

INTRODUCTION

Alerted by complaints from concerned residents, the Commission late in 1992 began an investigation into irregularities involving the Garfield City School District in Bergen County. The K-12 district enrolled 2,946 students as of October 15, 1993. Its current expense budget for the 1993-94 school year was \$24,360,639.

The investigation, which covered the period from September 1992 to June 1994, revealed improper allocations of expenditures under a \$9 million lease purchase program and inadequate accounting for the expenditures. It also disclosed competitive bidding abuses that allowed a mob-connected firm to transform a contract calling for, at most, \$25,500 worth of painting into billings for more than \$275,000. At the same time, in a blatant conflict of interest, the district's business administrator was purchasing a boat from one of the painting firm's owners on favorable terms. Moreover, district officials, contrary to state requirements, have condoned enrollment in the New Jersey State Health Benefits Program of ineligible part-time professionals.

The Commission also found that the Garfield School District did not keep records or ledgers that could be used to insure that funds earmarked for the lease purchase project would be spent according to its budgeted costs. The Commission also discovered that the district

incorrectly charged a number of routine operating expenditures, such as lawnmowers, office supplies and cafeteria utensils, valued at more than \$500,000, to the lease purchase project.

LEASE PURCHASE ABUSES

In 1988, the Garfield Board of Education approved a plan to renovate several school buildings by using the lease purchase method.¹ The work has been scheduled for completion by September 1995.

A lawful practice, lease purchasing allows school districts to finance capital improvements without the voter approval required by a referendum to increase bonded indebtedness. Both the Commissioner of Education and the Local Finance Board in the Department of Community Affairs must approve lease purchase agreements in excess of five years.

School districts may utilize lease purchase financing for the acquisition of property, the construction of new facilities, and renovations or additions to existing school facilities. N.J.S.A. 18A:20-4.2(f). Garfield's lease purchase application contained the representation that the funds would be used for "long-term improvements and major structural repairs and/or new facilities."

¹In a lease/purchase agreement, a board of education agrees to make rental or lease payments for a specified term. The school district becomes a "lessee", and an independent leasing firm serves as "lessor." The school district leases its school facilities from the lessor, which acquires title or ownership of the school facility during the specified term of payments. At the end of the term, the school district regains title. Rental payments are comprised of both principal and interest portions; the school district acquires equity through the term of payments. Through an underwriter, investors buy certificates of participation which provide the source of funding for the school district's project and entitle the investors to a proportional share of the rental payments.

The lease purchase rental payments are not considered debt obligations of the school district. They must be appropriated annually by the school district as part of the current expense budget.

The Bureau of Facility Planning Services of the State Department of Education must approve plans for any lease purchase project. At least 67 New Jersey school districts have been approved for lease purchase financing for 75 projects.

A board of education may transfer ownership interests in the property and the facility but retains responsibility for design, maintenance and repairs during the lease term. The agent or trustee, usually a bank, receives funds from the sale of the certificates, receives the rental payments, pays the investors, and disburses monies for the project costs.

The Commission disputes neither the overall value of the state's lease purchase program, nor the Garfield School District's decision to improve its system through lease purchasing rather than capital referendum. Having embarked on the project, however, the district should have accounted thoroughly and completely for its expenditures of project monies. It failed to keep adequate records tracking the progress of the project, comparing actual costs to initial budgeted costs and showing where and how changes were made.

Anthony (Tom) Barckett, Garfield's Business Administrator/School Board Secretary since 1991, was charged with the duty of accounting for district expenditures. Although Barckett prepared a list of bills paid to vendors, neither he nor the district kept ledgers that reflected additional expenditures beyond the original project budget and costs for each line item of the budget.

Compliance Audit Reveals Deficiencies

In a compliance audit for the time period July 1, 1991 through December 31, 1991, the Department of Education found that the board did not maintain a commitment versus expense ledger for the lease purchase project. A project budget, as originally submitted for approval to the Department of Education, reflects the budgeted costs according to school, type of work and phases of the project. The compliance auditors noted, "In order to improve control over project expenditures, the board must ... establish and maintain on a current

basis, an Expense Ledger for each project. The Expense Ledger must reflect budgeted costs, contractual orders, cash payments and unexpended balance."

Barckett testified before the Commission that "a separate ledger is not maintained, no, never has been." Although his annual salary is over \$96,000, Barckett claimed to lack the expertise to set up the required ledger:

I need some help doing that. I've asked the auditors. I spoke with the clerk. I spoke with the architects. I will do whatever I have to, but I'm not really familiar with how to set that up, to be honest with you. ... I am not an accountant by profession. I don't claim to be. I'm an educator that has a certificate in business administration. But I think some of the areas might be necessary to have a full-fledged accountant on board.

No Records Kept

Barckett acknowledged that even after the compliance audit report, no records were kept from which one could determine how much lease purchase money had been spent on each school involved in the project. There were no records of expenditures broken down by project, construction phases or school. Barckett admitted there were no records of "extra" expenditures not contemplated in the original plan.

The lease purchase monies have been held by First Fidelity Bank as Agent. All payments for the lease purchase project are made by the bank to the various vendors. Authorization letters sent to the bank directing payment to vendors often appear to have little back-up documentation and merely bear Barckett's signature.

Robert Schultz, Clerk of the Works for the lease purchase project, is an electrical contractor with a business in Garfield. He was hired by the school board without an interview to oversee the construction on a part-time basis (five hours per day) at a \$50,000

annual salary. Barckett told the Commission that Schultz was a "compromise candidate."

Schultz asserted in his testimony that it was "impossible" to keep a record of whether individual construction items had, in fact, been done, and if so, at what price: "[W]hen we got out the bid for the general contractor, it's a lump bid. He doesn't itemize You know how that works. They give you a lump price for the job. They don't give you any individual numbers." Nonetheless, the project architect, Thomas Associates, did keep

records of the completed work and itemized costs by the larger contractors.

Improper Transfers of Lease Purchase Money

The Commission discovered that large sums of money have been transferred out of the lease purchase account into the school district's operating accounts. These reimbursements to operating accounts have included an amount of \$139,220.13 in July 1992 and amounts of \$108,093.28 and \$32,334.04 in July 1993. Additional amounts reimbursed to the operating account include \$3,680.72 and \$4,195.49 in health benefits. During 1992 and 1993, \$287,912.85 in lease purchase funds reimbursed operating accounts for expenditures on items not authorized by the lease purchase project.

Certain vendors received payments for both lease purchase and non-lease purchase projects. Through reimbursements to regular operating accounts, lease purchase monies wound up paying for a great deal of non-lease purchase work performed by those vendors. For example, a recent lease purchase analysis lists Allied Office Supplies and Equipment as a vendor for \$4,727.51, but an additional amount of \$21,598.74 was paid to this vendor as a result of lease purchase reimbursement of an operating account. The lease purchase bill list also shows Apple

Computer as a vendor for \$46,650.27, but an additional amount of \$44,263.50 was paid to this vendor via reimbursement by the lease purchase account. In addition, 51 vendors never listed on lease purchase analyses prepared for the school board by Barckett received lease purchase monies through the reimbursement mechanism.

Items ultimately paid for through the lease purchase account included: annual maintenance agreements on computers and copiers, servicing of all district fire equipment, annual fire insurance premiums, cleaning of sewer lines, bidding services, lawnmowers, office supplies, hardware, cafeteria utensils, audiovisual equipment, replacement of a windshield on a teacher's car that was broken by a soccer ball, athletic equipment, test scoring services, tuition payments for teachers, in-service training sessions, data analysis fees and consulting fees. In at least one instance the reimbursements were for routine maintenance items incurred and already paid by the district's operating account more than 10 months earlier.

The Department of Education and the Garfield Board of Education entered into a lease purchase agreement setting forth specific guidelines and restrictions on the use of lease purchase monies. However, Barckett admitted using lease purchase funds for routine maintenance. Meals at a local tavern, health benefits, salary for a public relations assistant, teaching materials and supplies, and a copying machine were among items billed to lease purchase. None of these items was found on the original budget prepared for the lease purchase project. Over \$76,872.41 has been expended in custodian overtime, including charges for school bus repair, snow removal and an overturned dumpster. Other routine maintenance items paid for with lease purchase monies included lumber, paint and hardware items, which normally would be paid for out of the operating accounts. These direct expenditures of lease purchase monies for non-lease purchase items totaled \$219,388.94 in 1992 and 1993.

Barckett told the Commission, "As long as it is approved by the board and you have a valid request for it, you can do it." Illustrative of the attitude toward using lease purchase monies is an audio recording of an October 8, 1991 discussion at a school board meeting regarding repainting a school. When a board member argued that certain painting should be paid from the district's regular capital account, Barckett told him that, since quotes from contractors varied from \$5,000 to \$27,000, the lease purchase project would pay for it.

Former superintendent Robert Van Zanten, who served as superintendent from August 1990 to August 1993, testified that the issue of whether there were any restrictions on spending lease purchase monies "became a very hotly debated item with the board." He spoke about how there was uncertainty as to how to treat a "large amount of interest" that had accrued in the lease purchase account:

It really was my personal feeling that they should try to do as much as they could with the monies that were available, in that it was very likely that the district would not see any additional monies for a long, long time to come to do that type of rehabilitation.

Q. Do you know whether the board keeps any record of expenditures that were made due to the interest that had accrued?

A. I'm not certain.

One of the additional expenditures was the hiring of a public relations assistant, who devoted a scant portion of his time to lease purchase matters. Former Superintendent Van Zanten told the Commission:

I said we could probably pay from lease purchase, if one of the areas [within the assistant's duties] ... was to explain the lease purchase program to the community.

Both Barckett and Schultz estimate that the lease purchase project is more than one million dollars over budget, due primarily to changes involving a middle school project. Schultz attributed numerous change orders and add-ons to the age of the buildings. It is

obvious to the Commission that an overly liberal attribution of ordinary operating expenses to the lease purchase project has contributed substantially to the budget shortfall.

BIDDING IRREGULARITIES AND ORGANIZED CRIME CONNECTIONS

Under Barckett's supervision, one \$25,500 painting contract wound up generating billings of over \$275,000 for the contractor, Ram Maintenance, which had previously received another \$28,000 for three jobs awarded without competitive bids. During the period when he was recommending this and other district painting work for Ram, Barckett, in an obvious conflict of interest, was in the process of purchasing a boat from Austin R. Castiglione, Ram's co-owner and a criminal associate of New Jersey organized crime.

Bidding Abuse

In stages orchestrated by Barckett from July 1991 through November 1992, Ram Maintenance was paid a total of \$303,621.68 for painting jobs without having to submit competitive bids for more than \$25,500 worth of work.

Ram's first job for Garfield, painting stadium walls at the high school in July 1991, garnered \$6,800. Barckett told the Commission that prior to giving the task to Ram, he and the district's maintenance supervisor called "several companies" for price quotes. Barckett produced no written record of the quotes, however.

In August 1991, Ram earned an additional \$12,750 from the district for "emergency" painting work over the Labor Day weekend. This "emergency" work was not authorized by the Garfield Board of Education until eight months later.

A March 12, 1992 school board resolution authorized the payment of "\$2,100 per stairwell" to Ram for stairwell painting in two schools. By letter dated March 24, 1992, Barckett authorized the

payment of \$8,400 to Ram for painting four stairwells. Four days later, Ram owner Castiglione sold his boat to Barckett. Shortly after the boat sale was concluded, Ram was awarded a final painting contract with the Garfield School District. This last contract, which was limited by the terms of the bid documents to \$5,500 for 400 hours and \$20,000 for 80,000 square feet, ballooned into payments to Ram of an additional \$275,671.68.

On April 21, 1992, bid specifications for "district-wide painting" were sent to 11 potential vendors. The specifications requested an hourly labor rate for an estimated 400 hours of painting. They also asked for the price per square foot to apply four different types of paint at two different times of the day to an estimated total of 80,000 square feet. In addition, all painting supplies were to be billed at cost plus 10%, or supplied by the board.

Four bidders, including Ram Maintenance, responded by the bid opening date of May 6, 1992. Ram quoted an hourly rate of \$13.75, less than half the rate quoted by the next highest bidder. The other hourly rates quoted were \$29.28, \$32.00 and \$37.50. Ram also quoted a uniform price of \$.25 per sq. ft., \$.0225 higher than the average price per sq. ft. offered by the lowest bidder by the square foot method.

Based on the hourly rate, the school district's purchasing consultant, Educational Data Services, Inc. (EDS), recommended to the school board in a May 6, 1992 bid analysis "that a unit price award be made to Ram Maintenance for \$13.75 per hour or an estimated total of \$5,500 [400 hours x \$13.75 per hour]." Meanwhile, performing the job under the other pricing method specified in Ram's bid would have allowed Ram to bill up to an estimated \$20,000 (80,000 sq. ft. x \$.25 per sq. ft.). A May 21, 1992 resolution of the school board awarded to Ram, at "\$.25 per square foot, \$13.75 per hour," the task of

"painting at schools #7, #8, #9 and high school's new gym outside wall." The resolution was stated to be based on the recommendation of the Superintendent of Schools, Business Administrator and Clerk of the Works. It specified no limit to the number of hours or square feet. Moreover, the schools that were named in the resolution had not been mentioned in the specifications that were sent to prospective bidders.

A second May 21, 1992 school board resolution awarded to Ram "the district-wide painting contract" at the same hourly and square foot rates "as per bids that were received on May 6, 1992." This award purported to be based upon the recommendation of EDS, as well as the Superintendent and the Business Administrator. The resolution stated the award was made "through June 1993 as per specifications." It also delineated no limit to the number of hours or square feet.

Gilbert Wohl, Vice President of EDS, recalled that the recommendation was made to award the contract to Ram, "on the basis of them being the low bidder on a per hour basis." He said he realized, however, that the bid was "extremely low" and asked Barckett if he knew the company. Wohl testified, "I believe [Barckett] said that they had done work for [the district] before."

The Commission learned from the State Office of Wage and Hour Compliance that prevailing wage rates in effect for Bergen County as of May 1, 1991, were \$20.75 per hour plus \$7.40 in benefits for a journeyman painter (total \$28.15) and \$18.70 per hour plus \$7.40 in benefits for a journeyman repainter (total \$26.10). Effective July 27, 1992, the adjusted rates were \$21.00 per hour plus \$7.65 in benefits for a journeyman painter (total \$28.65) and \$18.70 per hour plus \$7.65 in benefits for a journeyman repainter (total \$26.35). No one representing the school district insisted on a satisfactory explanation as to why the hourly rate quoted by Ram was so far out of line with prevailing wages.

At the very least, Ram's low-ball wage rate should have signaled to Barckett and others that they should closely scrutinize the bills submitted by Ram, as well as the work performed. But despite this obvious red flag, no one kept adequate records of the amount of hours worked by Ram on the Garfield jobs. Neither were records kept on calculations of square footage of the projects completed by Ram.

Although the somewhat confusing bid forms seemed to provide for alternate billing by square feet or hourly rate, Ram usually submitted bills seeking payment for square footage painted, as well as hourly charges for repairing, scraping and spackling the same walls. Barckett recommended payment of these bills.

Robert O'Connor, President of EDS, testified that one of the purposes of bidding for a school district is to increase control over spending. He said, "You should have on a bid a reasonable expectation of what you're going to do, how much you're going to spend, how many hours Then everybody knows what you're doing." He added:

You shouldn't bid for something and get a contract, get a bid price of a couple of thousand dollars and then spend ten times that amount. You should use some judgment

O'Connor testified that he learned about a year later how much money the Garfield School District actually paid Ram for painting work:

- Q. In your opinion, was awarding an amount of \$2[75],000 contemplated by the bids?
- A. I had no knowledge that they would be spending that kind of money

Both of Ram Maintenance's owners, Austin Castiglione and Ralph J. Bellofatto, Jr. asserted their Fifth Amendment privilege against self incrimination in response to Commission questions about Ram's painting work for the Garfield School District.

Under state law a contractor must pre-qualify with the Division of Building and Construction in the State Treasury Department if its compensation for any contract requiring public bidding will exceed \$20,000. Ram did not apply for pre-qualification until July 1992, two months after its bid for the Garfield contract was opened. The financial information Ram finally submitted allowed it to be classified to perform government work aggregating just \$100,000 for 1992-1993 and \$150,000 for 1993-1994. In addition, Ram's application failed to include the criminal convictions of its owners, which are set forth below.

Barckett's Conflict of Interest: The Boat

On March 28, 1992, Anthony Barckett purchased Ram-owner Austin Castiglione's 25-foot, fiberglass 1979 Classic Cruiser, with a 260 horsepower engine, for use at his recently-purchased shore home. Within two months of Barckett acquiring the boat, he recommended to the Garfield School Board that it award the \$25,500 painting contract that blossomed into \$275,671.68 worth of billings for Castiglione's company, Ram Maintenance.

Barckett claimed that he paid Castiglione for the boat with \$5,700 in cash derived from his federal income tax refund. Barckett told the Commission that Castiglione, at Barckett's request, brought a receipt to his school district office "several days later." He produced a simple receipt, dated March 28, 1992, ostensibly for the amount of \$5,700.

Barckett said he and his wife had taken a ride in the fall of 1991 to look at the boat -- shortly after Ram started doing painting jobs in the district -- but it was not in the marina at the time. Barckett testified that he had talked Castiglione into parting with his boat:

I knew that Austin [Castiglione] had a boat. He had made comments. His wife brought in pictures. I said, Austin, let me buy the boat. You don't even use it.

When it came time to register the boat with the Division of Motor Vehicles, however, Barckett declared a purchase price of just \$500. The Commission determined that he paid \$35 in sales tax on a reported price of only \$500. Barckett maintained he "tried to save some sales tax." Thus, he either cheated the Division of Taxation out of \$364 in sales taxes (the difference between what he paid and what he would have paid on a purchase price of \$5,700) or he received a sweetheart deal from a person doing business with the district.

Castiglione, when subpoenaed, claimed he could produce no records of the boat deal. He asserted his Fifth Amendment privilege against self-incrimination when asked about the transaction at an executive session of the Commission. Thus, he did not confirm Barckett's claim that the price was \$5,700.

Although he maintained that Castiglione told him the boat would need "some work" before it would be worth the "nine or [\$]10,000" value of such a boat in excellent condition, Barckett insured his boat for \$11,500, effective April 13, 1992. He explained that he had purchased new equipment and otherwise "put a lot of money into the boat." He produced bills for boat-related expenses totaling approximately \$3,000. Although Barckett claimed he paid \$5,700 in cash to Castiglione on March 28, 1992, he paid \$1,004 by check one month later to a former Garfield teacher for transportation and other expenses related to the boat.

Barckett testified that during the first week of May 1992, during an outing with their spouses, followed by dinner out, Castiglione showed him how to operate the boat. In July 1992, Barckett and his wife were "guests" for dinner at the Trump Castle in Atlantic City of the Castigliones and Philip H. Rigolosi and his wife, along with an

officer of the bonding company for Ram Maintenance. Barckett testified that on an additional occasion Castiglione and his wife came down to the shore and "spent an evening on my porch." Barckett also acknowledged that Castiglione attended the engagement party of Barckett's daughter in November 1992, visited Barckett at his shore home, gambled in the casinos with Barckett at least once, and met Barckett for drinks at local taverns after school board meetings.

Barckett testified that he never had any concerns about the boat deal with Ram's owner. Neither did he publicly disclose to the Garfield School Board that he had bought a boat from a vendor he had recommended for school district work. Barckett testified he did not think either the board or the public should be informed of the deal. He also testified that he consulted no one about the propriety of the arrangement.

The School Ethics Act, N.J.S.A. 18A:12-21, et seq., sets forth certain standards of ethical conduct for members of local boards of education and local board administrators. The law, effective April 15, 1992, seeks to deter breaches of the public trust, as well as conduct "which creates a justifiable impression among the public that such trust is being violated," N.J.S.A. 18A:12-21. Barckett's behavior raises questions about whether he violated the provision which reads:

No school official or member of his immediate family shall ... engage in any ... transaction ... which is in substantial conflict with the proper discharge of his duties in the public interest. [N.J.S.A. 18A:12-24(a)]

Barckett's conduct also raises concerns about whether he violated the section which reads:

No school official shall act in his official capacity in any matter where he ... has a direct or indirect financial or personal involvement that might reasonably be expected to impair his objectivity or independence of judgment [N.J.S.A. 18A:12-24(c)]

Former Garfield School Board President Stephen Pfefferkorn admitted that he too had been approached by Castiglione about buying the boat at about the same time, but said he was not interested in that particular type of boat. Pfefferkorn told the Commission that he knew Barckett had subsequently purchased Castiglione's boat. He testified that he had no reservations about the transaction. (Pfefferkorn, a purchasing agent with the Bergen County Utilities Authority, resigned from the school board on August 11, 1994, the day he was sentenced to four months in prison for violating the federal Anti-kickbacks Act by paying \$7,900 to a purchasing manager of a Georgia-based company in return for \$200,000 in contracts for his firm, North Jersey Plastics, Inc.)

The Commission discovered that several other board members, as well as former Superintendent Robert Van Zanten, also had learned of Barckett's purchase of the boat from Castiglione, yet none disclosed it at a public meeting. They failed to understand the public's need to know when personal transactions with a vendor might conflict with an official's fiduciary duty of loyalty to the public.

Organized Crime Connections

The apparent manipulation of the bidding system in order to capture for Ram Maintenance what amounted to the lion's share of vendor painting work for the period in question is even more troubling when considered in the context of the backgrounds of Ram's principals and their relationships with Business Administrator Barckett and at least one school board member.

Ram co-owner Austin Castiglione is a criminal associate of the Gambino/Gotti crime family of La Cosa Nostra. He was arrested on a complaint in June 1992 concerning the placement of video gambling machines in Paterson, and grand jury action is pending. His convictions include receiving stolen property (June 1965); simple assault

and shoplifting (February 1969); unlawful entry with intent to steal (June 1975); counterfeiting (July 1975); possession of counterfeit credit card (October 1984); and income tax evasion (May 1985). The other Ram co-owner, Ralph J. Bellofatto, Jr., was convicted in municipal court for assault (June 1980), issuing a worthless check (June 1981), disorderly conduct (December 1983) and resisting an officer (September 1990). Philip Rigolosi, who, as mentioned above, socialized with Barckett, Castiglione and an officer of the bonding company for Ram Maintenance, is a criminal associate of the Genovese/Gigante crime family of La Cosa Nostra. Currently on probation, he has convictions for assault (April 1962); bookmaking and illegal lottery (November 1971); and conspiracy to commit public order crimes (June 1992).

Barckett acknowledged meeting Castiglione after school board meetings:

- Q. Have you met [Castiglione] after board meetings and board caucus meetings at Pip's Tavern and Charlie Blood's [a tavern owned by Garfield Board of Education member Salvatore Benanti]?
- A. We've gone out after the meetings, whether it be Pip's or Charlie Blood's. And Austin has been there. And not every meeting. There's been times, occasions he's been there or not.

Rigolosi, who is currently living in Florida, testified before the Commission that he had known Barckett "all my life in Garfield" and that he was "close to him." Rigolosi told the Commission that he knows "everyone on the board" and that he has "many" family members who have been or are employed by the school district, including his wife, who was an aide to the board, his son, various cousins, and other family members. He acknowledged that he "put in a good word" with "anybody I could" to try to get his son a job and told the Commission that "politics is politics, who you help get elected ... that's what politics is about, you know." He acknowledged campaigning for certain board members, "you know, you try and help people." Rigolosi testified, "I mean I went to people and tried to get my family to vote for who I want them to vote for, right?"

Barckett told the Commission that Rigolosi has "come down several times" to visit him at the school board offices, "trying to help his son." Rigolosi's son was hired by the board as a custodian/bus driver. Castiglione's wife also worked as an aide for the board.

Surveillance by Commission special agents in the summer of 1993 revealed several instances when both Castiglione and Rigolosi were present at a local tavern on the evening of a school board meeting. Rigolosi acknowledged that he and Castiglione have waited for Barckett after board meetings at local taverns. He denied that the purpose was specifically to discuss board business, but added "[I]t's discussed. They all come there, all the board members, and they discuss things -- you know, they all discuss things."

On September 16, 1993, the evening of a Garfield Board of Education meeting, Commission special agents observed Rigolosi and Castiglione enter Charlie Blood's Tavern at 10:12 P.M. where they were observed to engage in an agitated conversation. At 10:51 P.M., Rigolosi was heard to say in a raised voice to Castiglione, "If he don't show we're going to his office to straighten it out ... you got free time this week? O.K. we're going down to his office." At 11:07 P.M., both men left, telling the bartender, "tell him we were here, okay." Barckett entered at 11:20 P.M., looked around and walked over to the bartender who stated, "They left about 15 minutes ago."

Rigolosi denied remembering this evening when asked about it at a Commission executive session on January 27, 1994. He told the Commission, "I don't -- haven't the faintest idea" about the statements which the Commission staff heard that evening.

When Barckett was asked about the meeting at Charlie Blood's, he testified that it related to painting bids that had been solicited by Garfield in June 1993:

Mr. Castiglione had wondered, even he called me several days, how come this new bid, why hasn't the board awarded it? Because in his mind he feels he has the bid, because he's low man. . . . That could be the time when they were waiting to see if the contract was going to be acted on.

At that time, Ram Maintenance was again the lowest bidder on a new painting contract, but the board has not yet voted on the matter. Ram has done no painting for the Garfield School District since November 1992.

Former board President Stephen Pfefferkorn also acknowledged knowing both Rigolosi and Castiglione and meeting them at local taverns after meetings. Source information had alleged that both Castiglione and Rigolosi had visited Pfefferkorn's house on the night of the school board election in 1993 (when Pfefferkorn was elected). Pfefferkorn, who became board president at the reorganization meeting one month later, acknowledged to the Commission that both "might have been" at his house.

HEALTH BENEFITS FOR PART-TIME PROFESSIONALS

The Commission discovered that in some instances the Garfield School District has ignored eligibility regulations governing the participation by part-time officials in the New Jersey State Health Benefits Program.

As is the practice in many other school districts, Garfield pays substantial sums to provide health care coverage under the state program for its part-time professionals. In Garfield those benefiting from this policy include the school physician, school dentist and board attorney. Each receives full state health program benefits, except the attorney, who receives only prescription drug, dental-plan and vision reimbursement benefits. The board also approved the use of lease purchase monies to pay health benefits for the part-time lease purchase clerk of the works, as well as for the public relations assistant.

In its compliance audit for the time period July 1, 1991 through December 31, 1991, the Department of Education called for the Garfield Board of Education to require time records to support an average of at least 20 hours per week from each part-time professional certified to participate in the state health benefits program. The recommendation comported with state regulations declaring that eligible employees are those who "appear on a regular payroll and who receive a salary or wages for an average of 20 hours per week." N.J.A.C. 17:9-4.6(a)1. The Garfield School Board has continued to ignore the requirement to adequately document an average 20 hours per week for covered employees.

Although the school board has certified by resolution that the affected employees have met eligibility requirements, in the case of the hours worked the board has failed to require adequate documenta-

tion of time on the job. The board has also circumvented the eligibility requirements by paying these professionals partially from the payroll account rather than entirely by voucher. State regulations define as ineligible those employees whose compensation is "paid or payable by voucher." N.J.A.C. 17:9-4.3(a)5.

It is disconcerting to the Commission that professionals who have not documented the time they have worked on school district business can obtain lucrative health benefits at taxpayer expense. Such professionals are certainly capable of providing their own health benefits from the fees which they receive from their full-time private sector work.

CONCLUSIONS

This investigation presents clear examples of abuses that can occur when a single official in a key position in a school district virtually gains total control over purchasing decisions.

Business Administrator Barckett's activities could only have occurred, however, in the condoning environment fostered by the Garfield School Board. The best avenue for reform in the Garfield School District lies with the voters, who can send a clear signal that tolerance of purchasing and benefit manipulations, cozy relationships between district officials and mobsters, and inadequate oversight is unacceptable.

Meanwhile, the Commission will refer information concerning Barckett's conflict of interest with regard to the contract for painting work awarded to Ram Maintenance to the School Ethics Commission. The results of this investigation also will be submitted to the Department of Education, which cooperated with the Commission during this investigation and which may wish to scrutinize more closely the performance of Garfield's lease purchase project. Another referral, to the Division of Taxation, involves Barckett's admitted failure to pay adequate sales tax for the boat he purchased from Austin Castiglione, co-owner of Ram Maintenance. The Commission will refer the information that Ram submitted inaccurate prequalification information to the Treasury Department so that it may assess whether Ram violated requirements governing the classification of bidders on public contracts. Lastly, the Commission will refer the information about the wage rate bid by Ram in its painting contract proposal to the New Jersey Department of Labor, so that it may determine whether violations of the New Jersey Prevailing Wage Act occurred.

A Statewide Warning

All of New Jersey's hundreds of school districts should heed the findings of this report. They should examine their own practices to insure that the costly problems plaguing Garfield are not duplicated. Preservation of the public trust is and should be their first priority.

RECOMMENDATIONS

1. The Garfield Board of Education should join in seeking from the School Ethics Commission appropriate action concerning Business Administrator Anthony Barckett's personal transaction with a district vendor. Meanwhile, the Board should take appropriate disciplinary action on its own against Barckett.
2. The Garfield School District should review its health benefits roster and remove all part-time professionals who fail to qualify under New Jersey State Health Benefits Program requirements.
3. The Garfield School District should review all bid specifications to remove ambiguities as to whether payment should be made on a square foot basis, an hourly rate or both. The school board should ensure that reliable mechanisms are in place to track expenditures and preclude payment of bills that exceed limits specified in contract awards.
4. The Garfield Board of Education should insure that services which are paid on an hourly or square-foot basis are supported by adequate supervision and back-up documentation, and that the work is closely monitored by the Clerk of the Works.
5. The Garfield Board of Education should keep complete records and ledgers to account for all expenditures financed by lease purchase monies. These records should account for all expenditures in keeping with the authorized project budget. Changes to the lease purchase project should be thoroughly and accurately accounted for.
6. The Garfield Board of Education should establish a reliable procedure to insure that requests to the trustee for payment of lease purchase bills are related to the lease purchase project budget.

7. The State Department of Education and the Garfield Board of Education should more closely monitor this and all lease purchase projects to insure accountability and compliance with state requirements.

8. The Commission repeats its call for a statewide Specification Review Board, first recommended in the Commission's September 1992 report, Local Government Corruption, pp. 82 and 83. In order to optimize competition, this Board would promulgate uniform model specifications for common products and services and publish them for the use of all governmental subdivisions. Many local government units do not have the resources to devise specifications that would encourage vigorous competition and discourage collusion. The model specifications should initially be made available on a voluntary basis to public bodies desiring to facilitate competition.

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This investigation was directed by former Commission Counsel Carol L. Hoekje and was conducted by Special Agents Judith A. Gore and Kurt S. Schmid and Investigative Accountant Arthur A. Cimino.