS	31
COMMISSION MEMBERS, 1969-2020	61

INTRODUCTION

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

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

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

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

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

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

Over the course of 50 years, the SCI has earned a stellar reputation based upon a record of performance that includes approximately 130 completed and publicly-reported investigations. Most importantly, since its inception, the Commission’s work has saved taxpayers millions of dollars, and it has been the catalyst for numerous important statutory, regulatory and administrative reforms bolstering the integrity of government at all levels.

During 2019, the Commission bolstered its record of exemplary public service with three important investigations completed over the past 12 months collectively forming the centerpiece of its public activities, highlighted as follows:

- **HOSPITAL-RELATED OVERSIGHT AND ACCOUNTABILTY ISSUES**

In March, the Commission issued the final report of an investigation that identified weaknesses in oversight by the Department of Health (DOH) regarding hospital finances, ownership arrangements and other related issues. The Commission found that under its oversight system the DOH cannot be assured that it is fully aware of and properly reviews intertwined ownership structures and the possible risk posed by those structures. The SCI recommended that the DOH develop more effective scrutiny of hospital ownership, related-party financial arrangements and in identifying and addressing conflicts of interest and other potential abuses.

As a direct result of findings and recommendations made in this investigation, three bills were signed into law by Gov. Phil Murphy in January 2020. The reforms require hospitals to submit more expansive information to the DOH that reveals a facility’s revenues and taxation. Further, the measures give the DOH broader oversight to determine if hospitals are in or near financial distress and require notification of local elected officials if certain facilities have reached a level of distress.

- **DIRTY DIRT II: BOGUS RECYCLING OF TAINTED DIRT AND DEBRIS**

The Commission found that the recycling industry remained open to abuse by

unscrupulous operators who exploit regulatory gaps to profit from the indiscriminate dumping of contaminated material. The investigation revealed that individuals with criminal records and/or ties to organized crime were able to gain a foothold in the industry to the detriment of New Jersey's health and environment and in ways that undermine the business interests of legitimate recycling enterprises.

In response to the Commission's persistent examination of this issue, a law was enacted in January 2020 that requires businesses and individuals that work in certain elements of the recycling industry to undergo criminal background checks and obtain licenses to operate.

- **ORGANIZED CRIME SPOTLIGHT: OUTLAW MOTORCYCLE GANGS- THE PAGANS**

The Commission held a public hearing in October that revealed the Outlaw Motorcycle Gang known as the Pagans was in the midst of a resurgence in New Jersey. Once primarily based in South Jersey, the biker gang has expanded as far north as Bergen County with more than 300 Pagan members statewide. This rebirth has been marked by an upswing in violence with the majority of recent incidents involving attacks against rival biker gangs.

With respect to administrative matters, the Commission in December 2019 announced the appointment of Deputy Director/Chief Counsel Chadd W. Lackey to serve as the agency's next Executive Director. Mr. Lackey took over the helm of the SCI on January 1, 2020, succeeding Lee C. Seglem, who retired at the end of 2019 after serving more than 25 years with the Commission in various roles.

A former prosecutor, Mr. Lackey joined the SCI as an investigative counsel in 2005. Since July 2017, he was the agency's Deputy Director and top legal officer, supervisor and advisor with a range of duties. During his fifteen-year tenure at the Commission, Mr. Lackey has directed several of the agency's most high-profile investigations into organized crime. From 2008 to 2009, he led an inquiry that revealed how gang-affiliated inmates had manipulated systemic weaknesses in New Jersey's prison system. Mr. Lackey also conducted a groundbreaking investigation that identified prescription pill abuse as the precursor of a new heroin epidemic. That inquiry, which

culminated in the *Scenes From an Epidemic* report in 2013, helped spur two new laws, including one drafted directly in response to an SCI recommendation calling for the creation of a statewide task force to strengthen federal, state, county and local law enforcement efforts to combat opioid abuse.

Prior to his employment at the Commission, Mr. Lackey was an Assistant State Attorney in Miami-Dade County, Florida where he founded and managed the Community Prosecutions Unit, established to improve public safety and enhance the quality of life for citizens in an underserved section of Miami. In addition to his supervisory duties overseeing various criminal matters, Mr. Lackey prosecuted white-collar fraud cases against predatory mortgage brokers resulting in the conviction of two mortgage brokers and the closure of several mortgage companies.

A graduate of Northwood University, Mr. Lackey earned his law degree from Temple University School of Law.

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

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

The Commission's extensive behind-the-scenes investigative work and ongoing law

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

In that context, the Commission stands ready to address specific concerns raised by average New Jersey taxpayers, and they routinely avail themselves of this service. During 2019, 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 scores of 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.

In sum, 2019 was a productive year for the Commission in its service to the citizens of New Jersey. Above all, given the fact that savings generated by reforms, efficiencies and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again has proved itself to be an effective and worthwhile public investment.

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

PUBLIC RESULTS – 2019

* * *

Regulatory, Ethics and Law Enforcement Oversight

Final Report:

Hospital-Related Oversight and Accountability Issues

Summary

A Commission investigation into hospital-related costs in New Jersey identified tens of millions of dollars in questionable management fees and allocations that were paid out by three for-profit hospitals in Hudson County to private entities known as “related parties” but ended up as profits for the hospital owners.

These were among the findings made by the Commission in a final report, issued in March, that revealed the State Department of Health (DOH) does not routinely examine funds flowing from a hospital to a parent company nor does it examine such management fees, raising concerns about the agency’s ability to effectively monitor the fiscal health of hospitals.

The SCI’s investigation exposed various shortcomings in the DOH’s scrutiny of hospital finances and recommended ways that regulators could improve practices to better detect and address potential areas of concern regarding hospital ownership, conflicts of interest and other potential abuses, and to provide adequate financial disclosure and transparency in the public’s best interest.

The findings stem in part from a review of financial disclosures and other materials pertaining to three private, for-profit hospitals in Hudson County that collectively, operate/do business as the CarePoint Health System. The hospitals examined by the Commission were Hoboken University Medical Center, Christ Hospital in Jersey City and Bayonne Medical Center.¹ The SCI's investigation found the trio of hospitals paid out more than \$157 million in management fees and allocations between 2013 and 2016 to private entities known as "related parties." These related party-management entities had no employees and only limited operating expenses, which in combination with other information reviewed by SCI investigators, raised questions about the nature of their operations.

The Commission found that under the current hospital oversight system, DOH cannot be assured that it is fully aware of and properly reviews intertwined ownership structures and the possible risks associated by those arrangements. Complicating matters, DOH has failed to fully utilize its existing regulatory authority and has encountered administrative difficulties relating to its tracking of hospital ownership. Additionally, the inquiry raised concerns that the DOH's Early Warning System for identifying circumstances that potentially threatened a hospital's financial integrity might be too narrowly drawn, particularly with regard to assessing the impact of related-party transactions.

The Commission recommended that the DOH review the findings made in the report during its development of additional transparency regulations for hospitals and in the creation of appropriate internal department practices. In particular, the Commission recommended that the DOH should examine related-party financial arrangements and the nature of management fees to obtain a true picture of hospitals' financial status. To that end, the Commission recommended that

¹ At the time of the issuance of this report the CarePoint owners were in negotiations to sell the hospitals.

the DOH should ensure that hospitals produce all financial statements of related-party transactions over a certain dollar amount in a given year and to make such statements publicly available. In addition, the DOH should ensure that any regulation pertaining to related parties clearly identifies what constitutes a related party. Among other things, management companies that are owned by hospital owners should be deemed related parties. The DOH should also require that it is provided with current ownership information for both hospitals and related parties. This should include direct, indirect and ultimate ownership by individuals via limited liability companies and trusts.

The Commission's report was intended to not only provide guidance to the DOH as it formulates regulations for hospitals but also to encourage the Legislature to consider revisiting prior legislation that would have mandated statutory requirements in this arena. In direct response to the Commission's fact-finding and recommendations, a package of three bills was introduced in the Assembly in November 2019 to effectuate reforms put forth in the report. All three measures were approved by both houses of the Legislature before being signed into law by Gov. Murphy in January 2020.

One of the new laws (A5917) gives broader oversight capabilities to the DOH by expanding its Early Warning System to detect whether hospitals are nearing or are already in financial distress. It requires the system to monitor the quantity and suitability of any fees, allocations and payments made to third parties. Another new law (A5916) allows the Commissioner of Health to notify local elected officials if a hospital is in financial distress while the third measure (A5918) expands the type of financial information that hospitals must report to the DOH.

Organized Crime

Follow-Up Report: **DIRTY DIRT II** *Bogus Recycling of Tainted Soil and Debris*

Summary

Over the years, the Commission has spent considerable time and resources investigating corruption, organized crime intrusion and other unscrupulous activity in New Jersey's solid waste and recycling industries. The Commission most recently issued a public report in 2017 that revealed the improper and illegal dumping of contaminated soil and construction debris near waterways, residential developments and other inappropriate locations across the State.² The inquiry identified significant loopholes in the oversight and regulation of Class B recycling that enabled unscrupulous "dirt brokers" and others to pose as legitimate recyclers and avoid licensing requirements and basic background checks required for individuals engaged in solid waste operations. In response to the findings and recommendations made in that inquiry, legislation was introduced to address these serious statutory and regulatory deficiencies.³

During the pendency of that legislation, the Commission acquired evidence establishing that in the absence of any remedy, this deleterious activity persisted with significant and serious potential consequences to the environment and public well-being in New Jersey. As a result, the

² See SCI report, *Dirty Dirt: The Corrupt Recycling of Contaminated Soil and Debris*, March 2017.

³ The bills in the 2018-2019 Legislative Session were S-1683 and A-4267

Commission prepared a follow-up report outlining a summary of additional factual findings and circumstances that were brought to the agency's attention relative to these matters. In addition, the SCI presented a number of additional recommendations for statutory and regulatory reform in this area.

The follow-up report, issued in June, focused on the activities of individuals and entities that have profited from the unregulated and improper disposal of substantial amounts of contaminated soil and debris on private property in Marlboro Township, Monmouth County. Among those who engaged in improper dumping over the last two years was a dirt broker, who was previously identified by the SCI as having dumped tons of tainted soil and debris on a property in Old Bridge, Middlesex County. According to the Commission's 2017 findings, this individual had contracted with the project's developer to provide supposedly clean fill for the development site. Acting as a broker, he separately arranged to be paid \$250 cash per truckload from a company seeking to dispose of dirt and demolition debris. Based upon the SCI's referral of this matter, the state Department of Environmental Protection (DEP) imposed a \$100,000 penalty against the individual and his company.⁴

Commission investigators found that the regulatory and judicial actions filed against this individual failed to deter the dirt broker's involvement in illicit dumping operations. SCI investigators discovered that the individual dumped prodigious amounts of tainted soil on a 17.5-acre horse farm along Harbor Road in Marlboro during the spring of 2018. Some of the material came from construction sites and recycling facilities in New York City. In total, it was estimated based on eyewitness accounts and SCI surveillances that the farm became the repository for more

⁴ On appeal, the DEP finding and penalty were affirmed by the Appellate Division of New Jersey Superior Court on July 16, 2018. Significantly, the Court ruled that any materials tainted to the extent of exceeding DEP's standards for contamination are considered "solid waste."

than 1,500 truckloads of material – some of it contaminated with known or suspected carcinogens – hauled there by a variety of trucking outfits through June 2018.

Neither the broker nor any other individuals and/or the trucking firms responsible for hauling dirt and debris to the farm were able to produce laboratory analytical test reports delineating the level of contamination of the materials dumped there. The property's caretaker produced analytical results generated by a Staten Island, N.Y. recycling company whose material was never actually brought to the Marlboro site.

At the end of June 2018, Marlboro Township officials and the Freehold Soil Conservation District obtained a court order that finally had the effect of barring trucks from entering and unloading at the site. The township also hired an engineering firm to conduct an analysis of dirt and other materials dumped at the farm. The tests revealed several locations on the property were contaminated with toxic and known or suspected cancer-causing substances.

The Commission recommended the passage of pending legislation (S-1683 and A-4267) incorporating Class B recycling into New Jersey's established statutory A-901 system of licensing and oversight currently in place for the solid waste industry. The Commission noted in its report that had this requirement been in effect, it is likely that the individual found by SCI investigators to still be involved in illicit dumping operations would have been barred from licensure because he has a criminal record for a financial-related crime.

In addition, the Commission recommended that the Senate and Assembly consider – either as a separate bill or as an amendment – establishing a chain-of-custody requirement regarding laboratory test results to ensure that Class B materials have been properly examined and determined to be safe for disposal. Truckers hauling such materials should be required to be in possession of such test results, as certified and attested to by the trucking company owner. Further,

the owner or person(s) responsible for the property to which the material is to be delivered should also be required to possess certified test results. The Commission recommended incorporating these requirements into the DEP's rules and regulations. Additionally, those who fail to comply with these rules governing possession of certified test results should be subject to criminal penalties.

In January 2020, nearly a decade after the Commission first urged the passage of legislation to expand background checks and require licensure for certain individuals and businesses operating in the recycling industry, a new law implementing those provisions was enacted. Under the law, any individual or entity seeking to participate in Class B recycling, particularly as it applies to the handling, shipment and disposal of soil and debris from construction and demolition operations, must undergo a criminal background check and be licensed to operate.

Organized Crime

Organized Crime Spotlight

Public Hearing:

Outlaw Motorcycle Gangs- The Pagans

Summary

The Pagans Outlaw Motorcycle Gang has undergone a rapid expansion in New Jersey in recent years, growth that was fueled by the aggressive recruitment of members from smaller motorcycle clubs and the relaxation of certain biker traditions.

In some instances, Pagans have “patched over” the entire membership of smaller clubs into the organization and the SCI identified a handful of former of Bloods, Crips and Latin Kings who were allowed to join its ranks. Once mainly consolidated in South Jersey, the Pagans now reach as far north as Bergen County with a total of 17 chapters across New Jersey up from only 10 chapters in 2016.⁵

The Pagans’ resurgence, which has also featured a dramatic upsurge in incidents of violence – particularly against rival motorcycle clubs – is presenting significant challenges for law enforcement officials grappling to find ways to battle and contain a criminal organization that has undergone a paradigm shift in its operation.

⁵ The number of Pagan chapters in New Jersey at the time of the public hearing.

These were among the preliminary findings aired by the Commission during a public hearing in October that revealed the dynamics inside the biker club that have spurred these changes and how the group's involvement in various forms of criminal activity, including extortion of legitimate businesses, drug dealing and members participation in violent acts, present a valid threat to public safety.

The public hearing featured testimony from SCI investigators, members of the New Jersey State Police and an assistant prosecutor with the Essex County Prosecutor's Office.

It also included the appearance of three alleged top-ranking members of the Pagans – including one who has been identified by law enforcement as the national vice president of the organization – who were subpoenaed by the Commission to provide sworn testimony regarding their gang-related activity. When questioned under oath by SCI counsel, the three individuals invoked their Fifth Amendment right against self-incrimination in response to every question.

The Commission found that traditional recruitment rules for the Pagans were cast aside during this rapid expansion. In addition to permitting entry to the club to individuals once barred from it, SCI investigators also learned of incidents in which individuals were permitted to “pay for their colors” by spending \$600 to \$1,000 to obtain membership in the motorcycle club. Traditional club rules required recruits to go through a lengthy “prospecting” phase before becoming full-fledged members.

Law enforcement witnesses testified that Pagan involvement in violence has exploded in this period of growth. The Commission learned of incidents that ranged from the assault of an associate of a rival biker club in broad daylight in a public area as well as high-speed chases and shots fired in residential areas in the middle of the night. While most incidents were scuffles between fellow members or involved rivals, in some clashes non-members and innocent

bystanders have been caught in the middle. A State Police Lieutenant testified about how the gang uses intimidation to threaten individuals, illustrating the point by recounting a recent episode in South Jersey where the vehicle of a driver – who Pagans believe had cut off a fellow rider on the highway – was surrounded by a contingent of bikers.

While Pagans have long been involved in dealing methamphetamine, SCI investigators testified that gang members have moved away from manufacturing the drug and are now getting their supply from elements of the Mexican drug cartel. The Commission's inquiry revealed dozens of Pagan members who are involved in narcotics distribution in nearly every New Jersey chapter. One prominent supplier to several Pagan operations in South Jersey was receiving more than 50 pounds of methamphetamine every five or six weeks from a cartel-based source.

The Commission's investigation found that members of the Pagans organization are adept at using technology to both communicate with each other and to evade police detection of the group's illicit activities. Pagan leaders carefully monitor communication between members, always preferring face-to-face conversation over all other methods. When they utilize technology to communicate with other Pagans the members are directed to use encrypted apps that permit only authorized individuals to gain access and prevent law enforcement scrutiny of the information.

Law enforcement officials testified that among the challenges in battling the Pagans is the gang's counter-surveillance of policing efforts. At large rallies, Pagans members will go into the crowd and attempt to identify police who may be posing as undercover gang members. In addition, members have been known to deploy drones to conduct counter-surveillance at events. Further, the Commission found that many law enforcement organizations are reluctant to share intelligence with other jurisdictions because sensitive information is being leaked to Pagan members. The

Commission found instances where Pagans gained access to law enforcement sensitive information.

The Commission expects to issue a final report in the forthcoming months that will include new findings as well as recommendations for statutory and regulatory reform to assist law enforcement in the development of effective suppression efforts and other tools to help manage this significant threat to public safety.

HONORS AND ACHIEVEMENTS

During the past year, the SCI maintained its record of exemplary public service with wide-ranging investigations and was acknowledged by organizations across New Jersey for its service and record of achievement, including not only in the context of its investigative findings and recommendations but also for its contributions as a valuable resource for law enforcement agencies, government entities and citizen groups. The following is a summary of contributions the Commission made in this arena during the past year.

* * *

An area of 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 2019, Special Agent Torres spoke before more than three dozen groups across New Jersey and the nation, including the National Alliance of Gang Investigators Association (NAGIA), the Colorado Security Threat Information Networking Group conference, and two legal organizations in New York. In his presentations, Special Agent Torres provides information to assist law enforcement on how to identify gang members and to explain the unique characteristics among particular organized criminal groups.

* * *

The SCI was a co-sponsor of the East Coast Gang Investigators Association 20th Annual Gang Training Conference held from October 7 to 11, 2019 at the Golden Nugget Hotel in Atlantic City. Approximately 200 law enforcement intelligence professionals, representing federal, state and local agencies, participated in the training event, which emphasized the importance of learning and improving the intelligence profession through a collaborative approach. Among the many topics covered by the training included panels on human trafficking and the evolution of gang activity. Special Agent Torres, who is also President of the East Coast Gang Investigators Association, and former SCI Executive Director Seglem both delivered remarks during the training event.

* * *

Members of the Commission staff shared their unique and varied expertise with New Jersey's law enforcement community this past year by serving as instructors at the Division of Criminal Justice Training Academy, which is the State's only certified academy for advanced police training. The DCJ Academy conducts a wide range of training programs for those already employed by criminal justice agencies in New Jersey as well as for new recruits, providing instruction to state and county investigators, deputy attorneys general, municipal and county police, parole officers, corrections personnel and many others. SCI Special Agent Joseph Bredehoft, a licensed attorney, conducted training on laws pertaining to juveniles and testifying at trial and grand jury hearings, and also directed a mock criminal trial for a course for investigators. Special Agent Torres provided training on criminal street gangs.

* * *

Finally, the Commission would like to take the opportunity to commend its partners in law enforcement – both inside and outside New Jersey – for their efforts and cooperation 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 intrusion by crime, corruption and other unscrupulous elements into lawful society.

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.⁶

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."

⁴ 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 catalog of needless waste and outlined a range of proposed reforms that would save taxpayers additional millions. Further, the Commission's September 2000 report on waste and abuse in public school roofing projects provided the state and its localities with invaluable insight into the subversion of multi-million-dollar public construction programs by unscrupulous contractors.

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

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

In 2008, in the wake of an investigation by the Commission into the ready availability of firearms ammunition to gang members and other criminal elements, legislation was enacted refining

the State's regulation of ammunition sales. Under the law, only individuals who hold and can display a valid firearms purchaser identification card, a certified copy of a permit to purchase a handgun, a valid permit to carry a handgun, a valid New Jersey hunting license or valid documentation identifying the purchaser as a federal, state or local law enforcement officer authorized to possess a firearm are permitted to purchase and possess ammunition in New Jersey.

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

Reforms recommended repeatedly by the Commission, most recently in the December 2009 report, *The Beat Goes On: Waste and Abuse in Local Government Employee Compensation and Benefits*, provided the foundation for legislation that became law in 2010 that holds all new local government and school employees to the same standard applicable to state workers regarding the amount of sick and vacation time that may be carried forward each year and cashed in at retirement. The law capped sick leave payouts at retirement at \$15,000 for all local government and school employees. It also prohibited no more than one annual allotment of vacation time to be carried forward from one year to the next by those employees.

Legislators enthusiastically responded to the Commission's 2014 report, *Inside Out: Questionable and Abusive Practices in New Jersey's Bail-Bond Industry* by drafting

comprehensive legislation that addressed abusive practices within the bail business. A package of bills that targeted the majority of the Commission's recommendations for regulatory and statutory reforms was introduced in each house of the Legislature.

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

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

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** Circumvention of Oversight in Solid Waste and Recycling
- 2011-13** Investigation into Prescription Pill and Heroin Abuse
- 2016** Armed and Dangerous – Ten Years Later
- 2016-17** Dirty Dirt: The Corrupt Recycling of Contaminated Soil and Debris
- 2018** Corrupt Commerce: Heroin, Thievery and the Underground Trade in Stolen Goods
- 2018** Juvenile Gun Violence and Neighborhood Gangs
- 2018** Organized Crime Spotlight: MS-13
- 2019** Dirty Dirt II: Bogus Recycling of Tainted Soil and Debris
- 2019** Organized Crime Spotlight: Outlaw Motorcycle Gangs – The Pagans

WASTE, FRAUD AND ABUSE

- 1969-70** Monmouth County Prosecutor’s Office-Misuse of Funds
- 1970-71** Hudson County Mosquito Commission Embezzlements
- 1970-71** Corrupt State Purchasing Practices
- 1970-71** Building Service Industry Abuses
- 1971** Misappropriation of Public Funds, Atlantic County
- 1971-72** Point Breeze Development Frauds, Jersey City
- 1972** Stockton College Land Acquisition Deals
- 1972-73** Bank Fraud in Middlesex County
- 1972-74** Workers Compensation Frauds
- 1972-75** Improper Municipal Planning, Zoning Procedures
- 1973-74** Passaic County Vocational-Technical School: Misuse of Funds and U.S. Surplus Property
- 1974** Pseudo-Charitable Firms Misusing Handicapped Fundraising
- 1974** Conflicts of Interest at Delaware River Port Authority
- 1974-75** Lindenwold Municipal Corruption
- 1975-76** Land Acquisition Deals in Middlesex County
- 1975-77** Investigation of Medicaid Abuses
- 1976-77** Prison Furlough Abuses
- 1977-78** Misuse of Public Funds in the Operation of Non-Public Schools for Handicapped Children
- 1977-78** Boarding Home Abuses
- 1978-79** Absentee Ballot Frauds
- 1978-79** Injury Leave Practices
- 1979-80** Questionable Public Insurance Procedures
- 1981-82** Mismanagement of the New Jersey Housing Finance Agency
- 1981-83** Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities
- 1982** Inappropriate Activities of the Lakewood Municipal Industrial Commission

1983 Abuse and Misuse of Credit Controls at Gambling Casinos
1983 Improprieties in Leasing State Lands at Great Gorge in Sussex County to a Ski Resort
1984 Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund
1984 Misconduct and Inappropriate Controls in the Newark School Security System
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 Bergen County Utilities Authority
1992 Local Government Corruption Overview
1992-93 Fiscal Year’ 89 Budget Over-Expenditures Division of Developmental Disabilities
1993 Quality Education Money to Lyndhurst
1993 Passaic High School Print Shop
1993 Belleville Township
1994 Nursing Home Certificates of Need
1994 River Vale Recreation Department
1994 Point Pleasant School District
1994 Marlboro State Psychiatric Hospital
1994 Borough of Jamesburg
1995 Garfield School District
1995 County Clerks’ Trust Funds
1995 Casino Control Commission
1995 N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher
1997 Contract Labor – The Making of an Underground Economy
1997 New Jersey School Busing Industry
1997 Borough of Seaside Heights
1998 Pension and Benefit Abuses
1998 City of Orange Township
1999-2000 Public School Roofing Projects
2001 Societies for the Prevention of Cruelty to Animals
2001-02 N.J. Enhanced Motor Vehicle Inspection Contract
2003 Associated Humane Societies
2003-05 New-Home Construction and Inspection Abuses
2004 E-ZPass: The Making of a Procurement Disaster
2005 Funding and Operations of County Clerks
2005 The Gifting of New Jersey Tax Officials
2006 Questionable and Hidden Compensation for Public School Administrators
2007 Charity Care: An Ailing System
2007 Public Higher Education Governance
2008 Waste and Abuse in Fire Truck Procurements
2009 Waste and Abuse in Local Government Employee Compensation and Benefits
2010 New Jersey State Interscholastic Athletic Association
2012 Taxpayer Cost of Public-Employee Union Leave
2017 New Jersey’s SPCAs 17 Years Later

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
2014 New Jersey's Bail-Bond Industry
2015 Abuse and Influence-Peddling in New Jersey's Used-Car Industry
2016 No Bids, Lax Oversight and a Monopoly in Online Tax Sales
2018 Gaming the System II: Abuses in the Used-Car Industry
2019 Hospital-Related Oversight and Accountability Issues

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

The Commission examined various issues inside the Division of Motor Vehicles as part of a three-part inquiry. The first phase probed the photo license controversy, an investigation directed by the Legislature to be completed in 30 days. In a June 1985 report, the Commission criticized the DMV and the Attorney General for the intentional non-disclosure of a major political contributor’s proposed role in a universal photo license system.

The second phase, which included a December 1985 public hearing and report, (combined with the Commission’s 1985 Annual Report) examined 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.

The final matter involved an 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 inquiry 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, such as 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.

1987 Property Cost Reimbursement System for Nursing Homes

An outgrowth of an earlier inquiry into Medicaid abuses, the Commission issued a final report in August 1987 that found that the property cost reimbursement system for nursing homes participating in the Medicaid program was unwieldy and wasteful. To halt further abuse, the SCI recommended overhauling the entire property cost reimbursement system.

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 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 were enacted into law.

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 Associated Humane Societies

In March 2003, the Commission issued the results of a wide-ranging investigation that found waste and abuse inside Associated Humane Societies (AHS), one of New Jersey's leading non-profit animal shelter organizations. Despite large and highly successful fund-raising campaigns, the Commission found the history of AHS's shelter operation was dominated by deplorable kennel conditions, inhumane treatment of animals by workers, mismanagement and non-existent or inadequate medical care. The Commission called for comprehensive reform including recommendations to reconstitute the organization's governing board, the establishment of financial controls and to strengthen the shelter inspection program.

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.

2013 Scenes From an Epidemic – A Report on the SCI's Investigation of Prescription Pill and Heroin Abuse

The Commission revealed that corrupt doctors and entrepreneurs with links to organized crime operate seemingly legitimate medical clinics to sell unnecessary prescriptions for painkillers. The July 2013 report

culminated a comprehensive investigation into the illegal trafficking in and abuse of prescription painkillers and heroin. The Commission recommended creation of a statewide Strike Force to combat this multi-faceted problem, tougher penalties for prescription drug diversion, lower legal thresholds for heroin possession charges, the enhancement of New Jersey's Prescription Monitoring Program and tighter controls on the prescription forms used by licensed physicians.

2014 Inside Out – Questionable and Abusive Practices in New Jersey's Bail-Bond Industry

In May 2014, the Commission reported that bail-bond agents in New Jersey routinely engage in corrupt practices including the use and compensation of inmates to solicit customers behind bars. In order to edge out competitors, agents also negotiate discount bail-bond deals that put serious offenders back on the streets for a few hundred dollars or less. Further, the Commission found bail agencies operated by unlicensed individuals, some with extensive criminal records. These practices occur, in part, because government regulation of the bail industry is weak and ineffective. The Commission recommended stronger oversight of the bail industry, legislation to make it a crime for an unlicensed person to solicit, negotiate or write bail, mandatory disclosure and judicial review of discount bail-bond deals and the creation of uniform bail-agent access rules for county jails.

2015 Gaming the System – Abuse and Influence Peddling in New Jersey’s Used-Car Industry

In December 2015, the Commission revealed that outside lobbying pressure enabled certain used-car dealers in New Jersey to receive favored treatment from the Motor Vehicle Commission. The inquiry focused on problems in the regulation of hundreds of used-car entities housed in a group settings known as “multi-dealer locations,” or MDLs, including one owned and operated by individuals linked to organized crime. As a result of lax oversight and enforcement, these MDLs profited from an assortment of questionable and unscrupulous activities at significant cost to taxpayers, consumers and commercial interests. The Commission recommended moving the oversight of used-car dealers to the Division of Consumer Affairs, the adoption of a “Used-Car Buyers’ Bill of Rights to provide consumer protection and the strengthening of New Jersey’s lobbyist disclosure requirements.

2016 Questionable Contracting – No Bids and Lax Oversight in Online Tax Sales

A private vendor had the inside-track for a pilot program to run New Jersey’s electronic municipal tax lien sales and even helped draft the rules that limited competition. The Commission’s investigation found that State officials failed to perform proper due diligence on the vendor’s partner company which is responsible for conducting the auctions and retains most of the revenue from the lien sales. The Commission recommended a series of statutory and

regulatory reforms aimed at restoring the integrity of the online lien auction process, including immediate review of an online auction pilot program, and strengthening vendor disclosure requirements.

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

The Commission held a public hearing in May that detailed how convicted felons and individuals with ties to organized crime illegally dumped contaminated soil and construction debris near waterways and residential areas in New Jersey. The public hearing revealed how tainted material from out-of-state was trucked and dumped along the shoreline on Raritan Bay and at a small recycling center in South Jersey near the Delaware River that became a sprawling landfill occupied by acres of construction debris. Loopholes in the state’s recycling laws allowed these “dirt brokers” to keep their criminal ties secret because recycling operators are not subject to licensing requirements or basic background checks like those required for individuals and entities involved in solid waste.

2016 Armed and Dangerous – Ten Years Later

The Commission revisited its 2007 report, *Armed and Dangerous: Guns, Gangs and Easy Access to Firearms Ammunition*, and found that while legislation enacted in response to the Commission’s findings made it harder for anyone who is not a gun owner to legally obtain bullets, the law does not go nearly far enough to ensure that

ammunition sales are free from abuse. The Commission renewed its call for photographs to be included on State-issued firearms ammunition credentials to avoid fraudulent purchases and to give law enforcement more tools, such as a central database to track and monitor ammo sales.

2017 Dirty Dirt: The Corrupt Recycling of Contaminated Soil and Debris-Final Report

Culminating an inquiry that revealed how corrupt recyclers dumped toxic debris in environmentally sensitive areas, the Commission issued a final report in March 2017 that called for closing loopholes in the law that enabled this fraudulent practice to occur under the radar of regulators. The SCI's primary recommendation was for both individuals and entities operating in the recycling business to undergo background checks and receive licenses similar to those issued for the solid waste industry. Legislation that incorporated the Commission's recommendations was introduced in the State Senate.

2017 New Jersey's SPCAs 17 Years Later

The Commission followed-up on an investigation into the various Societies for the Prevention of Cruelty to Animals in New Jersey and found that many of the problems first identified by the SCI nearly two decades ago festered, and, in some instances, worsened absent proper and appropriate reform action. The follow-up inquiry report in October 2017 revealed significant dysfunction and abuses at the statewide organization – the NJSPCA – including the failure to respond to animal cruelty complaints in

a timely manner and the expenditure of hundreds of thousands of dollars on items that had nothing to do with animal cruelty. In response to the Commission's findings and recommendations, Governor Christie signed a bill into law to eliminate the NJSPCA and turn over enforcement of the animal cruelty laws to government.

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

The Commission found that New Jersey's heroin and opioid epidemic has spawned a corrupt commerce that profits from the sale of stolen metal and merchandise. The SCI exposed this underground economy in a June report that revealed how owners and employees at secondhand goods stores, cash-for-gold outlets and scrap yards readily accepted stolen items, even directing customers in some instances to steal items that would bring maximum resale profit. To improve the scattershot approach that now governs regulation of these industries, the Commission recommended the State Police oversee licensure of scrap yards and secondhand goods shops and require criminal background checks for all owners, employees and other personnel.

2018 Juvenile Gun Violence and Neighborhood Gangs

The Commission held a public hearing in September that exposed how neighborhood-based criminal street gangs – some with members as young as eight years old – are behind the recent increase in gun violence in

several New Jersey communities. Unlike traditional street gangs, these gangs often lack a typical hierarchy and structure, making them difficult for police to track and infiltrate. The reckless nature of juvenile gang members – some of whom engage in gunfire on public streets in daytime hours – pose a significant threat to public safety.

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

A follow-up inquiry into a segment within New Jersey’s used-car industry found that it remains a refuge for dealers who engage in deceitful, and in some cases, unlawful activities. Despite reforms adopted by the State to better regulate multi-dealer locations, the Commission discovered oversight did not go far enough and that dealers at these sites were involved in various types of fraud and other schemes that harm consumers. Further, most consumers had no ability to obtain recourse in transactions in which vehicles had undisclosed defects or damages because the sales were “as is.” The Commission recommended strengthening the state’s consumer protection laws and stronger enforcement of abuse-of-license violations. Legislation incorporating Commission recommendations, including ending “as is” sales, was introduced in the General Assembly.

2018 Organized Crime Spotlight: MS-13

In December, the Commission launched a new investigative project that will be issued periodically to provide profiles of significant organized criminal groups

active in the region. The first issue of Organized Crime Spotlight focused on the ultra-violent criminal street gang, La Mara Salvatrucha, commonly referred to as MS-13. While New Jersey has not been the site of recent high-profile violence at the hands of MS-13, the criminal street gang remains a significant threat, often preying on members of the Central American immigrant population through extortion of businesses, robbery and street-level drug sales.

2019 Hospital-Related Oversight and Accountability Issues

A Commission investigation into health-care matters found the State Department of Health (DOH) lacks the ability to provide a comprehensive picture of a hospital’s financial health. The investigation revealed the DOH does not have an adequate system to track hospital ownership information and does not routinely examine funds flowing from a hospital to a parent company. To remedy these deficiencies, the Commission recommended scrutiny of related-party financial arrangements and of any management fees paid to those entities. In response to the investigation, three laws were enacted to provide greater oversight of hospital finances and to strengthen the State’s early warning system for hospitals in fiscal distress.

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

The Commission revisited an investigation into the improper recycling of contaminated dirt and debris and found absent any legislative

remedy to address loopholes in New Jersey's solid waste laws, illicit disposal activities persisted. The June 2019 report revealed an unscrupulous dirt broker, previously identified by the SCI as having dumped tons of tainted soil and debris on a property in Old Bridge, continued to engage in indiscriminate dumping as recently as May 2018. Nine years after the Commission's initial investigation into questionable practices in the recycling industry, Gov. Murphy in January 2020 signed legislation into law that mandates licenses for individuals and business involved in certain segments of the recycling industry.

2019 Outlaw Motorcycle Gangs – The Pagans

The Commission held a public hearing in October that revealed the Pagans Motorcycle Gang had launched a revival in New Jersey. Pagans' membership rapidly expanded across the state between 2016 and 2018, establishing a presence as far north as Bergen County. Law enforcement officials testified that the Pagans are a sophisticated criminal enterprise that uses technology to evade police detection and in furtherance of its criminal activities. The Commission found the Pagans have been involved in increased incidents of violence, extortion of legitimate businesses and muscle-for-hire debt collection schemes. The gang also remains involved in the distribution of methamphetamine, sometimes working in concert with elements of the Mexican cartel.

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*State of New Jersey
Commission of Investigation*