



State of New Jersey
Commission of Investigation

LOCAL GOVERNMENT CORRUPTION

SEPTEMBER 1992

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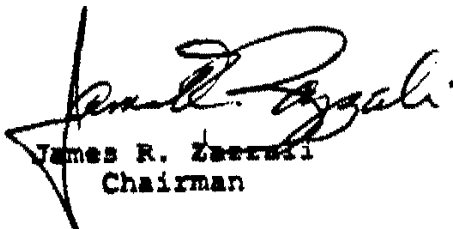
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September 1992

Governor James J. Florio
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation herewith formally submits, pursuant to N.J.S.A. 52:9M, a report and recommendations on its investigation into local government corruption, including its public hearing held on January 7 and 8, 1992.

Respectfully,


James R. Zazzali
Chairman


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INTRODUCTION

"The Commission shall have the duty and power to conduct investigations in connection with ... [t]he conduct of public officers and public employees, and of officers and employees of public corporations and authorities" N.J.S.A. 52:9M-2.

"Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman." Louis Brandeis.

"There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government." Benjamin Franklin.

Local government corruption is one of the great continuing dilemmas which afflicts our society. This belief prompted the State Commission of Investigation to hold public hearings on the subject on January 7 and 8, 1992. With enhanced understanding of the problem provided by the hearings and this report, the Commission intends to launch continuing attacks against local government corruption and the conditions which sustain and encourage it.

Although local corruption in New Jersey may no longer be as open, notorious and systematic as in the past, it remains serious and disturbing. This is evident from the large volume of prosecutions -- the vast majority summarized in this report -- brought in the last few years by federal, state and county prosecutors. Since local corruption continues to sully our society, the Commission has decided to invigorate its efforts to expose and combat it.

Certainly a significant harm caused by public corruption is the spread of public cynicism and skepticism toward the large number of officials who perform their jobs honestly. Other harms are more tangible. Embezzlers steal taxpayer dollars. Cor-

rupt inspectors jeopardize the public's health, safety and wellbeing. Purchasing scams deplete local treasuries. Zoning and planning payoffs lead to helter-skelter development. Ripoffs in social benefit programs deprive the truly needy of scarce public assistance funds. Finally, private businesses that pay off corrupt officials are unjustly enriched at the expense of honest competitors.

This report discusses in detail certain cases -- encompassing various categories of local government corruption -- which witnesses described during the public hearing. It reveals how those schemes began, continued and finally unravelled. The report also summarizes virtually all other convictions and indictments involving those categories throughout New Jersey over the past few years. Recommendations assess whether there are gaps in laws, enforcement methods and public resolve to diminish local government corruption. Ultimately, we trust that society will regard corruption as it is gradually coming to regard drunk driving -- as a scourge with which we should not have to live.

The report briefly describes the history of local government corruption in New Jersey from the Boss Hague era through the early 1980s. It also notes this Commission's efforts to expose local corruption since its creation in 1969. A disturbing theme recurring during the public hearing and the Commission's assessment of other scenarios described in this report is that, despite vigilant law enforcement labors and the advent of many investigative and prosecutorial tools during the last two decades, the problem persists at a significant level.

The report cites three troubling examples where organized crime capitalized on the presence of local corruption. It also highlights a number of different types of schemes involving tainted land use decisions, corrupted inspections, purchasing scams in several industries, hiring abuses, manipulation of numerous social benefit programs, a multitude of embezzlements of government funds and incessant misuses of government property and services.

HISTORY

For decades New Jersey steadily gained a national reputation as a hotbed of corruption. When the public embarrassment from this reputation reached scandalous proportions in the late 1960s, reformers attacked the problem with legislative action and federal and state prosecutorial crusades. This bustle of activity moved New Jersey to the forefront of states with the tools and resolution to curb corruption. However, with astounding durability and resilience, corruption continues to fester in manifold forms and places.

Hugh J. Addonizio, a seven-term Congressman before running for Mayor of New Jersey's largest city in 1962, once said, "You don't make much money as a congressman, but as a mayor you can make a million bucks." The Newark riots of July 1967 took 26 lives and were considered among the worst in the country. The following year a blue-ribbon commission, appointed by Governor Richard J. Hughes, investigated the disorder and found one of the causes to be "a pervasive feeling of corruption" in Addonizio's administration.

After county and federal grand jury investigations, Addonizio was convicted in 1970 of federal charges of extorting \$153,000 in kickbacks from contractors doing business with the city and sharing the loot with mobsters, who many said actually controlled Newark. In sentencing Addonizio, U.S. District Judge George H. Barlow said, "... the corruption disclosed here is compounded by the frightening alliance of criminal elements and public officials ... these very men who, as government officials, inveighed against crime in the streets while they pursued their own criminal activities in the corridors of city hall."

Evidence gathered in Newark led the U.S. Attorney's Office into Jersey City, infamous for the antics of Frank ("I am the Law") Hague, that city's mayor for 30 years after first being elected in 1917. Also a political boss, Hague had often been investigated but never indicted. Hague's annual salary never exceeded \$9,000, yet he had an expensive home in New York City and luxurious vacation homes in Palm Beach, Florida, and Deal, New Jersey. He left an estate of more than \$5 million when he died at the age of 81 on New Year's Day, 1956.

Federal relief jobs in New Jersey during the Depression had to be cleared with "the Boss." Using the city and county payroll, Hague rewarded faithful voters with jobs and promotions. In return, employees were expected, in the guise of voluntary political contributions, to pay three percent of their salaries to the political organization.¹ This was the infamous "Peter's pence" -- a term borrowed from an annual assessment within the Roman Catholic Church -- and it was due on what local residents knew as "Rice Pudding Day." Businesses that got contracts with the city were also expected to return a share.

The 1970 U.S. Attorney's investigation led to the indictment of Jersey City Mayor Thomas J. Whelan and 12 other city and county political figures in an extortion and kickback scheme that netted its participants at least \$3 million over a period of years. Also among the defendants were the Jersey City Council President and Business Administrator. The "Hudson Eight" trial, the biggest corruption trial in Hudson County history, concluded with the conviction in 1971 of Whelan and seven others.

Included in the indictment was county political boss and former Jersey City Mayor, John V. Kenny. A former ward leader for Hague, Kenny and four others running for City Commissioner on a reform "Freedom Ticket," won office in May 1949. Kenny resigned as Mayor in December 1953 and lost his Commissioner seat in 1957. But he retained the political party chairmanship in Hudson County and exploited a change of government reform movement to return to power in Jersey City in 1961. At the time of the Hudson Eight trial Kenny was 78 years old and in poor health. He was severed from the trial to undergo surgery. A year later he pled guilty to tax evasion, but a heart condition kept him out of prison. He died in a nursing home in 1975 at age 82.

In sentencing Whelan, U.S. District Judge Robert Shaw stated, "We hear of the hard plight of the cities, when the funds that should be applied for the welfare of the people are going into the pockets of politicians. ... The central theme of the letters [received on Whelan's behalf] was that this was a way of life in Jersey City and Hudson County and that he merely slipped into it. Well, I think the prevailing way of life there should stop."

But, as if to flaunt the venality that Judge Shaw decried, a succession of infamous New Jersey mayors commanded the public's attention in the decade following the Hudson Eight trial. Brief examples include:

- For nearly three decades after World War II, Atlantic City's political machine was run by State Senator Frank S. (Hap) Farley. His influence ended in 1972 when seven city officials, including Mayor William T. Somers and former Mayor Richard S. Jackson, were indicted in a kickback and conspiracy scheme involving municipal contracts. In 1973 Somers was sentenced to 2 1/2 years in prison after being convicted of extortion. Jackson was sentenced to three years in prison after pleading guilty to conspiracy.

- Walter Zirpolo, Mayor of Woodbridge from 1962 to 1967, was incarcerated in 1973 after pleading guilty to bribery and conspiracy charges related to the Colonial Pipeline scandal.

- Little Ferry Mayor Ferdinand A. Heinige was imprisoned in 1974 for accepting about \$100,000 from builders and developers for land use approvals and doling the money out to Council and Planning Board members from a stash in his attic safe.

- Union City Mayor William V. Musto, who was also a State Senator, was jailed after a 1982 federal racketeering conviction for extorting payoffs from a construction company owner who ran up huge cost overruns on school construction contracts. Musto's conviction followed by a decade the federal kickback conviction of his father, who had been School Board President. Less than two years later, Robert C. Botti, Musto's protege and successor as Mayor, was convicted of federal mail fraud charges arising out of a bid rigging scheme involving school supplies.

- Mayor Walter Lindsley of Weehawken was convicted in 1983 of federal charges of conspiring to extort \$600,000 from builders seeking to develop the town's Hudson River waterfront.

- After leaving office, Mayor Angelo Sarubbi of North Bergen pled guilty in September 1976 to federal charges of accepting \$16,000 in kickbacks on North Bergen sewer contracts.

Most disturbing to the Commission has been the stubborn continuance of diverse types of local government corruption similar to schemes exposed by the Commission itself throughout its nearly 24-year history. To merely list the similarities encountered

over time disheartens and astounds. The following examples illuminate the point.

- The Commission uncovered wrongdoing at the Hudson County Mosquito Commission in 1970². From 1987 to 1989 a chemical supplier gave five percent kickbacks and expensive gifts to the Gloucester County Mosquito Commission Superintendent in return for purchases.
- In 1971 the Commission reported on misappropriation of public funds in Atlantic County³. From 1982 to 1987 the Atlantic County Treasurer embezzled approximately \$350,000 in Atlantic County funds.
- In 1971 the Commission elicited testimony that a Hudson River waterfront developer had given \$20,000 to the Jersey City Council President as a payoff for cooperation at City Hall⁴. The Mayor of Weehawken was convicted in 1983 of federal charges of conspiring to extort \$600,000 from builders seeking to develop the town's Hudson River waterfront. From 1983 to 1985 Hudson River waterfront developers paid up to \$60,000 to the Mayor of Edgewater to push for municipal approvals.
- In the early 1970s the Commission revealed development kickback schemes in

Madison Township in Middlesex County⁵ and Lindenwold Township in Camden County⁶. From 1986 to 1988 developers paid hundreds of thousands of dollars to the Mayor of Wayne for assisting them to obtain Planning Board approvals. In 1991 and 1992 the Planning Board Chairman and Mayor of the Little Egg Harbor pled guilty to plots to receive money in return for application approvals.

- In 1973 the Commission reported on a purchasing and public property conversion scandal at the Passaic County Vocational and Technical High School in Wayne.⁷ In separate 1990 federal and state indictments, authorities exposed a variety of misappropriation schemes involving officials of the Vineland School District.
- In 1982 the Commission heard testimony about chemical supply industry salespeople increasing their sales to municipal utility and sewerage authorities by providing cash and gifts to officials⁸. In 1986 and 1987 a dozen public works and roads department officials in Bergen County were convicted of accepting cash kickbacks for purchasing hardware and supplies from an FBI undercover sting operation.

WIDESPREAD AND CONTINUING PROBLEM

In the past decade local government corruption has been exposed in virtually every area of the state -- in communities large and small -- belying the notion that local corruption is just an urban, North Jersey problem. In some places the corruption has been shown to be systemic, in others sporadic. Also, corrupt local officials have represented both major political parties. Indeed, in some towns corrupt administrations representing one party have been succeeded by equally corrupt administrations representing the other.

Corruption is a customary and accepted way of doing business in some locales. Whenever something needs to be done, some officials and some businesspeople feel that money must be paid. They regard this practice as merely providing a financial incentive for officials. In many instances otherwise honest people have felt absolutely no qualms about taking kickbacks.

In his testimony at the Commission's public hearing Michael Chertoff, United States Attorney for the District of New Jersey, compared the current situation to the historical heyday of corruption in New Jersey:

I think it is true that we no longer have the open, overt and notorious corruption which festered here 20 or 25 years ago -- a corruption that was so shameless that it was scarcely hidden [with] bribes that were paid by check, demands for money that were made openly by principals. I think that day has passed, and it's a tribute to the fear that we have engendered in the last 20 years about our [anti]corruption effort, an effort undertaken by both the federal and state authorities. But

I think it would also be mistaken and remiss for me to say that we should become complacent about the problem, that there is no longer rampant corruption and that matters are now really reduced to a manageable level. I don't think that is true. I think the level of corruption in this state is intolerable and unacceptable.

I am consistently surprised to see that notwithstanding highly-publicized corruption prosecutions, we have no trouble making cases month in, month out of other cases of rampant corruption. ... While it's important to remove visible corruption, it's also important not to sweep it under the rug. And I think what we have now encountered is a day in which corruption is much more sophisticated. It's no longer a five percent cash payment necessarily, although we get some of those, but it can be quid pro quos in which winks and nods and accepted customs can be responsible for transactions in which both parties gain to the tune of tens and hundreds and thousands of dollars. ...

I do not find that as we continue to do our work the necessity for our services diminishes. To the contrary, as we prosecute, as we obtain cooperation from individuals, we detect greater and greater veins of corruption not limited to any one region or any one county but, in fact, prevalent in many counties in many regions. Things are different in the sense that they are more subtle and more sophisticated, but they're no less troubling for that fact.

Corrupt officials, like other criminals, frequently rationalize their behavior. This partly explains how such individuals, who often lead otherwise exemplary lives, so readily breach the public trust. They may view corrupt payments as a way to make up for disappointed salary expectations, ease personal tax burdens, provide nest eggs for retirement or match the lifestyles of those in private enterprise. They may succumb to alcohol or other drug dependencies, family health or financial problems or gambling compulsions. They may claim that the ready availability of criminal opportunities is irresistibly tempting. But the preeminent forces behind the worst cases of corruption remain greed and confidence in the ability to get away with this type of crime.

Corruption persists because it involves secrecy and too often encounters public tolerance. Investigations are difficult and complex. Investigators must overcome anachronistic attitudes among many honest public officials and private citizens that whistleblowing is ignoble, ineffective or even dangerous. However, events have shown that society must make the effort to overcome these problems and thwart corrupt activities. Left undeterred, corruption multiplies rapidly and becomes intractable.

LAW ENFORCEMENT ARSENAL

The legacy of local corruption in our state has continued despite law enforcement's obtaining, in over two decades, some very effective tools for rooting it out. In the late 1960s and 1970s significant reform laws gave New Jersey this Commission, statewide grand juries, a State Division of Criminal Justice, full-time prosecutors, an Election Law Enforcement Commission, the power to conduct electronic surveillance and grant immunity to prospective witnesses, increased penalties and a longer statute of limitations for official corruption and the ability to disqualify convicted officials from holding public office or employment.

Initially, reform legislation stemmed from the very real concern that corrupt local governments, often with the backing of organized crime, were gaining the upper hand. Organized crime's corrupting influence is no longer as keen as before. Nonetheless, local corruption -- with debilitating effects as devastating as any attended by organized crime -- persists, in spite of the reform legislation and increased law enforcement resources devoted to the problem. Recently, the Legislature expressed its desire to further cleanse local government processes by passing the Local Government Ethics Law, effective May 21, 1991, and the School Ethics Act, effective April 15, 1992.

The efforts of enhanced ranks of enforcement personnel, armed with powerful, relatively recent laws, have, while not winning the war against corruption, provided a clear picture of the variety of corruption schemes and the scope and depth of the problem. New Jersey, which has battled corruption so intensely in recent years, may, therefore, be more completely prepared than any other state to adopt additional programs and approaches that will re-

duce corruption to insignificance.

Attorney General Robert J. Del Tufo testified at the public hearing that New Jersey "is in the forefront of trying to do something about" local government corruption, and as a result the state "gets a bad rap around the country because it does try to do something" to prosecute and expose the problem. The Commission concurs that New Jersey is probably no worse than any other state when it comes to the presence of official corruption. It does, however, have better laws and resources for ferreting out corruption than the vast majority of states. Since New Jersey therefore reveals more corrupt schemes, it has gained an undeserved reputation for having more corruption than other states.

Ironically, this regrettable reputation stands side-by-side with the respect which the law enforcement community accords New Jersey for its efforts over nearly a quarter century to tackle corruption head-on. Attorney General Del Tufo recalled attending national meetings of United States attorneys and other states' attorneys general and noting "the great deal of respect and envy for what exists in New Jersey both in terms of the institutions and the tools that are available to law enforcement to do a job and what has been accomplished by both federal and state law enforcement in New Jersey in trying to deal with organized crime and corruption" He concluded, "[T]here is this feeling that New Jersey is far ahead of any other place in trying to deal with problems of this type." Colonel Justin J. Dintino, Superintendent of the New Jersey State Police, who has belonged to and led several national organizations and commissions, concurred that law enforcement officials in other states now consider New Jersey "as being in the forefront, making cases and

new initiatives against organized crime and corruption." Division of Criminal Justice Director Robert T. Winter emphasized that high quality individuals who have served in New Jersey over the years as attorneys general and United States attorneys have earned a great deal of respect for New Jersey's efforts against corruption.

Given the persistence of corrupt schemes and the difficulty of discovering them, the Commission has concluded that more must be done to control the problem. In the remainder of this report, the Commission will examine various types of schemes and suggest ways to discover and discourage them.

ORGANIZED CRIME INVOLVEMENT

The mob is not involved in corruption today to the extent that it was a decade or two ago. Nonetheless, organized criminal groups have continually demonstrated that they are willing to capitalize on the corruptibility of local officials.

Jeremiah W. Doyle, Jr., Assistant Special Agent-in-Charge of the Newark office of the Federal Bureau of Investigation, and James B. Darcy, Jr., a Special Agent in the Linwood office, testified at the Commission's public hearing about organized crime's use of corrupt officials to further its objectives. Agent Doyle put the problem in this context:

Although the organized crime influence with corrupt government officials is not as pervasive nor as widespread presently as it was in the past decades, with the exception of one instance ... in Atlantic City, we found that there is no general scheme or organized plan to control corrupt officials. Rather it's kind of a targets of opportunity [situation]. When organized crime elements learn that certain officials can be manipulated or bought off, they will obviously capitalize upon that, but this is not what I would consider part of a grand scheme.

Atlantic City (Atlantic County)

Agent Darcy -- familiar with the mob's attempt to gain influence in Atlantic City in the early 1980s -- described what happened there:

After casino construction and gambling became significant enterprises in Atlantic City, Nicodemo Scarfo became the boss of the Bruno family of La Cosa Nostra. Scarfo

planned to become a powerful force in Atlantic City by controlling its Mayor and the largest and most powerful union in the city, Local 54 of the Hotel and Restaurant Employees Union. Scarfo's activities have been confirmed by LCN member Phillip Leonetti, Scarfo's nephew and former underboss, who recently agreed to cooperate in the government's investigation of La Cosa Nostra.

Darcy explained that the FBI's discovery of mob-related corruption in Atlantic City originated with an undercover drug investigation. Drug Enforcement Administration Special Agent James Bannister, portraying himself as a shady investment and business consultant, "James Biacco," had become acquainted with Frank Lentino, a key associate of the Bruno-Scarfo crime family. Lentino was also an organizer for Local 54.

Agent Darcy testified that during the course of the drug investigation, Lentino told Bannister about the mob's plans to finance Michael Matthews' mayoral campaign. Matthews had just been elected to a third term as a State Assemblyman. He was an Atlantic City Commissioner and a former Atlantic County Freeholder. In May 1982 the form of government in Atlantic City was scheduled to change, and Matthews was interested in running as the city's first popularly-elected mayor. Knowing all this, the FBI took over the investigation and code named it "Operation Wild Bond."

Darcy recounted that in December 1981, prior to announcing his mayoral campaign, Matthews met with Lentino, Frank Gerace, President of Local 54, and Albert Daidone, Vice President of Local 54.

Gerace and Daidone were also key associates of the Bruno-Scarfo organization. Daidone is currently incarcerated while awaiting the State's appeal of a reversal of his 1984 conviction for hiring a hit man to murder John McCullough, President of Local 30 of the Roofers Union. Darcy noted that when McCullough was gunned down in 1980 he was attempting to organize casino hotel employees in competition with Scarfo's plan to control them through Local 54.

Agent Darcy testified that Matthews, knowing that the money would come from the Scarfo mob, solicited a \$125,000 campaign contribution from Gerace, Daidone and Lentino, in return for favors when he was elected. Kenneth Shapiro, a Philadelphia real estate developer, served as a conduit for the money. Shapiro channeled at least \$65,000 to Matthews, whose campaign contribution reports failed to include the \$35,000 he received directly in cash.

In his undercover capacity, Bannister told Lentino that he was interested in buying a 21-acre tract of city-owned land in the marina section of Atlantic City for a casino on behalf of a company called the Piedmont Group. Lentino offered the services of the mob and Mayor Matthews. The Piedmont Group was really an FBI sting operation posing as a Washington, D.C., real estate firm. Bannister paid \$15,000 cash to Lentino, \$10,000 of which was earmarked for Leonetti. Bannister also agreed to give the mob a secret two percent ownership interest in the planned casino in return for its convincing Matthews to push for the sale of the property to the Piedmont Group.

Darcy related that Matthews attended a meeting with Leonetti and others in Kenneth Shapiro's Margate home in 1983, even though Matthews believed at the time that Leonetti had participated in the murders of four individuals. At the meeting, Leonetti ordered Matthews to support the sale of the city-owned property. During another meeting at Shapiro's house, Matthews asked Leonetti for assistance in

identifying the exact land to be sold.

Eventually, Bannister paid \$10,000 to Matthews for his efforts in convincing the City Council to go along with the deal. Matthews also agreed to receive an additional \$15,000 when the sale was concluded, as well as his own secret one percent ownership interest in the proposed casino.

After receiving the initial \$10,000, Matthews met with Leonetti, mob members Lawrence Merlino and the soon-to-be-murdered Salvatore A. Testa, and others at a Philadelphia diner. Matthews assured Leonetti that the sale was on track. Matthews later told federal authorities that his driver at the time, a city police officer, told Matthews that he was a fool to meet with such people. Matthews also met with mob boss Scarfo on several occasions.

In addition to the land sale plot, Matthews accepted \$3,000 cash from Bannister and \$1,000 from Lentino in return for giving advantages to Flag Chemical Company in its competition for city purchases. Flag was another FBI sting company.

Finally, before the City Council approved a resolution to sell the 21-acre tract of land, Agent Darcy and FBI Special Agent James McGuigan confronted Matthews on December 6, 1983, with tape recordings of his conversations with Bannister. During several hours of meetings with FBI special agents and assistant United States attorneys, Matthews admitted the events which Darcy related, although he later recanted much of it.

Darcy described how Matthews, almost immediately after agreeing to cooperate and record his conversations with co-conspirators, told an attorney for Leonetti and Scarfo about his FBI confrontation. This ruined any chance of successfully continuing the investigation. Nonetheless, Matthews pled guilty to a single count of extortion by a public official.

Edgewater Borough (Bergen County)

Agent Doyle described how the mob took advantage of a corrupt Mayor in Edgewater in order to derive profits from secret partnerships with scheming developers. From 1980 to 1987 Thomas J. Tansey¹⁰ was the Mayor of Edgewater Borough in Bergen County. From 1983 to 1985 Tansey accepted payoffs from Donald A. Ivaldi¹¹, who was attempting to develop Shelter Bay, a 60-unit luxury condominium complex on the Hudson River waterfront. Doyle testified that in order to secure Tansey's help in obtaining municipal approvals for the project, Ivaldi paid him \$300 to \$500 per week -- the total between \$60,000 and \$70,000. Ivaldi also paid off about \$3,000 worth of Tansey's gambling debts, helped him obtain a \$7,500 loan and arranged for him to receive complimentary hotel rooms at an Atlantic City casino.

Doyle testified that when Ivaldi ran into financial problems he brought in investor Milton Parness¹² to help obtain additional financing. Parness, in turn, brought in as secret partners the late Anthony (Fat Tony) Salerno¹³, at the time head of the Genovese crime family of La Cosa Nostra, and Matthew (Matty the Horse) Ianniello¹⁴, a capo in the Genovese family. Nathan Weissman¹⁵, a Los Angeles businessman, joined the conspiracy in order to set up fictitious companies and help to arrange bogus sales agreements for Shelter Bay units. The sham sales agreements were used to defraud First Fidelity Bank, which relied on the sales agreements to release funds to the conspirators from two major loans to the project totaling \$21 million.

Doyle also noted that all of the subcontractors involved in the Shelter Bay construction had to give kickbacks to the conspirators. The kickbacks were financed when invoices used to justify construction fund draws were inflated by more than a quarter of a million dollars. In one instance, Ianniello admitted attempting to extort \$400,000 from a New York contractor by ordering the contractor to pay a debt owed by one of Ianniello's friends.

Doyle explained another scheme in which Mayor Tansey provided part of the pressure that discouraged waterfront shopping center developers from competing with the Ivaldi group's plans to construct its own shopping complex. He testified that Tansey let T & P Associates, the rival developers, know that they would have difficulty acquiring municipal approvals. Meanwhile, Salerno applied the mob's version of pressure, which Doyle described as "more direct." T & P gave up its efforts to build a shopping center and forfeited its \$22,000 nonrefundable deposit for an option to buy the land for the project.

Doyle related that Charles Susskind, the late Borough Clerk of Edgewater, received approximately \$9,500 in payoffs from the plotters. In return, he assisted Mayor Tansey in expediting municipal approvals for Shelter Bay. Susskind resigned as Borough Clerk. Doyle testified that Susskind was never prosecuted because of a terminal illness.

Doyle stressed that there was never any evidence that Tansey or Susskind knew that they were being involved in a scheme in which mobsters were participating. He agreed, however, that the case exemplifies how corrupt public officials can serve mob purposes, even if unwittingly. Doyle testified they "actually become duped because their own greed permits them to be used by anyone, and if they're also going to be corrupt, they really don't care by whom they are used."

North Bergen Township (Hudson County)

During 1986 Joseph Mocco¹⁶, North Bergen Township Clerk, Joseph Dulanie¹⁷, Deputy Police Chief, and George Hurtuk¹⁸, License Inspector, took \$98,700 in bribes to look the other way while New York carting companies illegally dumped hundreds of truckloads of construction debris -- bricks, mortar, used lumber, tree stumps and the like -- at four local sites. Payments of up to \$200 per truckload went to CMB Enterprises, an intermediary company set up by Michael Harvan¹⁹ and Richard Bassi²⁰,

who accepted the money from the haulers and made payoffs to the three public officials. Harvan and Bassi wrote a series of phony checks to generate the cash used for the payoffs. Patrick Ball²¹, owner of Big Apple Leasing Co., initially cooperated with Harvan and Bassi in the scheme. He later made his own deal directly with Mocco and Hurtuk to continue the conspiracy. All were convicted by a jury of various crimes during the trial of a state grand jury indictment. John P. Serra²², owner of New York Carting Co., Inc., was also convicted after a separate trial.

The operation was overseen by the Gambino crime family of La Cosa Nostra through Edward Garafola²³, a member of the organization, who pled guilty to conspiracy to commit racketeering. Garafola is the brother-in-law of Salvatore (Sammy Bull) Gravano, the former Gambino family underboss and admitted participant in 19 murders, who is now cooperating with federal authorities in return for reduced sentences. Gravano's former driver and confidant, Garafola was a partner with Gravano in a sheetrocking business. Garafola and Gravano mediated between carters and public officials.

City property was used for the dump sites under the guise that it was needed for roads and a pistol range. The conspirators also gained access to the Hackensack Meadowlands Development Commission's (HMDC) balefill facility in North Arlington. Over 800 truckloads were surreptitiously dumped there. Private property, such as a Public Service Electric & Gas Co. right-of-way, was also used by the dumpers without official permits or authorization from the owners.

Conspirators called the bribe payments "lopey," "port of entry charges," "rent" and "payola." Checks payable to fictitious individuals and bearing phony endorsements were issued to generate funds to meet "expenses," that is, the bribes. Occasionally, violence was threatened to keep some of the members of the "organization" in line and to generate additional revenue. Finally, magnetic and cardboard signs for phantom trucking companies were used to conceal the true identities of those dumping trash at various facilities, including the HMDC balefill site.

Other defendants pleading guilty in the case included Michael Baglino²⁴; Arthur Dancey²⁵; Ralph Rezza²⁶; Nicholas Zimbardi²⁷; the late Eddie V. Garafolo²⁸, Edward Garafola's cousin and an executive of Colt Container Service Corp.; and Emmanuel (Manny) Garafolo²⁹, Eddie's brother and an executive in Star Container Co. In addition, four New York-based companies settled a civil case brought by the State for a total of \$125,000 and agreed not to do business in New Jersey for the next five years. Another company settled for \$25,000.

LAND USE DECISIONS

Local government corruption taints government land use decisions. It fosters helter skelter zoning and compromises the safety of citizens. It increases costs for deserving projects and gives dishonest builders and developers an unfair advantage over honest competitors. Finally, it leads to public apathy and cynicism about government.

Wayne Township (Passaic County)

Steven Gerber, Esq., an attorney in Wayne, testified at the Commission's public hearing about payoffs for development approvals in Wayne. On behalf of the Township of Wayne, Gerber filed civil actions against public officials and developers. The lawsuits, filed in federal and state courts, sought damages resulting from illegal payoffs to obtain Planning Board approvals and municipal government influence.

Defendants in the federal civil case, filed in February 1991 and amended in June 1991, included former Wayne Mayor Louis V. Messercola³⁰, who was also a member of the Planning Board; former Planning Board members A. Thomas Acquaviva³¹ and Raymond McGrogan³²; Paul C. Cavaliere, Jr.³³, Township Attorney from the administration prior to Messercola's; McBride Enterprises, Inc. and Keljed/McBride, developers of apartment buildings in an urban renewal zone of Wayne; Fair Lawn-McBride Associates³⁴, developer of a Calvin Klein Cosmetics office and distribution facility; Rene Spiropoulos³⁵, developer of the Point View Hills housing project; Point View Hills Corp.; and developers Harry Stanford³⁶, Sam Siflinger³⁷ and Jack Finkelstein³⁸. The action alleged violations of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act

and the New Jersey Anti-Racketeering Act, as well as common law conspiracy and breach of the fiduciary duties of honesty, loyalty and trust. The action was based, in large part, on several successful federal criminal prosecutions.

The lawsuit in state court, filed in March 1991, was brought against the late Raymond Tumminello³⁹, who was a real estate broker and Chairman of the Republican Party in Wayne from 1978 to 1985; Keljed/McBride and McBride Enterprises; and an individual McBride. The basic allegations sounded in breach of public trust and fiduciary duties. Between 1983 and 1985, a period prior to the Messercola administration, a representative of the McBride entities paid Tumminello \$25,000 in return for Tumminello's and public officials' assistance with a residential redevelopment agreement for an urban renewal project in Wayne. Tumminello admitted receiving the money, keeping \$10,000 for himself and distributing the balance in equal shares to three public officials. Although on October 19, 1990, Tumminello pled guilty to receiving bribes and income tax evasion, he died before sentencing, and the three officials were never charged. Prior to his death Tumminello settled the state court lawsuit with Wayne, agreed to pay \$10,000 to the Township and described his actions in an affidavit.

Gerber testified that, not counting a settlement with Messercola, settlements in both lawsuits have totaled approximately \$293,000, reflecting "damages equal to the total amount of the bribes paid as to each of those schemes which was settled" In addition, on March 23, 1992, the federal District Court granted a partial summary judgment in favor of Wayne and against Cavaliere and awarded Wayne \$184,370 in damages.

On June 29, 1988, Messercola, who became Mayor in January 1986 after campaigning to control development in the township, was arrested by the FBI, which had been called in by the Passaic County Prosecutor's Office. The investigation began when the developer of Long Valley Estates, a 31-unit luxury home development, complained to the government about being shaken down in order to avoid unnecessary construction delays. FBI agents monitored a May 19 payoff for \$15,000 and a June 29 payoff for \$10,000 (bundled to look like a final \$35,000 payment) from the developer to Planning Board member Acquaviva, whom they arrested. They then obtained Acquaviva's consent to electronically monitor his payment of a share to Messercola in the parking lot where Messercola's arrest took place. The two officials had conspired to extort a total of \$50,000 from the developer.

McGrogan, who had been a Planning Board member for eight years, and who was also a plumbing contractor, had introduced the Long Valley Estates developer's son to Acquaviva at the Wayne Mayor's Ball, a fund-raising event sponsored by Messercola. When the developer contacted McGrogan about Acquaviva's insinuating conversation with his son, McGrogan and Acquaviva met the developer, and Acquaviva proposed a \$10,000 payoff amount, which he raised to \$50,000 at subsequent meetings in McGrogan's absence. For his part, McGrogan asked for the opportunity to do the plumbing work on the project.

From January to October 1987, Messercola received \$177,000 in cash bribes in return for assisting the Calvin Klein project in accordance with a summer 1986 agreement between Messercola and a Fair Lawn-McBride representative. The amounts Messercola received were part of \$273,000 disguised as bogus real estate commissions paid by Fair Lawn-McBride to former Township Attorney Cavaliere, who kept \$96,000 for himself and gave the balance to Messercola.

From mid-spring to the fall of 1986, Keljed/

McBride paid \$10,000 extorted by officials who promised assistance with the construction of apartment buildings in Wayne's urban renewal zone. McGrogan served as the "bag man," and the payments were divided among Messercola (\$4,500), Acquaviva (\$500) and McGrogan (\$5,000).

On behalf of Point View Development Corp., Rene Spiropoulos paid \$210,000 demanded by Messercola in 1986 after the Planning Board froze subdivision permits for successive phases of the 288-home Point View Hills project. The overall concept had been initially approved in 1978, and Spiropoulos was under enormous financial pressure to make construction loan payments. The initial payment was \$5,000, and the rest was paid to Messercola during meetings in restaurant restrooms, underground garages and automobiles between 1986 and 1988.

John McClellan⁴⁰, Wayne's Business Administrator, admitted in a guilty plea to receiving \$25,000 as his share of bribe money collected by Messercola, including a payment from Tri-Core, Inc. In December 1986 a use variance Tri-Core won from the Wayne Zoning Board of Adjustment for its 333-unit Crescent Village apartment complex was upheld on appeal by the Township Council. Messercola had accepted a \$1,200 political contribution from Tri-Core before supporting the project. Tri-Core subsequently sold the 25-acre tract for an \$11.4 million profit.

Harry Stanford, Sam Siflinger and Jack Finkelstein collectively paid \$70,000 in 1986 to Acquaviva in return for favorable and expeditious treatment for the 23-home Colfax Estates project and another housing project called Castlewood Estates. Acquaviva turned over about \$63,000 of the money to Messercola.

Putting the effects of the corruption in Wayne into perspective, Gerber testified:

Wayne, a community previously noted in the

negative sense -- though it's certainly not true of the entire township -- for severe floods, was damaged in an equally but another very serious way. I don't know whether the full extent of corruption of the Messercola administration and government will ever be fully uncovered, [T]he adverse effects of the municipal corruption on the township, its residents and its businesses as I suspect, just speaking personally, can never be fully calculated.

Q. What were the adverse effects on legitimate businesses operating in Wayne?

A. On this, I can only make some personal observations. Most of this activity occurred during the end of the boom years. There were numerous projects on the drawing boards and in the approval pipe of the township. Messercola had run and been elected to office on an anti-development or stop-development platform, and in his role as a strong Mayor had substantial influence over deciding which projects went on the agenda of the Planning Board first and in what order. There is some indication that projects for which illegal bribes and gratuities were paid were placed up top and others were not. And the ones that paid off saw their projects, arguably saw them expedited. So the entire process became unfair as a result of the corrupting influence of the bribes.

Little Egg Harbor Township (Ocean County)

Theodore Chun⁴¹, Chairman of the Little Egg Harbor Planning Board, approached officials of Tuckerton Plaza Associates in January 1991 and told them that their application to construct a fast food restaurant would be approved if they used the services of a business that had agreed to share its profits with Chun. Tuckerton Plaza Associates used

the business, and its application was approved.

In another instance Chun accepted a \$6,500 bribe in mid-1991 to approve a variance for a mining operation. The money was to have been shared with others who were in a position to provide favorable Planning Board votes.

Little Egg Harbor Mayor Robert E. Tichaz⁴², who also served on the Planning Board, accepted a \$5,000 bribe in return for voting in favor of an application to the Board seeking to construct a \$50 million senior citizens' complex and shopping mall. Tichaz admitted accepting the money from a Township Committeeman between August 1, 1989, and November 8, 1989, to influence his vote as a member of the Planning Board.

Atlantic City (Atlantic County)

Atlantic City Councilman Gene Dorn⁴³ accepted \$7,500 from Atlantic City businessman Albert Black in January, April and May of 1989 and agreed to help Black obtain Zoning Board approval of his plans to refurbish a gas station. Dorn had also agreed to help Black obtain a gift shop concession at the Atlantic City Airport. Finally, Dorn arranged a transfer of \$4,000 in unreported contributions from Black to the campaign of an Atlantic County freeholder candidate. At the time Black was operating undercover for the State Police in its Operation COMSERV (short for community service, an alleged code phrase for bribery) probe of corruption in Atlantic City.

Fifteen officials and businessmen were indicted by a state grand jury in the COMSERV case. At the trial of eight of the defendants, which ended on July 2, 1991, the judge dismissed all counts against two former councilmen, the former Zoning Board Chairman and a consultant for the company that operated Atlantic City's airport. He dismissed some counts against the remaining defendants. On the balance of the charges, the jury acquitted a Councilman and two businessmen and convicted Dorn.

James L. Usry⁴⁴, Atlantic City Mayor from 1984 to June 1990, who had been awaiting trial along with six other COMSERV defendants, pled guilty on December 10, 1991, to receiving a \$6,000 cash campaign contribution from Black in 1989 intending to conceal it. An indictment also alleged that in May 1989 County Freeholder candidate Barbara Woodall⁴⁵ took from Black, through Dorn, \$4,000 in campaign contributions that she allegedly did not report. In addition, Sylvetta O. Pilgrim⁴⁶, Administrative Assistant with the City Landlord-Tenant Affairs Board, had been indicted for conspiracy, official misconduct and bribery. She had allegedly accepted \$300 from an intermediary in July 1989 in return for illegally completing paperwork that would allow Black to obtain rent increases for rental units he purportedly intended to purchase at the Brighton Towers complex in Atlantic City.

In a case unrelated to COMSERV, two Atlantic City officials were convicted in October 1990 of conspiracy and bribery for threatening casinos with political problems unless they gave linen supply contracts to the officials' company, Atlantic Linen Co., at inflated prices. William Oscar Harris, Jr.⁴⁷ was Director of the Atlantic City Housing Authority and its Urban Redevelopment Agency for six years until 1985. He was one of the acquitted defendants in the COMSERV case. Harris was convicted, along with Alonzo Bailey, Jr.⁴⁸, a former aide to Mayor Usry and a city Mercantile Inspector, of threatening the Sands Hotel & Casino from August 1985 to September 1986 with delays in zoning approval for a \$38 million parking garage if it did not contract with Atlantic Linen. At the time the Sands was financially strapped and could not afford a delay in the parking garage project. Although it awarded a contract to Atlantic Linen, the Sands cancelled it after obtaining the necessary zoning approval.

Similar influence peddling schemes in 1985 and 1986 involved attempts to coerce the Claridge Hotel

& Casino and Showboat Hotel & Casino into awarding linen supply contracts in return for planning and zoning assistance with their parking facility projects. In addition, Bailey received \$4,000 from an undercover member of the State Police, who with a partner received a subcontract from Harris and Bailey to supply linen to the Sands. Bailey had also pled guilty in June 1990 to conspiring to arrange a \$250 bribe in return for a construction permit.

Somers Point City (Atlantic County)

In November 1988 Allen R. Sturts⁴⁹, Construction Code Enforcement Officer and Building Inspector for Somers Point, improperly issued a building permit to a contractor after selling land to the contractor on which he planned to build a house. Sturts had purchased the land from a bank for \$1,000 with the understanding that it was unbuildable because it had been designated for open space. Three months later Sturts sold the land to the contractor for \$20,000, assuring him that the lot needed no approvals for building a house beyond a building permit, which Sturts issued. In fact, it needed approvals from the Division of Coastal Resources of the State Department of Environmental Protection and the Cape-Atlantic Soil Conservation District.

Beach Haven Borough (Ocean County)

Ferdinand P. Vassallo⁵⁰, Construction Code Official for Beach Haven, extorted \$1,000 from a builder who wanted Vassallo to lift a stop-work order on a house he was building in Beach Haven. The builder revealed the extortion to authorities, and Vassallo was arrested by investigators from the Ocean County Prosecutor's Office when he accepted an envelope with \$1,000 in marked bills.

Keyport Borough (Monmouth County)

On May 1, 1992, a Monmouth County grand jury indicted the Mayor of Keyport and a plumbing contractor for soliciting a \$10,000 bribe in 1991 to connect a trailer park to a borough sewer line

serving an apartment complex. Both were charged with bribery and conspiracy to commit bribery. The Mayor was also charged with official misconduct, and the contractor with misconduct by a corporate official.

The contractor allegedly served as a middleman between the Mayor and the trailer park owner, whose complaint to the Monmouth County Prosecutor's Office led to consensual tape recordings of the park owner's meetings with the contractor. Allegedly, in exchange for a share of the money, the Mayor would pave the way for the trailer park's septic system to be hooked into the municipal sewer system. The park owner had been trying unsuccessfully to accomplish this for several years.

The contractor allegedly told the trailer park owner in May 1991 that he could arrange for the installation in return for "10 big ones" and needed the money "to spread around." He had reportedly said in the summer of 1990 that it would have to wait until "my boys get in." The Mayor was elected in November 1990. An initial \$5,000 payment was allegedly passed to the contractor on September 4, 1991, when it was agreed that the Mayor would convince the owners of a nearby apartment complex to deed its sewer trunk line to the Borough, which would then allow the connection to the trailer park. The Mayor allegedly attended a meeting to help persuade the apartment owners. The defendants were arrested on December 2, 1991, the day the trailer park owner turned over the final \$5,000 payment to the contractor.

The Mayor denied the allegations through his attorney, who told the Commission that the Mayor intended to defend against the charges.

Winslow Township (Camden County)

A Camden County grand jury indicted Winslow Planning Board member Joseph Iuliucci⁵¹ for official misconduct. He allegedly had voted in September 1987 to approve development of a 13-acre tract

that had been purchased by his partner at a public land sale.

City of Hoboken (Hudson County)

On April 25, 1991, a state grand jury indicted the Hoboken Construction and Zoning Official and a Hackensack real estate speculator for conspiracy, official misconduct and speculating on official acts from March 1986 to September 1988. The speculator was also charged with three counts of perjury, allegedly committed on January 19, 1990, regarding the transactions. She allegedly purchased property at two locations in Hoboken with the Zoning Official as a silent partner. He was accused of later boosting the values of the properties by issuing zoning approvals and building permits for them. He and the speculator allegedly then sold the properties at substantial profits.

City of Newark (Essex County)

On March 7, 1991, a state grand jury indicted a member of the Newark Zoning Board of Adjustment on charges that in 1988 he voted in favor of a variance allowing property owned by Patrick Gior-dano⁵² and Daniel Fasano⁵³ to be used as a paper baling facility and for the storage of paper and truck parking in return for \$2,000 of a \$6,000 payment shared with an organized crime figure, George Fresolone. The Zoning Board member also allegedly conspired to receive a portion of additional money in return for voting in 1990 in favor of an extension of the variance.

In another land use case in Newark, on October 30, 1990, a state grand jury indicted Newark's top Zoning Officer and the City's Chief Subcode Official for bribery and official misconduct for extorting payments from a contractor in return for building permits and zoning approvals at the Scudder Homes housing project. The builder was cooperating with investigators. Allegedly, \$3,500 was paid to the Zoning Officer and \$500 to the Subcode

Official in 1989 and 1990. The Zoning Officer was also charged with hindering prosecution for allegedly tampering with a witness. The Subcode Official was also indicted by a federal grand jury for extorting \$10,000 from local contractors in return for plumbing, electrical and building permits.

Specifically, he was charged with obtaining \$3,500 from a local builder and another \$6,000 from a contractor in connection with permits for projects in the city's Ironbound section. He died before the cases could come to trial, and the state trial of the Zoning Officer is pending.

INSPECTIONS

Local corruption undermines official inspections. Sometimes this directly jeopardizes life and limb. It also depletes public treasuries and gives dishonest businesses unfair economic advantage over their competitors.

Atlantic City (Atlantic County)

Commission Special Agent Dennis McGuigan testified at the public hearing about corruption which led to the death of five people in Atlantic City on May 20, 1990. McGuigan related details of an investigation conducted by the Atlantic County Prosecutor's Office into the death of two adults and three children in Apartment 1-B of the Cordova Apartments, located at 33 So. South Carolina Avenue in Atlantic City. All had died from carbon monoxide poisoning attributed to a faulty hot water heater flue pipe installation. The flue pipes were not fastened with sheet metal screws and hanging supports to connecting duct work as required by the building code. The pipes became dislodged, and escaping gas caused the deaths.

McGuigan explained that the Cordova Apartments building and two other multifamily buildings at 20 No. Ohio Avenue and 46 No. Connecticut Avenue were either owned or managed by RRR Realty, whose president, Denise Ross, was the owner of record for at least two of the properties. Her brother, Robert Ross, was vice president of RRR, and her father, Arthur F. Ross, although not listed in the official corporate records as an officer, was the de facto boss and ran the day-to-day operations of the business.

McGuigan testified that the three properties had received approximately \$672,000 in low-interest

loans for renovations from the Casino Reinvestment Authority (administered by the Atlantic County Improvement Authority), the Rental Rehabilitation Program of the Department of Community Affairs and the federal Department of Housing and Urban Development (HUD) (administered by the Voluntary Improvement of Property -- VIP -- Program). Because of their common interests and goals, the programs coordinated and cooperated on inspections and administration.

The Rosses received approximately \$300,000 in equal amounts from the VIP Program and the Rental Rehabilitation Program for the Cordova Apartments. The entire amount was administered by the VIP Program, but it did not have anyone on staff experienced enough to conduct inspections and provide cost estimates for multi-unit, high-rise structures. Therefore, the Improvement Authority provided the services of a Rehabilitation Specialist, Elwood M. Smith⁵⁴, who was qualified to conduct necessary field inspections and train VIP staff.

At prearranged stages the Ross organization, which served as the contractor as well as building owner, submitted requisitions for payments for completed work. Smith inspected the work to determine whether it had been accomplished in compliance with the contract. Before stage payments were made based on Smith's certifications, agency employees, commonly referred to as "bean counters," were supposed to check supply invoices for accuracy and make sure that the work had been inspected by local building code enforcement officials.

Arthur Ross did not participate in the actual loan application, which required disclosure of the crimi

nal background of the applicants. McGuigan noted that Arthur Ross had numerous arrests dating back to 1979 and at least two convictions -- one for receiving stolen property and another for distributing cocaine. McGuigan described how Arthur avoided the application process:

When the Rosses came to the Atlantic City Area in 1988, both Arthur and Denise Ross appeared at the Improvement Authority offices seeking loan information. When Arthur was told he would have to file an application, even though he disclaimed interest in the project, he declined to do so, and both Rosses departed the office.... Approximately six months later, Denise Ross reappeared at the Improvement Authority and represented to officials at the Authority that she was acting on her own behalf and was the owner of record for the properties. She then filled out the necessary applications and subsequently received the loans.

Despite Denise's official standing, it was clear that Arthur Ross ran the day-to-day operations.

Over a period of time the Rosses cultivated a corrupt relationship with Elwood Smith. While Smith was serving as a Rehabilitation Specialist for the Improvement Authority, the Rosses courted his friendship and gave him gifts, as well as small loans, which turned into at least one cash gift. All this compromised Smith's responsibility to his job.

Smith testified at the public hearing that he received a shower stall from the Rosses "on the presumption" that he would get it at cost. He testified at the public hearing that he tried to give Arthur and Robert Ross \$400 for the shower stall, but the money was refused. He also received an Egyptian statue that was eventually valued at a few hundred dollars. Denise Ross loaned Smith \$200, and when he attempted to pay her back, she refused repayment. She also loaned him \$250, which he testified he did repay without interest.

Eventually, Denise Ross submitted a contractor draw request for \$75,000 for work purportedly completed at Cordova Apartments. She indicated that certain plumbing work had been completed, including the installation of a new hot water heating system. Before the money was released, Smith conducted a walk-through inspection and certified that the work had been completed. Despite his certification, Smith had noticed that the hot water heating work had not even begun. Instead of recommending that the payment be denied, as his duties would require, Smith accepted Arthur Ross' representation that the materials were on order and that the system would be installed when the equipment arrived. Smith falsely certified that the work was completed.

Other safeguards also failed to prevent the Rosses' receipt of the stage payment. No one questioned the absence of paid invoices confirming the arrival of materials for the water heating job. Also, no one demanded that the required local building code inspection results appear in the file. Finally, no certificate of occupancy inspection had been conducted because the final work had not been completed.

Smith said in a sworn statement at the Prosecutor's Office that when he accepted Denise Ross' forgiveness of the \$200 loan repayment, "At that point, I knew I was hooked." He testified at the public hearing that "if the [Rosses] would choose to bring this up to my superiors, I would certainly be terminated [from] my job." Smith acknowledged that accepting gifts was against office policy. He added, "Once I realized that I was in their grasp, so to speak, or their clutches, I felt that probably I would be asked to do something." Smith testified at the public hearing that if he had seen the hot water installation that resulted in the five deaths he would have insisted that it be corrected on the spot. Indeed, the final installation was entirely different from the one called for by the job's specifications. But Smith's corrupt relationship with the Rosses led him to place himself in the position where he would

never see the faulty installation in time to prevent the tragedy.

At the time of his testimony before the Commission, Smith was unemployed and on disability while recovering from cancer and an earlier heart attack. Smith noted, "I have a history of alcoholism." He described his life since these events as "totally downhill" with his self-esteem "gone." He added that his nine-year career was "essentially annihilated."

Special Agent McGuigan testified that the Prosecutor's Office's investigation uncovered several other loan requirement and construction code violations in connection with rehabilitation work in the Rosses' buildings. For example, exterior walls in some areas were in danger of collapsing. The electrical branch circuits for entire buildings were considered extremely dangerous. Painted auto body filler and latex caulking had been used to conceal severe rusting on fire escapes. Of 36 apartments inspected, only five partially complied with the loans' requirements that apartment doors be fire rated and have deadbolt locks. Bathtubs, sinks, toilets and showers that were supposed to have been replaced with new materials either had not or had been replaced with old or used items. Radiators that were supposed to have been replaced in an entire building had not. A 25-year-old boiler had been installed in one building instead of a new one, as required by the loan agreement. Finally, many of the agreed-upon repairs had been done in what inspectors described as a shoddy and makeshift manner.

An Atlantic County grand jury indicted the three Rosses and their corporate entities in February 1991 for theft by deception in connection with taking \$750,000 in state and federal funds to rehabilitate their three Atlantic City properties from May 1988 to April 1990. They were also indicted for stealing gas services from South Jersey Gas Company and failing to withhold payroll taxes from employees' wages. Arthur and Robert were also accused of

tampering with witnesses and false swearing. In September 1991 all three Rosses were indicted for giving gifts to a public servant -- Elwood Smith.

On September 16, 1991, Arthur and Denise pled guilty to theft by deception for intentionally failing to complete required work in two buildings. Robert was scheduled to apply for the Pretrial Intervention Program. However, on February 28, 1992, a state judge rejected the pleas because he deemed the incarceration limitations -- five years for Arthur and 180 days for Denise -- to be too lenient. He also rejected the plea agreement for Robert.

On June 12, 1992, a jury acquitted Robert Ross⁵⁵ of attempted theft by deception in connection with charges that he tried to bilk the Atlantic City Municipal Utilities Authority (MUA) out of \$2,742 in March 1990. He pled guilty on July 13, 1992, to false swearing and giving gifts to Smith. Ross admitted that a sworn statement to police on May 22, 1990, that a hot water heater had been installed at the Cordova Apartments, had been false. He also admitted giving a shower stall to Smith in order to "keep him happy" and influence him.

On June 26, 1992, an Atlantic County jury convicted Denise Ross⁵⁶ of attempted theft by deception in connection with the Atlantic City MUA scheme. She had been accused of fraudulently seeking a \$2,742 abatement on the Cordova Apartments' water bill in the fall of 1989. On July 10, 1992, Denise again pled guilty to theft by deception in connection with the failure to complete required work on her buildings.

Prior to establishing himself in Atlantic City, Arthur Ross operated a construction company in North Jersey. On September 30, 1991, he pled guilty to a state grand jury charge that he conspired with an East Orange apartment building owner to bribe East Orange building inspectors to overlook code violations (see following summary). Arthur also pled guilty to a separate state grand jury indictment accusing him of collecting \$50,000 from the

building owner, ostensibly to reimburse Arthur for paying \$50,000 of his own money to a HUD official in return for his arranging a construction loan for the building owner. He and Denise Ross also pled guilty on February 26, 1992, to federal charges of conspiring to file false federal tax returns in connection with the construction loan plot. In initially rejecting the guilty pleas in the Atlantic County case, the judge cited the fact that the agreement would have precluded him from sentencing Arthur and Denise to terms consecutive to any they received in the federal and state cases arising from activities in East Orange. Finally, Arthur Ross⁵⁷ pled guilty in July 1992 to giving gifts to Smith.

Arthur Ross, Elwood Smith, a gas company, a plumbing contractor and public agencies were named defendants in a civil suit filed on February 27, 1992, by a relative of the carbon monoxide victims. The plaintiff had petitioned the Bankruptcy Court for permission to add Denise Ross and RRR Realty to the suit.

East Orange City (Essex County)

The February 1, 1991, state grand jury indictment against Arthur Ross' co-conspirator in the East Orange Department of Property Maintenance and Revitalization case is pending trial. The Department oversees building inspections in East Orange. The Director of the Department, who suffered a stroke after the indictment, was accused of plotting from January 1986 through December 1987 to receive monthly \$2,000 bribes from Ross, on behalf of the owner of various East Orange buildings. The building owner had hired Ross as an independent contractor. The building owner later agreed to pay between \$1,000 and \$2,000 per month directly to the Director from January 1988 through November 1989, according to the indictment. In return for up to \$48,000 in bribes from Ross and up to \$35,500 from the building owner, the Director allegedly refrained from enforcing building codes against the building owner's properties and caused the withdrawal of a summons issued by a Department in-

spector for a violation. He also allegedly assisted the building owner to obtain from the State Department of Community Affairs a weatherization grant to replace windows and intervened with the City Water Department to delay the collection of funds which the building owner owed to that Department.

The state grand jury also indicted Willie James Hughes, an East Orange Construction Official, for conspiring to receive \$200 per month (totaling \$9,450) from Arthur Ross and the East Orange building owner from January 1986 to August 1989 in return for favorable inspections. After a May 1992 trial, a jury failed to reach a verdict on conspiracy and bribery counts against Hughes but found him guilty of official misconduct. He was sentenced on September 10, 1992, to five years in prison. The trial court dismissed a charge of theft by extortion.

Meanwhile, Theodore Williams⁵⁸, a Field Representative (elevator inspector) for the East Orange Department of Property Maintenance and Revitalization, pled guilty to conspiring from 1983 to July 1989 to receive approximately \$1,300 from the building owner to ignore or minimize the reporting of building code violations. Finally, Charles Williams⁵⁹ (no relation to Theodore), Assistant Director of East Orange's Community Development Program and Coordinator of its Rental Rehabilitation Program, pled guilty to conspiring from June 1987 to December 1988 with Arthur Ross and the building owner to assist the building owner to obtain a \$180,000 federally-funded loan from the East Orange Rental Rehabilitation Loan Program in return for a three percent kickback of \$5,400.

Carteret Borough (Middlesex County)

Dominick J. Ciccone⁶⁰, Construction Official for Carteret, received bribes of up to \$7,000 from William A. Kish⁶¹, owner of Keithley Construction Corp, in return for reducing permit fees and issuing construction permits without proper inspections. Kish had also pled guilty to conspiracy to commit commercial bribery by paying bribes to arrange for

the use of non-union labor on construction projects.

Jersey City (Hudson County)

In November and December 1985 Charles Gumina⁶², Supervisor of the Jersey City Department of Property Conservation, arranged two meetings between a Housing Inspector and an apartment building owner, Sudev Mukherjee⁶³, so that the owner could pay the inspector his share of about \$500 in bribes to dispose of several housing code violations. The inspector reported the corruption to the Hudson County Prosecutor's Office, which obtained his consent to tape record his conversations with Mukherjee and Gumina.

Glen Gardner Borough (Hunterdon County)

In late 1987 Ronald H. Reilly⁶⁴, a construction supervisor for Spruce Hills Development Corp., and Thomas F. Hartobey⁶⁵, an excavator at the site of the 340-unit Spruce Hills condominium complex, paid bribes to an undercover officer posing as a site inspector with Glen Gardner's engineering firm in return for overlooking certain pipe and site improvement deficiencies and expediting approvals. In the fall of 1987, the engineering firm notified the Hunterdon County Prosecutor's Office that Reilly had offered a bribe to one of its employees. Posing as a site inspector for the engineering firm, the undercover officer received several bribes totaling several hundred dollars. Reilly pled guilty to paying \$350 in bribes. Hartobey pled guilty to paying \$100 and cooperated with the investigation. Then-Hunterdon County Prosecutor Roger Mahon noted that the bribery was so entrenched at the time that there was a fixed bribe amount for a certificate of occupancy for each building.

Morris County

As a Probation Officer in the Morris County Probation Department, Christopher J. Del Russo⁶⁶ was obliged to "inspect" the activities of probationers to make sure that they complied with probation

conditions. However, from July through October 1987 he accepted narcotics from two probationers in return for favorable reports.

Atlantic City (Atlantic County)

On May 1, 1992, Sarah C. Brooks⁶⁷, Assistant Director of the Atlantic City Mercantile Licensing Bureau, pled guilty to accepting gifts to a public servant for taking money from taxi vendors. Brooks admitted accepting about \$295 from a cooperating witness between January and March 1991 in return for issuing vendor identification cards and other favors. The Director of the Bureau, Agnes M. Richardson⁶⁸, pled guilty to a similar accusation on May 8, 1992, and her application for admission into the Pretrial Intervention Program was denied. An investigation of the Bureau by the Atlantic City Police, State Police, State Division of Criminal Justice, FBI and Atlantic County Prosecutor's Office was continuing. Five other employees of the Bureau were suspended or resigned after State Police gave allegations against them to Atlantic City officials.

Sayreville Borough (Middlesex County)

Real estate salesperson Gerston Rucker⁶⁹ paid \$500 and \$1,000 in separate bribes in October 1991 to a Sayreville fire subcode official to try to persuade him to ignore violations at a salvage yard that Rucker was attempting to sell for his clients. The subcode official reported the bribes to police. The violations included leaking underground storage tanks. New Jersey's Environmental Cleanup Responsibility Act requires that chemical contamination be cleaned up before a property can be sold.

Middlesex County

Frederick A. Aiossa⁷⁰, a Middlesex County Health Inspector, threatened on August 12, 1991, to close a Carteret grocery store for health code violations unless a clerk at the store paid him \$50. He had been suspected of shaking down several other businesses

in Carteret to support a heroin habit.

PURCHASES AND CONTRACTING

Local corruption defeats the public purchasing system's goal of obtaining from responsible vendors properly specified goods and services at the lowest possible prices. In doing so it depletes public treasuries and reduces services available to the public. It also puts honest businesses at a competitive disadvantage.

School Busing Contracts: Middlesex County (Woodbridge and Edison Townships, Perth Amboy City and Carteret Borough); Union County (Plainfield, Elizabeth, Linden and Rahway Cities, Scotch Plains Township, Fanwood Borough and Westfield Town); Somerset County (Bernards Township and County Educational Services Commission); and Hudson County (Bayonne City)

A disturbing scandal involving school transportation contracts plagued at least four counties from 1976 through 1987. The transportation coordinators of the Woodbridge, Edison, Plainfield and Perth Amboy school districts pled guilty to various federal and state crimes, as did two school board members from Woodbridge. A host of school bus company operators and their firms, as well as officials from other towns, also pled guilty. The schemes included kickbacks, bid rigging and fraud.

The plots swindled millions of tax dollars from state taxpayers, as well as local taxpayers, since the State reimburses school districts for the lion's share of transportation costs. It is safe to say that under the existing system of controls these schemes would have continued indefinitely but for the unbridled greed of some of the participants that captured the attention of a concerned school board member and, eventually, Education Department and law enforce-

ment officials.

James W. Dickinson⁷¹, the Transportation Coordinator for the Woodbridge School District for 12 years, came from the Allenwood Federal Prison Camp to testify at the Commission's public hearing. Dickinson testified that he received about \$58,000 in bribes from George I. Dapper⁷², president and part-owner of George Dapper, Inc., in return for giving Dapper's company school busing business and approving the payment of phony invoices for work that was never done.

Dickinson's schemes with Dapper, which took place for over a decade, included mixing over 100 bogus student names with those of actual students on routing forms. Once, Dapper gave Dickinson a money order for \$8,500 so that Dickinson could buy a van for himself. Over the years Dapper gave Dickinson \$13,000 for tires, auto parts and other items paid for by the School District.

Dapper's brother-in-law, Donald J. Beckler⁷³, owner of D.H. Beckler & Sons, Inc., a tire dealership, paid Dickinson \$40,000 in return for receiving tires purchased by the Woodbridge School District. Beckler was married to Dapper's sister, who owned a portion of Dapper, Inc.

At various times with Dapper and other busing contractors, Dickinson split contracts so that they would cost less than threshold amounts requiring competitive bids.

In 1983 Dickinson became a one-third secret partner, along with Dapper and a computer expert, Thomas E. Swanson⁷⁴, in Automated Pupil Transportation, Inc. (APTI), which sold computer-based

school bus routing systems to school districts. Swanson, who was listed as president on the incorporation papers, provided the computer expertise, and Dapper, who was also on the incorporation papers, furnished the seed money. Dickinson handled marketing and management for the firm.

APTI was very successful until the school busing scandal surfaced. Dickinson testified that after the first two years of operation, the company had 33 school district clients in New Jersey. It also had many customers in New York. After the prosecutions in New Jersey, the business slackened, and APTI is no longer in existence.

Dickinson testified he was also involved in a corporation called Dra-Lord with Dapper and two other busing contractors, Robert Levay and Patrick McHugh. The company backed a rock band to make an album.

According to Dickinson's testimony, he and Dapper referred to Neil J. O'Shea⁷⁵, owner of Squire Transportation Co., as the "Great White Shark" because of his control over special education busing contractors operating in Plainfield, South Plainfield, Edison and Scotch Plains. In the 1970s, O'Shea had been President of the New Jersey School Bus Owners Association. Dickinson claimed that Dapper's ambition was to supersede O'Shea as the Great White Shark of special education school busing for Woodbridge, Edison, Perth Amboy, Carteret, Metuchen and the Union County Educational Services Commission. Dickinson testified that O'Shea paid him about \$22,000 over the years for nonexistent contracts in Woodbridge.

Dickinson described a plot he entered into with Patrick McHugh⁷⁶, president and part-owner of Academy Van, Inc. Under a "proposed partnership" anything over a certain amount that McHugh's vehicles earned from the Woodbridge District would be split 50-50 with Dickinson. Dickinson testified that he wrote out bogus invoices for nonexistent busing for McHugh, "but not in the amounts I did

with Mr. Dapper or O'Shea." Nonetheless, Dickinson admitted that the bribes he received from McHugh for steering Woodbridge business to Academy, as well as the bogus invoices, totaled "around \$40,000."

Along with his girl friend, Donna M. Simeone⁷⁷, Dickinson formed Rama Transportation, Inc., which subcontracted over the years with O'Shea, Dapper and McHugh to bus special education students in Woodbridge. Dickinson testified that some of the bribes and kickbacks which he received from the three were concealed as payments to Rama for phantom subcontracting. Dickinson complained about a check for \$5,000 that McHugh had drawn to Dickinson personally "at Christmas one time." McHugh produced a copy of a \$5,000 check, dated December 23, 1982, that he claimed he gave to Dickinson with the payee space blank. "James Dickinson" appeared as the payee of the check, and it was endorsed in that name for deposit in Rama Transportation's account.

Dickinson claimed that he attempted to limit the amounts the contractors overcharged Woodbridge by manipulating the bids. He testified, for example, that in the early 1980s Dapper proposed increasing his prices significantly. To counter this, Dickinson gave helpful data to McHugh, who was able to win with low bids routes previously awarded to Dapper.

Two Woodbridge School Board members, Patsy Margiotto⁷⁸ and Stephen R. Kovacs⁷⁹, joined the conspiracy. Both had served for some time on the Board's Transportation Committee, approving recommendations for bid awards, and Kovacs had been President of the Board at various times.

Dickinson related that Margiotto and the plot's participants became friendly. Payoffs to Margiotto started out as Christmas money to help defray his child's college expenses. Dickinson testified Margiotto "wound up getting around \$500 a month." Dickinson claimed Margiotto received from \$6,000 to \$10,000 from Dapper and \$3,000 to \$4,000 from Dickinson. Another \$7,000 to \$8,000 came from

O'Shea and McHugh, with Dickinson acting as the conduit. McHugh also gave Margiotto money which wound up being used to buy a car, according to Dickinson.

Dickinson, describing Kovacs as a close personal friend of Margiotto, testified how Kovacs, who also became friendly with Dickinson, joined the scheme:

Margiotto and myself were getting like 250 [dollars] a month. And when it went up to 500 a month, Margiotto and I talked to Dapper about putting Kovacs in for 200 a month.

Dickinson testified that Kovacs helped steer through the Woodbridge School Board a favorable lease from Dapper of six 27-passenger buses. The lease was valued at \$185,000. Although Dapper had not submitted the low bid, the specifications had been written to require delivery of the buses by a restrictive date that only Dapper could meet. Dickinson described this assistance as Kovacs' quid pro quo for "part of the \$200 and some Christmas items." Kovacs also once suggested to Dickinson that McHugh purchase a set of custom-made golf clubs for Kovacs. Dickinson testified that McHugh "never purchased them, so I ended up purchasing them" for Kovacs through Rama Transportation.

Dickinson, who at one time also held the district posts of Purchasing Agent and Manager of Business Operations, testified about the dynamics between himself and the Woodbridge Board members, corrupt and noncorrupt:

Q. If Mr. Margiotto had not brought himself and Mr. Kovacs into this scheme, would you have needed their votes for it to work?

A. I don't believe so. They were only two of nine Board members, and I believe that there still would have been five other votes there.

Q. But the other Board members were or were not corrupt?

A. I would say they weren't corrupt. I would say that they really weren't aware of what was going on.

Q. They pretty much took their lead from you?

A. Pretty much. ...[T]he [Transportation] Committee would approve it. It would go to the full Board, and, basically, it was more or less of a rubber stamp type process.

Dickinson testified that he arranged on three occasions for the Township Sanitation Director, Vincent Ciardiello⁸⁰, to have free personal use of Dapper's buses for private charters. With Dickinson's help the Board of Education was billed for the charters. Two of the charters were for weddings, and one was for a fire department outing. Ciardiello's attorney wrote to the Commission to say that Ciardiello denies any scheme with Dickinson to defraud the Board. The attorney noted that Ciardiello entered and completed the Pretrial Intervention Program, which does not require an admission of guilt from participants.

Eventually, excessive greed led to the exposure of the Woodbridge busing scandal. For the 1985-86 school year the totals for the lowest general student population busing bids were almost double the prices of the previous year. Dickinson testified that after the first round of bids the best prices for all general routes totaled close to \$2.4 million. The previous year the figure had been about \$1.1 million. Concluding that the contractors were obviously colluding on the bids, Dickinson recommended that the Board reject the bids and rebid all the routes. He did this three times, and each time the Board took his advice and rejected the bids. The last bid opening took place on the day before school started. The final contracts totaled around \$1.8 million.

Dickinson testified he warned the contractors at each bid opening that he knew what they were doing

and that they should "shape up and get the prices down." Dickinson added that when the prices did not come down significantly, Stephen A. Mikulak, one of the Board members, "became very vocal about the high increase." Mikulak's questioning led to federal and state investigations, the cooperation of several of the schemes' participants and numerous prosecutions.

Mikulak, who is now a State Assemblyman, testified at the public hearing that he first became suspicious of corruption in the Woodbridge School District when he "heard rumors of improper activities" while running for the School Board in 1982. He added that he was also concerned about the award of a roof repair contract -- without bids as a result of an alleged emergency -- to an in-law of Margiotto.

Finally, in October 1984, a tire dealer complained to Mikulak that the district owed him money for outstanding invoices. This prompted Mikulak and former Board member Warren Larsen to examine district tire purchases for a number of years. They discovered that from 1981 through 1984 the district had budgeted \$33,250 for tire purchases but had actually bought \$242,364 worth of tires with money transferred from other accounts. They calculated that with such expenditures district buses were only getting about 400 miles to the tire. Mikulak added that Larsen determined that some tires purchased for the district were actually automobile racing tires. In addition, motor fuel additives, which could be bought at the supermarket for \$3 per gallon, were purchased at the inflated price of \$42 a gallon.

Mikulak testified that while he was investigating these matters, Dickinson offered to take him on a trip to Atlantic City to see a boxing match, and Kovacs "made it clear that any time I needed anything, the Board would take care of it." Mikulak said he declined all such offers. He reported the outcome of the tire inquiries to the Middlesex County Prosecutor's Office. As a result of that office's

investigation, a school district assistant mechanic pled guilty to theft. Mikulak concluded that the mechanic's thefts were "the tip of the iceberg, but this one kid took the rap."

When the busing bids received in the summer of 1985 were nearly double the prices charged the previous year, Mikulak's suspicions were further aroused. He had also noticed a "very close drinking buddy relationship" among Dickinson, Dapper, Margiotto and Kovacs. In addition, he understood that Dapper had contributed money to the school board campaigns of Margiotto and other members. When he questioned Dickinson about the excessive busing charges, however, Dickinson attributed the increase to rising insurance rates and gasoline prices.

Mikulak had been bringing these and other matters to the attention of officials at the Department of Education. He talked about the excessive price increases with Assistant Commissioner Vincent Calabrese, who had earlier supervised an audit that had found fault with the emergent roofing contract. Calabrese reported the busing price increases to the Antitrust Section of the Division of Criminal Justice, which began an investigation. Mikulak also brought his concerns about the busing prices to the attention of federal authorities, who also began to investigate. Eventually, the federal and state authorities cooperated in their investigations, and several joint prosecutions resulted.

Mikulak testified that when the Federal Bureau of Investigation served subpoenas for Woodbridge School District records, he began to receive death threats on his telephone answering machine. He related that the threats did not deter him from continuing his complaints. He added that he brought the threats to the attention of the FBI and "took the tape to the Police Chief in Woodbridge and ... made it well-known what I had received."

Following up on the Woodbridge information, investigators uncovered bid rigging which victimized several other districts -- sometimes involving

corrupt officials and sometimes not.

One bid rigging and theft scheme impacted pupil busing in the Scotch Plains-Fanwood and Woodbridge school districts. Participants in the plot included Arthur Brunner⁸¹, owner of Brunner Bus Co.; John Howard⁸², a partner in Howard Bus Company; and John Conlin, II⁸³, an owner of Vogel Bus Co.⁸⁴ Jerome Conlin⁸⁵, John's brother and president of Vogel Bus, and James Curcio⁸⁶, president of Curcio Bus Service, were also indicted by a state grand jury on March 7, 1989. A trial of one remaining defendant is pending. Although the case arose from the corruption investigation, public officials were not involved in the wrongdoing alleged in this particular indictment.

John H. Stanik, Jr.⁸⁷, Transportation Coordinator for the Edison School District, and Robert N. Levay⁸⁸, owner of Nicholas Levay, Inc., admitted in guilty pleas to operating a sham bidding scheme leading to overcharging of the Edison District for special education bus routes. Stanik acknowledged that he accepted between \$200 and \$1,300 a month from Levay, totaling about \$70,000. Levay was sentenced to pay \$275,000 restitution for his part in a bid rigging scheme that cost the Edison, Woodbridge and Plainfield school districts at least \$1 million in additional student transportation fees. Levay had claimed Edison as his own, and other bus executives claimed their own "territories" in Woodbridge and Plainfield. Each agreed not to compete for routes in the others' territories.

Robert J. Vincent⁸⁹, Transportation Coordinator for the Plainfield School District, admitted in his guilty plea to accepting \$11,000 in cash and "favors" from Levay and Neil O'Shea, including a trip to the Super Bowl.

The late Edward S. Niemiera⁹⁰, Transportation Coordinator for the Perth Amboy School District, pled guilty to arranging with Dickinson joint special education routes between Perth Amboy and Woodbridge so that Perth Amboy would be over-

charged about \$400,000. Niemiera received gifts from Patrick McHugh in connection with the scheme.

Michael Platt⁹¹, manager of Carteret Van Transport, Inc., "piggy-backed" special education bus routes so that the Carteret School District was double-billed for 10 years, thereby bilking it out of \$90,000. Although charging for two routes with two bus aides, Platt would carry all the students on a single bus with just one aide.

Peter L. Chesson⁹², owner of Barker Bus Co., submitted noncompetitive bids for school bus routes in Bernards Township and Somerset County Educational Services Commission school districts from January 1983 through August 1988. Chesson gained nearly \$300,000 in excess profits from the scheme.

A trial is pending on a August 16, 1990, state grand jury indictment of three school busing executives (and three companies) accused of meeting in restaurants with transportation coordinators to allocate busing contracts and fix prices for bus routes in Carteret, Elizabeth, Linden, Westfield and Rahway school districts for the 1985-86 school year. The charges were theft by deception, bid rigging and misconduct by corporate officials.

A & A Charter Service, Inc.⁹³ piggy-backed routes contracted with the Bayonne School District between 1982 and 1986, cheating the district out of about \$40,000.

An important question raised by the school bus scandals is how such widespread wrongdoing could go undetected for so long. Dickinson testified that higher administrators in the Woodbridge School District did not have training in pupil transportation or the bidding process. He added that state officials and people in the office of the County Superintendent review contracts "only for form They have no conception of what's going on in each school district." Dickinson concluded, "[D]uring the 12 1/2 years [that I operated] at Woodbridge with false [pupil] names, false contracts submitted ... the County

Superintendent of the State Department of Education approved every one: never had a question."

Although busing costs dropped substantially in the year following exposure of the official misconduct and bid rigging, Dickinson maintained that costs in Woodbridge are still inflated. He explained:

[The costs] dropped subsequently 17 percent the year after the inflated bid, but 17 percent of something that was inflated by 60 percent is still inflated. ... At the prices for those individual routes, and knowing enough about it, putting them together, I would say [the bus contractors are] probably profiting about 40 percent on [the Woodbridge] bid.

Dickinson did not doubt that there is room for abuses in the pupil transportation system today. He specifically cited jointure contracts, involving the carrying of students from more than one district, and the practice of inflating initial contracts so that allowable renewals without bids would generate substantial revenues.

Hardware and Public Works Supply Purchases: Bergen County (Palisades Park, North Arlington, Edgewater, Emerson, Cresskill and Ramsey Boroughs); Monmouth County (Bradley Beach Borough); and Sussex County (Hardyston Township)

In the mid-1980s the FBI conducted an undercover operation called "Operation Streetsweeper." A similar operation, called "Operation Double Steel," occurred at the same time in New York State. In New Jersey the investigation focused primarily on communities where public works officials received kickbacks from vendors for purchases of hardware, fertilizers, salt, degreasers, solvents and the like.

Jeremiah Doyle, Assistant Special Agent in Charge of the FBI's Newark Office, testified at the Commission's public hearing that in 1985 FBI agents confronted representatives of Colombian Steel, Inc.

of Hackensack about allegations that they were paying off public officials to make sales to municipalities. The company agreed to cooperate and permit undercover agents to work as salesmen for the company. This sting operation focused only on individuals who had already been identified to the FBI as people who engaged in corrupt practices.

As a result of the operation in New Jersey, a score of public officials and a like number of vendors were successfully prosecuted. U.S. Attorney Michael Chertoff noted in his testimony at the public hearing that in the New York investigation 107 of 108 individuals who had been offered bribes or kickbacks accepted them. The one who turned down the opportunity did so because the offer was too little. Chertoff continued:

They had purchasing agent conventions at which people would openly discuss the way in which they would make demands for phony invoicing or for kickbacks of inflated cost payments so they could get their \$500 or \$1,000 for each deal.

In some cases bidding laws were circumvented so that the kickbacks could be paid without having to worry about disfavored competitors. Agent Doyle also described how the New Jersey operation revealed that the vendors encouraged their sales people to initiate the kickback scenario by offering small gifts and working their way up to more expensive gifts for larger purchases. He added that eventually a percentage of sales would be offered, "almost an industry standard of 10 percent." He noted that the practice was so "ingrained" in Palisades Park that it passed on from one generation of officials to another:

... [W]hen the retiring Superintendent of Public Works left and the FBI undercover agent went out to see what type of business he could do with the successor, the foreman said, "You will have no problem with [the new Superintendent] because [he] under-

stands what the system is, and business will continue just as it was with the previous Superintendent."

Doyle testified that in New Jersey, unlike New York, "more than several" officials who were offered kickbacks said they were "not interested" and asked that any such amount be subtracted from the price to be paid by their towns. Earlier in his testimony, Doyle explained why investigators may have found a little more honesty in New Jersey than in New York:

I would just say both the federal and state law enforcement have been very aggressive for the past 20 years in [New Jersey], not only with the organized crime but with the public corruption aspects. ... Obviously, as long as you have people in power, you're going to have some type of corruption. But compared to what it was, I think it's less, and I think people are much more willing to come forward than they were years ago, because they've seen how successful prosecutions can be. Albeit they're extremely labor intensive and they're very difficult investigations to make, I think we've been very successful.

The reluctance of the majority of officials to get involved in corruption in New Jersey in recent years may be attributable, in part, according to Agent Doyle, to "the fact that the aggressive law enforcement stance has made public officials aware that they're going to be held accountable."

Nonetheless, the officials that refused the kickbacks or gifts also did not report the offers to authorities. In addition, although the successful prosecutions involved officials who earned from \$30,000 to \$60,000 per year accepting gifts and cash amounting to less than \$3,000 or \$4,000, Doyle noted that these were merely the kickbacks that were substantiated. He agreed that there was no way to determine the extent of the corruption not revealed

by the sting operation. Doyle added that in several instances officials accepted payoffs, but the amounts were not sufficient to warrant federal prosecution.

Doyle related that one of the undercover operatives was so successful at making sales on account of his kickback offers that a competing company offered him a job.

Convictions in the Streetsweeper cases included Carmine DeSantis⁹⁴, Foreman in the Palisades Park Public Works Department (\$300 in kickbacks); Joseph Fedroff⁹⁵, Superintendent of the North Arlington Public Works Department (\$1,160 in kickbacks plus a free condominium during a League of Municipalities convention in Atlantic City and a \$350 dinner); Thomas Ring⁹⁶, Foreman of the Edgewater Public Works Department (\$700); Joseph A. (Perry) Solimando⁹⁷, Superintendent of the Emerson Public Works Department (\$300); Anthony Casbar⁹⁸, Superintendent of the Palisades Park Public Works Department (\$770); Theodore Arzonico⁹⁹, Superintendent of the Cresskill Public Works Department (\$400); Richard E. Johnson¹⁰⁰, Superintendent of the Bradley Beach Public Works Department (\$250); Alex Kish¹⁰¹, Superintendent of the Hardyston Township Road Department (\$1,280); William H. Behrmann¹⁰², Superintendent of the Ramsey Public Works Department (\$500); William J. Hunter¹⁰³, Purchasing Agent for the Emerson Board of Education (\$300); and Eugene Bruno¹⁰⁴, Superintendent of the Palisades Park Public Works Department (\$150).

Chemical Supply Sales: Burlington County Bridge Commission; Gloucester County Mosquito Commission; Middlesex County (Woodbridge Township School District and South River Borough School District); and Bergen County (Ridgefield Borough and Montvale Borough)

Alan P. Freedman¹⁰⁵, a former chemical supply salesman, testified at the public hearing under a grant of immunity. Freedman described his activi-

ties in making chemical supply sales to public entities, which led to his incarceration and release on parole shortly before his testimony. The business involves sales of industrial cleaners, degreasers, fuel oil treatments, antifreeze and the like.

Freedman testified that he first got into the chemical supply business around 1968. For eight years he served as a sales representative and manager for Malter International of New Orleans. He ultimately wound up as the owner of Val Industry and Business Supply and part owner of Shell Maintenance. Freedman sold for two companies owned by Jack Israel, JRDJ, Inc. and American Equipment & Supply. Israel was also the South Jersey district manager for Malter.

Freedman testified that after he went to work for Jack Israel in the early 1980s he began to call on government accounts. He added that he and Israel had discussed how to use gifts, kickbacks or bribes to public officials in order to increase the amount of sales to their agencies. He described sales meetings, such as Christmas "kick-off" meetings, presided over by Israel. Sometimes Israel would bring gifts to the meetings, which the sales staff could buy from Israel and use as gifts to public officials, as well as other customers.

According to Freedman, those present at sales meetings discussed how a "producer," someone who makes a lot of sales, would have to know how to use gifts and bribes or kickbacks. He said the message at the meetings was "basically, if you don't take care of your customers, don't expect them to really take care of you."

Freedman related that an industry guideline on how much to give in order to get business was "normally around five percent [of the sale price], whether it be cash or a gift" He said it was common knowledge in the industry that there was gift-giving to public officials, and some companies have premium catalogues for this purpose. A customer would realize that if he bought so much, he

would be able to get a certain gift, and if he bought more, he would be able to get a more expensive gift. Freedman noted that he did not have to induce public employees to take gifts. He testified, "In a lot of cases, they would come to you and tell you what they wanted."

Freedman recalled that in the early 1980s the Commission investigated the chemical supply industry.¹⁰⁶ He remembered that at the time Israel "told his people that he protected them throughout the investigation."

The Burlington County Bridge Commission (BCBC), which oversees operations of the Tacony-Palmyra and Burlington-Bristol bridges, purchased chemicals from Freedman until early 1989. Freedman testified that he gave Alfeo J. DiFilippo¹⁰⁷, the BCBC's Maintenance Supervisor, a patio set, stereo system, camera, diamond-studded earrings, tickets to shows and athletic events, a microwave oven and about \$450 cash in return for sales to the BCBC. He said he did not have to offer the gifts and described how DiFilippo would request a gift and provide a way for Freedman to pay for it:

He'd say, "Don't ship such and such [product]; I need this [gift] for my house or my girlfriend," or whatever, and that used to pay for the gifts.

Q. So an item would be put on the order but not delivered?

A. That's correct.

Q. And then the extra money would be used for a gift?

A. Yes.

Q. Isn't that kind of thing a risky business?

A. I don't think anybody looks at it as being risky business; it's a practice of the business. It's called greed on my part and his part, really.

Freedman also testified that he gave a \$500 television set to Richard Gandolfo¹⁰⁸, the Purchasing Agent at the BCBC, and stereo speakers, tickets and \$100 cash to John P. Deveney¹⁰⁹, DiFilippo's boss. He explained that in return for the gifts Deveney "would sign for the merchandise that didn't come in." Freedman estimated that all together products that the BCBC paid for but did not receive added up to "somewhere around \$4,000 to \$5,000."

In 1989 the Bridge Commission's Treasurer, Timothy Murphy, investigated the amount of chemicals being purchased by the Commission. Freedman related how the plotters attempted to discourage Murphy's inquiries:

... Mr. DiFilippo ... came to me and said, "Do you know anybody who breaks legs with bats." And I said, "No, no, I don't know anything about that at all." It was probably about a month later he came to me and said, "I need a favor. Tim Murphy is kicking up all sorts of garbage with [BCBC Executive Director Francis J.] Ott¹¹⁰ about this and about that. Do you know anybody to just make a prank phone call?" -- a terroristic phone call. ... I said, "Yeah, I'll probably get that done, probably won't be too much of a problem." So he got me Mr. Murphy's phone number, and he asked me a week later, "Wasn't the phone call made?" I said, "Truthfully, I lost the number." So he got it for me again. I said okay, it would be taken care of. And me, like a dumb-dumb, made the phone call from my home and left a message on [Murphy's] machine. Shows how clever I was.

A copy of the answering machine tape of the threatening phone call was played for the Commission. In a steady, serious tone Freedman is heard to say:

If I were you, Mr. Murphy, I would take myself and my family and move out of the

county before somebody gets hurt. Do you understand that? Before somebody gets hurt, I'd move out of the county with my family.

Freedman testified that the threatening phone call was the only such call he has ever made. DiFilippo asked him how many he made to Murphy, and Freedman told him three or four "just to get him off my back."

The Bridge Commission investigation expanded to reveal the theft of eight 50-gallon barrels of antifreeze (worth \$550 each) from the New Jersey Transit (NJT) maintenance yard in Maple Shade. Two NJT employees were charged with the thefts and admitted into the Pretrial Intervention Program. They allegedly stole the barrels and turned them over to Elwyne E. Stevenson¹¹¹, a Bridge Commission employee. With Freedman's help Stevenson allegedly sold three of the barrels to the BCBC and two more to the Gloucester County Mosquito Commission.

The New Lisbon Developmental Center, a state agency in Woodland Township, purchased chemicals from Freedman in 1987 and 1988. Freedman testified that he gave a television set, videocassette recorder, diamond and ruby ring and \$500 cash to the Developmental Center's sewer plant operator in return for "a few orders where the merchandise" was not delivered to the agency. The orders added up to about \$4,000 to \$5,000, according to Freedman.

Freedman related how he and the sewer plant operator tried to cover up when the payoffs were investigated:

I went back to the prosecutor and told them something. We made up some phony shipping and receiving documents. I also went to my jeweler and told him to get rid of the receipt for the ring.

The Gloucester County Mosquito Commission also purchased chemicals from Freedman. Freedman testified that he gave Robert R. McDonald¹¹², Executive Director of the Commission, "five percent of whatever business he had given to me." Asked how the five percent arrangement occurred, Freedman explained:

Well, I went to [McDonald] casually one day. I said, "Bob, if there's any people you know that you can get me in to sell, I will pay you a five percent commission on it."

Q. Was he a Councilman in Monroe Township at that time?

A. Yes, yes, and he had got me in to sell the Monroe Road Department. When I said to him I'd give him five percent for helping, he said, "What about five percent for my own business?"

Q. By his "own business" he meant the Mosquito Commission?

A. Yes. I was stuck. I said, "Okay, I'll give you five percent for your own business." I couldn't say no at that point.

Freedman testified that he also gave a jogging suit, watch, Mont Blanc and Cross pen sets, binoculars, microwave oven and \$100 gift certificate to McDonald in return for purchases. In addition, he testified that he took Mosquito Commission members and their wives to two dinners in Atlantic City and Philadelphia. He said he split the tab for at least one of the dinners with the co-owner of Shell Maintenance. Freedman also described how political contributions became a part of this largesse:

Q. Did you give Mr. McDonald political contributions?

A. Yes.

Q. What was that all about?

A. Well, he came to me a couple of times during the course of the year for donations

when they had rallies for Democratic clubs for elections and stuff like that. They added up to \$3,000 or \$4,000 over a couple of years. I always asked him how many tickets he wanted me to buy.

Q. Did Jack Israel ask you to buy political tickets?

A. He always made sure that we bought tickets to Bellmawr's Democratic fundraisers. It wasn't that much, but we bought some -- may have been \$200 to \$300 worth.

Q. That would be per year?

A. Yeah.

The Mosquito Commission scandal led to the December 11, 1989, resignation of the entire seven-member Commission. It resulted in Gloucester County's first grand jury presentment in 11 years--released on December 18, 1989. The grand jury said that the Commission had served merely as a rubber stamp for McDonald's purchasing decisions. The expenditures were up to 10 times more for chemicals than the products were worth. Commissioners generally indicated that they had placed blind faith in McDonald and, in some cases, never read the vouchers they signed.

The chiseling of some New York chemical suppliers selling to New Jersey school districts was inadvertently discovered when their activities were reported to authorities by James Dickinson, the Woodbridge School District Transportation Coordinator, who began cooperating with law enforcement officials after they uncovered Dickinson's own wrongdoing in the school busing expose.

Dickinson reported mid-1987 offers by Stanley Weiskopf¹¹³ and Dominick Graffeo¹¹⁴ to kick back 10 percent -- in cash or premiums -- of inflated prices for bus wash, antifreeze and the like sold to the school district. Dickinson testified at the Commission's public hearing that the two gave him a color television set and a clock radio "in a box with

\$100 bills sticking out of all the seams" adding up to \$1,800.

Dickinson also told investigators about a kickback scheme with Alan Fass¹¹⁵, owner and operator of four New York chemical supply companies. Between 1983 and 1987 Fass sold chemicals to the Woodbridge School District at inflated prices agreed upon by Dickinson. To satisfy the Board's rules that three written quotes be obtained for sales over \$500, Fass would have two of his companies submit "courtesy bids" exceeding the winning figure submitted by another of his companies.

Another case arising out of the school busing investigations revealed that Peter Patrick Colalillo¹¹⁶, Facilities Supervisor for the South River School District, received about \$900 in kickbacks from a chemical supply salesman in return for sales to the district from 1985 to 1987.

In 1986 and 1987 Frank Ganci¹¹⁷, Superintendent of Buildings and Grounds managing swimming pool maintenance for Ridgefield Borough's Public Works Department, received about \$1,000 in kickbacks from Lionel Bradshaw¹¹⁸, a chemical supply salesman for L & L Industries. Bradshaw told federal authorities he paid cash to Ganci in return for sales on five occasions before August 7, 1987. On that date Bradshaw gave Ganci \$125 in exchange for an order for swimming pool chemicals. Then on August 10, 1987, while wearing an FBI recording device, Bradshaw gave Ganci another \$50.

Paul C. Ramasco¹¹⁹, Superintendent of the Montvale Public Works Department took about \$1,000 in kickbacks over the course of three years for awarding municipal contracts to Prestige Labs, a company manufacturing chemicals used to maintain the Borough's sewer system.

Housing Authority Kickbacks: Middlesex County (Carteret Borough, Woodbridge Township and Perth Amboy City); Hudson

County (North Bergen Township); Passaic County (Passaic City); and Essex County (Newark City)

An extensive federal investigation of misconduct in several local housing authorities in New Jersey led to successful prosecutions of the executive directors of three housing authorities for accepting kickbacks from a single electrical contractor working at all three authorities. One of the three executive directors also received kickbacks from a plumbing contractor. A fourth housing authority executive director received kickbacks from assorted contractors doing work for his authority.

From October 1984 to December 1986 John J. Sudia¹²⁰ Executive Director of the Carteret Housing Authority, received \$55,000 in illegal payments from Alfred D. Bressaw¹²¹, an electrical contractor who did over \$541,000 worth of work at the Authority. Sudia also admitted failing to report over \$31,000 in 1984 income. Sudia had awarded an unusual number of emergent, non-bid contracts to Bressaw's firm, Alfred Bressaw, Inc.

IRS investigators determined that Bressaw had cashed roughly \$500,000 worth of Authority checks in 1983 and 1984 instead of depositing them directly into his business bank accounts. A compliant bank officer cashed the checks and gave Bressaw the currency without filing the federal currency transaction reports required for amounts in excess of \$10,000. After the bank officer's activities were discovered, Bressaw began depositing Authority checks into his business bank account. He then wrote checks from the account to himself or to "cash" and recorded them on company books as repayments of personal loans. When confronted about these activities, Bressaw admitted using some of the diverted money to pay kickbacks for contracts with the Carteret, Woodbridge and Perth Amboy housing authorities. He agreed to wear a concealed microphone from the fall of 1987 through 1989 in order to obtain evidence against the executive directors of the authorities.

From January 1985 through December 1989 Bressaw paid \$23,000 in kickbacks to Gene A. Tomasso, Sr.¹²², Executive Director of the Woodbridge Housing Authority, in return for \$232,000 in contracts with the Authority. Tomasso also admitted failing to report over \$9,000 in illegal payments on his 1985 income tax return.

From October 1984 through December 1988 Bressaw paid about \$100,000 in kickbacks to Anthony J. Slotwinski¹²³, Executive Director of the Perth Amboy Housing Authority, in return for about \$1.2 million in contracts with the Authority. The money had been paid in small denomination bills stuffed in sealed envelopes. Slotwinski also admitted failing to report \$45,652 in illegal payments on his 1985 income tax return. In 1988 and 1989 plumbing contractor Michael F. Estavanik, Jr.¹²⁴ paid \$20,000 in kickbacks to Slotwinski. Estavanik had successfully bid for more than \$1 million in kitchen and bathroom renovation contracts with the Authority. Estavanik maintained that Slotwinski had solicited the kickbacks through requests such as "something went wrong with his boat and he needed some dollars."

As each successful investigation led to another, federal investigators learned that from 1985 to 1988 Estavanik had paid \$22,000 in kickbacks to Ronald J. Jeffery¹²⁵, Executive Director of the North Bergen Housing Authority. At Jeffery's trial Estavanik testified that Jeffery had demanded 10 percent of the profits he earned on Authority plumbing work. Jeffery also extorted \$5,000 from William Waite, a window replacement contractor, and \$500 from Leonard Herman, a playground renovator. All three testified at Jeffery's trial that Authority payments for completed work were withheld until Jeffery received illegal payments. In addition, Estavanik's payments were made in exchange for contracts with the Authority.

Jeffery's attorney maintained during Jeffery's sentencing that former North Bergen Township Clerk Joseph Mocco was the one who called the

shots in the extortion scheme and "physically made extortion demands." He said two government witnesses recalled that Mocco silently demanded payoffs by writing an amount on a piece of paper. However, Jeffery received the money. Mocco has denied any wrongdoing and was not charged in the case.

In yet another housing authority kickback scandal, on March 12, 1992, Roger Martin, owner of Quality Roofing, Inc., pled guilty in federal court to making a \$25,000 cash payoff in 1988 to the Mayor of the City of Passaic in connection with a \$1.4 million 1987 contract to build the Passaic Housing Authority maintenance garage. The same day a federal grand jury indicted the Mayor for extorting the kickback from Martin. The Mayor was charged with extortion, bribery, conspiracy and tax evasion.

The same indictment charged the Mayor with extorting \$150,000 in cash from a representative of a towing firm in return for a 1985 city towing and auto storage contract. After its first year, the contract has been renewed on a month-to-month basis. Allegedly, Paul A. Marguglio, the convicted former Executive Director of the Passaic Housing Authority, acted as an intermediary for the Mayor in demanding the payoffs. The indictment charged that Marguglio served as the bag man for the transaction, shuttling periodic payments to the Mayor from 1983 through 1988, when the Mayor took over collections himself.

In another case involving the Newark Housing Authority, on March 15, 1990, a state grand jury indicted the Director of Redevelopment for the Authority, and others, for scheming from December 1986 to April 1989 to help a construction company obtain demolition and construction work through a "front" company, even though he knew the construction company and its owner were ineligible to bid because of federal wage law violations. The Attorney General also filed a civil suit on July 5, 1989 against the construction company and the "front" company, and others, seeking forfeitures of

property in connection with the awarding of public demolition and construction contracts.

Jersey City School District (Hudson County)

In December 1988 a federal jury convicted William J. Fisher¹²⁶, Director of Maintenance and Custodial Services for the Jersey City School District, of using his position to extort up to \$150,000 from a contractor from 1981 through 1986. The owner of a Jersey City welding company was earlier convicted of tax evasion and money laundering and became a key witness against Fisher. The welding company had received substantial contracts from the School Board, at least some obtained through the payment of cash kickbacks to Fisher. The company's owner had failed to report \$2.3 million in income he had received for repairs to Jersey City schools.

The welding company owner deposited the money he received from the Jersey City School District into a bank account. Then, using fictitious names, he cashed checks against the account at check cashing facilities in Jersey City and Kearny. The former president of the check cashing company pled guilty to money laundering and was imprisoned.

A report justifying the state takeover of the Jersey City school system stated: "Cresap McCormick & Paget, which assisted in a Level III review of [the district,] characterizes the school district as a public enterprise that had reached a state of managerial bankruptcy. In many cases the district circumvented the competitive bidding process through the use of state contracts and by classifying projects as emergencies. They violated public schools contract law by making purchases under state contracts when vendors were not approved."

Secaucus Town Municipal Utilities Authority (Hudson County)

In return for kickbacks of over \$135,000, Joseph C. Pini, Sr.¹²⁷, Chairman of the Secaucus Municipal

Utilities Authority (SMUA), and Virginia Maione¹²⁸, Executive Director of the SMUA, illegally ensured that James P. Horan, Inc. received a \$15 million contract to upgrade and expand a sewage treatment plant from March 1987 to May 1990. The Horan firm, headed by Dorothy Horan¹²⁹, President, and Patricia Horan¹³⁰, Vice President, submitted a blank bid on the project. After other bids were submitted by competitors, Pini, Sr. made up a "price" for the project that would allow Horan, Inc. to become the low and winning bidder. Maione then wrote in the winning price on the Horan bid, and the firm was awarded the contract. Afterwards the Horans gave the corrupt public officials periodic cash payments of \$2,000 to \$5,000.

Cooperating with investigators, Patricia Horan had secretly tape recorded her conversations with Maione during a luncheon meeting at a Hackensack restaurant. After the FBI confronted Maione with the tape, she, in turn, agreed to cooperate with the FBI and taped conversations with Pini, Sr. that led to his indictment.

The Horans had earlier been convicted of extorting \$200,000 from a subcontractor on a Jersey City sewage treatment installation and forcing him off the job before he received payment for his work. They also made illegal payoffs of \$17,000 to Rocco J. Napoli, a business manager for Local 21 of the Laborers Union and an associate of the Genovese crime family of La Cosa Nostra, in return for his punishing the subcontractor by arranging for him to have union troubles. Horan, Inc. was seized by the federal government under forfeiture laws and ordered liquidated by a bankruptcy judge. The Horan convictions stemmed from the successful federal prosecution in 1989 of Louis A. (Bobby) Manna and other members of the Genovese organization in New Jersey.

Pini's son, Joseph C. Pini, Jr.¹³¹, an SMUA Inspector and Chief Inspector on the Horan project, participated in the SMUA conspiracy. Also in connection with the scandal, Secaucus Municipal

Court Clerk Frank Deven¹³² pled guilty to failure to report income for taxes.

The SMUA investigation also revealed that Bruce M. Shipitofsky¹³³, a Bayonne insurance agent, helped to cover up a fraud in which Pini, Sr. pocketed more than \$3,400 in SMUA insurance overpayments for himself. Shipitofsky admitted that Pini approached him in April 1987 and asked him to assist in obtaining a \$1 million liability policy for the SMUA. Shipitofsky arranged the coverage at a cost of \$4,075, but the SMUA sent Shipitofsky a check for \$7,500, and Pini, Sr. instructed Shipitofsky to return the \$3,425 overpayment directly to himself. Pini promptly cashed the refund check and kept the money. Pini later admitted to Shipitofsky that he had kept the money and asked Shipitofsky to write a letter concealing the fact that the refund had been delivered to Pini. Shipitofsky admitted he provided Pini with a letter containing a false explanation about the overpayment. Pini never refunded the money to the SMUA.

Jersey City Sewerage Authority (Hudson County)

The Manna and Horan investigations led to the federal indictment on December 19, 1991, of the Executive Director of the Jersey City Sewerage Authority, who had served in that position for a decade, as well as his close friend, who served as a free-lance consultant to the Authority. The two were charged with accepting \$140,000 in kickbacks from Horan, Inc. in connection with a \$17.4 million project to renovate Jersey City's sewerage system by converting two treatment plants into pumping stations linked to the Passaic Valley Sewerage Commission treatment facilities in Newark. They allegedly arranged to funnel \$400,000 in overpayments to the Horan firm in return for the payoffs. The consultant allegedly served as a conduit for the kickbacks to himself and the Executive Director.

The kickbacks allegedly were disguised as "commissions" paid to a fictitious company, which had been set up by the two defendants and which was treated as a subcontractor on the project. The firm allegedly submitted fictitious invoices for work that had never been done, and Horan paid out the commissions, which were then withdrawn as cash to cover the payoffs -- a classic tax evasion scheme in which the conspirators create a paper trail to make the payments appear legitimate. Horan, Inc. allegedly took tax deductions for its payoffs by listing the payments to the fictitious company as legitimate business expenses. In return for the kickbacks, the Executive Director allegedly promised to see that lucrative increases in contract work were approved and arranged for Horan to receive a double payment on the \$400,000 start-up cost of the project. The \$400,000 has been recovered by the Sewerage Authority.

Edison Township (Middlesex County)

Thomas R. Heroy¹³⁴, Edison's Purchasing Agent, extorted payoffs totaling \$57,500 from contractors doing business with the Township. Heroy admitted using his office between 1983 and 1988 to extort money from a supplier and servicer of radio and video equipment, a repair and maintenance contractor, and three East Brunswick companies that provided janitorial supplies. Federal authorities invoked provisions of racketeering laws to seek forfeiture of the proceeds from the kickback scheme.

Heroy acknowledged getting the equipment vendor to pay him \$200 per month during the time the firm had the contract to service the township's mobile radios, as well as \$100 for each radio and \$50 for each walkie-talkie it sold to Edison. Between 1984 and 1987 Heroy extorted some \$27,000 from the company. The contractors and chemical companies paid Heroy 10 percent of their billings, totaling \$30,500. In addition, Heroy had been charged with attempting to extort periodic payments from a hardware store.

Hoboken City School District (Hudson County)

Anthony C. Rotondi¹³⁵, Chief Plumber with the Hoboken School District, demanded a \$1,500 kick-back from a construction company in return for awarding the contractor a \$10,500 emergency job to repair pipes at the Hoboken High School in 1988. The contractor cooperated with investigators.

Ocean County College

Harry Schneider¹³⁶, Assistant Dean and Director of the Physical Plant at Ocean County College, rigged construction bids with his step-daughter's fiancé, Phillip Carnes¹³⁷, from November 1989 to September 1990. Carnes submitted the lowest bids on various construction projects because Schneider accepted fictitious courtesy bids submitted by Carnes offering higher prices on behalf of phony companies. College officials had asked the Ocean County Prosecutor's Office to investigate the bidding process after the scheme was detected following a change in accounting firms by the college. Carnes received three contracts, totaling \$17,596, through the scheme.

Woodbridge Township (Middlesex County)

On December 12, 1990, a state grand jury indicted Woodbridge Township's former Acting Public Works Director, the town's Sanitation Supervisor, its Assistant Sanitation Supervisor, a waste hauling firm that had won a no-bid contract to remove leaves from municipal property, the firm's president and vice president, a subcontractor and the subcontractor's manager for, among other charges, conspiring to falsify and vouch for invoices that allegedly overstated the amount of leaves and other waste removed in 1988. A separate indictment a week later charged a Woodbridge Roads Department yard foreman with false swearing and misconduct during a statement he gave concerning the activities to the Middlesex County Prosecutor's Office two years earlier. The Township allegedly wound up overpaying \$335,350 for inflated invoices on existing truckloads and another \$181,500 for phantom truckloads.

HIRING

Local corruption tarnishes the process of hiring qualified public employees. As a result, the public cannot be assured that it is being served by the best available people. In addition, honest applicants are denied opportunities. Finally, those who buy their posts may try to recoup such payments through corrupt conduct in their new positions. They have already demonstrated that they do not believe in playing by the rules.

Newark City Board of Education (Essex County)

Malcolm George¹³⁶, Second Vice President of the Newark Board of Education, solicited a \$3,000 bribe in August 1988 from an elementary school teacher who sought to become a vice principal. George admitted telling the teacher to pay \$1,500 "up front" and another \$1,500 when the position was secured. When the teacher refused, he changed the offer to \$500 up front and \$2,500 when the post was obtained.

The U.S. Attorney at the time of George's guilty plea, Samuel A. Alito, Jr., said that the government had been prepared to prove at trial that George approached the teacher and said that others were purchasing vice principalships for up to \$5,000, but he could buy one for only \$3,000.

Passaic County

On December 5, 1991, an Income Maintenance Worker for the Passaic County Social Services Department was arrested for offering a \$12,000 bribe to County Freeholder Charles J. Delahanty in return for a promotion. When first approached by the employee, Delahanty, who serves on the County Board of Social Services, reported the matter to the Passaic County Prosecutor's Office. Delahanty, a private detective, made consensual tape recordings of three meetings in October and November 1991 in which the employee allegedly gave him \$2,700 outside a restaurant. After his arrest, the employee was suspended without pay. He was subsequently indicted and continues to deny the charges.

On August 30, 1991, Delahanty had received a letter from a Thomas Connelly, allegedly a phony name created by the employee to facilitate his scheme. The letter offered \$10,000 for a promotion for the employee. A second letter, dated November 7, 1991, increased the bribe offer to \$12,000. The letter told Delahanty to contact Connelly at a liquor store where the county employee worked part-time. When Delahanty met the employee at the liquor store, the employee allegedly told Delahanty that Connelly was a self-made millionaire in the oil business and a co-worker at the store. At the payoff meetings the employee allegedly made excuses about why the non-existent Connelly did not appear.

SOCIAL BENEFIT PROGRAMS

Local corruption thwarts public benefits programs. It deprives them of funds needed for important social services. Indeed, the very existence of programs that help the needy is threatened when the public perceives that the programs' laudatory aims are circumvented by corruption.

Passaic City Housing Authority (Passaic County)

In 1988 staff members in the federal Department of Housing and Urban Development's (HUD) Newark Office discovered that the Passaic Housing Authority (PHA) had regularly shifted large sums of money earmarked for the modernization and repair of housing project buildings into the PHA's administrative payroll account. Indeed, the PHA's administrative costs were double those of comparably-sized housing authorities. The Newark Office took its findings to the New York Office of HUD's Inspector General, which in February 1989 began an audit. The audit, released on January 22, 1990, detailed nearly \$1.7 million in improper expenditures between 1986 and 1988. HUD suspended several PHA executives and Board members, forced others to resign and temporarily took over administration of the Authority, which is responsible for 1,845 residents in 700 units.

The discovery of wrongdoing at the PHA led to a critical HUD Special Strike Force Report issued on November 14, 1990, and ultimately to criminal convictions of the executive directors of several of New Jersey's 80 local housing authorities. The New Jersey revelations occurred against a backdrop of favoritism and political influence at HUD headquarters in Washington through which millions of HUD dollars that were meant to provide housing in

the poorest neighborhoods were diverted to pet projects of well-connected promoters who often catered to higher income groups.

As the Passaic scandal unfolded, it revealed that the PHA Executive Director Paul A. Marguglio¹³⁹ illegally collected hundreds of thousands of dollars in federal funds administered by the PHA by installing himself in multiple jobs, arranging no-show jobs for his wife, relatives and friends and engaging in systematic corruption involving payoffs and kickbacks.

PHA Attorney August C. Michaelis¹⁴⁰ collected \$480,000 in legal fees from the Authority from 1986 through 1988 -- \$270,000 for work he never performed. He pled guilty in July 1990 to lying to the House Subcommittee on Employment and Housing of the Committee on Government Operations on March 9, 1990, in an effort to impede its HUD corruption inquiry. Michaelis admitted he paid Marguglio about \$150,000 in kickbacks from 1984 through 1988 to keep his post as the PHA Attorney. Marguglio hired Michaelis for the position in 1972.

In another corrupt transaction, Marguglio had Maintenance Supervisor Robert A. Cantalupo¹⁴¹ arrange, between July 1987 and June 1988, for a federally financed contractor to install heating equipment in Marguglio's home and charge the \$2,000 cost to the Authority. Cantalupo ordered and helped install the equipment and then submitted phony invoices that were processed through the PHA's bookkeeping department. The invoices triggered payments to a plumbing supplier.

On March 9, 1990, Marguglio and his wife, Louise, appeared before the Congressional subcom-

mittee investigating the national HUD scandal and invoked their Fifth Amendment privilege not to answer potentially incriminating questions. Four months later Marguglio pled guilty to an information containing one count each of conspiracy to obstruct the HUD investigation and tax evasion. He admitted that in addition to his Executive Director post at an annual salary of \$85,000, he had assumed the titles of Modernization Officer, Contracting Officer and Purchasing Agent, bringing his total salaries to \$245,000.

When HUD officials first became suspicious of Marguglio's multiple job holding at the PHA, Marguglio initially attempted to convince them that the positions were vacant. He then ordered an aide to give HUD the name of another employee and to claim that the aide held one of the posts. Marguglio also admitted that in January 1990 he directed Deputy Executive Director Donald V. Pieri¹⁴² and Chief of Operations Emil C. Moretti¹⁴³ to remove authority records and hide them in a Passaic storage facility in order to keep them from HUD auditors who were reviewing agency documents. When HUD subpoenaed the records, Marguglio unsuccessfully attempted to have the materials destroyed by ordering Pieri to have another person burn them.

Government figures showed that Marguglio illegally took at least \$928,000 by accepting kickbacks, holding multiple job titles and skimming from the Authority's books. He acquired another \$182,000 through tax evasion. In addition, Marguglio admitted receiving \$54,000 in kickbacks from a contractor and evading taxes on the kickbacks. These figures do not include the \$95,000 pocketed over three years by Marguglio's wife, Louise, for a no-show job as Director of Administration in which she worked only a single day before going on disability leave. In April 1988 she retired at the age of 52 with 14 1/2 years of service -- mostly at lower-paying clerical and administrative jobs at the PHA -- on a disability pension of \$1,582 a month. On July 15, 1992, the Pension Board reduced Louise's pension service by 53 months,

based on insufficient and unsubstantiated work records. The Board also ordered a recalculation of her pension benefits using a salary commensurate with her actual position. In January 1991 Marguglio's stepdaughter was denied a state disability pension that would have paid her up to \$1,789 a month because Marguglio certified her work records at the Housing Authority.

Marguglio processed an application for a rent-subsidized, senior citizen apartment with the PHA for Arthur Glover¹⁴⁴, who was then an Authority Commissioner and a former Assistant Director of the PHA. At the time Marguglio knew that Glover did not qualify for about \$400 in monthly rental discounts because Glover had not reported his \$18,000-a-year retirement pension from his service with the Authority in addition to his \$15,000 Social Security income.

The PHA investigation led to the discovery that Efrain (Chico) Cortez¹⁴⁵, a Passaic City Councilman, had defrauded the government of \$97,000 in rent subsidies paid to Cortez through the Housing Authority on behalf of low-income tenants occupying a 20-unit apartment building which he owned in Passaic. In April 1988 Cortez sold the apartment building to a corporation owned by his sister for \$10 in order to conceal his ownership interest. Under an option agreement with his sister, Cortez retained the right to receive all rental income from the property. From November 1988 to July 1990 Cortez caused his sister to submit to the PHA and HUD false rent certifications in order to inflate federal rent subsidies which he received.

The PHA investigation also revealed that Charles T. Groeschke¹⁴⁶, owner of Groeschke Construction Co., had defrauded the PHA and HUD of \$58,660. Groeschke had a \$482,000 contract with the PHA to enclose steam pipes in the apartment buildings it owned in Passaic. In April 1988 he found out that the enclosures were not needed on the top floors of the buildings. Nonetheless, until October 1988 Groeschke submitted requests for

payment to the PHA without disclosing that 425 of the enclosures called for by the contract had not been installed.

Long Branch City Housing Authority
(Monmouth County)

Richard P. Kiernan¹⁴⁷, Executive Director of the Long Branch Housing Authority, stole \$141,233 in state funds and other money administered by the Authority. Kiernan admitted stealing \$50,500 in Weatherization Program money provided by the Department of Community Affairs and \$92,500 from the owners of a privately-owned senior citizen complex subsidized by the federal Department of Housing and Urban Development.

Grauman Tower was owned by Washington Manor Associates, which had an account with the Authority because of its federal subsidy. Kiernan was the sole signatory of checks made payable to the Housing Authority. Kiernan drafted 75 checks from the Washington Manor account between 1985 and June 1990. Twenty-three of the checks were made out to American Express for payment of collectable items, totaling about \$21,000. \$52,000 was laundered through a dummy corporation set up by Kiernan, and \$70,000 went directly for his personal use. Kiernan told investigators he originally took \$50,500 out of Authority accounts to help pay for roof repairs at Grauman Towers and placed it into the Washington Manor account. But the contract for the repairs fell through, and he started using that money, and more, for himself.

Neptune Township Housing Authority
(Monmouth County)

T. Hadford Catley¹⁴⁸, Executive Director of the Neptune Housing Authority, had a subordinate install Authority-owned ovens and refrigerators in an apartment building owned by Catley. Catley also took a kickback in return for allowing an ineligible tenant to reside in low-income housing subsidized by the Authority. He also admitted receiving hous-

ing assistance payments intended for two deceased persons who had been residents of privately owned moderate-income housing Catley owned with a business associate.

Union City Housing Authority (Hudson County)

Juan A. Ponce¹⁴⁹, Administrator of the Section 8 federal rent subsidy program for the Union City Housing Authority, extorted \$8,000 from families seeking public assistance to pay their rent. Ponce took the money from five families in return for putting them at the top of the Authority's waiting list for subsidies in 1986 and 1987. About 400 needy tenants were using the subsidies to bridge the gap between what they could afford to pay in rent and what their landlords charged. Ponce approved subsidy applications and kept the waiting list. No member of the families he extorted was charged with criminal wrongdoing.

Jersey City Division of Welfare (Hudson County)

Jose M. Nieves¹⁵⁰, Chief Fiscal Officer of Jersey City's Division of Welfare in its Department of Human Resources, headed a conspiracy from 1985 to 1989 to steal approximately \$400,000 in state and local public assistance money. Nieves approved applications for welfare benefits submitted by city employees and friends, although none was qualified to receive the money. City employees forged and fraudulently issued welfare and rental assistance checks. Nieves admitted that the money was split among himself, his ex-wife, his ex-girlfriend, his current girlfriend, his boss and 36 other defendants -- almost half being Division employees.

A State Police and Division of Criminal Justice investigation, called "Operation Give Away," began in 1989, sparked by information supplied by the State Department of Human Services. The action followed reports by WWOR-TV of city welfare workers allegedly issuing checks for phantom clients.

The investigation led to state grand jury indictments, as well as several separate accusations, against local welfare officials and others in 1990. One indictment alleged that between April and June 1989 the Director of the Human Resources Department destroyed all of the Department's rental assistance program records in his possession in order to conceal unlawful activities. At one point state monitors were appointed to temporarily oversee daily operations of the City Division of Welfare.

Other defendants included the Human Resources Department's Security Director; Lillie Mae Atkins Hairston¹⁵¹, Supervisor of Caseworkers; Luis Antonio Ortiz¹⁵², Supervisor of the Data Control Unit; Georgia Anna Hightower¹⁵³, an employee of the Data Control Unit; Jose Gierbolini¹⁵⁴, a Welfare Investigator; Hazel Frances Steagall¹⁵⁵, a Welfare Caseworker; Thais Ferguson¹⁵⁶, Supervisor of the Intake Unit; James C. Lee¹⁵⁷, Assistant Supervisor of the Intake Unit; Raymond Clark¹⁵⁸, Human Resources employee; Gary Norman Hand¹⁵⁹, Human Resources employee; Frank Giordano, Jr.¹⁶⁰, Human Resources employee; Kevin Bowers¹⁶¹; Rose Catalina Feliciano¹⁶², Nieves' ex-wife; Beatriz Eleana Gierbolini¹⁶³, Nieves' girl friend and Jose Gierbolini's ex-wife; Ana Rios¹⁶⁴; Ernest Ajolet¹⁶⁵; Odily Casco Moraga¹⁶⁶, Nieves' ex-girl friend; Iris Nereida Burgos¹⁶⁷; Barbara A. Pagan¹⁶⁸; Essam Elsaid Elfatah¹⁶⁹; John Anthony Allicock¹⁷⁰; Joseph Simon Jordan¹⁷¹ and Khaled A. Mohamed¹⁷².

James Lee, the Intake Unit's Assistant Supervisor, pled guilty to official misconduct and admitted that he had defrauded the city welfare system out of almost \$60,000 between January 1988 and June 1989 by issuing emergency assistance checks for persons who were either nonexistent or not qualified. He then stole the checks and divided the money with his boss, Thais Ferguson. Ferguson pled guilty to official misconduct and admitted stealing \$52,000. Odily Casco admitted receiving \$50,000 in welfare checks under her name and various aliases.

As recently as August 10, 1992, a state grand jury indicted four additional employees of the Welfare Division. The Deputy Director of the Division of Welfare was charged with using her position in April 1988 and January 1989 to have two checks totaling \$1,171 issued unlawfully from the Jersey City Public Trust Fund Assistance Account for her own benefit. She was also charged with stealing over \$1,000 from the City during approximately the same period. A caseworker supervisor was accused of using the proceeds of a November 1988 \$1,500 check for her own benefit. A welfare investigator, was charged with unlawfully taking over \$1,000 in welfare checks from July 1987 through August 1989. Finally, a social caseworker was accused of stealing the proceeds of eight checks totaling \$1,680 made payable to two welfare recipients from February 1989 to August 1989.

Attorney General Del Tufo testified at the Commission's public hearing that following the successful investigation and prosecution of the Jersey City cases the number of people on city welfare rolls declined from about 3,200 to 1,650, "because the balance [had been] made up by either fictitious people or unqualified people." Jersey City's general assistance program distributes about \$14 million annually. It is the second largest municipal welfare program in New Jersey after Newark. The State supplies 75 percent of the program's funding.

Essex County Welfare Department

On December 18, 1991, an Essex County grand jury returned eight indictments against 18 owners and employees of furniture stores in Newark and Orange, a former county welfare caseworker, a furniture mover and a real estate agent. The indictments alleged schemes to bilk welfare clients seeking housing relocation assistance and help to buy furniture, refrigerators and other necessities. The indictments grew out of an investigation called "Operation Clean House," which began when Essex

County Police received an anonymous telephone call that employees from the Essex County Welfare Division were receiving kickbacks from a moving-company involved in the relocation of welfare clients. The Prosecutor's Office estimated that the fraud could have reached over \$10 million.

Seymour A. Mont¹⁷³, owner of Paula's Furniture Outlet, supplied welfare clients with cheaper, unauthorized stereos and luxury items instead of authorized furniture and pocketed the difference after paying kickbacks to welfare workers who directed customers to his store. Thomas Tedesco, an Essex County Welfare Division Caseworker, pled guilty to receiving over \$60,000 in cash bribes from June 1989 to May 1990 for steering welfare clients to Paula's Furniture.

Another indictment charged a welfare caseworker, four owners or employees of another furniture store and the company itself with stealing from May 1989 through May 1990 \$1,028,503 from the Welfare Division in a scheme similar to that admitted by Mont. A mover was charged along with the others with stealing additional sums by falsifying moving invoices. A real estate salesperson and the welfare caseworker were charged with fraudulently obtaining other money by submitting and processing fraudulent commission billings.

As charged in another indictment, an undercover investigator allegedly exchanged a \$1,295 furniture voucher for \$200 cash from a furniture store owner Magda Lontai¹⁷⁴. Others indicted were Al-Mak, Inc., t/a Good Deal Furniture¹⁷⁵ (owners, Alkis and Demetra Makrygiannis were admitted to PTI), Clinton & Bergen Furniture, Inc.¹⁷⁶, Katie Selikoff¹⁷⁷, Vincent Aviles¹⁷⁸, Susan Davidson¹⁷⁹, Jamil Rasheed, aka Jamil Hutchins¹⁸⁰, Entrance Furniture Co.¹⁸¹ and George Falus¹⁸², Pitusa Furniture, Inc.¹⁸³, Jose D. Nunez¹⁸⁴, Diana M. Zayas¹⁸⁵ and La Furniture Warehouse¹⁸⁶ (owners, Carmen A. Rodriguez, Santos Rivera and Anthony Zamora, were admitted to PTI).

The Welfare Division's Relocation Unit in 1990 helped 1,800 needy families find shelter and buy furniture and other necessities. The Unit has a budget of approximately \$26 million and employs about 15 people. It is funded 50 percent by the federal government, 37.5 percent by the State and the balance by the County.

Monroe Township Welfare Department (Gloucester County)

On April 14, 1992 a Gloucester County grand jury indicted the former Monroe Township Welfare Director for official misconduct, theft by deception, witness tampering, filing false state income tax returns and failure to file a tax return. She allegedly forged the names of welfare recipients on welfare checks, cashed the checks and received the money herself, after telling the clients they were no longer qualified for funds. She allegedly stole about \$60,000 intended for local welfare applicants from 1989 until she left office in May 1991. The indictment superseded one returned against her in June 1991.

Irregularities in the Welfare Director's management of the department surfaced during an audit in 1991. There were questions surrounding \$161,281 in aid checks, dating back to 1986, that she co-endorsed. The names of several recipients did not appear in any official records, and it was, therefore, believed that checks were issued to fictitious people.

The Welfare Director was also indicted for theft by deception for stealing funds during 1990 from the Gloucester County Welfare Directors Association. She had served as Treasurer of the Association.

The Director's son-in-law was also indicted for theft by deception for receiving more than \$30,000 in welfare assistance while working in Atlantic City from 1988 to 1991. He was also charged with filing a false state income tax return and failure to file tax returns.

Monmouth County Housing and Improvement Program

Robert Giaccone, Sergeant of Investigations in the Monmouth County Prosecutor's Office, testified at the Commission's public hearing concerning an investigation in the mid-1980s of contracts being awarded by the Monmouth County Housing and Improvement Program (HIP). Using federal money administered by the county, the HIP makes grants and loans to assist low-income families with home improvements of up to \$10,000 each. The HIP enters into contracts with the builders that do the work for the homeowners.

Giaccone described a bid rigging and corruption conspiracy that drained scarce dollars from the program. The Monmouth County Prosecutor's Office began an investigation when the HIP Director reported a suspicious encounter with one of the contractors doing work for the program. The contractor, Jerry L. Cadarett¹⁸⁷, was irked that the Director, Richard Smith, had assessed penalties against him for falling behind schedule on a job. Mistakenly thinking that Smith was part of a conspiracy to award contracts to a certain group of builders, Cadarett advised Smith that he was aware of the conspiracy in order to prompt Smith to rescind the penalties.

Astonished by the conversation, since he had no involvement in any scheme, Smith reported the discussion to his superiors, who relayed the information to the Prosecutor's Office. To determine who the culprits were in the conspiracy described to Smith by Cadarett, the Prosecutor's Office surveilled the bidding with Smith's assistance. Investigators retrieved incoming bids from the flow of paperwork in the office, photocopied them and returned them to the system before they were received by HIP Supervisor Robert A. Murphy¹⁸⁸, Smith's subordinate in charge of the award of contracts. The bids had been prepared in pencil. After the bids were formally opened, investigators compared them to the photocopies and noted that winning bids had

been altered.

When confronted with the alterations, Murphy admitted changing bids. In all, about 122 bids, covering over \$1 million in contracts over a two year period, had been altered. Sixty to 70 percent of the HIP contracts during this period had been awarded to a group of contractors -- headed by Robert T. Concannon¹⁸⁹, owner of Concannon Contracting Co., Inc. and Cliffwood Lumber Co. -- who made payoffs to Murphy and Harold Knox¹⁹⁰, a Construction Specialist for the HIP. Other contractors in the plot who ultimately pled guilty were Joseph P. Perrina¹⁹¹, George Robert Benson¹⁹², Bruce Albert Neilson¹⁹³, David A. Jardine¹⁹⁴, Eugene Walter Caulfield¹⁹⁵ and Patrick J. Acquafredda¹⁹⁶.

Giaccone testified that Concannon paid Murphy 10 percent of the contracts, totaling "several thousands of dollars," for his own work and on behalf of other contractors. A couple of contractors also performed free work on Murphy's house in Cream Ridge.

Sometimes contractors did not submit bids on the due dates. During lunches held after the bids were due, Murphy would advise Concannon of the amounts of competitors' bids. Concannon then gave Murphy bids for winning amounts, and Murphy had Concannon's bids logged in as though they had been submitted prior to the due date.

At least one of the contractors involved in the scheme was a former lumber yard worker for Concannon. Giaccone testified how Concannon involved the worker in the plot:

... Concannon told him how to establish a company name and what he needed to do to be in business. And at that point, Mr. Concannon would allow him to become a member of the bidding list and to take a few jobs here and there. This is also the same individual who told law enforcement officials that when he came to work in his private truck, he

would have in his truck various T-shirts with different company names on them. He would report to Mr. Concannon to find out what his daily assignment was [and then put on a T-shirt with the appropriate company logo.]

The renovation contracts were also inflated with change orders to generate more funds for the contractors. In addition, some of the projects were not needed or added superficial repairs to unsound structures. Moreover, the Prosecutor's Office received complaints about the quality of the work. Giaccone noted the "some people actually complained that their homes were worse off after the contracts." Giaccone recalled visiting one place where aluminum siding had been installed on a house that "was coming off the foundation."

Giaccone testified that Construction Specialist Harold Knox, who was also the Building Inspector for Bradley Beach and other Shore towns, received \$100 or \$200 per job "for allowing change orders to go through which would not be in the best interest of the [County]." Knox also shared his cost estimates with the contractors and suggested winning bid figures that they could submit.

Not all of the homeowners who benefitted from renovations qualified for the program. One homeowner -- at the urging of a corrupt contractor -- transferred two properties to a relative and a friend, both of whom qualified for assistance under the program. The contractor then obtained the renovation jobs for the houses with Knox's assistance.

Bernardsville Borough (Somerset County) Housing Program

On August 7, 1992, the Somerset County Prosecutor's Office charged Bernardsville's Housing Administrator and a contractor with conspiring in November and December 1991 to release a \$10,000 payment to the contractor for incomplete work performed for a federally funded housing rehabilitation program. Both were accused of conspiracy to

commit theft by deception and theft by deception, and the Housing Administrator was also charged with official misconduct.

Passaic County Board of Social Services

Jose E. Abreu¹⁹⁷, a caseworker for the Passaic County Board of Social Services admitted helping to carry out a scheme that led to the theft of \$187,988 from the federally-funded Home Energy Assistance Program (HEAP) from September 1989 to May 1991. HEAP helps poor people to meet their heating and cooling bills. The senior caseworker who directly ran the program, was indicted on December 20, 1991, for theft by deception, official misconduct and falsifying documents. With the help of his subordinate, Abreu, he allegedly obtained 429 checks from Trenton, worth \$131,321, by creating hundreds of spurious claims for assistance using false names and Social Security numbers. The checks were deposited in bank accounts or cashed in stores after being sent to various addresses in Passaic County. He also allegedly obtained an additional 174 checks, worth \$56,667, for persons not eligible for the program. In return, he would pocket some of the money or obtain a pledge of support for his unsuccessful 1990 and 1991 campaigns to be a Paterson School Board member. He allegedly personally received more than \$52,000 from the scheme.

A supervisor and two other employees of the Passaic County Board of Social Services were also indicted for conspiracy, official misconduct, falsifying records, theft by deception and false swearing in order to obtain HEAP funds for the two employees that they were not entitled to receive because of their income levels. A Senior Income Maintenance Technician employed by the Board, was also indicted for allegedly falsifying her own application in order to obtain assistance funds. Another indictment alleged that yet another Board employee unlawfully obtained public funds by creating the false impression that his children were living with him in order to qualify for the HEAP.

In connection with the plot, Johnny Zorilla¹⁹⁸, a welfare employee, illegally collected \$724 by filing false information about his income. Another welfare employee, Miguel A. Santiago¹⁹⁹, admitted that he stole \$1,058 in two checks by falsely claiming two nephews who lived in Puerto Rico as dependents.

Morris County Board of Social Services

Hayden A. Thompson²⁰⁰, a Senior Account Clerk with the Morris County Board of Social Services, allegedly stole \$240 from funds administered by the County for the New Jersey Home Energy Assistance Program. In February and March 1991 he allegedly forged and cashed two \$140 checks made payable to a HEAP client.

Paterson City Economic Development Division (Passaic County)

On October 18, 1990, a Passaic County grand jury indicted the Director of Paterson's Economic Development Division, charging that in early 1990 he solicited, and in at least one case received, kickbacks in return for approving government loans to three businesses. The Director was also a School Board member and Executive Director of the Paterson Restoration Corp., a nonprofit group formed to handle federal funds received through the Urban Development Action Grant program. The Division promotes business expansion and relocation, processes loan requests and makes recommendations to the Paterson Restoration Corp. The Director was suspended without pay from his position in February 1990 and fired on December 3, 1990, on the recommendation of a hearing officer.

The Director was charged with official misconduct, bribery, theft by extortion and attempted theft by extortion. In one instance he allegedly extorted a \$2,000 bribe to approve a \$55,000 loan from Restoration Corp. to a delicatessen and video store. In another case he allegedly wrote a note demanding "\$3,000 total. \$2,000 A.S.A.P. Small \$" in return

for approving a loan to a machine company. Finally, he allegedly held up a \$125,000 loan to an auto repair shop until it fixed his son's car without charge.

Paterson City Welfare Department (Passaic County)

Ismael Moody²⁰¹, a caseworker with Paterson's Welfare Department extorted money from welfare recipients as a condition to releasing their welfare checks.

Passaic City Weatherization Program (Passaic County)

Grover Kenner²⁰², Weatherization Manager of the Passaic Community Action Program (PCAP), took a total of \$7,000 in kickbacks from two landlords. The Weatherization Program uses federal and state funds to supply energy-efficient replacement windows and furnaces to low-income families. The bribes allowed several properties to jump to the head of a long waiting list for those eligible for weatherization assistance. Kenner demanded and accepted \$5,500 in cash in 1986 and 1987 from Sergio Gomez²⁰³, a city landlord, and \$1,500 in cash from another landlord in 1990 and 1991.

On July 14, 1992, federal and Passaic County grand juries indicted the Executive Director of the PCAP from 1983 to June 1991 (and a Passaic City Council member from 1982 to 1991) for allegedly conspiring with Kenner to take \$6,000 in bribes from Gomez in return for preferential treatment in violation of the waiting list procedure. Allegedly, the Executive Director and Kenner split \$3,000 in bribes from Gomez between 1987 and 1989. During the same period the Executive Director allegedly extorted a total of \$3,000 more from Gomez on four separate occasions. The federal indictment charged the Executive Director with conspiracy, four counts of bribery and four counts of extortion. The county indictment charged him with conspiracy to accept bribes, five counts of bribery and five

counts of official misconduct. Meanwhile, the State decided not to renew two of the grants that fund much of PCAP's work because the agency was unable to account for \$149,000 in grant money spent during the Executive Director's tenure as head of the agency.

Bridgeton City Housing Department (Cumberland County)

As the Housing Inspector for the City of Bridgeton, Elliot Rivera²⁰⁴ would approve applications for low income housing tenancies. In 1988 and 1989 Rivera extorted money from various applicants in exchange for approving their applications. The largest amount of money extorted from any of the eight alleged victims was \$150.

Old Bridge Township Municipal Court Community Service Program (Middlesex County)

Joan E. Fallon²⁰⁵, Old Bridge Township Municipal Court Clerk, helped the daughter of a former Old Bridge Tax Collector avoid performing 90 hours of community service that she had been ordered to perform by the Northfield Municipal Court after pleading guilty to a charge of harrassment. In October 1988 Fallon had asked the Atlantic County Probation Department to allow the defendant to perform the community service at the Old Bridge Municipal Court. She then submitted a document to the defendant's probation officer in February 1989 in which she falsely stated that the defendant had completed the community service over a 17-day period.

GOVERNMENT FUNDS

Local corruption depletes public funds -- federal, state and local. Many public official embezzlements -- ranging from modest to grand -- have been successfully prosecuted in recent years. They occurred in small towns and large cities throughout New Jersey.

Manchester Township (Ocean County)

In perhaps the largest embezzlement of public funds in New Jersey history, several officials of Manchester Township in Ocean County stole over \$2.25 million from town coffers during a seven-year conspiracy from 1983 to 1990. More thefts would have been revealed, but investigators stopped at the statute of limitations period for official misconduct. The late Township Administrator, Joseph S. Portash²⁰⁶, masterminded the scheme, which eventually enmeshed four mayors, including Joseph F. Murray²⁰⁷ and Ralph J. Rizzolo, III²⁰⁸, Chief Financial Officer Janice I. Gawales²⁰⁹, Deputy Treasurer Beverly P. Ramsdell²¹⁰, Township Clerk Manuela Herring²¹¹, Township Attorney Siegfried W. Steele²¹², Linda Taylor²¹³, a clerical employee, Theresa Nigro²¹⁴, an electronic data processor, and two Municipal Auditors, including Jerry R. Skinner²¹⁵.

All but Skinner received unauthorized checks drawn mostly from bond sale funds set aside for capital improvements in Manchester. As the auditor, however, Skinner played key roles in covering up the scheme. The Publisher of the Advance Nickel News, which printed township legal notices and had a contract to codify its ordinances and publish a municipal history, was indicted by an Ocean County grand jury on June 17, 1992, for

taking \$164,000 for services not rendered.

A local taxpayer revolt, spearheaded by a group called STOP (Stop Tax Oppression Promptly) eventually shed light on the chicanery at Town Hall. Discontented with excessive salaries for municipal employees and rising property taxes, residents voted on January 9, 1990, to change the municipal charter. Portash died of a heart attack at his Maine vacation home on February 27, 1990. On May 8, 1990, voters elected a new governing body of STOP-endorsed candidates to take office on July 1, 1990.

When the new administration took office, it found capital accounts for road paving, building a firehouse, purchasing fire fighting equipment and capping the township landfill almost empty and numerous township files dumped in the Ocean County Landfill or shredded. Township police were able to retrieve the records only because they had been tipped off to the destruction effort. The new administration, the Ocean County Prosecutor's Office, the New Jersey Division of Criminal Justice and the State Division of Local Government Services worked together to establish some order out of the chaos. At the behest of the new administration, the State's Local Finance Board assumed supervision of Manchester's fiscal affairs on July 30, 1990.

Investigators found that certain municipal officials and employees had received payments for "services rendered" in excess of amounts authorized by Manchester's salary ordinance or in titles not approved by the ordinance. The money for the illegal payments came primarily from funds borrowed by Manchester for construction and improvement projects authorized by bond ordinances. The illegal payments were not recorded in the governing

body's minutes as required by law. The Township had also illegally deposited public funds in an account with a brokerage firm through Janice Ruth Gawales²¹⁶, the stockbroker daughter of the Township's Chief Financial Officer, Janice I. Gawales. In addition, the competitive bidding process set forth in the Local Government Contracts Law was not followed. Finally, the Local Budget Law and the Local Fiscal Affairs Law were violated with the overexpenditure of appropriations, the failure to provide appropriations for certain expenditures and falsification of municipal records.

Lodi Borough (Bergen County)

Peter J. Schettino²¹⁷, Treasurer of the Borough of Lodi, stole at least \$594,306 from Borough coffers between December 1988 and August 1990. Aside from the Manchester Township scandal, Schettino's theft was the largest proven municipal embezzlement in New Jersey history. Schettino issued unauthorized checks drawn on municipal accounts to the checking account of RWM Services, Inc., a supposed security consulting firm whose address was a post office box. RWM had performed no services for Lodi. With the assistance of an RWM official, Schettino then drew checks from the company's account for himself and his older brother Joseph²¹⁸. Peter was able to elude detection until an investigation of Joseph's embezzlement from a private security firm led to Peter. Both brothers were heavy horse racing gamblers.

A Borough audit determined that Peter Schettino actually stole \$740,000 in Borough funds, of which \$150,000 has been recovered through insurance. On July 25, 1992, Steven Gerber, Esq., who testified at the Commission's public hearing on the Wayne development scandals, filed a lawsuit on behalf of Lodi against the Schettinos, the RWM official and the former Borough Auditor.

Atlantic County

At its public hearing the Commission heard

from Michael J. Dougherty²¹⁹ how he, while serving as Atlantic County Treasurer, was able to steal \$342,127 in state grants and reimbursements without being caught for 5 1/2 years. Atlantic County Prosecutor Jeffrey S. Blitz, who also testified at the public hearing, called Dougherty's theft the largest embezzlement discovered in the history of Atlantic County government.

Attributing his thievery to a severe casino and illegal sports betting gambling compulsion, as well as a drinking problem, Dougherty testified that he began to steal from the County when the State made a mistake and sent a duplicate payment of \$85,000, reimbursing the County for the cost of housing state prisoners. Dougherty said he started out with the intention of borrowing the extra money but lost it gambling and never could pay back the initial \$85,000 or any of the other money that he stole.

Between April 1982 and October 1987, Dougherty deposited 17 checks made out to the Atlantic County into a dormant account created for the South Jersey Economic Development District in Citizens National Bank (later New Jersey National Bank). The account had originally been set up to hold small amounts of money due the federal government. Dougherty simply endorsed the checks "for deposit only" with the Development District's account number, and the bank's employees credited the account -- no questions asked.

The checks which Dougherty stole came into the Treasurer's Office and were not logged in before they came to Dougherty. Therefore, he was the only one among county employees who knew that the checks had arrived. At the time of the embezzlements, Dougherty was the only person with signature power over the Development District account. In addition, he told bank employees to retain the account's statements at the bank until he could personally pick them up, rather than mail them to the County.

Dougherty withdrew the money for his personal

use by making unnumbered checks, supplied to him by Citizens (New Jersey National), payable to First National State Bank, where he kept his personal account. Dougherty endorsed the checks "for deposit only" with his personal account number. Employees at First National credited the money to his personal account -- again with no questions asked. It should be noted that Atlantic County maintained some of its accounts at First National.

Dougherty squandered all of the money that he embezzled on gambling. One of the sports book-makers that he used worked in the County Treasurer's Office and had been hired by Dougherty.

Dougherty testified that no one from the State ever checked to make sure that the County had received the checks that he had intercepted. Meanwhile, no one at the County ever checked with the State to determine whether it had sent the money that it had agreed to grant to county programs. The grant programs were running on money fronted to them by the County; therefore, the grant administrators did not have to ensure that the state reimbursement money had arrived in order to operate.

The County's independent auditors never noticed the problem. Meanwhile, in some cases, at Dougherty's request, the County Freeholders passed resolutions writing the money off as bad debts.

Eventually, the house-of-cards toppled. There had been concern in the Treasurer's Office as to the whereabouts of state grant and reimbursement funds. Ironically, Dougherty approved the hiring of an accountant, Leigh Walker, who was to be assigned to track grant funds, knowing that Walker's inquiries would probably uncover the wrongdoing. Dougherty explained that he wanted the pressures of the gambling, drinking and embezzlement to end so that he could rebuild his life.

The current Atlantic County Treasurer, William D. Tate, testified at the public hearing about his discovery of the embezzlements while serving as

the Chief Accountant for the Atlantic County Treasurer's Office:

Atlantic County receives approximately 10 to 12 million dollars worth of grant funds on an annual basis. Certain state agencies were, and are, notoriously slow payers. As a result, the County had to, for cash flow purposes, fund the grants. Consequently, interest income was dropping, and we made a determined effort to see why these grants were not being paid on time.

Q. Had you talked to Mr. Dougherty about these things?

A. Yes, yes, I had, and Mr. Dougherty took the position that when we could get a new accountant we would use that person to investigate these receivables.

Q. And that's when Mr. Leigh Walker came in?

A. Correct.

In September 1987 Walker contacted one of the state agencies to let it know that its check had not been received. He was told that the check had been sent, and state officials forwarded a photocopy of the cancelled check to the County. Tate described what happened next:

We noticed that the check had been made payable to the Atlantic City Treasurer ... at the address of the County Office Building. The account number on the back of the check was not familiar as an active account. The photocopy was also very difficult to read. Mr. Dougherty was advised of this. At that time he recommended that we send a letter to the State asking them for a clearer copy of the check, and that was done. Later on we found that the letter [which was to have been signed by Dougherty] had never been sent.

It was in [Dougherty's] desk.

The bank name on the poor-quality copy of the cancelled check was illegible. Tate had called some local banks about the account number, which could be read, but did not locate a bank with the account in question. Finally, Mr. Walker obtained another, more legible cancelled check from another state agency for some other missing funds. New Jersey National and the Development District account were pinpointed. As Tate was checking by telephone with the Development District on the day before Christmas, Dougherty interrupted him, admitted that he had been taking county funds and asked Tate not to do anything until the next budget was completed and Dougherty could resign. Despite Dougherty's request, Tate testified, "My duties were clear." He immediately notified the County Administrator, who turned the matter over to Prosecutor Blitz.

Aside from the lack of controls over state grants and reimbursements, both Tate and Dougherty testified that the system of internal controls in Atlantic County ranked among the best in New Jersey. They pointed to one major exception in the probation area of the courts. Both complained that independent auditors had noted for years that probation's financial records were in such a state as to be unauditale. Tate added, "In 1990 [the Probation Department] began to make certain headway with the problems. They've been able to reconcile the current transactions, but they have not been able to reconcile previous years transactions."

After the Dougherty scandal surfaced, Atlantic County engaged an independent auditor to examine the problem. The audit report criticized the lack of controls over grant receivables, the total centralization of authority within the Treasurer's position and the ability of the Treasurer to circumvent control procedures without being questioned. Tate testified that the report's recommendations "and many more" were implemented.

Prosecutor Blitz testified that the Dougherty expose was not a rarity in Atlantic County. He related that during his service in the Prosecutor's Office since 1968, "there have been numerous other embezzlements by public officials at both county and municipal levels."

Atlantic County Community College

Prosecutor Blitz described the prosecution of Raymond W. Lowry²²⁰, Comptroller for the Atlantic County Community College. From 1979 to 1986 Lowry embezzled from the College an amount that Blitz estimated to be "in the vicinity of \$110,000 to \$120,000." When making deposits of College revenues, Lowry would pocket the cash and replace it with identical amounts in checks payable to the college from unanticipated funds, such as donations. He would revise the deposit slips to substitute for the cash the checks which had not been recorded in the College's receipts journal. Like Dougherty, Lowry was a compulsive gambler and had substantial control over the receipt and deposit of funds at his organization.

Superior Court, Atlantic County, Special Civil Part

Prosecutor Blitz also described the case of Benjamin F. Barger²²¹, Administrative Analyst, Superior Court, Atlantic County, Special Civil Part. Blitz testified that Barger embezzled about \$30,000 of court funds. This occurred from late 1987 to early 1990. Barger took cash received from litigants for his own use and noted "refunds" that were never given so that the cash receipts balanced with the daily cash register tapes.

Blitz related that auditors from the Administrative Office of the Courts noticed that unusual amounts of money had been listed as returned to litigants. When approached about the discrepancies, Barger readily admitted his guilt and explained how the embezzlement worked.

Atlantic City (Atlantic County)

Prosecutor Blitz also testified about the 1989 embezzlement of funds from Atlantic City by Yvonne Bermudez²²², the Atlantic City Comptroller. A heroin user, who was found in possession of heroin in City Hall, Bermudez directed a subordinate to write her a vacation buy-back check for \$1,392, without a proper resolution.

In another case in Atlantic City, this time involving its Housing Authority, Doris Bentley²²³, Assistant Manager of the Pitney Village housing complex, embezzled more than \$4,000 in rent receipts from December 1989 through April 1991. She had been employed by the Authority for 23 years. She had also been Secretary of the Atlantic City Zoning Board for eight years.

Fairfield Township (Cumberland County)

Stephen M. Burks²²⁴, Treasurer of Fairfield Township (Cumberland County), systematically embezzled over \$160,000 in Township funds from January 1988 to April 1989. Fairfield held certificates of deposits in various banks, and Burks used the accrued interest for personal purposes. He also redeemed CDs owned by the municipality, illegally issued payroll checks and improperly issued township expense checks. All of the money was diverted from the town's accounts to either Burks individually, to South Jersey Computer Services (a nonexistent company which served as a front for Burks), to a car dealership as purchase money for a Mercedes automobile, to a Boston money market account, which was owned by Burks, or to Burks' personal accounts. The thefts were not discovered until an overdue Township audit was conducted. But Township officials, suspicious about the town's worsening fiscal condition, contacted the State Police and cooperated in an investigation.

The state grand jury that indicted Burks charged

that he had falsified his application for a municipal finance officer certificate by failing to provide information concerning a prior criminal history. Nonetheless, the Township had been aware that Burks was still participating in the Pretrial Intervention (PTI) Program when he was hired. In March 1987 Bridgeton police had arrested Burks, then a bookkeeper, for the alleged theft of \$1,600 from his insurance agency employer. He was also indicted in July 1987 for misappropriating a \$737 insurance policy refund check from a church. Burks was permitted into PTI in November 1987 and an order was entered dismissing the earlier criminal actions in May 1988.

When admitted into the PTI Program, Burks already had an extensive criminal history. In the late 1970s he was convicted of obstruction of the federal mails in Washington, D.C., and sentenced to one year probation. In the early 1980s he was convicted in Virginia of grand larceny after being returned from Georgia, where he was arrested on a fugitive warrant in July 1983. Burks received a five-year suspended prison sentence, as well as two years probation in that case. He was also ordered to pay \$8,000 restitution but has yet to pay any of it.

Hudson County

Sarah Welborn²²⁵, an Account Clerk for Hudson County, pled guilty in state court on May 10, 1992, to stealing \$50,000 from the County's general fund from January 1986 through July 1986. When Finance Department records were discovered missing in September 1986, the Department's Division Chief conducted an audit that revealed a shortage of \$50,000 in the general fund.

Welborn altered at least three "AR warrants" listing amounts to be transferred from the general fund to the debt service account, which is used to pay for Hudson County bond issues. Based on the changed amounts submitted by Welborn, the Accounts Payable Department transferred an excess of \$50,000 into the debt service account. Welborn also

paid the banks that cashed bonds or interest coupons. She made three checks for the extra money payable to National Public Relations, a firm owned by a man who lived with Welborn in North Brunswick until his death in October 1986.

Penns Grove Borough (Salem County)

Robert B. Jones²²⁶, the part-time Treasurer of the Borough of Penns Grove, took advantage of his position to pay himself his \$5,000 salary a second time in 1986. Jones failed to record the second salary payment on the Borough's ledger book. He used the stolen funds to feed a gambling habit.

Delaware Township (Hunterdon County)

Franklyn H. Barlow, Jr., a certified public accountant, registered municipal accountant and public school accountant with Case, Barlow & Company of Flemington, testified at the Commission's public hearing about the discovery that Agnes T. Higgins²²⁷, the Treasurer and Tax Collector for Delaware Township, had presided over huge tax collection discrepancies from February 1982 to March 1989. Delaware Township had changed from an independent auditor who had served the town for several years to an interim auditor for 1987 to Barlow, who conducted his first audit of the Township's records for 1988.

Barlow's professional skepticism was aroused when he realized that the Township's books recorded taxes from many properties as unpaid from 1982 through 1988. Nonetheless, no sales of properties with delinquent taxes had occurred. Indeed, every audit since 1982 had recommended that tax sales take place. When Barlow raised these concerns with the Township Committee, Higgins' response was less than frank.

In March 1989 Barlow brought his concerns to the attention of Nicholas Susalis, Jr., Chief of Detectives for the Hunterdon County Prosecutor's Office, who also testified at the public hearing. In

addition, Barlow notified the State's Division of Local Government Services. Later that month Higgins took a leave of absence, and a troubleshooter from the Division, Jacqueline Vosselman, became interim Tax Collector and Treasurer while the investigation continued.

A 100 percent mailing to verify tax payments from 1982 to 1986 revealed that many taxpayers could document that they had paid their taxes; however, the money could not be traced, and the taxes were still carried in the town's records as receivables. Taxes had also been paid on properties that had been sold, but this was not reflected in the Township's books.

Many residents of Delaware Township paid their taxes in currency, creating opportunities for Higgins, as Mr. Barlow explained:

Mrs. Higgins would take that cash and leave the receivable open on the books, and then at some future date[, as much as a year later,] she would credit that taxpayer with a check that was paying taxes from another taxpayer. ... We also found that ... she took two State of New Jersey checks and credited taxpayers with that revenue, which should have been business personal property tax revenue. She also took insurance checks that were coming back to the Township for [workers] comp claims or auto damage and credited various taxpayers; and that covered the cash shortage.

In the audit for 1987, the interim auditor brought taxpayer verification letters to Higgins so that they could be stamped on the Township's postage machine in order to save the auditor some expense. Thus, Higgins was in a position to make sure that letters pertaining to questionable accounts were never sent or to influence taxpayers to reply that no problems existed.

Barlow testified that in 1987 the Township's

Mayor became concerned about the lack of tax sales and other matters. After he wrote to the Division of Local Government Services, a Division auditor arrived, but the Township Clerk and Higgins diverted his attention to a review of the purchase order system. The Clerk gave a verbal report to the Committee that everything was found to be proper, even though no written report had arrived from the Division.

At her guilty plea in October 1989 Higgins admitted using about \$4,767 intended as tax payments from others to pay her own taxes. On December 26, 1991, an insurance company sued Higgins to recover \$345,000 it paid to Delaware Township in 1990 to settle the costs of Higgins's alleged misappropriation. The company had served as the bonding agent for Higgins during most of her tenure with the Township.

Agnes Higgins proved to be just one of several dishonest local public officials embezzling tax and fee collections during the past few years.

Liberty Township (Warren County)

Howard Gruver²²⁸, Liberty Township Clerk and Tax Collector, stole at least \$73,575 from Township coffers from 1982 to 1987. Gruver used much of the money to pay medical bills for his wife, who was suffering from cancer, and to buy a large number of lottery tickets.

Plainfield City (Union County)

Sharon McKoy²²⁹, a clerk in the Plainfield Tax Collector's Office, stole \$450 in tax payments in April and May 1990. The Plainfield Tax Collector's Office used a receipting machine and accounted for taxes with a computer system. McKoy stayed in the office during lunch, destroyed the original payment stubs she had taken from taxpayers, generated substitute stubs for amounts of money that were less than those actually paid, changed the amounts in the computer records, and then put the new stubs into

the daily work for posting.

Under proper practice the stub adjustments should have been initialed by another person. Also, the Plainfield computer system had no safeguards built into the software to prevent anyone from going back into the recorded transactions and making adjustments to the initial postings. The situation was discovered when delinquent tax notices were sent to the taxpayers and they came to the office with their original receipts.

A state tax specialist served as Plainfield's Tax Collector from mid-1990 to March 1991 because of problems in the office, including uncashed checks and a backlog of tax searches. The previous Tax Collector/Tax Search Specialist had been absent because of illness.

Also in Plainfield, on December 19, 1991, State Police arrested the city's new Tax Collector and charged her with diverting five checks worth \$9,700 from a city account to her boy friend, who allegedly cashed them and returned the money to her. She was the only person controlling the account. She was accused of misapplication of entrusted funds, official misconduct and tampering with public records. The case is pending state grand jury action. The Tax Collector was suspended without pay.

South Plainfield Borough (Middlesex County)

On August 7, 1992, a Middlesex County grand jury indicted a clerk in the South Plainfield tax and sewer collection office for allegedly stealing from March 1990 to August 1991 money paid by seven borough residents on their bills. She allegedly collected bill payments ranging from \$62 to \$1,000 and issued receipts that bore her initials, but failed to deposit the money into borough accounts. She was charged with official misconduct and theft by failure to make the required disposition of property

received.

Paterson City (Passaic County)

Betty Diaz²³⁰, a cashier in the Paterson Tax Collector's Office, stole about \$600 paid by the public for property taxes from May through November 1989 and used the money to pay personal bills.

Bound Brook Borough (Somerset County)

Melissa Krampf²³¹, a clerk in the Bound Brook Tax Collector's Office, stole \$883 in cash paid by borough residents for trash collection and property taxes during October and November 1991. She had also pled guilty to four counts of passing bad checks and three counts of unauthorized use of credit cards in unrelated incidents that took place after she was fired from her position.

Krampf began working in the Tax Collector's Office in early October 1991. She took \$150 in currency from an office safe on October 24, 1991, and used it for personal expenses. On October 31 she accepted \$50 in cash for trash collection fees but did not credit the payment to the resident's account. On November 12 she accepted a \$633 tax payment and a \$50 trash collection payment but again failed to credit the resident's account. The thefts were reportedly discovered when a bank deposit turned up \$150 short and taxpayers, who had received delinquency notices, produced receipts.

Passaic City (Passaic County)

Eileen Wiegand²³², Assistant City Clerk for Passaic, stole \$8,260 from money she collected from the public for various license renewals from May through June 1986.

Dunellen Borough (Middlesex County)

Karen Quinn²³³, Dunellen Municipal Clerk, stole \$1,743 in marriage, dog and vending license fees

from Borough coffers on various occasions in 1990. A Middlesex County Prosecutor's Office investigation began after a routine audit, conducted after Quinn resigned her post in December 1990, determined the funds were missing. The Dunellen Council referred the matter to the Prosecutor's Office. Quinn had been suspended from her post in April 1990 because of a variety of complaints about lateness and absenteeism.

Collingswood Borough (Camden County)

Embezzlements of local government funds have occurred for many years and have not always been discovered in time to bring charges against the responsible parties. For example, Department of Community Affairs Deputy Commissioner Barry Skokowski testified about the case of the Tax Collector of Collingswood, who was also that town's Treasurer and Municipal Clerk. After she died, auditors found discrepancies in the Borough's accounts. When investigators opened her safe, they found a small cash box containing only the caricature of a ghost captioned, "Ha, ha, ha." Skokowski testified that roughly \$100,000 had been embezzled over a period of time.

The Commission reviewed several cases involving dishonest officials stealing municipal court funds.

Joint Municipal Court of Alexandria Township, Holland Township, Frenchtown Borough and Milford Borough (all in Hunterdon County)

At the SCI's public hearing Hunterdon County Chief of Detectives Nicholas Susalis, Jr. summarized the case of Terry R. Heater²³⁴, Clerk of the Joint Municipal Court. When Heater resigned in 1989, the Court Clerk's Office moved from Heater's General Store in Frenchtown to new quarters. The Administrative Office of the Courts liaison for the move became suspicious upon finding that several docket books and cash books were missing and

reported her concern to the Hunterdon County Prosecutor's Office. Susalis asked CPA Franklyn Barlow, who testified at the Commission's public hearing, to assist with the accounting aspects of the inquiry.

The investigation revealed that Heater stole approximately \$45,000 in court funds from November 1986 to October 1989. Most of the money was put into Heater's failing general store. Susalis testified that deposit slips indicated that in 1986 the Court had received approximately \$18,000 in currency. The next year that figure dropped to just over \$1,000 and remained at that level during the balance of Heater's tenure. Susalis described what happened when Heater was confronted:

[Heater] readily admitted to his theft and indicated that he was amazed that it took so long to uncover his theft, as he was so blatant in stealing the money. In fact, he said he stole every [cash] dollar that came in some months. ... His operation consisted of not giving receipts to people who paid fines in cash. ... That money he would pocket. Towards the end, in trying to cover himself, he would mark certain motor vehicle summonses not guilty. He would put "not guilty" in the docket books, and this money, of course, just never showed up in the cash books because it was gone.

The Court's independent auditor, Robert Benick of Seaman & Co., never questioned why there had been a dramatic reduction in the cash receipts. Although Benick knew during his audit of the 1988 records that the receipt stub books were missing, he accepted Heater's excuse that they had been inadvertently burned and certified the audit anyway. Benick told Susalis that his random sampling produced no discrepancies. He also failed to notice that only \$15 in cash was deposited in December 1988 and that only nominal amounts of cash were deposited in other months in 1988. Also, no one questioned why revenues sharply fell in a court where

each year's revenues had always exceeded those of the previous year.

Despite the destruction of records, Benick answered "yes" to the question, "Are the records properly kept?" Benick told Susalis that he gave the clean bill of health because his boss "would not take anything less than a clear-cut opinion and a certification." Benick claimed that when he raised concerns with municipal officials he was assured that Heater was a pillar of the community and there was nothing to worry about.

Jersey City Municipal Court (Hudson County)

John Cardenas²³⁵, Fiscal Officer of the Jersey City Municipal Court, stole \$110,000 from the Court's drunk driving account in March 1989. Cardenas transferred the money from the Partial Payment Account of the Violations Bureau to the Drunk Driving Enforcement Fund Account in the same bank. The latter account required only one signatory -- Cardenas -- to issue a check. Cardenas withdrew the money by issuing a check to a corporation which he controlled and depositing the money into the corporation's account. The corporate account was depleted during the following month.

Roselle Borough Municipal Court (Union County)

Crystal L. Johnson²³⁶, a clerk in the Court Clerk's Office of the Roselle Municipal Court, stole \$2,288 from the office in August and September of 1988.

Woodbridge Township Municipal Court (Middlesex County)

Lorraine DeWolff²³⁷, a senior clerk-typist for the Woodbridge Municipal Court stole fines from court coffers from December 1989 through November 1990. A routine audit had revealed a shortage of about \$2,600 in fines paid in cash by defendants who had appeared in the Court. Authorities had been investigating the disappearance of about 75

criminal case files and at least \$6,000 in fines and penalties.

Penns Grove Borough Municipal Court
(Salem County)

Susan Stokes²³⁸, Deputy Clerk for the Borough of Penns Grove Municipal Court, took \$250, which had been deposited with the Court as bail. She claimed to have intended to annoy the Court Clerk.

Lakewood Township Municipal Court (Ocean County)

Beverly F. Blonder²³⁹, the Violations Clerk of the Lakewood Municipal Court, stole \$40,083 in court funds from January 1988 through March 1989 by depositing bail money into her own accounts. She had worked for the Court for 17 1/2 years before being suspended without pay on May 4, 1989. After another Court employee complained about problems in the Court's cash accounts, the Township Manager and Municipal Judge ordered an audit. When the audit was completed, the Ocean County Prosecutor's Office was notified. Eventually, the case was presented to a state grand jury and prosecuted by the State Division of Criminal Justice.

Blonder deposited bail payments into her personal bank account. Blonder wrote checks to repay some of the money, especially when she knew an audit was going to be conducted.

Moorestown Township Municipal Court
(Burlington County)

Joann C. Cross²⁴⁰, Court Administrator/Clerk of the Moorestown Municipal Court, stole \$18,117 in bail funds during 1991. She had served as Court Clerk since 1983 and had worked at the Court since 1977. Cross moved forfeited bails into the account for court costs instead of placing them in the Township's general treasury. She then removed funds for personal use. She also paid defendants who re-claimed missing bail funds with bail money posted

by other defendants. The investigation began in late March 1992 after a Township audit revealed that money was missing.

As demonstrated in the Barger case above, the staffs of higher courts have also experienced embezzlement scandals.

Superior Court, Somerset County, Special Civil Part

On January 10, 1992, a Somerset County grand jury indicted Karen A. Piazza²⁴¹, a cashier in the Special Civil Part, Superior Court, Somerset County, on charges of official misconduct and theft by failing to make the required disposition of property received. On January 3 and again on July 8, 1991, Piazza allegedly accepted \$1,200 in cash payments related to a landlord-tenant dispute. She allegedly kept the extra money for her own use and altered the court's computer data base to hide the theft.

Schools and county colleges, as illustrated by the Lowry case described by Prosecutor Blitz above, also have suffered from embezzlements.

Vineland City School District (Cumberland County)

Thomas Ronchetti, Sr.²⁴², Assistant Business Manager for the Vineland School District, and his son, Glenn A. Ronchetti²⁴³, a building maintenance worker and warehouse Work Control Specialist, conspired to embezzle substantial amounts of money and property from the District from 1985 to 1988. Glenn, who illegally benefitted by \$168,861, also pled guilty to other federal charges of embezzlement, payment of a gratuity and obstruction of justice.

Glenn directed District equipment to the personal use of himself, family and friends and padded overtime with phony time cards. He gave \$5,000 in school equipment and supplies, as well as two car engines, to Samuel A. Barile²⁴⁴, owner of Barile &

Sons Construction Co., in return for narcotics. He also accepted \$2,000 in kickbacks from Russell Caterina²⁴⁵, owner of Decorator's Boutique, in return for District purchases of nearly \$100,000 in paint and materials from June 1987 to July 1988. Thomas, Sr. and Glenn also approved overtime for Glenn and another family member, although they knew it was false, and took a personal computer and an electric generator from the District for their personal use.

In 1987 and 1988 Samuel A. Marciano²⁴⁶, owner of Marciano Construction Co. and M & K Construction Co., illegally received about \$10,000 worth of supplies, equipment and materials diverted from the Vineland School District by Glenn Ronchetti in exchange for cash. Glenn Ronchetti and his brother, Thomas Ronchetti, Jr.²⁴⁷, also stole documents from the District three days after they had been subpoenaed by a federal grand jury.

In yet another Vineland School District case, Frank A. Frederick²⁴⁸, Assistant Superintendent of the Vineland School District, was convicted after a jury trial in state court on December 20, 1991, of falsifying time cards from January 1987 to July 1989 to pay his son, Francis L. Frederick²⁴⁹, \$1,557 for custodial work not done. Frank Frederick also pled guilty on May 15, 1992, to those portions of a second indictment charging that from January 1987 to June 1989 he stole \$4,180 in registration fees from the Adult Evening School program, which he directed.

Salem City School District (Salem County)

George Hart²⁵⁰, Food Service Director for the Salem City School District, systematically embezzled funds from the school lunch, breakfast and special milk programs funded by the State Bureau of Child Nutrition Programs. Hart personally removed \$180 to \$230 cash per day from cafeteria daily receipts for the school years 1981 through 1985. He then filed

false monthly reimbursement vouchers with the State Department of Education misrepresenting the number of free lunches the School District was distributing. He wrongfully categorized the paid lunches as free lunches for which the District was entitled to reimbursement. An audit revealed the theft of \$148,706 from 1981 through 1985, and the indictment to which Hart pled guilty alleged the theft of \$213,506 from 1979 through 1985.

Dumont Borough School District (Bergen County)

On November 18, 1991, a summons was issued to the Assistant to the Administrator of the Dumont Borough School District, charging her with stealing \$14,400 from the District to support her alleged slot machine gambling habit. The Bergen County Prosecutor's Office was continuing the investigation. The Assistant had been responsible for the District's payroll. An alleged shortfall of about \$100,000 was discovered. The charges in the summons were based on five checks the Assistant had allegedly written to herself beginning in September 1990.

Passaic County Community College

Robert G. Westefeld²⁵¹, Dean of Business Affairs at Passaic County Community College, stole \$25,000 in school funds while employed by the College from September 1986 to June 1990. He had been responsible for depositing money collected from students. Westefeld admitted altering deposit slips so that it appeared he had deposited more money than was actually put into the school's bank account.

Libraries, prosecutors' offices, sheriffs' departments, county counsels' offices, police departments, municipally-owned golf courses and assorted local authorities and commissions were not immune from thefts of government funds.

Audubon Borough (Camden County)

June Shankin²⁵², Audubon Borough Librarian, stole \$20,175 from the Borough from January 1989 to June 1990. She purchased books for the Library with her own money and was reimbursed by the Library Board of Trustees. From 1976 to 1990 Shankin submitted vouchers in excess of \$89,000. However, the Board President discovered that books signed out or on the Library's shelves did not include many copies for which Shankin had claimed reimbursement. He refused to approve her vouchers unless Shankin produced booksellers' receipts. He also questioned the Board's earlier policy of not requesting receipts for purchases.

A Camden County Prosecutor's Office investigation revealed that in many cases Shankin requested reimbursement in amounts greater than the publishers' prices for the books. Investigators discovered that copies of about 500 titles revealed on Shankin's reimbursement vouchers previously existed in the library's inventory. Except for one book, the extra copies that Shankin claimed to have purchased could not be found.

Salem County

While on a business convention trip to San Francisco, California in August 1988, Salem County Prosecutor Frank J. Hoerst, III²⁵³ withdrew by voucher \$7,500 from a fund financed by drug enforcement forfeitures to pay for a three-day trip to Monterey for himself, his girl friend, the County's First Assistant Prosecutor and the First Assistant's wife. Hoerst contended that the trip was a retreat to discuss staff increases won in a lawsuit against the county freeholders, as well as a capital case which he and the First Assistant were scheduled to try. He maintained that prosecutors in Salem County and elsewhere commonly included spouses and guests on such trips at the expense of drug enforcement forfeiture funds.

East Orange City (Essex County)

In the mid-1980s East Orange Mayor John C. Hatcher, Jr.²⁵⁴ and Charles L. Munford, Sr.²⁵⁵, Manager of the city-owned and operated East Orange Golf Club, obtained a \$6,975 check for dues from the Garden State Duffers Golf Club and failed to deposit it in the city treasury as required. The Duffers had made the check payable to the John C. Hatcher Civic Association. Less than one third of the money was applied toward a scholarship for a needy East Orange student, and the balance was used to pay printing fees and a campaign debt from Hatcher's slate. After he became Mayor in 1986, Hatcher had appointed Munford as Manager of the Golf Club.

Newark City (Essex County)

On July 23, 1992, a federal grand jury indicted a Newark Councilwoman and her son, a salaried aide, on charges of stealing over \$30,000 from the City between February 1987 and September 1990. They allegedly convinced Newark officials to provide about \$27,000 in salary and vacation pay to a "shadow employee" of the Councilwoman and diverted the money to the benefit of themselves and others. They also allegedly obtained \$1,900 in reimbursement from the city for fraudulent restaurant vouchers, \$1,200 for fraudulent travel vouchers and \$600 for a fraudulent voucher for electronic equipment.

Camden County

On February 7, 1991, a state grand jury indicted the former Camden County Counsel for stealing \$703,948 in county funds, which were supposed to have been paid to contractors doing work for the County. He was charged with official misconduct, misapplication of entrusted government and private property and theft by failure to make the required disposition of property received. He was also accused of three counts of forging endorsements on checks from the County to contractors: \$450,000 on November 24, 1986, \$118,588 on August 19, 1986, and \$50,000 on July 15, 1987. In his private law

practice he was accused of unlawfully taking \$89,039 and another \$11,062 from clients' estates. Finally, he was charged with failing to file state income tax returns for 1985, 1986 and 1987.

The defendant resigned his Counsel position just before pleading guilty to federal income tax evasion charges on May 31, 1989. He underreported the income on his 1982 federal tax return by over \$34,000. He was sentenced in federal court on August 2, 1989, to six months in prison, five years probation (including participation in a treatment program for gambling), 200 hours of community service, a \$20,000 fine and \$71,012 restitution to the executor of a client's estate.

Hudson County

Nicholas A. Mina, Esq.²⁵⁶, Risk Manager in the Hudson County Department of Finance and Administration, allegedly diverted from November 1988 through April 1989 \$16,080 in county funds which had been entrusted to him.

Washington Township Municipal Utilities Authority (Gloucester County)

In a guilty plea on July 23, 1992, Barbara Costello²⁵⁷, Executive Director of the Washington Township MUA, admitted taking MUA funds for personal use. On March 30, 1992, the MUA Board accepted Costello's resignation. She had been on unpaid leave of absence since March 23 when an audit revealed missing funds. MUA officials reported the financial discrepancies to the Gloucester County Prosecutor's office. The audit showed that \$2,750 was taken from July 1988 through March 1992. Costello kept cash payments made by residents for water and sewer connection fees.

Burlington County Bridge Commission

In April 1992, 11 toll collectors and supervisors for the Burlington County Bridge Commission were

arrested and charged with stealing nearly \$21,000 in tolls. A twelfth collector shot himself to death the day before he was to have reported for his arrest. The thefts were allegedly discovered by an audit covering the months of October, November and December 1991, but Burlington County Prosecutor Stephen G. Raymond indicated the thefts could have been going on as far back as the late 1970s. In one method of stealing, the perpetrators allegedly plugged exact change baskets with paper coffee cups to catch coins before they could be counted in the Commission's receipts. They were also accused of tampering with counters to make sure the car count was not too much higher than the money turned in. They also allegedly pocketed money that fell on the ground. Six resigned, made restitution and were admitted into PTI in September 1992.

The thefts were discovered when the Commission's financial officers and internal auditors found "substantial" toll losses. Also "honest" toll collectors contacted the Commission Chairman and revealed they suspected irregularities. Each collector was allegedly working independently of the others. Most of the thefts took place at the Tacony Palmyra Bridge, but the supervisors were able to move between that bridge and the Burlington-Bristol Bridge. All eleven were suspended without pay pending the outcome of the charges.

Trenton City Housing Authority (Mercer County)

LaVon Jenkins²⁵⁸, Purchasing Director for the Trenton Housing Authority, had the Authority pay \$830 for carpeting installed in his home in 1984. Jenkins ordered the carpet from a Yardley, Pennsylvania, retailer and directed the retailer to send the bill to the Authority. Jenkins let several invoices that described the purchase go unpaid before finally signing a purchase order that described the item as linoleum. Only after he learned from the Authority's Executive Director that state officials had him under investigation did Jenkins claim an error had been made and repay the Authority.

Union County

Joseph J. Cepparulo²⁵⁹, a Corrections Officer at the Union County Jail, stole \$5,852 from Union County by putting in for overtime for which he had not worked from July to December 1989.

In a separate incident in Union County, Roberta Allen (aka Chism)²⁶⁰, a civilian employee in charge of bail monies at the Union County Sheriff's Department, stole \$9,644 by altering documents and failing to make proper deposits of bail monies from November 1987 to March 1988.

Morristown Town (Morris County)

William J. Niesen, II²⁶¹, Director of Morristown's Department of Human Services and Rent Leveling Manager, purchased computer equipment and software for the town through his private business, A. Jay Sales & Leasing, from November 1984 to January 1986.

Morris Township (Morris County)

Frank C. Manniello²⁶², a full-time employee of the Morris Township Fire Department and President of its volunteer branch, the Collinsville Fire Company, stole in April and May 1987 at least \$5,577 from the Collinsville Fire Company. He converted to his own use the proceeds of two forged checks drawn on the account of the Fire Company.

Piscataway Township (Middlesex County)

On June 15, 1992, the Middlesex County Prosecutor's Office charged Piscataway's Director of Public Works and Recreation with stealing approximately \$30,000 from township recycling funds from March 1988 to April 1992. He allegedly established a separate township account, deposited funds into the account paid by recycling companies and took money from the account for his personal use. The

money was found missing during a routine audit of township funds in April 1992, and township officials asked the Prosecutor's Office to investigate. The Director was suspended without pay in April 1992. He pled not guilty to charges of official misconduct and theft. The allegations have not yet been considered by a grand jury.

In 1987 the Director and three others were charged in Somerset County with participating in a \$2.5 million-a-year sports betting ring. Investigators alleged that the four handled up to \$25,000 in bets per week from up to 1,250 gamblers. The Director was admitted into the Pretrial Intervention Program, and the charges were eventually dismissed.

Riverside Township (Burlington County)

On June 11, 1992, a Burlington County grand jury indicted the Chief of the Riverside Police Department and a Corporal in the Department for fraudulently taking money from the State Drinking Driving Enforcement Fund. Allegedly, the two submitted false overtime slips for reimbursement for time they did not work. The Chief allegedly illegally received \$4,400 from the fund, and the Corporal received \$980, in August and September 1991. Allegedly, on two of the nights when the Chief claimed overtime he was not even in New Jersey. Both were charged with official misconduct and theft by deception. The Chief was also charged with tampering with a witness, hindering apprehension and tampering with public records. Burlington County Prosecutor Stephen G. Raymond noted that the investigation, which began with an anonymous tip, led to the resignation of another Riverside police officer and administrative discipline against two others. The Chief has been on unpaid medical leave since January 3, 1992.

Blairstown Township (Warren County)

On February 27, 1992, a Warren County grand jury indicted Blairstown's Chief of Police and a part-time Blairstown special police officer, Law-

rence T. Plesh²⁶³, for official misconduct, conspiracy to commit official misconduct, theft by deception and tampering with public records in connection with an alleged scheme to falsify records on the number of hours Plesh put in and to submit false reports to the State Department of Labor to boost Plesh's unemployment compensation. Allegedly, Plesh wrongly received more than \$8,000 in unemployment benefits between December 1990 and October 1991. Plesh allegedly "banked" work hours during the year by turning in time cards showing he worked fewer hours than he did. He allegedly collected unemployment compensation based on the Chief's certifications of hours worked. The officer, with the Chief's knowledge, allegedly intended to submit a bill to the township for the banked hours at the end of the year.

Another indictment charged the Chief and Blairstown's Public Works Director with official misconduct, conspiracy to commit official misconduct and theft by deception in connection with an August 1990 private cleanup at public expense of land owned by the Chief. Allegedly, the Public Works Director, and perhaps other township employees, carted a load of household goods from a residence being vacated by the Chief's mother and deposited it on township-owned land. Then the Director allegedly had public employees and equipment load the material into a dumpster that cost the Township \$600.

GOVERNMENT PROPERTY AND SERVICES

Local corruption deprives the public of the use of its property and the services of its employees. Alternatively, it allows public property and services to benefit private interests at public expense. This wastes public assets, deprives private enterprise of opportunities and gives an unfair competitive advantage to those favored with illegal access to public resources.

Teaneck Township (Bergen County)

Jack Terhune, the Sheriff of Bergen County, testified at the public hearing about long-running thefts of traffic signal equipment from Teaneck by township employees. Terhune investigated the scheme, along with representatives of the Bergen County Prosecutor's Office, while serving as a Lieutenant in the Teaneck Police Department.

Terhune testified that David A. Rueger²⁶⁴, a Supervisor in Teaneck's Public Works Department and a township employee since 1958, was responsible for the repair and replacement of all traffic signal control devices within the Township. His son, Robert C. Rueger²⁶⁵, was an Assistant Supervisor in the Public Works Department, having begun to work for the Township in the mid-1980s. Robert also maintained traffic signals for Teaneck.

For many years, in a situation that obviously posed a threat to his loyalty to the Township of Teaneck, David Rueger also owned and operated a private business that installed and repaired traffic control devices for a number of neighboring communities, including Dumont, New Milford, Maywood, River Edge, Edgewater and Hawthorne. David's father, who had also worked for Teaneck, started the business. David's son, Robert, was also

brought into the company.

Terhune testified that David Rueger "almost exclusively ... used traffic equipment which was the property of Teaneck to repair the signals in the adjacent communities" on behalf of his private business. None of the payments those towns made to David Rueger for the repairs was used to reimburse Teaneck for the cost of its parts. David eventually enlisted his son Robert in this scheme. The Ruegers were initially accused of stealing more than \$50,000 worth of traffic equipment from the Township.

In 1986 the State began to require a license of those who worked on traffic signals. However, the requirement did not put David Rueger, who was not a licensed electrician, out of business. He brought into the scheme a licensed electrician employed by the Teaneck Fire Department to repair fire alarm systems. This person, who had previously moonlighted for David Rueger's private business, set up his own business to perform the signal work in the surrounding towns. However, the parts that his company installed for the other towns' signals continued to come from Teaneck through the Ruegers. Terhune testified that the Ruegers maintained control of the operation because "they had the only access to the inventory supply room where all the traffic equipment was stored."

The scheme finally began to unravel after complaints from two sources. Another Teaneck employee reported seeing a township-owned truck at a traffic signal repair site in another town. When this was reported to township administrators, they informed the Council, which had also received an anonymous report alleging the theft of traffic signal

parts. The Council hired a private investigator to report to a special investigative committee created by the Council. The investigator's results were turned over to Terhune, who concluded the investigation along with Senior Investigator Donna Schmidig of the Prosecutor's Office. Eventually, the Fire Department's electrician cooperated with the investigation and wound up in the Pretrial Intervention Program. The Ruegers pled guilty to theft.

Terhune attributed the plotters' ability to continue their scheme for so long in part to the absence of inventory control in Teaneck. When traffic signals were damaged, David Rueger would represent to township administrators that the signals were a total loss. Insurance carriers would reimburse Teaneck on that basis. Meanwhile, the Ruegers salvaged a substantial inventory from the undamaged parts -- or from the unnecessary replacement parts -- for use in their private business.

Middlesex Borough (Middlesex County)

Vincent A. Lella, Sr.²⁶⁶, Middlesex Borough Public Works Superintendent, stole two old Borough trucks in 1989. He gave one, a dump truck, to his son, Vincent A. Lella, Jr.²⁶⁷, a laborer in the Public Works Department, for use in a landscaping business. When officials inquired about the dump truck, the Lellas brought it to a scrapyard for demolition, but investigators recovered the engine block before it could be destroyed.

Lella, Sr. also changed the title to a Borough pickup truck, sold it for \$1,000 instead of junking it and pocketed the proceeds. In addition, Lella, Sr. had municipal employees, working on Borough time, install in his personal car a radiator that had been purchased by the Borough. Finally, Lella, Sr. ordered subordinates to destroy certain records that had been stored in the municipal garage and which related to the stolen Borough property.

Police began investigating after a Councilman on the Borough's Finance Committee complained

about excessive prices for chemicals and other items, found discrepancies in Borough records and conducted a surprise inventory at the Public Works Department. When the Prosecutor's Office joined the investigation, it learned about the practice of junking Borough equipment. Investigators also found weak controls at the Borough's gas pumps.

Camden City (Camden County)

In September 1989 John H. Williams²⁶⁸, an employee of the Camden City Utilities Department, used a city backhoe on city time to grade a driveway and clear debris at a private warehouse. Williams received a share of \$780 that an undercover investigator with the State Division of Criminal Justice had agreed to pay to Cleveland S. Fort²⁶⁹, a private contractor, to perform the unauthorized work, as well as remove ten 55-gallon drums marked as containing hazardous waste. Fort removed the drums to a vacant lot, and Williams and two other Utilities Department employees used city equipment on city time to remove the collected debris. Some of the debris was hauled to the Camden City Transfer Station, and Williams deposited the contents of one backhoe bucket along a Camden street. In return, the undercover investigator paid \$380 to Williams.

In another Camden case, Howard Caldwell²⁷⁰, head of the Camden Police Department's Vice Unit, was convicted after a jury trial of one count of official misconduct in connection with the custody of vehicles that had been used during the commission of crimes in Camden. Caldwell had retitled a Toyota, impounded in connection with a robbery, in his own name. The car had been scheduled for sale at auction in 1988, but it was removed from the sale list and turned over to Caldwell, ostensibly for use during undercover investigations or surveillances. Shortly thereafter, Caldwell transferred title to his niece.

Caldwell was acquitted of theft of the Toyota and another car, also listed for sale at the auction but obtained by Caldwell and transferred to his nephew. He was also acquitted of misconduct in connection with the title transfers.

Investigators found that the system for removal of vehicles from the auction list lacked proper controls. No one ever checked to make sure that vehicles that were supposed to be titled to the City ever were.

In yet another Camden case, on July 16, 1992, a state grand jury indicted seven city public works employees and three contractors on charges of illegally dumping trash at Camden's trash transfer station so that the City had to expend hundreds of thousands of dollars in excess disposal fees. The scheme, occurring from February 1990 to April 1991, was allegedly controlled by the Streets Superintendent, who was accused of allowing contractors to dump demolition debris, tires, and other commercial waste at the transfer station in return for bribes. He also allegedly authorized city workers and equipment to clean up and remove trash from private lots in Camden in return for bribes. The Superintendent was also indicted for running a loansharking operation in which he allegedly charged city employees 25 percent interest every two weeks and collected the money from them by having others cash their paychecks and give him the principal and usurious interest. The Superintendent and the other employees -- a Supervising Inspector, a Parks Supervisor, an Equipment Operator and two others -- were suspended without pay after being arrested on the charges in 1991.

Trash is collected at the transfer station before being transported to the Pennsauken landfill. It is supposed to be limited to household garbage and waste from cleanup of city-owned property. Allegedly, commercial waste was trucked in from as far away as Atlantic and Burlington counties. Over two

weeks in early 1991 alone, one contractor allegedly dumped so many loads at the transfer station that it cost Camden about \$85,000 in landfill fees.

The investigation included surveillance of the transfer station and undercover officers posing as contractors willing to pay bribes. The State Division of Criminal Justice, Camden County Prosecutor's Office and Camden Police Department cooperated in the investigation.

Winslow Township (Camden County)

On June 19 and 20, 1991, Robert Moore²⁷¹, a trash truck driver for Winslow Township, received \$55 in cash from a tire company operator in return for using a township trash truck to collect and dispose of 160 tires as though they were properly authorized residential trash. Had Moore not been intercepted on the way to the local transfer station by township officials alerted by an inquisitive neighbor, the Township would have had to pay \$320 to dispose of the tires.

Essex County

On June 11, 1992, the Essex County Prosecutor's Office charged the County's Director of Roads and Bridges and its Road Supervisor with permitting trash haulers to illegally dump for 18 months more than 11,000 tons of construction debris on county property -- called the "Hilltop" -- in Verona. Ten trucking companies and 24 other individuals were also charged, and the Prosecutor's Office filed lawsuits seeking the forfeiture of 40 dump trucks and one front-end loader, which were allegedly used to illegally transport the debris. The two public officials were suspended without pay from their county jobs in September 1991 after Verona residents discovered a 40- to 60-foot-high mound of debris at a Hilltop site in August.

The County spent \$2 million to remove the trash and is seeking reimbursement through the State Spill Compensation Fund. Prosecutors estimated

that the haulers saved \$1.2 million when they dumped the debris illegally instead of processing it through the authorized transfer station. A grand jury investigation of suspected environmental crimes and official misconduct is pending.

Mount Ephraim Borough (Camden County)

In April 1990 John F. Lafferty²⁷², a Mount Ephraim Commissioner who was in charge of the Borough's Public Works Department, had employees of the Department improve a parking lot adjacent to the Mount Ephraim Democrat Club. The lot, owned by a private company, had been used for overflow parking during club functions. Two loaders, one dump truck and one backhoe belonging to the Borough had been used to make the parking lot improvements. The dump truck was used to acquire 14.57 tons of "quarry blend" rock from a vendor for the project. In the case of the quarry blend, the Democrat Club reimbursed the Borough for the material, which had originally been billed to the Borough.

Newark City (Essex County)

Oscar James²⁷³, Executive Assistant to Newark's Director of General Services, had city carpenters and an electrician use government-owned supplies in November 1988 to repair a fire-damaged house owned by the mother of James' girlfriend. He also had unsuspecting lumber suppliers bill Newark for supplies to repair his girlfriend's apartment in the house and arranged for the City to pay the suppliers.

Lacey Township (Ocean County)

On February 6, 1991, an Ocean County grand jury indicted Walter J. Baillie, Jr.²⁷⁴, Superintendent of Lacey Township's Public Works Department, for theft by deception and official misconduct. Baillie was accused of having township employees on official time make reflective metal signs between 1986 and 1990 to number 250 slips at a marina

where Baillie kept his boat.

Bernardsville Borough (Somerset County)

In early 1990 the Somerset County Prosecutor's Office investigated allegations that the Borough Administrator/Engineer for Bernardsville was performing private work while being paid by Bernardsville, using the Borough Clerk as his private secretary on Borough time and using the Borough computer to prepare his private consulting reports. The Administrator paid \$250 restitution to the Borough and resigned his position of 15 years.

Harding Township (Morris County)

John E. Phelan²⁷⁵, Superintendent of the Harding Township Public Works Department, used township employees under his supervision to make repairs to his and his relatives' private vehicles from August 1989 to June 1990.

Butler Borough (Morris County)

Renard A. Galus²⁷⁶, an Officer with the Butler Police Department, in June 1991 took gasoline from the Borough pumps for his personal use.

Edison Township School District (Middlesex County)

On October 16, 1991, a Middlesex County grand jury indicted the Audio-visual Coordinator for the Edison School District for allegedly stealing school audio-visual equipment. He was charged with official misconduct and theft in connection with the alleged taking of a video cassette recorder, television and personal computer from the District between January 1987 and May 1991. He was also charged with billing the District for reimbursement for alleged phony business mileage. He was suspended without pay from the Audio-Visual Coordinator position.

The investigation took place after the ex-wife of the Coordinator's son, herself a clerk for the School District, gave a May 13, 1991, sworn statement to the School Superintendent and Board about her former father-in-law giving the allegedly stolen items to her and her husband in 1989. The statement was turned over to the Prosecutor's Office.

In connection with the same investigation by the Middlesex County Prosecutor's Office, an Edison School District computer science teacher, Thomas Mainiero²⁷⁷, was suspended with pay after being arrested for allegedly stealing two personal computers from the District.

Ridgefield Borough (Bergen County)

In March 1991 a Bergen County grand jury indicted the Sanitation Director/Recycling Coordinator for the Ridgefield Department of Public Works for allegedly taking over \$1,200 in bribes from the superintendents of two apartment complexes in return for having Borough employees remove trash from the apartments from April through October 1990. Such trash should have been removed by private carters. The defendant was charged with official misconduct and bribery. In early 1992 his first trial ended in a hung jury. A new trial had not been scheduled at the time this report went to the printer.

Trenton City (Mercer County)

On November 5, 1991, the Trenton Water Works Supervisor was arrested on charges of official misconduct and theft. The next day, a Water Works employee was arrested and charged with official misconduct, theft and making gifts to public servants. Other arrests were contemplated, and a grand jury presentation was expected. Most of the charges stemmed from the alleged use of city equipment and materials for unauthorized work.

Keansburg Borough (Monmouth County)

In a presentment released on March 17, 1987, a Monmouth County grand jury censured Keansburg officials. The grand jury related that in early 1986 Alan LaFoe, a Councilman, was converting his two-family home into a single-family dwelling. James Davis, Director of the Municipal Utilities Authority (MUA) and a Plumbing Inspector, inspected the plumbing work, which had been performed by his son, and found that the water pressure was unsatisfactory. Davis then dispatched an MUA supervisor, an additional worker and an MUA backhoe to the property to correct problems with the water box connecting the house to the water system.

LaFoe asked the MUA supervisor to use the MUA backhoe to break down stairs and a slab at the rear of the house, but the supervisor declined the request. Davis later authorized MUA employees to return and do the work with equipment that was on the site. Employees of the Borough's Public Works Department also removed trees from LaFoe's property.

The grand jury criticized the "pervasive attitude in Keansburg government that it is permissible to do private works for citizens in town by public employees and equipment." The grand jury recommended that LaFoe reimburse the MUA \$350 for the value of the work. It also recommended that the governing bodies of the Borough and the MUA adopt regulations "that prohibit the use of public employees or equipment on projects not authorized by law" and "adopt rules and regulations for the conduct of Keansburg MUA affairs."

Bridgewater Township (Somerset County)

An investigation by the Bridgewater Township Police Department and the Somerset County Prosecutor's Office revealed that on October 11, 1990, a

Township Road Department employee had used asphalt from a township-owned truck to pave his personal driveway in another town instead of using it in his work patching Bridgewater potholes. The matter was returned to Bridgewater for administra-

tive action. In a letter from the Mayor placed in his personnel file, the employee was suspended without pay for six weeks from October 15, 1990, to November 26, 1990, for conduct unbecoming an employee.

RECOMMENDATIONS

Despite a host of successful prosecutions and exposes over the years, the problem of local government corruption persists. This is so even though many significant tools for fighting corruption have become available in the last two decades. Although society can still count on the honesty of the vast majority of local officials, the Commission's inquiries and the witnesses at the public hearing have suggested that much more can and should be done.

In addition to realigning investigative resources and improving remedies and methods of detection, United States Attorney Michael Chertoff's call to "get to the hard questions of how we eliminate the conditions that seem to promote public corruption in this state" must be heeded. Mr. Chertoff described law enforcers today as being "like firefighters" coming on the scene where "the fire has already been set." The Commission agrees with him that the critical question is how to prevent corruption.

The Commission trusts that implementing the following recommendations will protect the public and save substantial tax dollars. These measures will also help to restore public confidence in the integrity of local government.

Inspectors General

Offices of Inspector General (IG) should be created by statute in departments responsible for the distribution and oversight of large amounts of public funds which are expended at the local level. The Commission agrees with Attorney General Robert Del Tufo's call for the statutory creation of such offices in six departments: Education, Human Services, Transportation, Community Affairs, Treasury and Health. Presently, the Department of Transpor-

tation has an Inspector General appointed by and responsible solely to the Commissioner of Transportation.

Each IG should have a measure of independence and report to the Attorney General, as well as the relevant department head. This would facilitate the referral of criminal matters for prosecution. The implementing legislation should mandate the selection of IGs without regard for political affiliation. They should also be qualified by education, experience and professional certification in the fields of accounting, auditing, financial analysis, law, management analysis, public administration, investigation or criminal justice administration.

Electronic Surveillance

Electronic surveillance has often provided definitive evidence for successful prosecutions of official corruption. Attorney General Del Tufo called for amendments to the New Jersey Electronic Surveillance Act to bring modern methods of communication, such as facsimile machines, beepers, computers and the like, within its purview. The Commission agrees that the technological gaps in the law should be plugged.

The Commission further believes that electronic surveillance is so crucial in the investigation of corruption and other serious offenses that the law authorizing it should be made permanent.

Civil Remedies

The Commission also agrees with Attorney General Del Tufo's call for codification of civil remedies not already provided for by statute. The

Attorney General or county prosecutors should be allowed by statute to sue corrupt public officials and their confederates in the private sector to recover all of the public funds lost and all of the gain acquired as a result of their wrongdoing.

Such remedies are particularly necessary because criminal cases often focus on the corrupt public officials and extend considerable leniency to cooperating private individuals with whom the officials dealt. In some situations the private individuals may be shake-down victims, but more often they are willing participants in schemes to circumvent the law. Civil remedies are an effective way to provide accountability and acknowledge the private sector's important role in frequently facilitating corrupt transactions. They also help to prevent those who owe a fiduciary duty to the public correlative to that owed by public officials from escaping their share of responsibility for illegal activity.

Criminal restitution is presently limited to the "value separated from the victim." N.J.S.A. 2C:43-3e. Thus, it retrieves only the "loss" suffered by the victim. There should be a clear cause of action allowing recovery of profits obtained by those who have breached the public trust. This would ensure relief in many common corruption situations, such as the acceptance of bribes or the selling of influence or inside information.

Civil remedies also allow vindication of the public trust in those cases where the burden of proving a criminal case is too onerous because of requirements such as unanimous juries and proof beyond a reasonable doubt (instead of the civil standard of proof by a preponderance of the evidence). Moreover, civil consequences can be more meaningful than criminal penalties -- especially when the deterrence of incarceration is unavailable or diluted because of prison overcrowding, lenient sentences, and the availability of pretrial intervention, work release and intensive supervision programs.

N.J.S.A. 52:17B-5.13 and 5.14 authorize the Attorney General to initiate proceedings in state or federal court to recover for governmental entities public funds taken by public officials or employees and converted to their own use. However, as pointed out by Attorney General Del Tufo, these statutes require a criminal conviction as a prerequisite to suit. They also do not provide authority for county prosecutors to bring actions, and they do not allow recovery of the Attorney General's costs and attorney fees. In addition, they fail to address actions against private sector confederates of corrupt officials. Finally, the statutes limit recovery of benefits acquired through corrupt activity to cases in which the Attorney General can establish that a corrupt official's illicit gains would have been used for the public benefit but for the corrupt activity. As already noted, New Jersey needs a much more extensive statutory program.

A comprehensive statutory regime, with carefully crafted due process protections and judicial oversight, should also authorize the freezing of personal and real assets as security for any judgment obtained in actions for breach of the public trust. The statute authorizing writs of capias ad respondendum (arresting and holding bail on a defendant to ensure his appearance in a civil action), N.J.S.A. 2A:15-41, should be expanded to include claims for disgorgement of unjust enrichment on account of misconduct by a public official or employee, as well as damages. It should also clarify that the action may be based on breach of public trust as well as more familiar torts. Such amendments would also enhance a plaintiff's ability to secure a potential judgment with the alternative procedure of a writ of attachment of personal and real property. See N.J.S.A. 2A:26-2a.

In his testimony at the public hearing, Steven Gerber, who brought successful civil cases against corrupt officials and developers on behalf of the Township of Wayne, emphasized that there is more at stake than simply the economic costs and benefits of the litigation. The Wayne lawsuits were success-

ful economically, but Gerber pointed out:

[E]ven more importantly, they have had a positive effect on the community -- to receive some compensation from those who participated in the wrongdoing. That's not to say that the Township delivered this on its own. It would be foolish to say so. Credit has to be given to the federal criminal authorities who broke the case. But there is something to be said in favor of Wayne Township -- and in favor of its other public officials, who basically had unblemished records with respect to this corruption. -- that it was willing to take a chance and make a statement that it would not tolerate such conduct. And the lawsuits are a tangible way, I believe, for the public and public officials to express outrage at the breach of public trust.

Giving clear statutory standing to the Attorney General and the county prosecutors to pursue comprehensive civil litigation on behalf of government entities affected by corruption would help local government units that lack the resources or the will to pursue such litigation. Such standing should also be given clearly, by statute, to those local entities that do choose to seek remedies on their own behalf or in conjunction with the Attorney General or a county prosecutor.

A statute should also clarify and expand the remedies available. The measure of damages to a government entity whose servants have breached their public duties should include at least the value of gifts given and the amount of bribes paid. As pointed out by Steven Gerber in his public hearing testimony, new statutory remedies would have to be coordinated with criminal forfeiture laws, as well as civil forfeiture laws under federal RICO and the New Jersey Anti-Racketeering Act. The law should also supplement remedies traditionally available under the common law. For example, damages should be doubled or trebled, civil penalties should be provided for, and attorneys fees and costs should

be awarded.

Since breaches of the public trust are conducted in secrecy, a sufficient statute of limitations period should be allowed so that the passage of time does not eliminate the public's cause of action. Mr. Gerber testified that one of his lawsuits on behalf of the Township of Wayne was brought in state court rather than federal court in part because the statute of limitations for federal RICO actions is only four years. Relying on a common law cause of action, Gerber anticipated that Wayne's claim might benefit from a limitations period more akin to the State's six-year statute of limitations in fraud actions.

The Commission believes that the statute of limitations for actions based on breaches of the public trust should be 10 years -- the same as that provided by N.J.S.A. 2A:14-1.2. That law, enacted earlier this year, responded to decisions by the New Jersey Supreme Court abolishing the common law doctrine of nullum tempus occurit regi ("time does not run against the king"), which exempted the State and its integral agencies and political subdivisions from limitations periods generally applicable in civil actions.

In addition, deputy attorneys general, assistant prosecutors and municipal counsel preparing such suits should have more ready access to grand jury materials. So long as safeguards are in place to prevent the use of grand juries as mere discovery mechanisms for civil litigants, there is no reason why grand jury materials -- gathered in good faith efforts to develop criminal cases -- should not be available to those seeking civil remedies on behalf of the public.

Debarments

Executive Order 34, issued by former Governor Brendan Byrne in March 1976, authorizes debarment from state business of those vendors who lack "responsibility," including those convicted of criminal offenses. Executive Order 34 addressed a legiti-

mate need in a logical fashion. Unfortunately, over time and with the growth in size and complexity of state government, Executive Order 34 has evolved into a complicated and mismanaged system. Widely misunderstood, the Executive Order 34 system, in its present operation, is more dangerous (because of its publication of inaccurate information) than it is helpful.

Citing Executive Order 34, the State Treasurer, through the Division of Building and Construction (DBC), issues a monthly report of what is purported to be valid debarments, suspensions and disqualifications of individuals and firms. DBC's list may be obtained upon request, and it is automatically sent to 162 organizations and individuals in the public and private sectors. A great number of names on the list cannot be proved to belong there. In many instances, there is little or no documentation of the procedure mandated by Executive Order 34 to protect vendors and the State. In the case of at least one professional, there is no evidence that the person listed was debarred, and more importantly, that the person committed a crime, which is indicated as the basis for the erroneously listed debarment. The Commission urges that the list now published be purged immediately of every name that lacks sufficient backup information for inclusion and that precautions be taken to guarantee the accuracy of any future list.

Not including the medical section, DBC's list has fewer than 20 entries for firms and individuals debarred because of convictions for crimes. Any reader of the list maintained under the auspices of Executive Order 34 has to wade through about 800 entries -- mostly for medical and prevailing wage rate violations -- in order to find those few that have been debarred as a result of criminal convictions.

The Division of Purchase and Property (DPP), otherwise one of the most procedurally reliable state agencies, debars convicted vendors based largely on unsystematically obtained media reports of convictions in New Jersey and other jurisdictions. DPP has

little recourse because it and most other agencies are not authorized to routinely look up official criminal background information regarding prospective vendors.

One means of learning of vendor activity is through criminal case data collected by the State Division of Criminal Justice (DCJ) from its own records and those of the county prosecutors' offices using a Special Notice of Indictment/Conviction (SNIC) form. SNIC forms are filled out for every public official/employee and health service provider and whenever a defendant who has committed an offense "indicating a lack of business integrity or honesty" is a potential state contractor. In his discretion the Chief of the Information and Records Management Section of DCJ may forward the SNICs to agencies that may do business with the offenders.

The Purchase Bureau in the DPP, which buys for most of state government, routinely denies contracts to criminally convicted vendors. But DPP may not be representative of other government purchasers. Some state agencies have authority to award contracts to vendors for the benefit of third party "clients" of the agencies. Also, "delegated purchasing authority" allows a state agency to make awards for less costly purchases without using DPP. The state administrative code prohibits the award of business to a debarred vendor, but DPP has no procedure for checking if awards are being made to debarred vendors through delegated purchasing authority or third party contracting. Moreover, the Office of Management and Budget (OMB), which pays the State's bills, has no procedure for blocking payment to any vendor whose name appears on the debarment list. OMB does not even check the list. Instead, it relies upon each agency to catch debarred contractors before an obligation to pay is incurred.

Another mechanism for vendor debarment has been in existence since 1979, but inexplicably ignored by state officials charged with implementing it. N.J.S.A. 2C:51-2e declares ineligible to do business with government, including all the State's

political subdivisions, those who have been convicted of bribery in official and political matters, paying or receiving compensation for past official behavior, giving or receiving gifts to or as public servants, compounding, official misconduct or speculating or wagering on official action or information. The ineligibility applies to businesses in which convicted persons are principals or control or own at least five percent of the stock. The bar lasts 10 or five years from the date of conviction, depending on whether the crime was of the second degree or third degree. The law adds, "The State Treasurer shall keep and maintain a list of all corporations barred from conducting such business" The law does not provide for any other types of debarments or suspensions and disqualifications for any reason. Moreover, there is no provision for debarment based on poor contract performance.

No one has maintained the list called for by N.J.S.A. 2C:51-2e, even though the Division of State Police can easily generate a computer printout of all those convicted of the offenses enumerated in the statute. At the Commission's request, a list of approximately 360 individuals who were convicted of the six specified offenses from 1982 to mid-1992 was generated. Because the computerized criminal history files have not yet begun to include data on the degree of crime committed, one cannot know whether each individual should be disqualified for five or ten years without a search of underlying records. No one has conducted such a search.

Codification of the essential elements of Executive Order 34 is long overdue. The new law should also incorporate the salient provisions of N.J.S.A. 2C:51-2e. Meanwhile, the law should give effect to the State's debarments, suspensions and disqualifications at the local government level. An office within a single department should have primary responsibility for implementing the law, promulgating regulations, determining who will be rejected from doing business with any public entity and deciding whether companies have severed ties with banned individuals. It is recommended that the

single agency with that responsibility should be the Office of the Attorney General. The issue at the center of debarment is integrity -- properly the first concern of the Attorney General. From a practical standpoint, the Attorney General controls access to the criminal history data and is present at every debarment proceeding. No other agency has an equal capacity to determine accuracy of information in the system.

Existing laws banning certain types of vendors -- e.g. physicians -- from dealing with certain types of programs -- e.g. Medicaid -- should remain intact, but standards should be established to determine which, if any, of those vendors may not be allowed to deal with other public entities for other purposes.

A method for recognizing and including all professional disqualifications, not just medical, taking place in federal or other state jurisdictions should be adopted for the debarment list.

If a government unit feels it must deal with banned individuals, or if rehabilitated individuals can establish that they are no longer a threat to the integrity of public purchasing, the system should provide for presentation of proofs at public hearings -- upon notice to the public with an opportunity for members of the public to participate. The degree of cooperation with investigating and prosecuting authorities should be a factor in determining whether a vendor has demonstrated sufficient rehabilitation to do business with the government.

The new system should carry over some features of Executive Order 34. A procedure for suspensions, debarments for poor performance and disqualifications should be maintained. Those included on the list should receive proper notification and an opportunity to contest the scope and terms of their debarments, suspensions and disqualifications. The list should be public and readily accessible by toll free telephone number to state agencies, as well as the approximately 1600 local government entities with purchasing authority. So long as all of

those offices regularly use the telephone to check their vendors against the list, wasteful monthly distribution of hard copy lists may be eliminated.

All those who do a certain amount of business with local and state government units should be required to certify that neither they nor key employees or those who hold an ownership interest, have been suspended, debarred or disqualified from doing business with New Jersey governmental entities. They should also be required to certify that they have not been charged with or convicted of certain state or federal offenses bearing on integrity. The law should provide that any contract with a convicted, suspended, debarred or disqualified person, or with a business entity owned at least five percent or managed by such an individual, is void. The law should also recognize a need to encourage compliance by purchasing officials. At present, there is no way to know whether the debarment system is actually used by purchasing officials to prevent contracting with listed vendors.

One of the unfortunate consequences of the manner in which the present Executive Order 34 system has evolved is the de-emphasis on performance debarments. Far more important than providing a place to list the names of those debarred is creating a process for monitoring contracts. No such process exists now.

Officeholder Character, Integrity and Ethics

Ethical strictures should be reviewed periodically so that gaps can be filled and weak requirements strengthened. U.S. Attorney Chertoff described for the Commission the importance of character and integrity among public servants:

I have the view that integrity and character are the number one requirements for public service, whether it's an appointed or elected office. Those who are responsible for putting public officials in office, whether they're appointing them or whether they're electing

them, have an obligation to make sure that the people that they are putting in have good character and a real sense of integrity. Whether that's done by way of the background checks we do for appointees or it is done by a thorough airing of a person's record in a political campaign, it's the fundamental building block of any kind of a decent and accountable public official -- that we make sure that people who go in are people who have lived clean and honorable lives and pursue integrity not only in narrow sectors of their lives but in any significant area of their lives.

Mr. Chertoff praised the Local Government Ethics Law, N.J.S.A. 40A:9-22.1 to 22.25, effective May 22, 1991, as shedding needed sunlight on the financial arrangements of those holding public office. The Commission wholeheartedly agrees that this law, as well as the similar School Ethics Act, N.J.S.A. 18A:12-21 to 34, signed by Governor Florio just eight days after the Commission's public hearing, should be supported. Indeed, the Commission had recommended enactment of a Uniform Code of Ethics for county and municipal officials, together with an agency for enforcing such a code, as early as its Annual Report for 1972.

The recent laws require standards of ethical conduct for nearly all local officials and employees, as well as school board members and school administrators. They further require that key local and school officials disclose business organizations in which they or immediate family members have more than a 10 percent interest, as well as sources of income, fees, honorariums, gifts, reimbursements or prepaid expenses over certain amounts. Key local officials must also identify real estate in which they or immediate family members have more than a 10 percent interest.

These ethics laws deserve support and should be expanded to certain categories of individuals who deal with government in other important ways. For

example, U.S. Attorney Chertoff warned of the waste incurred when cities that already have large, competent in-house professional staffs award lucrative patronage contracts to outside legal, engineering, accounting and consulting firms. He noted that such contracts may be entirely necessary in some circumstances but added that all too often they "can be a way of steering business to people who are paying back some kind of quid pro quo." The Commission agrees with his recommendation that people who enter professional contracts with localities over some set amount should be required to publicly disclose any contributions, loans or gifts they have made to the localities' public officials.

A few local officials that perform important land use regulation, purchasing or inspection functions are not required to file financial disclosures because of the peculiar structure of the Local Government Ethics Law. The Attorney General has advised the Local Finance Board that under the labor relations definitions of managerial executive and confidential employee, under certain "fact sensitive" circumstances, fire marshals, fire inspectors, construction officials, assistant municipal engineers, assistant project coordinators, zoning officers, library directors, tax assessors, tax collectors, assistant tax collectors, members of municipal environmental commissions and members of municipal local assistance boards are not managerial executives or confidential employees, and, thus, are not local government officers subject to disclosure requirements. Since those officials or their immediate family members may have financial interests that conflict with the impartial exercise of important public duties, the law should be amended to obligate them to file financial disclosures.

Although filling out disclosure forms may amount to a small burden for some, the message of such an exercise is unmistakable and critical to good government. While people involved in corrupt schemes will not volunteer that fact in disclosure statements, they should recognize that by concealing information about relationships that may compromise their

loyalty to the public trust they may be committing an additional crime and providing an additional sanction to would-be prosecutors. Presently, the certifications mandated by the Local Government Ethics Law and the School Ethics Act merely refer to the signatory's awareness that he is "subject to fines and possible disciplinary action" if he submits wilfully false statements. Apprehension about those results alone would not prevent some from attempting to keep lucrative conflicts with their public positions secret. It may not concern them that possible discovery could result in a fine of up to \$500 (available under the Local Government Ethics Law) and a potential loss of position (available under both the Local Government Ethics Law and the School Ethics Act). Since a real consequence of a wilfully false statement on a financial disclosure form may include criminal prosecution for perjury or false swearing, the forms should contain certifications that clearly notify the signers that they are subject to such criminal prosecution.

The Local Finance Board in the State Division of Local Government Services has a number of responsibilities under the Local Government Ethics Law. Perhaps the most important involve clarification of what constitutes unethical conduct. Among other prohibitions, the statute proscribes using an official position to "secure unwarranted privileges or advantages," performing official actions where the official's financial or personal involvement "might reasonably be expected to impair his objectivity or independence of judgment," engaging in employment that "might reasonably be expected to prejudice" an official's "independence of judgment in the exercise of his official duties," and receiving a gift "based upon an understanding" that it was given to influence the discharge of official duties.

By rendering decisions on appeals from county or municipal ethics boards, issuing decisions on its own cases, giving advisory opinions on what constitutes violations of the law, approving or disapproving county and municipal codes of ethics and adopting rules and regulations, the Board can do a great

deal to enlighten public officials and employees as to their obligations under the law. For example, the Board could clearly state that when a building inspector inspects a property in which he holds an interest or a tax assessor values a property in which he holds an interest, he has breached the statutory standard. Therefore, the Board must have an adequate budget to perform these responsibilities meaningfully, as well as to thoroughly investigate complaints.

Under the Local Government Ethics Law an appointed officer or employee found guilty of violating the law "shall be fined not less than \$100.00 nor more than \$500.00." Findings must also be reported to "the office or agency having the power of removal or discipline of the appointed local government officer or employee" with a discretionary recommendation "that further disciplinary action be taken." A finding of guilt "shall be sufficient cause for" the officer's or employee's "removal, suspension, demotion or other disciplinary action by the officer or agency having the power of removal or discipline." Civil service provisions must be adhered to for a person in the "career service." In the case of an elected officer, only the fine is imposed.

Under the School Ethics Act no financial penalties are available, but the Commissioner of Education may suspend or remove violators on the recommendation of the School Ethics Commission. Although there may not be a fine for a violator, a person bringing a frivolous complaint may be fined up to \$500.

Dispositions under the Local Government Ethics Law and School Ethics Act should be monitored so that the Legislature may determine if disciplinary outcomes are adequate and consistent. It is clear to the Commission already, however, that available financial penalties are inadequate. Penalties should be the same for the two laws. The Legislature should establish a maximum penalty far greater than the \$500 presently allowed by the Local Govern-

ment Ethics Law. The higher figure would be especially useful in those situations where a violator obtains substantial personal benefit as a result of an ethical violation. The Legislature should also establish a system to determine which elected officials guilty of ethical violations should be removed from office and which officials and employees should be disqualified from holding future public office or employment.

Full-time government employees should not be permitted to moonlight in essentially the same trade or vocation that they practice for the government. Bergen County Sheriff Jack Terhune testified that the absence of a prohibition of such conduct allowed the Rueger family to supply their private traffic signal repair business with parts furnished by their public employer, Teaneck Township. He estimated that the misconduct lasted for 30 or 40 years.

Public Office or Employment Ineligibility Upon Conviction

N.J.S.A. 2C:51-2a provides for the forfeiture of public office or employment by those convicted of offenses involving dishonesty or offenses involving or touching their public office or employment. Those convicted of any crime of the third degree or above also forfeit their public office or employment. Subsection c adds that those convicted of offenses involving or touching on their public office or employment "shall be forever disqualified from holding any office or position of honor, trust or profit under this State or any of its administrative or political subdivisions."

The statute provides that a forfeiture takes effect when an official pleads guilty or is found guilty, "if the court so orders" or "upon sentencing unless the court for good cause shown, orders a stay" of the forfeiture. The Commission believes that public office and employment forfeitures should automatically take place at the time of a finding of guilt, and the law should be amended accordingly. This would avoid any unseemly situation where a guilty person

continues to serve in a position of public trust, however briefly.

Moreover, the perpetual disqualification should apply to those convicted of offenses involving dishonesty or crimes of the third degree or above, in addition to those convicted of offenses involving or touching on their public offices or employment. This would be consistent with N.J.S.A. 40:69A-166, which provides that any person convicted of a crime or offense "involving moral turpitude" is ineligible for office or employment in a Faulkner Act municipality (if convicted while in office, he forfeits the office).

An exception to the Faulkner Act forfeiture and disqualification allows a person "who has achieved a degree of rehabilitation which in the opinion of the appointing authority and the Civil Service Commission ... indicates his employment would not be incompatible with the welfare of society and the aims and objectives of the governmental agency" to be "considered eligible to apply for employment or be continued in employment." This is less protective of the public than N.J.S.A. 2C:51-2d, which limits the exception to forfeiture or disqualification to convictions based upon disorderly persons or petty disorderly persons offenses where the forfeiture or disqualification is "waived by the court upon application of the county prosecutor or the Attorney General and for good cause shown." The Commission recommends that the Legislature resolve the inconsistencies between the two exceptions in favor of that contained in N.J.S.A. 2C:51-2d.

Pension Standards

Bergen County Sheriff Jack Terhune testified about why an adverse pension impact can serve as a powerful deterrent to corrupt conduct:

[Y]ou have a situation where people violate public trust, and you look at what happened to them. They were put on probation. They were ordered to perform a certain number of

hours of community service, and they are most probably going to walk away with their entire pension -- never do any time in jail. And actually all the time and effort that was put into [the investigation] is not going to serve as a deterrent for anyone else, if given the opportunity, to perpetrate the same crime against any governmental entity. Certainly, I think pension concessions should be part of penalties against public officials.

Standards for denial of public pensions to wrongdoers should be legislatively reviewed. In a 4-3 decision a decade ago, the New Jersey Supreme Court held that in determining whether a public employee's job-related misconduct results in total forfeiture of all pension benefits a pension board must balance at least 11 "factors" to determine whether forfeiture is "justified." Uricoli v. Police & Firemen's Retirement System, 91 N.J. 62, 77 (1982). The dissenting justices concluded that misconduct in office involving dishonorable service results in a forfeiture of vested pension rights brooking none of the "flexibility" and "application of equitable considerations" called for by the majority.

The majority emphasized that "pension entitlement is in the legislative domain and that the subject is one which can be most appropriately addressed by the Legislature." *Id.* at 78. Despite the fact that the court in Uricoli acknowledged that the "judicial course in the pension field in terms of the forfeiture doctrine has been long, uneven and somewhat uncertain," 91 N.J. at 78, the Legislature has not responded to the invitation to elucidate public policy and the goals to be achieved under the pension laws. The Commission believes that public officials and employees should clearly understand that dishonorable service may result in a substantial loss of pension rights. The Legislature should confirm that a paramount purpose of public service pensions is to insure that public servants abide by their fiduciary responsibility to be faithful and honest and avoid misdeeds related to their public positions.

A system should be established to guarantee that all public official and employee misconduct is reported and on file with the administrators of the pension systems. Effective reporting procedures should link public employee pension systems, prosecuting authorities and the Department of Personnel.

Reduce PTI for Breaches of the Public Trust

The criminal justice system provides many opportunities for those who participate in corrupt schemes to escape significant incarceration for their offenses. The so-called "war on drugs" has left little prison space to deter white-collar criminals, including corrupt officials or private parties who pay them off. U.S. Attorney Chertoff described the importance of keeping jail as a viable consequence of corrupt conduct:

I do not subscribe to the view that you sometimes hear that people are embarrassed, and that's enough. I think jail is a useful deterrent. I think we're operating in an area where people can be deterred because they are making cost-benefit analyses. And, finally, I think the public faith requires that white collar criminals face the same kinds of sanctions that non-white-collar criminals do. [If] someone steals your car, [he is] going to go to jail. [If] someone steals ten times that much using a fountain pen, as Woody Guthrie used to say, [he] also ought to go to jail.

In New Jersey an offender may gain admission into the Pretrial Intervention (PTI) Program, receive probation, be accepted into the courts' Intensive Supervision Program, participate in work release (spending evenings and weekends in jail), remain free while reporting to a weekend work program (Sheriff's Labor Assistance Program -- SLAP) or enjoy early parole. Regardless of their utility, in combination these procedures have seriously undermined the risk of incarceration as a deterrent to official corruption.

The increasing use of PTI in cases involving breach of the public trust is particularly disturbing to the Commission. PTI has allowed too many such transgressors to escape serious sanctions for their conduct. This has been especially apparent where conditions of PTI admission, such as restitution or disqualification from holding public office in the future, have not been imposed. When combined with the eventual outcome of expungement of criminal records, PTI sends the undesirable message that official corruption is a minor concern.

The Commission recognizes that PTI may seem attractive to a prosecutor where a case is weak. Nonetheless, we have the firm impression, after observing a number of cases, that prosecutors have consented to some PTI admissions, or agreed not to appeal them, too readily. The public could, regrettably, conclude that in too many instances a defendant's status or a prosecutor's tolerance has led to preferential or indulgent consequences.

Under present law, the nature of the offense is a factor to be considered in reviewing a PTI application. The fact that a crime involves a breach of public trust can support a program director's recommendation that defendant's admission into PTI be denied or a prosecutor's refusal to consent to the admission, but this fact does not automatically exclude the defendant from the Program. Prosecutors should be reluctant to consent to PTI for such crimes. Even in a difficult case it is better to attempt to obtain a conviction and fail or refrain from bringing the charge in the first place than to send the wrong message by voluntarily submitting to a procedure which has virtually the same effect as an acquittal.

Expungements

Expungement of criminal records of official corruption should not be allowed. U.S. Attorney Chertoff presented some insightful views on the general subject of expungement:

The idea that we can expunge a record in the sense of making it not exist is one that I've always had a lot of difficulty with. I think that perhaps it's appropriate in some cases to remove certain disabilities that attach to a prior conviction after a certain point in time, but I think evaporating a criminal record and trying to make it seem that the crime never happened is not in my view generally a sensible way to proceed.

I know this State does have expungement. Frankly, I'm aware of instances where it's been abused, and I think that what we need is a more focused, narrow rule about removing disabilities rather than a rule that after x-number of years with no crime we erase the conviction, and we have to pretend it never happened. That tends to create problems for law enforcement when they wind up facing the same individual again and they're trying to deal with the fact that there's an expunged record.

Current law excludes homicide, kidnapping, aggravated sexual assault, robbery, arson, perjury and false swearing, as well as conspiracies and attempts to commit such crimes, from eligibility for expungement. N.J.S.A. 2C:52-2. The law should also deny expungement for any crime committed by a public official or employee which was related to his public position. In the alternative, N.J.S.A. 2C:52-27c should be amended to require all those seeking public office or employment to reveal their criminal records. The current statute only requires those seeking employment with the judiciary, law enforcement or corrections to make such disclosure.

Education and Publicity

The Attorney General and Division of Local Government Services should prepare and distribute manuals alerting members of governing bodies, boards and authorities, as well as public purchasing, inspection and administrative employees, to legal

requirements and the need to avoid, detect and report illegal activities. Officials should be required to certify that they have read pertinent manuals, and classes should be scheduled to review and explain the material, as well as answer any questions.

As part of "core values" curricula being instituted in public schools, students should be alerted to the pitfalls of corruption and unethical behavior and the value of resisting and exposing such conduct. Corruption threatens fundamental decency in our society, and public schools should assist the process of instilling the basic virtues that make society work and life worth living.

This Commission intends to do its part to focus public attention on questionable situations that, while they may not implicate federal or state criminal laws, nonetheless amount to impropriety, raise the appearance of impropriety or create circumstances that lend themselves to corruption. As U.S. Attorney Chertoff testified, "We don't want to embarrass people, but at the same time when there are circumstances and patterns of behavior in municipalities that raise questions, there is no reason not to get the questions answered."

Challenging Restrictive Bid Specifications

The Commission agrees with U.S. Attorney Chertoff that there should be a statutory mechanism available to aggrieved potential competitors who wish to challenge restrictive bid specifications. A board in the Department of Community Affairs should be constituted to expeditiously review specifications alleged to be overly restrictive or tailored to give an unfair advantage to one competitor over another.

In order to avoid costly delays in projects, complainants should be allowed, and perhaps even required, to challenge specifications prior to the submission of bids. The Board should have access to experts competent to judge technical requirements. Complainants should be required to post a

bond so that only serious claims would be asserted, and only contracts of a certain minimum amount bid over a certain period should be subject to challenge. Finally, the Board should have the authority to hold hearings, order rebidding and revise specifications.

The Board should be empowered to identify and prohibit bidding procedures that would allow the post-bid selection of alternates, thus favoring a low bidder offering one set of alternates authorized by the specifications over a low bidder offering a different set of permitted alternates. Any bidder or potential bidder, believing that the bid documents did not establish from the inception how the low bid price would be calculated, could challenge the bidding process before the Board. The public body letting the contract should still have the option to select alternates to include in the work, but that option should not be the basis for determining the low bid.

Model Specifications

The Specification Review Board, called for above, should also have the duty, with the goal of optimizing competition, to promulgate model specifications for common products and services. Many local government units do not have the resources to devise specifications that will encourage vigorous competition and discourage collusion. The model specifications should initially be made available to public bodies desiring to facilitate competition. Eventually, the Board could ban certain types of specifications and mandate others.

Encouraging Competition

Contracting authorities should look askance at single bid situations. They should always reserve the power to reject such a bid so that more competition may be encouraged or alternatives to formal bids explored. If collusion is suspected, it should be reported to the Securities and Antitrust Section of the Division of Criminal Justice.

The Legislature should review the professional services exemption from laws requiring bidding on public contracts and consider eliminating or modifying it. This exception to bidding leaves too much room for abuses involving the awarding of engineering, accounting, legal, architectural, public relations and a host of consulting contracts.

Affidavits of Non-collusion

The law should require that affidavits of non-collusion be submitted with all public bids.

Reporting of Bribes, Kickbacks and Gifts

A statute should require that public officials report bribe, kickback and gift offers.

Campaign Finance Reform and Enforcement

Campaign contributions to candidates for local offices should be limited. Presently, an individual contributor faces only the \$1,500 limitation on amounts he can contribute to a gubernatorial candidate.

As is the case with federal law, direct campaign gifts by businesses and unions should be banned. They could still give through Political Action Committees (PACs), which should be subject to greater disclosure requirements. PACs should be required to disclose who they represent, what their interests are and the names of key officials. PACs are now required only to file PAC names, which may or may not reveal what they are.

Individual contributors should be required to disclose the names of their employers. Now those who contribute \$100 or more to a candidate must disclose only their name, address and the amount contributed. By requiring disclosure of employers, the public would be better able to monitor whether a company is trying to influence an election through employee contributions. The law should also ban

loans made to induce someone to make a contribution.

The law should more specifically define acceptable uses of campaign funds. Present law allows campaign contributions to be used for the "ordinary and necessary expenses" of a campaign. This language is too broad and can be interpreted in inappropriate ways.

The Election Law Enforcement Commission (ELEC) should have sufficient staff and other resources to adequately enforce campaign laws. Its funding should be increased. If the funding cannot be obtained from tax revenues, then it should come from fees imposed on lobbyists and PACs.

Fines for violating campaign contribution laws should be increased. The present maximums of \$1,000 for the first offense and \$2,000 for each subsequent offense were first established in 1973.

ELEC should have jurisdiction over political advertising flyers and enforce the requirement that campaign materials include the names and addresses of those who paid for them. Those complaints are now referred to the Attorney General.

School Board Elections

The Legislature should consider whether school board elections should be conducted at the same time as November general elections in order to encourage more participation by the electorate.

Audit Responses

Deputy Community Affairs Commissioner Barry Skokowski described steps taken over the years to gain more control over municipal finances. The State now certifies all finance officers, tax collectors and municipal clerks in order to remove politics as the dominant aspect in municipal finance. Skokowski noted that a committee is presently working to upgrade audit requirements. He also explained why

some public officials have been able to get away with embezzlements for so long:

... [W]hen one person has too much control over all of the financial documents, I think that's where we really run into a problem. I also think that elected officials, the governing body members, have to live up to their oversight responsibilities. Also, hanks are at times put in a position where they have to do things to accomodate individuals. I don't think that's appropriate. I think they've got to be more independent.

And I also think that the independent auditors, who are the arm of the Division of Local Government [Services], have to do their job more extensively, more properly. At the extreme end, such as in Manchester [Township], the auditor may be part of a conspiracy And, finally, the State has got to make the resources available to have us function properly. I will point out to you that when I started in 1970 in the Division of Local Government, there were 142 employees. Today we have 71. Our responsibilities have increased I would guess at least ten-fold.

CPA Franklyn Barlow noted at the Commission's public hearing that standards for independent auditors have gradually improved and argued for time to allow these industry-inspired reforms to take effect. He explained that persons who now want to be registered municipal accountants must first be CPAs. He continued:

Also, in 1988 the American Institute of CPAs started a program of quality review. Auditors that are not subject to peer review must now have a quality review for their audit practice. It's very expensive and [includes] an extensive review of their quality control practices. ... Under the Yellow Book [Government Auditing Standards, produced by

the Comptroller General of the United States] ... in order to do municipal work he must do 80 hours of continuing professional education over a two-year period. Twenty-four hours of that must be in governmental auditing. ... By 1993 even the sole practitioners will have to follow these regulations under the Quality Review Program.

All New Jersey registered municipal accountants should be required to follow the guidelines for quality control set up by the New Jersey Society of CPAs.

The law should require that any local unit which fails to implement the recommendations contained in its annual audit must publish a resolution in local newspapers acknowledging its failure and stating the reasons. The law should also require filing of and adherence to corrective action plans to satisfy audit recommendations. In addition, each local unit should be required to establish an audit committee so that the independent auditor has somewhere to go when there is a question or problem. The committee should have at least one member who has some accounting expertise.

At the public hearing Franklyn Barlow described the role of elected officials in ensuring proper financial accountability:

I believe that the independent audit system should be retained but made to operate more effectively. Most elected officials fail to understand that they're responsible for making sure the problems are corrected as recommended, but in order to define an illegality it is not appreciated or believed, and the auditor is then on the defensive.

Elected management officials should make sure that their employees have the proper attitude towards internal financial accounting controls. They should assign staff to insure checks and balances. They should

require that ... employees obey state laws and regulations, such as requiring deposits within 48 hours and mandatory competitive bidding rules. They should insist that employees be able to reconcile bank accounts and learn capital and grant fund requirements.

It sounds surprising that I would say this, but it's my experience that many municipal employees don't know how to reconcile bank accounts and don't understand the requirements of grant accounting, and the municipal officials should require periodic reports from key staff and then properly analyze them and follow up on any irregularities.

When recommendations appear in school district audits, school boards are required to file corrective action plans. A similar requirement should obtain for municipalities and counties.

Presently, the Division of Local Government Services does not review the hundreds of municipal audits that are filed with it every year. The Inspector General's Office recommended above for the Department of Community Affairs should have an adequately-staffed audit quality assurance component to scrutinize the audits so that it can flag those that raise serious concerns for more detailed examination. The Director of the Division of Local Government Services should also have specific statutory authority to compel compliance with proper audit recommendations by using the authority granted him under the Local Government Supervision Act, N.J.S.A. 52:27BB-1 et seq. Finally, auditors with questions or problems should be able to obtain expeditious assistance and answers from the Division.

Special Confidential Reports

When an independent auditor discovers suspect or irregular conditions during an audit, he is re-

quired to file a Special Confidential Report with the Division of Local Government Services, which refers them for further inquiry to the State Division of Criminal Justice. The fact that only 20 such reports were filed in 1990 and 26 in 1991, suggests that auditors are hesitant to bring their suspicions to the attention of the Division. Franklyn Barlow summarized one reason for the hesitancy:

I don't think the [Special Confidential Report system] works as well as it should, and I think probably the confidential reports should be filed more often than they have been. The problem with them is they're really not quite so confidential. We had a situation [involving] a township court [where] within 24 hours after filing the report the court clerk, [who] was the object of our inquiry, knew that the confidential report was sent.

Most recently, there was a situation in a township in Hunterdon County. ... I sent a confidential report in July of 1991, and the information was also turned over to Chief [of Detectives] Susalis [of the County Prosecutor's Office]. ... [T]his concerned a housing grant. Two months later a Division of Housing grant administrator at the state level wrote to the township mayor and council. She noted that I had submitted a report of unusual conditions, claimed she had been informed that the county had completed its investigation, which it had not, and asked the township [council] to assist in getting the records that were under the Prosecutor's control returned to the township housing department. She saw my letter because she quoted from it.

Confidentiality is especially important when we consider that the same people responsible for financial irregularities may have considerable influence over auditor engagement decisions. Therefore, the Commission believes that the confidentiality of the

Special Confidential Report system should be improved.

Auditor Immunity

In order to further encourage auditors to report problems, a law should be passed that would protect auditors who report suspicious circumstances from defamation lawsuits, provided their reports were submitted in good faith.

State Board of Accountancy Membership

The statute governing the State Board of Accountancy should be amended to give the Director of the Division of Local Government Services, or his designee, a seat on the Board. In the past the Director had a public member seat, and Deputy Commissioner Skokowski described this as "very effective."

Pay by Check

Programs should be instituted to encourage the public to pay obligations to government as much as possible by check or money order, rather than currency.

Modernize Receipting Systems

As local units gradually adopt computer technology, the Division of Local Government Services should recommend, and eventually mandate, effective systems for accounting for funds received. With the development of bar codes and on-line receipting systems, there can be much better control over those who collect and account for money coming into local governments.

Housing Authorities

To improve accountability, the law should give the Division of Local Government Services financial oversight authority over housing authorities

funded by the federal government. Housing and redevelopment authorities should be required to abide by the 1983 Local Authorities Fiscal Control Act.

Loosen Budget Caps for Program Integrity Expenditures

Bergen County Sheriff Terhune urged that state-mandated budget caps be eliminated for expenditures intended for inventory control, purchasing integrity and the like. He noted that theft losses are exempt from budget caps. Therefore, the budget system discourages administrators from setting up systems to prevent losses and provides no disincentive for laxity leading to losses. The Commission agrees that the system of budget caps should not discourage expenditures for program integrity measures. Such measures may easily pay for themselves, as well as enhance confidence in the integrity of government.

Tighten Accountability

The State should tighten controls and accountability for the distribution of social benefit grant and loan programs.

Whistleblower Protections

If corruption is ever to diminish to insignificance, those who contemplate engaging in it must conclude that the risks of being caught and successfully prosecuted outweigh the financial return. Often a large number of people are aware that a particular official is corrupt. Society will have made great strides in fighting corruption when every person who thinks about engaging in it comes to believe that a high percentage of those people who might learn about his conduct would likely report it. New Jersey continues to experience an unacceptable incidence of corruption in some areas because the corrupt parties act on their belief that no one will report their schemes to authorities.

To encourage whistleblowers, the Conscientious Employee Protection Act (CEPA) should be strengthened. The 1986 law allows employees who have suffered retaliatory action for reporting illegal activities to law enforcement authorities or other government officials to obtain injunctive relief, reinstatement of position and benefits, lost wages, attorneys fees, punitive damages and other remedies. But the present law denies relief to an employee making a disclosure of wrongdoing to a public body unless he first reports the illegal activity in writing to a supervisor and affords the employer a reasonable opportunity to correct it. N.J.S.A. 34:19-4. Disclosure to the supervisor is not required where the employee is "reasonably certain" that the activity is known to at least one supervisor, or "where the employee reasonably fears physical harm as a result of the disclosure," and "the situation is emergency [sic] in nature." Id.

The Commission believes that the exception to the requirement of disclosure to a supervisor is far too narrow. In the case of reports of corrupt conduct, law enforcement authorities' ability to successfully investigate the activity would be thwarted by any advance notice to those who might be involved. Therefore, there should be no notice to supervisor requirement before relief under CEPA is available.

New Jersey's Division of Criminal Justice, State Police and county prosecutors should set up a joint corruption hotline to receive complaints. Technology now even permits people with computer modems to anonymously leave messages on a Whistleblower Bulletin Board, such as the one currently maintained by the House of Representatives Government Operations Subcommittee on Government Information, Justice and Agriculture. By bringing whistleblowing into the electronic age, the government can review information in an environment that permits continuing communication with complainants while fully protecting their identity.

Leniency should be afforded in return for assisting in the exposure of corrupt schemes that would otherwise have remained secret. While the Commission is not prepared to recommend a formal amnesty program for those who come forward with information about corrupt conduct that has not previously come to the attention of authorities, U.S. Attorney Chertoff described a sensible approach which has worked in his office:

[T]hose who come forward early should get credits and deserve credit. That may not be a total evaporation of sanctions, but it should be some lightening and in some cases a substantial lightening.

This investigation was conducted under the direction of Deputy Director Robert J. Clark, who was assisted by Senior Special Agent Richard S. Hutchinson and Special Agents Patricia M. England, Dennis P. McGuigan, William P. Rooney and Kurt S. Schmid.

ENDNOTES

1. The New Jersey Supreme Court held in June 1955 that the City was a proper plaintiff to recover from former Jersey City Mayor Frank Hague and his successor \$15 million which they allegedly systematically extorted from city employees from 1917 to 1949 as a condition to obtaining or retaining employment. Jersey City v. Hague, 18 N.J. 584 (1955).
2. State Commission of Investigation 1970 Annual Report.
3. December 1971 Interim Report and State Commission of Investigation 1971 Annual Report.
4. State Commission of Investigation 1971 Annual Report. Point Breeze Development -- Jersey City Waterfront.
5. State Commission of Investigation 1972 and 1973 Annual Reports. Municipal Planning and Zoning Practices.
6. State Commission of Investigation 1974 Annual Report. Lindenwold Municipal Corruption.
7. State Commission of Investigation 1973 Annual Report. Misuse of Funds and U.S. Surplus.
8. State Commission of Investigation March 1983 Report.
9. Michael Mathews, Mayor of Atlantic City, was sentenced in federal court in 1985 to 15 years in prison and a \$10,000 fine for extortion by a public official.
10. Thomas J. Tansey, Mayor of Edgewater Borough, was sentenced in federal court on 9-26-89 to three years in prison and \$50,000 in costs of prosecution and restitution of taxes owed for extortion and filing a false income tax return.
11. Donald A. Ivaldi, a real estate developer, was sentenced in federal court on 1-19-90 to two years house arrest when not working or performing community service, an additional two years probation and 800 hours of community service for racketeering.
12. Milton Parness was sentenced in federal court on 2-17-89 to five years in prison and a \$200,000 fine for racketeering and tax evasion.
13. Anthony (Fat Tony) Salerno, boss of the Genovese crime family of La Cosa Nostra, was sentenced in federal court on 9-8-89 to five years in prison for conspiracy to commit extortion. He died in prison on 7-27-92 while serving a 100 year term for his role on the New York Mafia's ruling commission. He had also been sentenced to 70 years in prison in connection with organized crime-controlled bid rigging on large-scale concrete jobs in New York's construction industry.
14. Matthew (Matty the Horse) Ianniello, a capo in the Genovese crime family of La Cosa Nostra, was sentenced in federal court on 12-6-90 to five years in prison for racketeering, attempted extortion and tax evasion.
15. Nathan Weissman, a builder, was sentenced in federal court on 5-8-89 to five years probation, a \$5,000 fine and \$25,000 restitution for the costs of prosecution for covering up the fraudulent transactions.

16. Joseph Mocco, North Bergen Township Clerk, was convicted in state court of conspiracy to commit racketeering, bribery and official misconduct. He was sentenced on 7-14-89 to 20 years in prison, a \$200,000 fine and \$56,300 restitution. The sentence was stayed pending appeal.

17. Joseph Dulanie, Deputy Police Chief of North Bergen, was convicted in state court of conspiracy to commit racketeering, bribery and official misconduct. He was sentenced on 7-14-89 to 15 years in prison, a \$75,000 fine and \$41,600 restitution. The sentence was stayed pending appeal.

18. George Hurtuk, North Bergen Township License Inspector, was convicted in state court of conspiracy to commit racketeering, bribery, official misconduct and criminal mischief. He was sentenced on 7-14-89 to 15 years in prison, a \$25,000 fine and \$27,500 restitution. The sentence was stayed pending appeal.

19. Michael Harvan was convicted in state court of conspiracy to commit racketeering, racketeering, bribery, uttering forged instruments, criminal mischief and engaging in the business of solid waste collection and disposal without a certificate of public convenience and necessity. He was sentenced on 7-14-89 to 17 years in prison and a \$150,000 fine. Initially the sentence was stayed pending appeal, but on 9-11-89 bail was revoked and the stay vacated.

20. Richard Bassi was convicted in state court of conspiracy to commit racketeering, racketeering, bribery, uttering forged instruments, criminal mischief and engaging in the business of solid waste collection and disposal without a certificate of public convenience and necessity. He was sentenced on 7-17-89 to 17 years in prison and a \$150,000 fine. Initially the sentence was stayed pending appeal, but on 9-11-89 bail was revoked and the stay vacated.

21. Patrick Ball, owner of Big Apple Leasing, was convicted in state court of conspiracy to commit racketeering. He was sentenced on 7-14-89 to nine years in prison and a \$100,000 fine. Big Apple Leasing was also convicted of conspiracy to commit racketeering and sentenced to pay a \$150,000 fine. Both sentences were stayed pending appeal.

22. John P. Serra, owner of New York Carting Co., was convicted in state court of conspiracy to commit racketeering, racketeering, theft of services, falsifying records, criminal mischief and tampering with public records. He was sentenced on 7-11-90 to five years in prison and a \$100,000 fine. New York Carting was also convicted of the same crimes and sentenced to pay a fine of \$100,000. Both sentences were stayed pending appeal.

23. Edward Garafola, a soldier in the Gambino crime family of La Cosa Nostra, was sentenced in state court on 1-8-90 to 364 days in prison, five years probation, 2,000 hours of community service and a \$7,500 fine for conspiracy to commit racketeering.

24. Michael Baglino was sentenced in state court on 9-26-89 to 364 days in prison, five years probation, 750 hours of community service and a \$3,000 fine.

25. Arthur Dancey was sentenced in state court on 9-14-90 to two years probation and 300 hours of community service for conspiracy to commit racketeering.

26. Ralph Rezza was sentenced in state court on 1-8-90 to 364 days in prison, five years probation, 750 hours of community service and a \$5,000 fine for conspiracy to commit racketeering. Rezza served 90 days of his prison term in a work release program.

27. Nicholas Zimbardi was sentenced in state court on 9-19-89 to five years probation, 1,000 hours of community service and a \$7,500 fine for racketeering.

28. Eddie V. Garafolo, an executive with Colt Container Service Corp., was sentenced in state court on 4-6-90 to 364 days in prison, five years probation 2,000 hours of community service and a \$5,000 fine for conspiracy to commit racketeering. In August 1990 Garafolo was murdered by Salvatore Gravano, the former underboss of the Gambino crime family of La Cosa Nostra.

29. Emmanuel (Manny) Garafolo, Eddie V. Garafolo's brother, a cousin of Edward Garafola and an executive of Star Container Co., was sentenced in state court on 1-8-90 to 364 days in jail, five years probation, 3,000 hours of community service and a \$7,500 fine for conspiracy to commit racketeering.

30. Louis V. Messercola, Mayor of Wayne, was sentenced in federal court on 5-8-89 to 33 months in prison, five years probation, a \$10,050 fine and \$13,500 restitution for conspiracy to commit extortion relating to Long Valley Estates. On 6-20-90 Messercola also pled guilty to bribery and tax evasion in 1986 involving the Calvin Klein Cosmetics office and distribution center project. Messercola agreed to pay back bribe money and had paid \$60,000 as of the time of his guilty plea, according to the government. He is still awaiting sentencing on the additional charges. As the lynchpin of corruption in Wayne, Messercola reaped hundreds of thousands of dollars in payoffs while serving as Mayor. He still owes about \$350,000 in federal fines, Internal Revenue Service penalties and back taxes. In a settlement of the civil lawsuit brought on behalf of Wayne, Messercola agreed to pay \$750,000, plus interest. He resigned from office on 9-8-88 after a recall movement gathered enough signatures to call for a special election.

31. A. Thomas Acquaviva, a Wayne Planning Board member, was sentenced in federal court on 7-23-92 to 90 days in prison, six months of house arrest except to attend religious services and certain other functions, and a \$10,000 fine for conspiracy to commit extortion. Acquaviva was shown some leniency at sentencing because he ultimately cooperated with investigators. He paid \$8,000 to settle the civil suit brought by the township.

32. Raymond McGrogan, Wayne Planning Board member and a plumbing contractor, was sentenced in federal court on 1-27-92 to four months in a halfway house, five years probation, a \$5,000 fine and 200 hours a year of community service for extortion involving the Keljed/McBride project in Wayne's urban renewal zone. The sentencing judge stated that he was showing some leniency because of McGrogan's ultimate cooperation with the investigation. McGrogan paid \$5,000 to settle the civil suit brought by Wayne.

33. Paul C. Cavaliere, Jr., former Wayne Township Attorney, pled guilty in federal court on 1-28-91 to bribery and income tax evasion in connection with the Calvin Klein Cosmetics office and distribution center project. He also resigned his position as an Associate Counsel for the Passaic County Board of Social Services. In the 1960s Cavaliere served as both Wayne Republican Chairman and a Township Council member. He has not yet been sentenced and is cooperating with the investigation.

34. The McBride entities paid \$150,000 to settle the civil suits brought by Wayne Township.

35. Rene Spiropoulos, developer of the Point View Hills housing project, was sentenced in federal court on 12-11-91 to 14 months in prison, two years probation and a \$65,617 fine (reflecting a \$50,000 fine and a charge of \$1,115 per month for each month of incarceration) for bribery and aiding Messercola in income tax evasion. The sentence was appealed. The sentencing judge noted that he was providing some leniency in return for Spiropoulos' cooperation with the investigation. He wore a hidden recording device in a meeting with private engineer Howard Boswell, who admitted making a bribe payment to Messercola, according to court papers. The evidence was never used, however, because Boswell died while scuba diving one day after authorities confronted him with the taped evidence. Spiropoulos and his corporation paid \$50,000 to settle the civil suit brought by Wayne Township. In connection with the settlement, the Township acknowledged that Spiropoulos had obtained only that which he was entitled to receive without any bribes.

36. Harry Stanford, co-developer of the 23-home Colfax Estates project and the developer of Castlewood Estates, pled guilty in federal court on 3-1-91 to conspiracy to commit bribery. He is awaiting sentencing. Stanford and

his partners, Sam Siflinger and Jack Finkelstein, paid \$70,000 to settle the civil suit brought by Wayne.

37. Sam Siflinger, co-developer of the 23-home Colfax Estates project in Wayne, was sentenced in federal court on 6-24-91 to three years probation and a \$20,000 fine for bribery.

38. Jack Finkelstein, co-developer of the 23-home Colfax Estates project in Wayne, was sentenced in federal court on 6-24-91 to three years probation and a \$20,000 fine for bribery.

39. Raymond Tumminello, former Chairman of the Republican Party in Wayne, paid \$10,000 to settle the civil suit brought by the township.

40. John McClellan, Wayne Township Business Administrator from 1986 to June 1990, pled guilty in federal court on 11-26-91 to bribery and tax evasion. He signed a cooperation agreement with federal authorities in May 1991.

41. Theodore Chun, Chairman of the Little Egg Harbor Planning Board in 1990 and 1991 and for most of the preceding nine years, is awaiting sentencing in state court for conspiracy to commit official misconduct and accepting a bribe. Chun had agreed to cooperate with the investigation by the State Division of Criminal Justice and the State Police. In return, the State had agreed to ask that Chun serve no more than seven years in prison and forfeit his public office.

42. Robert E. Tichaz, Little Egg Harbor Township Mayor, who served on the Planning Board in 1989 and 1991 and first served on the Township Committee from 1985 to 1987, and who was an employee in the Ocean County Roads Department, is awaiting sentencing in state court for accepting a bribe. His plea agreement provided that he would receive a third degree sentence of 3-5 years. He would also be required to pay the State the \$5,000 he received as a bribe.

43. Gene Dorn, an Atlantic City Councilman from 1982 until the date of his sentencing, was sentenced in state court on 9-19-91 to four years in prison for official misconduct, conspiracy to commit official misconduct and election law violations. He was also ordered to forfeit his public office.

44. James L. Usry, Atlantic City Mayor from 1984 to June 1990, was admitted into the Pretrial Intervention Program on 2-6-92 on condition that he perform 50 hours of community service. The State agreed not to oppose any application by Usry to expunge his criminal record once he successfully completes the PTI Program.

45. Barbara Woodall, an Atlantic County Freeholder candidate, was admitted into the Pretrial Intervention Program.

46. Sylvetta O. Pilgrim, Administrative Assistant with the City Landlord-Tenant Affairs Board, was admitted into the Pretrial Intervention Program.

47. William Oscar Harris, Jr., former Director of the Atlantic City Housing Authority for six years until 1985, was sentenced in state court on 11-8-90 to eight years in prison and a \$5,000 fine for conspiracy to commit official misconduct by extortion and bribery. The prison term is to be consecutive to that imposed on Harris in 1988 for his conviction in Philadelphia Municipal Court of stealing \$80,000 in taxpayers' money in connection with the rebuilding of the homes destroyed in the 1985 bombing of the MOVE house in Philadelphia.

48. Alonzo Bailey, Jr., a former Atlantic City Mercantile Inspector and one-time chauffeur to Mayor James L. Usry, was sentenced in state court on 11-8-90 to 6 1/2 years in prison for conspiracy and bribery.

49. Allen R. Sturts, Somers Point Construction Code Enforcement Officer and Building Inspector, was sentenced in state court on 6-14-90, following conviction by a jury, to three years in prison for official misconduct and

theft by deception. He resigned from office following his conviction.

50. Ferdinand P. Vassallo, part-time Construction Code Official for Beach Haven, Surf City and Harvey Cedars, was sentenced in state court on 6-15-90 to three years in prison for official misconduct and bribery. He served 111 days before being admitted into the Intensive Supervision Program for a period of 16 months.

51. Joseph Iuliucci, a Winslow Township Planning Board member, was admitted into the Pretrial Intervention Program.

52. Patrick Giordano was admitted into the Pretrial Intervention Program.

53. Daniel Fasano was sentenced in state court on 5-8-92 to two years probation for conferring unlawful gifts to a public servant.

54. Elwood M. Smith, Rehabilitation Specialist for the Atlantic County Improvement Authority, was sentenced in state court on 6-21-91 to two years probation and a \$250 fine for accepting gifts to a public servant. He also forfeited his public employment and was ordered disqualified from holding future public office or employment. He agreed to cooperate with the prosecution and testify truthfully at future trials if necessary.

55. Robert Ross was sentenced in state court on 7-24-92 to three years probation and a \$2,000 fine for false swearing and unlawfully giving gifts to a public servant.

56. Denise Ross, an Atlantic City apartment building owner, was sentenced in state court on 7-10-92 to three years in prison for two counts of theft by deception. The State did not seek restitution of a portion of the \$750,000 allegedly received by fraud because Ross' six Atlantic City properties are in receivership and she filed for bankruptcy protection in 1990.

57. Arthur Ross, an apartment building operator in Atlantic City and East Orange, was sentenced in federal court on 9-11-92 to two years in prison for federal income tax evasion. At the time this report went to the printer, a state court had issued a bench warrant for his arrest for failing to appear on 9-15-92 for sentencing on the charge of giving illegal gifts to a public servant.

58. Theodore Williams, a Field Representative (elevator inspector) with the East Orange Department of Property Maintenance and Revitalization, was awaiting sentencing in state court for conspiracy.

59. Charles Williams, Assistant Director of East Orange's Community Development Program and Coordinator of its Rental Rehabilitation Program, was sentenced in state court on 2-6-92 to two years probation and a \$300 fine for conspiracy.

60. Dominick J. Ciccone, Construction Official for Carteret, was sentenced in state court to seven years in prison and a \$30,000 fine for official misconduct and accepting bribes. On appeal the prison term was reduced to five years. Ciccone was in prison from September 22, 1990, to December 6, 1990. He was later admitted into the Intensive Supervision Program for 16 months.

61. William A. Kish, owner of Keithley Construction Corp., was sentenced in state court on 12-16-91 to five years probation for conspiracy to commit commercial bribery and bribery of a public official. His company, which pled guilty to bribery of a public official, was sentenced on 12-16-91 to forfeit \$75,000 to the State of New Jersey and agreed to execute a consent judgment for that amount in settlement of a civil lawsuit brought by the State.

62. After being convicted by a jury, Charles Gumina, Supervisor of the Jersey City Department of Property Conservation, was sentenced in state court on 11-14-86 to five years in prison and a \$2,000 fine for conspiracy,

official misconduct, bribery and extortion. After serving about six months in prison he was admitted into the Intensive Supervision Program for about 18 months. He also lost his position and his pension.

63. Sudev Mukherjee, a Jersey City apartment building owner, was sentenced in state court on 4-3-87 to 180 days in prison (of which two months was served), two years probation and a \$1,500 fine for bribery.

64. Ronald H. Reilly, a construction supervisor for Spruce Hills Development Corp., was sentenced in state court in June 1989 to three years probation and a \$7,500 fine for bribery.

65. Thomas F. Hartobey, an excavator, was sentenced in state court on 9-1-89 to two years probation, 100 hours of community service and a \$1,000 fine for bribery.

66. Christopher J. Del Russo, a Probation Officer for the Morris County Probation Department, was sentenced in state court on 7-14-88 to three years probation and 500 hours of community service for unlawful compensation for past official behavior and official misconduct.

67. Sarah C. Brooks, Assistant Director of the Atlantic City Mercantile Licensing Bureau, pled guilty in state court on 5-1-92 to an accusation of unlawful acceptance of a gift by a public servant filed by the State Division of Criminal Justice. She was admitted into the Pretrial Intervention Program.

68. Agnes M. Richardson, Director of the Atlantic City Mercantile Licensing Bureau, was sentenced in state court on 7-2-92 to five years probation for accepting illegal gifts to a public servant. The court also ordered that she is disqualified from holding future public office or employment.

69. Gerston Rucker, a Metuchen real estate salesperson, was sentenced in state court on 8-3-92 to three years probation and 100 hours community service for bribery.

70. Frederick A. Aiassa, a Middlesex County Health Inspector, was sentenced in state court on 6-15-92 to three years probation and 100 hours of community service for official misconduct. He was also barred from holding public office or employment in the future.

71. James W. Dickinson, Transportation Coordinator for the Woodbridge School District, was sentenced in state court on 3-13-89 to 14 years in prison for bribery and official misconduct to be served concurrently with a six-year sentence in federal court for extortion by a public official, which he received on 1-25-89. The state court also fined Dickinson \$20,000, and the federal court fined him \$2,000. Both courts showed leniency toward Dickinson because he ultimately cooperated with the investigation. Dickinson served as Transportation Coordinator in Woodbridge from 1975 to 1987, and before that was the Transportation Coordinator for the Monroe Township School District in Gloucester County. He was once a Committeeman for Monroe Township.

72. George I. Dapper, president and part-owner of George Dapper, Inc., was sentenced in federal court on 1-19-89 to five years probation, a \$1,000 fine, 2,250 hours of community service and \$85,000 restitution for mail fraud. He was sentenced in state court on 2-27-89 to five years probation, a \$5,000 fine, 500 hours of community service and restitution of \$60,000 for misconduct by a corporate official. Both courts showed leniency toward Dapper because he cooperated with the investigation.

73. Donald J. Beckler, owner of D.H. Beckler & Sons, Inc., a tire dealership, was sentenced in state court on 2-26-90 to three years probation, 100 hours of community service, a \$2,500 fine and \$40,000 restitution for receiving stolen property.

74. Thomas E. Swanson, president of Automated Pupil Transportation, Inc., was sentenced in federal court on 1-20-89 to two years probation, 200 hours of community service and a fine of \$5,000 for perjury.

75. Neil J. O'Shea, owner of Squire Transportation Co., was sentenced in federal court on 6-22-89 to five years probation, a \$300,000 fine and 3,120 hours of community service for making payoffs, bid rigging and charging for non-existent bus routes. He pled guilty in state court to bribery and bid rigging and placed \$250,000 in escrow for restitution pending sentencing. O'Shea was shown leniency because he cooperated with the investigation.
76. Patrick McHugh, president and part-owner of Academy Van, Inc., paid the State a \$100,000 penalty for civil antitrust violations and was barred from the pupil transportation industry for 10 years.
77. Donna M. Simeone, president of Rama Transportation Co., was sentenced in federal court on 1-31-89 to three years probation for conspiracy to evade income tax.
78. Patsy Margiotto, an 11-year Woodbridge School Board member, was sentenced in state court on 7-25-88 to seven years in prison and a \$26,500 fine for receiving bribes. He was sentenced in federal court on 6-23-88 to two years in prison and three years probation for tax evasion for failing to report some of the bribes as income and for obstruction of justice for asking a witness to lie.
79. Stephen R. Kovacs, a 15-year Woodbridge School Board member, was sentenced in state court on 9-12-88 to four years in prison and a \$5,000 fine for receiving compensation for past official behavior. He was sentenced in federal court in June 1988 to five years probation and 500 hours of community service for mail fraud.
80. Vincent Ciardiello, Director of Sanitation for Woodbridge, was indicted by a state grand jury on 2-22-90 for conspiracy, official misconduct, attempted official misconduct, theft by deception and attempted theft by deception in connection with three private bus charters allegedly paid for by the Woodbridge School District as though they were official school trips. He was admitted into the Pretrial Intervention Program.
81. Arthur Brunner, owner of Brunner Bus Co., was sentenced in state court on 2-24-89 to five years in prison and restitution of \$125,000 for theft by deception and bid rigging of busing contracts with the Scotch Plains-Fanwood School District. He was also sentenced in federal court on 3-10-89 to four years in prison, to be served concurrently with his state term, and an additional \$125,000 in restitution for mail fraud.
82. John Howard, a partner in Howard Bus Company, was sentenced in state court on 7-2-92 to three years probation, a \$2,500 fine and \$109,000 restitution for theft by deception. Howard had agreed to cooperate with prosecutors.
83. John Conlin, II, an owner of Vogel Bus Co., pled guilty in state court in April 1992 to theft by deception. He was awaiting sentencing at the time this report went to the printer. Conlin had agreed to cooperate with prosecutors.
84. Vogel Bus Co. was sentenced in state court to \$78,000 restitution for theft by deception.
85. Jerome Conlin, president of Vogel Bus Co., was admitted into the Pretrial Intervention Program.
86. James Curcio, president of Curcio Bus Service, was admitted into the Pretrial Intervention Program and agreed to pay \$10,000 in restitution. Curcio had agreed to cooperate with prosecutors.
87. John H. Stanik, Jr., Transportation Coordinator for the Edison School District, was sentenced in federal court on 5-12-89 to 16 months in prison, 200 hours of community service and \$15,000 restitution for receiving payoffs from a bus operator to facilitate a sham bidding scheme.
88. Robert N. Levay, owner of Nicholas Levay, Inc., was sentenced in state court on 1-8-90 to ten years in prison (ineligible for parole for at least three years), \$275,000 restitution and 10 years debarment from holding

stock or serving in an executive position in the student transportation industry for theft by deception and bid rigging. He was sentenced in federal court on 2-1-89 to five years probation, a \$75,000 fine and \$200,000 restitution for mail fraud.

89. Robert J. Vincent, Transportation Coordinator for the Plainfield School District, was sentenced in state court on 9-23-88 to five years in prison and a \$5,000 fine for bribery. He also agreed to remove himself as an officer and 50 percent owner of a school bus company.

90. Edward S. Niemiera, Transportation Coordinator for the Perth Amboy School District, was sentenced in state court on 12-19-88 to five years probation, 300 hours of community service and a \$3,000 fine for receiving illegal gifts to a public servant.

91. Michael Platt, manager of Carteret Van Transport, Inc., was sentenced in state court on 11-4-91 to five years probation, 150 hours of community service and \$50,000 restitution for theft by deception. The company, owned by Platt's father, had also been charged, but it had been dissolved and its assets sold before the indictment was returned.

92. Peter L. Chesson, owner of Barker Bus Co., was sentenced in state court on 12-7-90 to six months in prison, five years probation, 500 hours of community service and a \$500,000 fine for misconduct by a corporate official. The Appellate Division affirmed this sentence, except it reduced the fine to \$150,000. The Appellate Division also reversed that part of the sentence that, as a condition of probation, ordered Chesson to have no dealings with any company that contracts with governmental agencies during his probation, citing the fact that the condition was not a part of the plea agreement. Chesson also agreed to pay outstanding state taxes, including interest and penalties, and to cooperate in the continuing investigation. After the New Jersey Supreme Court denied certification of his appeal, Chesson was resentenced on 7-28-92 to six months in prison, three years probation, 500 hours of community service and a \$150,000 fine for misconduct by a corporate official. The company agreed to pay \$80,000 in compensatory damages and \$30,000 in costs and fees incurred in the investigation. Chesson was also sentenced in federal court on 7-13-90 to four years probation and \$6,201 restitution for false subscribing of a corporate tax return.

93. A & A Charter Service, Inc., was sentenced in state court on 11-28-90 to a \$2,500 fine and \$40,000 restitution for theft by deception.

94. Carmine DeSantis, Foreman of the Palisades Park Public Works Department, was sentenced in federal court on 11-30-87 to five years probation, a \$5,000 fine and \$300 restitution. He also lost his position and two years of pension credit.

95. The 1-28-88 federal conviction of Joseph Fedroff, Superintendent of the North Arlington Public Works Department, for mail fraud, extortion and accepting bribes was reversed on appeal. On 11-3-89 Fedroff was again convicted of mail fraud and accepting bribes but acquitted of extortion. He was resentenced on 12-18-89 to 30 days in prison, three years probation and \$1,160 restitution. Fedroff also lost his position.

96. Thomas Ring, Foreman of the Edgewater Public Works Department, was sentenced in federal court on 1-6-88 to two years probation, 200 hours of community service, a \$5,000 fine and \$700 restitution for mail fraud.

97. Joseph A. (Perry) Solimando, Superintendent of the Emerson Public Works Department, was sentenced in federal court on 11-25-87 to three years probation and a \$1,000 fine for use of the U.S. mails to extort monies.

98. Anthony Casbar, Superintendent of the Palisades Park Public Works Department, was sentenced in federal court on 10-22-87 to 60 days in prison, five years probation and a \$1,000 fine for mail fraud. He also lost his position.

99. Theodore Arzonico, Superintendent of the Cresskill Public Works Department, was sentenced in federal court on 10-23-87 to 30 days in prison, five years probation and a \$750 fine for mail fraud. He retained his position but may not handle purchases.

100. Richard E. Johnson, Superintendent of the Bradley Beach Public Works Department, was sentenced in federal court to five years probation, a \$1,000 fine and \$250 restitution. He also lost his position.

101. Alex Kish, Superintendent of the Hardyston Township Road Department, was sentenced in federal court on 10-22-87 to 60 days in prison, five years probation and a \$1,000 fine for mail fraud. He also lost his position.

102. William H. Behrmann, Superintendent of the Ramsey Public Works Department, was sentenced in federal court on 4-13-89 to three years probation, a \$500 fine and \$300 restitution for mail fraud. He also lost his position.

103. William J. Hunter, Purchasing Agent for the Emerson Board of Education, was sentenced in federal court on 5-8-89 to two years probation, a \$500 fine and \$300 restitution for mail fraud. He also lost his position.

104. Eugene Bruno, Superintendent of the Palisades Park Public Works Department, was sentenced in federal court on 7-14-89 to two years probation and \$150 restitution. He also lost his position.

105. Alan P. Freedman, former owner of Val Industry and Business Supply and Shell Maintenance, was sentenced in state court on 8-30-91 to 364 days in prison, three years probation and \$10,000 restitution for terroristic threats, theft by deception and giving unlawful gifts to public servants.

106. The Commission's March 1983 report refers to Malter International of New Orleans as a company involved in bid rigging and in forming paper companies to avoid bidding laws. At the time the East Coast representative for Malter was Jack Israel, who also operated General Supply Associates Laboratories, Inc. in Marlton. Alan Freedman was a former salesman for Malter. J.R.D.J., Inc. of Maple Shade, a company for which Freedman sold chemicals to governmental entities, was owned by Jack Israel.

107. Alfeo J. DiFilippo, Maintenance Supervisor for the Burlington County Bridge Commission, was sentenced in state court on 11-29-90 to two years probation, 160 hours of community service and \$1,800 restitution for making terroristic threats and bribery. The sentencing court noted that DiFilippo ultimately cooperated with investigators.

108. Richard Gandolfo, Purchasing Agent for the Burlington County Bridge Commission, was not charged with a criminal offense.

109. John P. Deveney, Maintenance Supervisor for the Burlington County Bridge Commission, was admitted to the Pretrial Intervention Program in January 1992.

110. Francis J. Ott, Executive Director of the Burlington County Bridge Commission from August 1980 until his resignation on 5-22-89 and once a member of the Executive Committee of the International Bridge, Tunnel and Turnpike Association, was sentenced in state court on 8-30-91 to 18 months probation and \$1,541 restitution for theft by deception in connection with his pocketing a travel advance for a convention he did not attend and using an official credit card to cover personal bills, including meals, telephone calls and hotel stays.

111. Elwyne E. Stevenson, an employee of the Burlington County Bridge Commission, was sentenced in state court on 8-16-91 to 12 Saturdays of community service for a disorderly persons offense.

112. Robert R. McDonald, Executive Director of the Gloucester County Mosquito Commission until his resignation on 9-29-89 and a Monroe Township (Gloucester County) Councilman for 16 years, was sentenced in

state court on 6-22-90 to 364 days in prison, four years probation, 500 hours of community service and restitution for official misconduct, theft by deception, unlawful receipt of gifts by a public servant, compensating a public servant, conspiracy, bribery and filing false state income tax returns. He was also prohibited from holding public office in the future.

113. Stanley Weiskopf, a salesman for a Long Island company, was sentenced in state court on 8-28-89 to three years probation and a \$5,000 fine for giving gifts to a public servant.

114. Dominic Graffeo, a salesman for a Long Island company, was sentenced in state court on 9-18-89 to four years probation, 300 hours of community service and a \$4,000 fine for giving unlawful gifts to a public servant.

115. Alan Fass, owner and operator of Alchem Labs, Inc., S.E.A. Supplies, Ltd, Zodiak Labs, Inc., and Mercury Chemical Corp., was sentenced in federal court on 4-3-92 to three years probation and a \$10,000 fine for mail fraud.

116. Peter Patrick Colalillo, Facilities Supervisor for the South River School District was sentenced in federal court on 9-7-88 to two years probation, a \$1,000 fine and \$900 restitution for mail fraud.

117. Frank Ganci, Superintendent of Buildings and Grounds for Ridgefield Borough's Public Works Department, was sentenced in federal court on 3-13-89 to five years probation, 1,000 hours of community service, a \$500 fine and \$475 restitution for mail fraud. He also lost his position.

118. Lionel Bradshaw, a chemical supply salesman for L & L Industries, was sentenced in federal court on 10-27-89 to two years probation for mail fraud.

119. Paul C. Ramasco, Superintendent of the Montvale Public Works Department and a Borough employee for 16 years until his resignation on 3-22-89, was sentenced in federal court on 4-7-89 to three years probation, a \$1,000 fine and \$1,000 restitution for mail fraud.

120. John J. Sudia, Executive Director of the Carteret Housing Authority from 1956 to January 1987, was sentenced in federal court on 5-24-90 to four years in prison and a \$20,000 fine and was ordered to pay about \$80,000 in back income taxes and penalties for receiving illegal payments and federal income tax evasion. The Public Employees Retirement System cancelled Sudia's \$2,320-a-month pension and ordered him to repay more than \$100,000 he had received in benefits since retirement in January 1987.

121. Alfred D. Bressaw, owner of Alfred Bressaw, Inc., an electrical repair and maintenance service, was sentenced in federal court on 5-23-90 to nine months in prison and a \$75,000 fine for failing to report as income in 1984 \$163,311 of the approximately \$2 million he earned in electrical repair contracts with the Carteret, Woodbridge and Perth Amboy housing authorities since 1983. Bressaw was shown substantial leniency in return for cooperating extensively with investigators.

122. Gene A. Tomasso, Sr., Executive Director of the Woodbridge Housing Authority for eight years until 12-31-89, was sentenced in federal court on 5-24-90 to 27 months in prison, three years probation and a \$40,000 fine for receiving illegal payments and federal income tax evasion. The Public Employees Retirement System reduced Tomasso's monthly pension benefit from \$1,306 to \$126. He forfeited all 10 years of pension credit for service with the Authority but retained credit for one year of military service and nine years as a Woodbridge Township Councilman.

123. Anthony J. Slotwinski, Executive Director of the Perth Amboy Housing Authority for 14 years until his retirement in September 1989, was sentenced in federal court on 6-8-90 to 21 months in prison, two years probation and a \$15,000 fine for accepting illegal payments and federal income tax evasion. Slotwinski had eventually agreed to cooperate with investigators and had agreed to wear a concealed tape recorder and to record

telephone calls concerning kickbacks he received from plumbing contractor Michael Estavanik. The Public Employees Retirement System informed Slotwinski that he may not expect to receive a monthly pension benefit of \$1,258 when he reaches age 60 in 1995. On 3-24-92 the Authority filed a state lawsuit against Slotwinski seeking to recover \$45,431 in salary paid to him before he resigned as Executive Director.

124. Michael F. Estavanik, Jr., owner of Michael Associates, a plumbing contractor, pled guilty in federal court on 2-16-90 to making illegal payments. He was sentenced to three years probation and a \$5,000 fine.

125. Ronald J. Jeffery, Executive Director of the North Bergen Housing Authority from 1985 to January 1991, was sentenced in federal court on 9-23-91 to 36 months in prison and a \$10,000 fine after a trial in which he was convicted of bribery, racketeering and income tax evasion. The jury also determined that Jeffery should forfeit \$5,500 in payoffs received from two contractors. The Public Employees Retirement System also determined that Jeffery had forfeited his right to receive a deferred pension at age 60. On 4-15-92 the Third Circuit Court of Appeals affirmed the convictions.

126. William J. Fisher, Director of Maintenance and Custodial Services for the Jersey City School District until his retirement in 1987, was sentenced in federal court on 3-2-90 to five years in prison, five years probation, a \$25,000 fine and \$150,000 restitution for extortion and federal income tax evasion. He was also ordered to pay delinquent taxes of \$87,685. On 10-24-91 the Third Circuit Court of Appeals affirmed the convictions. Fisher was also denied 12 years service credit for his pension benefits. PERS demanded that he repay \$43,000 in pension payments already received.

127. Joseph C. Pini, Sr., Chairman of the Secaucus Municipal Utilities Authority and a Commissioner from 1979 to June 1991, was sentenced in federal court on 9-14-92 to six months in prison, six months house arrest and a \$5,000 fine for conspiracy to commit extortion and filing a false federal income tax return.

128. Virginia Maione, Executive Director of the Secaucus Municipal Utilities Authority, was sentenced in federal court on 6-19-91 to two months of house arrest and three years probation for bid rigging. She had resigned her post with the MUA on 5-25-90, a week after agreeing to cooperate with the U.S. Attorney's Office. The sentencing judge cited Maione's cooperation as justification for the lenient sentence.

129. Dorothy Horan, who became President of James P. Horan, Inc. after the death of her husband in 1983, was sentenced in federal court to 70 months in prison and a \$100,000 fine for conspiracy to commit racketeering, racketeering, extortion, conspiracy to commit labor bribery, labor bribery and money laundering.

130. Patricia Horan, Vice President of James P. Horan, Inc., was sentenced in federal court on 6-12-91 to three years probation for conspiracy to commit racketeering, conspiracy to commit extortion, conspiracy to pay labor bribes, labor bribery and money laundering in connection with the extortion of \$200,000 from a subcontractor on a Jersey City sewage treatment installation. Meanwhile, she cooperated with the government's investigation of Secaucus Municipal Utilities Authority bid rigging. She had agreed to secretly tape record conversations with targets of that investigation in order to corroborate revelations which she had been the first to bring to the government's attention.

131. Joseph C. Pini, Jr., a Secaucus Municipal Utilities Authority Inspector and Chief Inspector on the Horan, Inc. sewerage project, was sentenced in federal court on 9-14-92 to three years probation and a \$5,000 fine for one count of accepting \$5,000 from the Horan firm.

132. Frank Deven, Secaucus Municipal Court Clerk, at the time this report went to the printer was awaiting sentencing in federal court for failing to report \$6,800 in income on his 1987 federal income tax return.

133. Bruce M. Shipitofsky, a Bayonne insurance agent, was sentenced in federal court on 4-13-92 to three years probation, a \$500 fine and \$3,425 restitution.

134. Thomas R. Heroy, Edison Township's Purchasing Agent, was sentenced in federal court on 7-24-90 to 2 1/2 years in prison and a \$55,000 fine for racketeering based on extortion.

135. Anthony C. Rotondi, Chief Plumber with the Hoboken School District, was sentenced in federal court on 9-7-89 to five years probation, 1,250 hours of community service, a \$5,000 fine and \$1,500 restitution to the contractor from whom he extorted a kickback.

136. Harry Schneider, Assistant Dean and Director of the Physical Plant at Ocean County College, was sentenced in state court on 5-10-91 to three years probation and a \$5,000 fine for official misconduct.

137. Philip Carnes, a construction contractor, was sentenced in state court on 5-10-91 to 18 months probation and a \$2,500 fine for theft by deception.

138. Malcolm George, Second Vice President of the Newark Board of Education, was sentenced in federal court on 4-7-89 to 21 months in prison and three years probation for soliciting a bribe. Assistant U.S. Attorney Walter Timpone told the sentencing judge that George had violated his plea agreement by refusing to cooperate in a continuing investigation into corruption in the Newark school system. After providing significant leads, he allegedly would no longer meet with authorities.

139. Paul A. Marguglio, Executive Director of the Passaic Housing Authority (PHA) for nearly 20 years, was sentenced in federal court on 5-28-91 to 57 months in prison, three years probation and a \$50,000 fine for conspiracy to defraud HUD and federal income tax evasion. On 12-17-91 the Third Circuit Court of Appeals upheld the sentence. The sentencing judge noted that on 5-22-91 the federal government had obtained a civil judgment against Marguglio for \$395,000. The IRS had liens totaling almost \$300,000 on his property. The figure was determined by tripling the \$125,000 amount that Marguglio admitted he collected in salary overpayments between August 1988 and January 1990 and adding a \$20,000 penalty. The action under the federal False Claims Act continues, with the government seeking more than \$1 million in restitution and penalties. The Public Employees Retirement System (PERS) denied any pension to Marguglio, despite his 19 1/2 years of public service. Unless he successfully appeals, he will lose a potential monthly benefit of \$3,801.

140. August C. Michaelis, Attorney for the Passaic Housing Authority (PHA) from 1972 to 1990, was sentenced in federal court on 1-22-91 to three years probation, a \$5,000 fine and 300 hours of community service for impeding Congress and conspiracy to help PHA Executive Director Paul Marguglio evade income taxes on \$150,000 in kickbacks which Michaelis paid to Marguglio. The government requested leniency because of Michaelis's extensive cooperation with the investigation and deteriorating health. In April 1991 Michaelis consented to disbarment by the New Jersey Supreme Court, a condition of his federal probation. He died on 6-25-91.

141. Robert A. Cantalupo, Maintenance Supervisor at the Passaic Housing Authority (PHA), was sentenced in federal court on 12-17-90 to two years probation, a \$1,500 fine and \$2,000 restitution for conspiracy to commit mail fraud. Cantalupo had cooperated in the investigation of PHA Executive Director Paul Marguglio. The Public Employees Retirement System (PERS) reduced Cantalupo's monthly pension benefit from \$2,683 to \$1,655 because he was denied service credit for "dishonorable" employment after 6-30-87.

142. Donald V. Pieri, Deputy Executive Director of the Passaic Housing Authority (PHA), was sentenced in federal court on 1-16-91 to three years probation and a \$2,500 fine for conspiracy to obstruct a HUD audit of the PHA. A separate civil suit brought by federal authorities against Pieri was settled for \$20,000 with Pieri agreeing not to press any claims for additional salary. The sentencing judge noted that Pieri had cooperated promptly with the investigation and his wife had recently died of cancer, leaving him to care for a nine-year-old daughter. Pieri lost all 17 1/2 years of his service credits with the Authority and forfeited his right to a deferred pension when he reaches the age of 60.

143. Emil C. Moretti, Chief of Operations of the Passaic Housing Authority (PHA), was sentenced in federal court on 6-20-91 to three years probation and a \$2,500 fine for conspiracy to obstruct a HUD audit of the Authority. The government requested leniency for Moretti based on his extensive cooperation during the investigation.
144. Arthur Glover, a member of the Board of Commissioners of the Passaic Housing Authority (PHA) from 1988 to March 1990 and Assistant Director of the PHA until his retirement in 1987, was sentenced in federal court on 11-30-90 to two years probation, 300 hours of community service, a \$500 fine and \$6,800 restitution for falsifying an application for a housing subsidy. Glover no longer lives in the subsidized housing complex.
145. Efrain (Chico) Cortez, a Passaic City Councilman until his resignation in March 1991, was sentenced in federal court on 10-7-91 to nine months in a medical incarceration institution, three years probation and a fine of \$97,000 (to be reduced by any restitution paid to HUD up to that amount) for defrauding HUD.
146. Charles T. Groeschke, owner of Groeschke Construction Co., was sentenced in federal court on 9-17-91 to 21 months in prison, three years probation, a fine of \$1,415 for each month of incarceration and \$58,660 restitution for making false statements.
147. Richard P. Kiernan, Executive Director of the Long Branch Housing Authority for 25 years until his early retirement in May 1990 (after 31 years with the Authority in various capacities), was sentenced in state court on 6-14-91 to five years in prison for theft by failure to make the required disposition of property. As of the date of sentencing, Kiernan had repaid the Authority \$50,500 and had repaid Washington Manor Associates about \$60,000. The rest of the money was the subject of a federal civil racketeering suit filed on 6-18-90 by Washington Manor against Kiernan. Kiernan was collecting a monthly pension of \$2,444, but the Public Employees Retirement System indicated that it would consider possible forfeiture of the pension upon notification of Kiernan's conviction. Kiernan filed a lawsuit in state court against the Authority seeking \$21,000 in uncompensated accrued sick and vacation leave time.
148. T. Hadford Catley, Executive Director of the Neptune Housing Authority, was sentenced in state court on 1-23-90 to two years probation and a \$7,500 fine for theft. Catley agreed to make full restitution to the Authority and to the federal Department of Housing and Urban Development.
149. Juan A. Ponce, Administrator of the Section 8 federal rent subsidy program for the Union City Housing Authority, was sentenced in federal court on 9-15-90 to one year in prison for bribery and \$8,000 restitution. In September 1987 Ponce vanished before he could be arrested by FBI agents. He was indicted in 1988. He was a fugitive living in Panama, Nicaragua and Costa Rica before returning to the United States and surrendering to authorities on 4-20-90.
150. José M. Nieves, Chief Fiscal Officer of Jersey City's Division of Welfare in its Department of Human Resources, pled guilty in state court on 10-28-91 to racketeering and official misconduct. The State planned to recommend that Nieves, who agreed to cooperate with the continuing investigation and prosecution, be sentenced to at least eight years in prison. He also faces a fine of \$200,000, although less than \$10,000 of the \$400,000 stolen has been recovered -- none of it from Nieves, who was represented at his guilty plea by court-appointed counsel.
151. Lillie Mae Atkins Hairston, Supervisor of Caseworkers for the Jersey City Division of Welfare, pled guilty on 6-16-92 to theft by deception for stealing approximately \$2,500 in 1988 by creating the false impression that certain fictitious and ineligible persons were entitled to receive welfare checks. She admitted that she kept the proceeds from the checks for herself.
152. Luis Ortiz, Supervisor, Data Control Unit, Jersey City Welfare Division, was sentenced in state court to four years in prison, a \$5,000 fine and \$2,200 restitution.

153. Georgia Anna Hightower, an employee of the Data Control Unit, Jersey City Welfare Division, was sentenced in state court on 10-4-91 to two years probation, community service, a \$1,000 fine and \$526 restitution for theft by deception.

154. José Gierbolini, Chief Investigator with the Jersey City Welfare Division, was sentenced in state court to four years in prison, a \$2,500 fine and \$6,645 restitution for conspiracy to commit racketeering. He was also ordered to forfeit his public office.

155. Hazel Frances Steagall, a Caseworker with the Jersey City Welfare Division, was sentenced in state court to two years probation, 100 hours of community service, a \$500 fine and \$285 restitution.

156. Thais Ferguson, Supervisor of the Jersey City Welfare Division's Intake Unit, pled guilty to official misconduct.

157. James C. Lee, Assistant Supervisor of the Jersey City Welfare Division's Intake Unit, pled guilty to official misconduct.

158. Raymond Clark, an Aide to the Jersey City Human Resources Department Director, was sentenced in state court to 18 months in prison (concurrent with time being served in another state offense) for theft by deception.

159. Gary Norman Hand, an employee of the Jersey City Human Resources Department, was sentenced in state Court to two years probation, 200 hours of community service, a \$1,500 fine and \$900 restitution for witness tampering. He was also required to forfeit his position.

160. Frank Giordano, Jr., a Jersey City Human Resources Department employee, pled guilty in state court to theft, admitting that he split the proceeds of rental assistance checks with the Human Resources Director. Giordano agreed to pay \$6,200 restitution and testify at future trials.

161. Kevin Bowers, an associate of a Jersey City Welfare Division employee, was sentenced in state court to five years in prison (concurrent with time to be served for an offense in New York), a \$1,000 fine and \$600 restitution.

162. Rose Catalina Feliciano, ex-wife of Jersey City Welfare Division Chief Fiscal Officer José Nieves, was sentenced in state court to three years probation, 200 hours of community service, a \$1,000 fine and \$6,000 restitution.

163. Beatriz Eleana Gierbolini, ex-wife of Jersey City Welfare Investigator José Gierbolini and girl friend of Jersey City Welfare Division Chief Fiscal Officer José Nieves, was sentenced in state court to four years probation, 200 hours of community service, a \$1,000 fine and \$6,200 restitution.

164. Ana Rios, an associate of Jersey City Welfare Division Chief Fiscal Officer José Nieves, was sentenced in state court to three years probation, 100 hours of community service, a \$1,000 fine and \$2,018 restitution for theft.

165. Ernest Ajolet was sentenced in state court on 10-11-91 to six years in prison, a \$1,000 fine and \$22,982 restitution for conspiracy.

166. Odily Casco Moraga, ex-girl friend of Jersey City Welfare Division Chief Fiscal Officer José Nieves, was sentenced in state court to three years probation and a \$1,000 fine for theft.

167. Iris Nercida Burgos was charged with forgery and admitted into the Pretrial Intervention Program. She subsequently failed to inform her probation officer of her whereabouts, and her case was returned to the court for

adjudication.

168. Barbara A. Pagan was charged with theft and admitted into the Pretrial Intervention Program.

169. Essam Elsaid Elfatah was charged with theft and admitted into the Pretrial Intervention Program.

170. John Anthony Allicock was charged with theft and admitted into the Pretrial Intervention Program. He failed to comply with conditions of the program, and his prosecution was reopened. He is now a fugitive.

171. Joseph Simon Jordan was charged with theft and admitted into the Pretrial Intervention Program.

172. Khaled A. Mohamed pled guilty in state court on 6-16-92 to theft by deception for stealing approximately \$1,950 between March 1988 and February 1989 from the Jersey City Department of Human Resources by posing as a landlord and creating the false impression that one of his tenants was entitled to rental assistance checks. He admitted keeping the proceeds from the checks for himself.

173. Seymour A. Mont, owner of Paula's Furniture Outlet, was sentenced in state court on 6-19-92 to five years probation, 500 hours of community service, a \$20,000 fine and \$90,000 restitution for theft by deception and conspiracy to commit bribery and official misconduct.

174. Magda Lontai, a furniture store owner, was admitted into the Pretrial Intervention Program on 3-17-92. As part of the Program she agreed to pay restitution of \$1,295.

175. Al-Mak, Inc., t/a Good Deal Furniture, was sentenced in state court on 4-3-92 to pay a \$2,500 fine and to donate 12 twin beds to a charity recommended by the Probation Department and Prosecutor for theft by deception.

176. Clinton & Bergen Furniture, Inc. was sentenced in state court on 4-3-92 to pay a \$2,500 fine for theft by deception. The court noted that the firm had donated merchandise of approximately \$2,000 in value to Integrity House.

177. Katie Selikoff was admitted into the Pretrial Intervention Program on 3-23-92.

178. Vincent Aviles was admitted into the Pretrial Intervention Program on 3-23-92.

179. Susan Davidson was admitted into the Pretrial Intervention Program on 3-23-92.

180. Jamil Rasheed, aka Jamil Hutchins, was sentenced in state court on 4-24-92 to three years probation, 100 hours of community service and a \$250 fine for tampering with records. The court noted that Rasheed was waiving any claims against the County.

181. Entrance Furniture Co. was sentenced in state court on 4-3-92 to pay a \$1,000 fine and donate \$5,000 worth of furniture to American Rescue Workers for theft by deception.

182. George Falus was admitted into the Pretrial Intervention Program on 3-17-92.

183. Piusa Furniture, Inc. was sentenced in state court on 4-3-92 to pay a \$1,000 fine for theft by deception.

184. José D. Nunez was admitted into the Pretrial Intervention Program on 3-17-92.

185. Diana M. Zayas was admitted into the Pretrial Intervention Program on 3-17-92.

186. La Furniture Warehouse was sentenced in state court on 4-3-92 to donate \$1,000 worth of furniture to a homeless shelter and to complete 100 hours of community service by corporate officers for theft by deception.
187. Jerry L. Cadareu, doing business as Cadareu Contracting, was sentenced in state court on 6-6-86 to three years probation, 250 hours of community service and a fine of \$2,500 for conspiracy.
188. Robert A. Murphy, Supervisor of the Monmouth County Housing and Improvement Program (HIP) from 1981 to August 1984, was sentenced in state court on 6-6-86 to five years in prison and a \$5,000 fine for conspiracy. He also lost his official position and was ordered disqualified from future public office or employment.
189. Robert T. Concannon, owner of Concannon Contracting Co., Inc. and Cliffwood Lumber Co., was sentenced in state court on 6-13-86 to five years in prison and a \$5,000 fine for conspiracy. Concannon Contracting was sentenced to pay a fine of \$1,000 and precluded from conducting any further business in New Jersey.
190. Harold Knox, Construction Specialist for the Monmouth County Housing and Improvement Program (HIP), pled guilty to a disorderly person offense. He also lost his public jobs.
191. Joseph P. Perrina, owner of Lime Waterproofing, Inc., was sentenced in state court on 6-6-86 to three years probation, 250 hours of community service and a \$2,500 fine for conspiracy. His company was fined \$1,000 and prohibited from doing business in New Jersey.
192. George Robert Benson, a Manager with Concannon Contracting and also doing business as New Horizons Carpentry & Home Improvement Co., was sentenced in state court on 6-6-86 to one year probation and a \$500 fine for conspiracy.
193. Bruce Albert Neilson, doing business as Bruce Neilson Painting Service and B & S Painting, was sentenced in state court on 6-6-86 to three years probation, 250 hours of community service and a \$2,500 fine for conspiracy.
194. David A. Jardine, doing business as Jardine Aluminum, was sentenced in state court on 6-6-86 to three years probation, 250 hours of community service and a \$2,500 fine for conspiracy.
195. Eugene Walter Caufield, doing business as E.W. Caufield General Contractors, was sentenced in state court on 6-6-86 to five years probation, 250 hours of community service and a \$2,500 fine for conspiracy.
196. Patrick J. Acquafredda, doing business as P.J. Construction, was sentenced in state court on 2-17-87 to five years probation and \$5,000 restitution for conspiracy.
197. José E. Abreu, a caseworker for the Passaic County Board of Social Services, was sentenced in state court on 1-16-92 to five years in prison and \$51,825 restitution, the amount he personally received from the scheme, for theft by deception and official misconduct. He was also barred from holding public office or employment in the future. Abreu agreed to cooperate in the ongoing investigation.
198. Johnny Zorilla, a Passaic County welfare employee, was sentenced in state court on 9-26-91 to 14 days in prison, three years probation and \$724 restitution for theft by deception.
199. Miguel A. Santiago, a Passaic County welfare employee, was sentenced in state court on 9-26-91 to 30 days in prison, three years probation and \$1,058 restitution for theft by deception.
200. Hayden A. Thompson, a Senior Account Clerk with the Morris County Board of Social Services, was

admitted into the Pretrial Intervention Program on 6-21-91 after being charged with official misconduct and theft by deception. Special conditions of PTI admission were one year of supervision, \$280 restitution, a tour of the Morris County Jail and random urine monitoring.

201. Ismael Moody, a caseworker in Paterson's Welfare Department, was sentenced in state court on 4-29-88 to three years probation and \$200 restitution for official misconduct. He was also required to resign, with prejudice, from his public employment.

202. Grover Kenner, Weatherization Manager of the Passaic City Community Action Program from 1982 to October 1991, pled guilty in federal court on 5-21-92 to bribery charges and was awaiting sentencing. State charges of official misconduct and bribery were pending, and he was cooperating with a continuing investigation.

203. Sergio Gomez, a Passaic City landlord, pled guilty in federal court on 5-21-92 to bribery and is awaiting sentencing. He was cooperating with a continuing investigation.

204. Elliot Rivera, Housing Inspector for the City of Bridgeton, was sentenced in state court on 8-30-91 to five years in prison for official misconduct.

205. Joan E. Fallon, Old Bridge Municipal Court Clerk and a Township employee from 1979 to 1991, was sentenced in state court 4-3-92 to five years probation, 200 hours of community service and mental health counseling for tampering with public records. She was also prohibited from becoming employed in any capacity in the court system or any position requiring public trust.

206. The late Manchester Township Administrator, Joseph S. Portash, and a deceased Township Mayor were named as unindicted co-conspirators in an indictment returned by an Ocean County grand jury on 2-26-91. Authorities reported that the deceased Mayor was illegally paid over \$75,000. Another Mayor was indicted for unlawfully receiving \$40,150 in municipal funds, but the court determined that he was mentally incompetent to stand trial because of senility.

Portash became Assistant Planner for Ocean County in 1960. He was appointed to the Manchester Committee in 1962 to fill a vacancy. In 1964 he became Ocean County Planning Director. He also served 14 years as Mayor of Manchester. In 1969 Portash was appointed to a seat on the three-member Ocean County Board of Freeholders to fill a vacancy. By the early 1970s Portash was County Chairman of the Republican Party and Director of the Board of Freeholders.

Portash's political star began to fall, however, when, while campaigning in the spring of 1974 for reelection as a Freeholder, his tax returns revealed that Robert Safran, a local real estate broker trading as the Madison Agency, had paid him \$31,730 over the previous three years. The agency was being used to channel money to Portash from Robert Schmertz, President of Leisure Technology, one of the two biggest developers of retirement communities in Manchester. As a member of the Manchester Township Utilities Authority and the Ocean County Planning Board, Portash had voted to approve Leisure Technology's applications to build the \$200 million Leisure Village West. It was revealed that Portash did no work for the money he collected from Schmertz, and Portash lost the Freeholder election.

Portash was convicted in early 1976 of "unlawfully taking money" for accepting \$31,730 from Schmertz to influence his decisions on building applications. He was acquitted of a more serious official misconduct charge. Portash was fined \$1,000 and given a suspended six-month jail term. Prior to the trial, Schmertz, a co-defendant, died of complications from a cerebral hemorrhage during minor surgery. On 2-8-76 the other alleged conspirator, real estate agent Robert Safran, died of a heart attack while Portash's defense was being presented.

The Appellate Division overturned the conviction on 6-29-77 because the trial judge had ruled that the prosecution could use testimony that Portash gave on 11-14-74 to a state grand jury under a grant of immunity in

order to impeach his testimony should he take the witness stand during his trial. In reliance upon this ruling, Portash declined to testify on his own behalf. The Appellate Division remanded the case for a new trial, a decision affirmed by the U.S. Supreme Court in 1979. Because it disposed of the case on the question of the permitted use of immunized testimony, the Appellate Division did not recount in detail the testimony from the 16-day trial. It did note, however, that the testimony "in our view, and contrary to defendant's contentions, adequately supports the jury's verdict of defendant's guilt." Portash was acquitted, however, in a June 1979 retrial.

The State Attorney General had also filed a civil lawsuit against Portash on 4-24-75. The complaint alleged that Portash breached his fiduciary duties as Mayor, member of the Manchester Township Municipal Utilities Authority and Freeholder by receiving payments from Schmertz through Safran. The complaint added that the money was neither earned nor allowed by law and was paid in return for Portash's services while holding the three public offices and to obtain public body approvals of Leisure Technology applications. The complaint sought the impressment of a constructive trust upon Portash's property in the amount of \$31,730, plus interest and punitive damages. On 6-1-77 Portash agreed to pay \$12,000 to settle the suit. Both sides agreed that the settlement did not represent an admission of guilt by Portash.

Although Portash's career as an elected official was over, his influence over local politics continued. Because of his conviction he had been required by law to give up his seat on the Township Committee. His wife was appointed to the Committee in his stead, and Portash was appointed a "special adviser" to the Committee. The position originally was unpaid; however, Mrs. Portash's last official act before she left the township government as Mayor in 1977 was to name her husband Township Administrator. His salary eventually rose to \$64,500. Portash later lost control of the situation as residents claimed they should be getting more services for the amount of rambles in the town and opposed excessive salary increases proposed in the summer of 1989.

Throughout his career no one effectively challenged how Portash, on a public salary that for a long time was modest, was able to support a wife, five daughters, two large homes -- one in Manchester and another in Maine -- and annual elaborate vacations to Las Vegas. On 11-28-89 Portash's wife filed suit for divorce. The complaint alleged that since 1981 Portash had frequented Atlantic City and gambled away "thousands of dollars" in the company of a young cocktail waitress. After the bubble burst on the embezzlement scandal, Ocean County Prosecutor's Office investigators found records that Portash, often using the alias Joe Jacobs, lost \$500,000 gambling in Atlantic City and Las Vegas from 1983 through 1990.

The indictment alleged that over \$900,000 was illegally paid to Portash during the seven year period covered by the statute of limitations. The Township has filed suit against his estate in an attempt to recoup some of the money.

207. Joseph F. Murray, Manchester Township Mayor and a Committee member from 1983 through June 1990, was convicted on 2-24-92 after a trial in state court of racketeering, conspiracy, official misconduct, theft, misapplication of entrusted property and filing false state income tax returns. He was convicted of stealing \$177,175 from Township coffers. Murray admitted to investigators from the Ocean County Prosecutor's Office that he cashed numerous checks in his name and gave the money to the scheme's mastermind, Business Administrator Joseph Portash, so that Portash could try to buy off Democrats interested in running for Township Committee against Republican incumbent Murray. Murray, who suffered a heart attack during his trial and had subsequent bypass surgery, was sentenced on 6-25-92 to nine years in prison and \$182,143 restitution. The Appellate Division denied bail while Murray appeals his conviction, and he was required to report to prison on 6-29-92.

208. Ralph I. Rizzolo, III, Manchester Township Mayor from January through June 1990 and a Committee member in 1989, was convicted on 2-24-92 after a trial in state court. On 4-3-92 he was sentenced to 13 years in prison for racketeering, conspiracy, official misconduct, theft, misapplication of entrusted property and

tampering with and falsifying public records. According to testimony at the trial, Joseph Portash, the late Manchester Township Business Administrator, illegally paid Rizzolo township funds in cash until 1990, when he required Rizzolo to have checks drawn in his own name. Rizzolo, while serving as Mayor, received unauthorized checks totaling \$18,579 for himself and his wife. Rizzolo went through elaborate means to make his checks look legitimate and to destroy documents, including dumping them in a landfill, just prior to a new local government's assuming office on 7-1-90.

209. Janice I. Gawales, Chief Financial Officer and Treasurer for Manchester Township from 1984 to July 1990 and Assistant Administrator from 1989 to July 1990, pled guilty in state court in December 1991 to conspiracy, official misconduct, misapplication of entrusted property and filing a false state tax return in 1987 by failure to declare \$53,650 in income. In return, the prosecution agreed to seek a maximum jail term of 10 years, with a five-year period of parole ineligibility. Gawales admitted stealing \$344,411. She agreed to reimburse that amount to Manchester and to pay \$6,684 in back taxes, plus interest and penalties, on \$202,270 in income she failed to declare in 1985 through 1989. Her sentencing has been delayed because she is helping the ongoing investigation of Manchester corruption by the Ocean County Prosecutor's Office and the Internal Revenue Service.

During testimony at the trial of former Manchester mayors Murray and Rizzolo, Gawales surprised the courtroom by turning over 484 municipal checks she had once buried in her home dog pen. She testified that the owner of Manchester Publishing Co. received about \$150,000 in illegal payments and former Township Attorney Siegfried Steele received 40 checks totaling more than \$200,000 from 1984 to 1987. The publisher denied any wrongdoing. The checks also reflected payments to other Manchester officials not yet charged.

Gawales testified that Portash decided who got checks and in what amounts. Sometimes the checks would make up the difference between what the public salary ordinance indicated employees should be paid and what Portash thought they should make. Checks averaging \$2,500 would be written to some officials for no particular reason, and the beneficiaries would keep the money or split it with Portash. The checks were always less than \$10,000 so the bank cashing them would not be required to report the amount to the IRS. Sometimes Portash provided vouchers with a phony reason for the payment, and sometimes Gawales made up the vouchers.

210. Beverly P. Ramsdell, Manchester Township Deputy Treasurer from 1984 to September 1990, was sentenced in state court on 4-3-92 to five years in prison and \$111,752 restitution for official misconduct and filing a false state income tax return.

211. Manuela Herring, Manchester Township Clerk until her retirement in 1985, pled guilty in state court to official misconduct for illegally taking \$19,250 in municipal funds. On 6-25-92 Herring, who is dying in Florida of cancer and other ailments, was sentenced to probation and \$19,250 restitution.

212. Siegfried W. Steele, Manchester Township Attorney, pled guilty in state court on 12-10-91 to failing to declare \$33,455 in legitimate income from Manchester Township on his 1987 tax return. On 4-3-92, however, Superior Court Judge Peter J. Giovine revoked the plea agreement, citing trial testimony indicating that Steele lied when he denied being part of the conspiracy among Manchester officials to embezzle township funds. Former Manchester Chief Financial Officer Janice Gawales testified that Steele received more than \$200,000 in illegal payments from township coffers from 1984 to 1987. Steele had also been charged in the indictment with failing to report income of \$29,565 in 1985, \$47,700 in 1986, \$22,640 in 1988 and \$2,500 in 1989. Thus, he allegedly avoided state income tax liability on \$4,754 on total unreported income of \$135,860. Steele was indicted by an Ocean County grand jury on 6-17-92 for illegally taking \$84,000 in township funds.

213. Linda Taylor, a financial clerk for Manchester Township from 1985 to 1990, was sentenced in state court on 4-3-92 to two years probation and a \$750 fine for filing a false state income tax return. She admitted that she failed to report \$2,500 which she received in 1987 for work outside her normal township duties. She pled guilty to an accusation, cooperated with authorities and testified at the trial of former mayors Murray and Rizzolo.

After Chief Financial Officer Janice Gawales produced at the trial additional checks that were previously thought to have been destroyed, Taylor admitted to receiving at least \$10,000.

214. Theresa Nigro, an electronic data processor for Manchester Township, was sentenced in state court on 4-3-92 to two years probation and \$750 restitution for failure to pay state income taxes. She admitted that she was paid \$3,200 in 1987 for working extra hours at data processing and did not report the income. She pled guilty to an accusation, cooperated with authorities and testified at the trial of former mayors Murray and Rizzolo.

215. Jerry R. Skinner, Manchester Township Auditor from 1-26-88 through 6-30-90, a registered municipal auditor and a former Lavallette Councilman, was sentenced in state court on 4-2-92 to six months in prison, five years probation, a \$7,500 fine and 500 hours of community service for obstructing justice in failing to report that Manchester officials and employees were stealing money from municipal bank accounts. Skinner surrendered his registered municipal auditor license and is cooperating with a continuing investigation of corruption in Manchester.

Testimony at the trial of former Manchester mayors Murray and Rizzolo indicated that \$738,000 in checks were illegally drawn from township accounts while Skinner served as auditor. Although Skinner did not himself receive illegal checks, his firm was paid \$50,000 a year for auditing services.

In July 1989 residents of Manchester's Leisure Village West sent a letter to the State Attorney General's Office asking for an investigation into how township officials were paying themselves, focusing on a \$7,300 overpayment to former Mayor Joseph Murray. The money had ostensibly been paid in return for Murray's sitting on the Host Community Benefits Citizens Board, which determines how money due the township for hosting a regional landfill is to be spent. However, Murray had never been appointed to the Board.

The residents' letter was forwarded to the State Division of Local Government Services. In September 1989 the Division directed Skinner to investigate the complaint, not knowing that he was already covering up wrongdoing by local officials. In October 1989 Skinner provided documents to the Division showing that Murray had returned money to the township and indicating that the Ocean County Prosecutor's Office was investigating the matter. In November 1989 Ocean County Chief of Detectives P.J. Herbert wrote to the complainants that their concerns about illegal payments in Manchester had been investigated and that "it is our opinion that no crime was committed and we are taking no further action into this matter."

216. On 10-31-91 the State Bureau of Securities denied Janice Ruth Gawales, daughter of Manchester Township's Chief Financial Officer, Janice I. Gawales, registration to trade in securities and proposed a \$50,000 penalty against her as a result of "dishonest and unethical practices." Working with her mother and in order to earn higher commissions, the younger Gawales used Manchester Township money to purchase securities unsuitable for municipal investments.

217. Peter J. Schettino, Lodi Borough Treasurer and Chief Financial Officer for 3 1/2 years, was sentenced in state court on 3-5-92 to four years in prison and \$594,306 restitution for official misconduct.

218. Joseph Schettino, a 17-year employee of Sentinel Security Co. of Hackensack (ultimately vice president and general manager), was sentenced in state court on 2-27-92 to four years in prison and \$424,884 restitution for theft by deception. Joseph added "phantom" security guards to the company payroll and stole money from accounts receivable from January 1988 to September 1989.

219. Michael J. Dougherty, Atlantic County Treasurer, was sentenced in state court on 5-13-88 to nine years in prison and \$350,924.54 restitution for theft by failure to make the required disposition of funds. The court also ordered that he was disqualified from holding public office or employment. Dougherty left prison on 5-4-89 and participated in the courts' Intensive Supervision Program (ISP) until his discharge from the program on 1-31-91. As a condition for discharge from the ISP, Dougherty had to agree to pay the balance of his restitution to the

surety bonding company. That firm had reimbursed the County for its loss of funds, plus interest -- a total of \$417,324.48. Paying at the rate of \$70 every two weeks, Dougherty had paid \$3,096.54 through ISP and had a balance of \$347,828, substantially less than the amount needed to fully reimburse the bonding company. Dougherty had worked for Atlantic County from 12-26-71 to 12-26-87. He began serving as Treasurer in May 1975. He presently manages a retail baseball card and sports memorabilia store.

220. Raymond W. Lowry, Comptroller for the Atlantic County Community College, was sentenced in state court on 1-16-87 to three years in prison for official misconduct. He was ordered to forfeit his public office and disqualified from future public office or employment.

221. Benjamin F. Barger, Administrative Analyst, Superior Court, Atlantic County, Special Civil Part, was sentenced in state court on 3-8-91 to four years in prison and \$25,803.51 restitution for official misconduct. He also forfeited his position and was disqualified from holding future public office or employment.

222. Yvonne Bermudez, Atlantic City Comptroller, was sentenced in state court on 9-6-89 to 180 days in prison, three years probation and a \$500 fine for theft by failure to make the required disposition of property received and possession of heroin. She forfeited her position and was disqualified from serving in future public office or employment.

223. Doris Bentley, Assistant Manager of the Pitney Village housing complex for the Atlantic City Housing Authority, was sentenced in state court on 9-27-91 to 20 days in prison to be served on successive weekends, 2 1/2 years probation, \$4,050 restitution and either 75 hours of community service or full-time school or employment. She was also ordered to forfeit her position and disqualified from ever holding public office or employment in the future.

224. Stephen M. Burks, Treasurer of Fairfield Township (Cumberland County), was sentenced in state court on 3-30-90 to seven years in prison and \$160,000 restitution for official misconduct. He was also ordered to cooperate with the Township Solicitor and to forfeit any public office.

225. Sarah Wellborn, a Hudson County Account Clerk, agreed as part of her guilty plea to make full restitution to the County.

226. Robert B. Jones, Treasurer of Penns Grove Borough, was sentenced in state court on 2-2-88 to two years probation and a \$2,500 fine for official misconduct. He had paid back \$5,000 which he stole from the Borough. As a condition of probation Jones was required to attend Gamblers Anonymous. He was also disqualified from ever holding public office or employment in the future.

227. Agnes T. Higgins, Delaware Township (Hunterdon County) Tax Collector and Treasurer for a dozen years, was sentenced in state court on 2-2-90 to three years in prison for official misconduct. She was also barred from holding public office or employment in the future.

228. Howard Gruver, Liberty Township Clerk and Tax Collector, was sentenced in state court on 1-20-89 to three years in prison and \$73,575 restitution for official misconduct. The Township's insurance carrier paid about \$73,000 to Liberty to cover the criminal losses. The Township sued Gruver for more. After a trial in 1990 it was determined that Gruver was responsible for an additional \$8,343 through his carelessness. In addition, Gruver was ordered to pay the Township another \$23,324 to reimburse the auditor's fees spent to determine the extent of the embezzlement.

229. Sharon McKoy, a clerk in the Plainfield Tax Collector's Office for just four months, was sentenced in state court on 4-26-91 to 90 days in prison, three years probation, 200 hours of community service and \$450 restitution for official misconduct and theft by failure to make the required disposition of property received.

230. Betty Diaz, a cashier in the Paterson Tax Collector's Office, was sentenced in state court on 6-29-90 to three years probation, 100 hours of community service and \$588 restitution for theft of movable property.
231. Melissa Krampf, a clerk in the Bound Brook Tax Collector's Office, was sentenced in state court on 8-7-92 to five years in prison and \$883 restitution for official misconduct, theft by failure to make the required disposition of property received and theft by deception.
232. Eileen Wiegand, Assistant City Clerk for Passaic, was sentenced in state court on 6-19-87 to three years probation, 200 hours of community service, a \$2,500 fine and \$8,260 restitution for official misconduct.
233. Karen Quinn, Dunellen Municipal Clerk until April 1990, was sentenced in state court on 3-30-92 to 364 days in prison, five years probation, \$1,743 restitution and continued participation in a drug rehabilitation program for theft by failure to make the required disposition of property received. She was also disqualified from holding public office or employment in the future.
234. Terry R. Heater, Clerk of the Joint Municipal Court for Alexandria Township, Holland Township, Frenchtown Borough and Milford Borough from 1982 to October 1989, was sentenced in state court on 5-24-91 to three years in prison and \$45,000 restitution for official misconduct. He was also disqualified from holding public office or employment in the future.
235. John Cardenas, Fiscal Officer of the Jersey City Municipal Court, pled guilty in state court on 2-25-92 to theft by failure to make the required disposition of property received. Sentencing was pending.
236. Crystal L. Johnson, a clerk in the Municipal Court Clerk's Office of the Roselle Municipal Court, was sentenced in state court on 3-31-89 to 180 days in prison, five years probation, a \$1,000 fine and \$2,288 restitution.
237. Lorraine DeWolff, a senior clerk-typist with the Woodbridge Municipal Court for six years when she was suspended on 12-10-90, was sentenced in state court on 5-11-92 to two years probation and \$1,500 restitution for theft by failure to make the required disposition of property received. She was also ordered to resign her position and never again accept a public job.
238. Susan Stokes, Deputy Clerk for Penns Grove Borough Municipal Court, was sentenced in state court on 7-19-91 to one year probation, 200 hours of community service and a \$250 fine for the disorderly persons offense of theft. Stokes also made restitution of the \$250 to the Borough, resigned her position and waived her right to have the arrest and conviction expunged. An order was entered disqualifying her from holding public office in the future.
239. Beverly F. Blonder, the Violations Clerk of the Lakewood Municipal Court, who was employed at the Court for 17 1/2 years, was convicted by a state court jury on 6-17-92 of official misconduct, theft by failure to make the required disposition of property received and filing false or fraudulent state income tax returns for 1988 and 1989. She was sentenced on 8-14-92 to seven years in prison, \$20,287 restitution to the Ocean County Municipal Joint Insurance Fund and the Township of Lakewood and to pay \$7,368, plus interest and penalties, to the State Division of Taxation.
240. Joann C. Cross, Administrator/Clerk of the Moorestown Township Municipal Court, was sentenced in state court on 9-4-92 to five years probation and \$18,117 restitution for theft by unlawful taking. She also lost her position.
241. Karen A. Piazza, a cashier with the Superior Court, Somerset County, Special Civil Part, was accepted into the Pretrial Intervention Program on 4-13-92. As a condition of participation in the program, she was required to pay \$1,200 restitution.

242. Thomas Ronchetti, Sr., Assistant Business Manager for the Vineland School District, was sentenced in federal court on 7-26-90 to four months in prison, two years probation and \$8,710 restitution for conspiracy to embezzle.

243. Glenn A. Ronchetti, Purchasing Agent for the Vineland School District, was sentenced in federal court on 7-26-90 to 33 months in prison, three years probation, \$168,861 restitution and drug testing and treatment for conspiracy to embezzle, embezzlement, payment of a gratuity and obstruction of justice.

244. Samuel A. Barile, owner of Barile & Sons Construction Co., was sentenced in federal court on 4-11-90 to 27 months in prison, two years probation, a \$4,000 fine, \$13,465 restitution and drug testing and treatment for conspiracy to embezzle.

245. Russell Caterina, owner of Decorator's Boutique, was sentenced in federal court on 7-26-90 to three months in a residential drug treatment center, two years probation, a \$5,000 fine and \$1,500 restitution for payment of a gratuity.

246. Samuel A. Marciano, owner of Marciano Construction Co. and M & K Construction Co., was sentenced in federal court on 4-12-91 to two months in prison, three years probation (including drug testing and, if necessary, treatment) and \$11,996 restitution for receiving stolen property.

247. Thomas Ronchetti, Jr. pled guilty to obstruction of justice and entered a federal pretrial intervention program.

248. Frank A. Frederick, Assistant Superintendent of the Vineland School District in charge of the Adult Education Center, was sentenced in state court on 2-4-92 to five years in prison for conspiracy, theft by deception, official misconduct and tampering with records. At the 5-15-92 sentencing on the additional charges of official misconduct, theft by failure to make the required disposition of property received and tampering with records, Frederick was sentenced to five years in prison to run concurrently with the previous incarceration and \$4,181 restitution. He was also ordered to forfeit his public office. As part of the plea bargain, the State agreed not to oppose Frederick's application into the Intensive Supervision Program.

249. Francis L. Frederick, a custodian for the Vineland School District, was admitted to the Pretrial Intervention Program.

250. George Hart, Food Service Director for the Salem School District, was sentenced in state court on 4-6-87 to six years in prison for official misconduct and theft by failure to make the required disposition of property received. The sentencing court noted that although Hart presently lacked assets, his guilty plea could be used as an admission in a civil proceeding against him for recoupment of the funds lost by the School District. Any resulting judgment might be satisfied out of future acquired assets.

251. Robert G. Westefeld, Dean of Business Affairs at Passaic County Community College from September 1986 to June 1990, was sentenced in state court on 4-25-91 to 200 days in prison, five years probation and \$25,000 restitution for theft by failure to make the required disposition of property received. He was also ordered to forfeit public employment.

252. June Shankin, part-time Librarian for Audubon Borough from 1958 to 1990, was sentenced in state court on 4-3-92 to four years probation and 500 hours of community service for official misconduct and theft by deception. She had resigned her position when arrested on 9-24-90. A consent judgment entered at the time of the guilty plea on 2-19-92 required her to pay \$20,175 to the Borough in restitution.

253. Frank J. Hoerst, III, Salem County Prosecutor, was admitted to the Pretrial Intervention (PTI) Program on 4-24-91 after pleading guilty in state court on 3-11-91 to theft by failure to make the required disposition of

property (failing to properly account for public funds), agreeing to pay \$7,500 restitution, resigning from his position as Prosecutor and agreeing to perform 100 hours of community service. No order was entered disqualifying Hoerst from holding public office in the future. After a year in PTI, Hoerst was discharged from the program, and the complaint and indictment against him were dismissed. The State had opposed PTI but indicated that it would not appeal if the court decided to admit Hoerst. He still faces possible disciplinary action by the New Jersey Supreme Court.

254. John C. Hatcher, Jr., East Orange Mayor, was sentenced in state court on 3-27-91 to five years probation, a \$5,000 fine, 450 hours of community service and \$6,975 restitution for conspiracy to fail to make the required disposition of property received. He was also disqualified from holding future public office or employment.

255. Charles L. Munford, Sr., Manager of the East Orange Golf Club, was sentenced in state court on 3-27-91 to five years probation, a \$5,000 fine, 450 hours of community service and \$6,975 restitution for failure to make the required disposition of property received and conspiracy to commit theft.

256. Nicholas A. Mina, Esq., Risk Manager in the Hudson County Department of Finance and Administration, was admitted into the Pretrial Intervention Program on 3-15-91 after being charged with theft by failure to make the required disposition of property received. He resigned his position in 1990. A special condition of admission into PTI was payment of \$16,080 in restitution.

257. Barbara Costello, Executive Director of the Washington Township (Gloucester County) Municipal Utilities Authority since 1986 and an MUA employee for 13 years, pled guilty in state court on 7-24-92 to theft of between \$200 and \$500 but agreed to pay full restitution of \$2,750. Under the plea agreement she was admitted into the Pretrial Intervention Program with a condition that she complete 200 hours of community service.

258. LaVon Jenkins, Director of Purchasing for the Trenton Housing Authority, was sentenced in state court on 5-18-90 to seven years in prison for official misconduct and theft following a bench trial. The case is on appeal.

259. Joseph J. Cepparulo, a Corrections Officer at the Union County Jail, was sentenced in state court on 2-14-92 to three years probation and \$5,852 restitution for falsifying records. He was required to maintain a life insurance policy with Union County as the beneficiary until the restitution was paid.

260. Roberta Allen (aka Chism), a civilian employee in charge of bail monies at the Union County Sheriff's Department, was sentenced in state court on 8-17-90 to five years probation, 300 hours of community service and \$9,644 restitution for theft by failure to make the required disposition of property and falsifying records. After a jury trial, she was acquitted of more serious charges of official misconduct and tampering with public records. After she willfully violated the restitution term of her probation by paying only \$70 in 1 1/2 years, Allen was imprisoned on 10-4-91 for 60 days.

261. William J. Niesen, II, Director of Morristown's Department of Human Services and Rent Leveling Manager, was sentenced in state court on 1-22-87 to 100 days incarceration at the "county farm," five years probation and a \$7,500 fine for official misconduct.

262. Frank C. Manniello, a full-time employee of the Morris Township Fire Department and President of its volunteer branch, the Collinsville Fire Company, was admitted into the Pretrial Intervention Program on 3-14-90 after being charged with misapplication of entrusted property, forgery, uttering a forged instrument and official misconduct. A special condition of admission into PTI was the payment of \$5,577 restitution.

263. Lawrence T. Plesh, a part-time special police officer in Blairstown, was admitted into the Pretrial Intervention Program with the condition that restitution be paid.

264. David A. Rueger, Supervisor in Teaneck's Public Works Department, was sentenced in state court on 10-

26-90 to three years probation, 200 hours of community service and \$7,000 restitution for official misconduct and theft. He also lost his job with Teaneck.

265. Robert C. Rueger, Assistant Supervisor in Teaneck's Public Works Department, was sentenced in state court on 10-26-90 to three years probation, 50 hours of community service and \$7,000 restitution for official misconduct and theft. He also lost his job with Teaneck.

266. Vincent A. Lella, Sr., Middlesex Borough Public Works Superintendent, was sentenced in state court to five years probation, 50 hours of community service, a \$2,500 fine and \$1,000 restitution for theft by deception, misappropriation of entrusted government property, tampering with evidence and fabrication of evidence. He was also barred from holding public office or employment in the future. Lella's thefts fed his gambling habit. He reportedly had been beaten so badly by loansharks that he was on leave from work several days at a time.

267. Vincent A. Lella, Jr., a laborer in the Middlesex Borough Public Works Department, was admitted into the Pretrial Intervention Program on 9-5-90.

268. John H. Williams, an employee of the Camden City Utilities Department, was sentenced in state court on 11-30-90 to three years probation and 150 hours of community service for theft by deception. As part of the plea agreement with Williams, all charges against two of his co-workers were dismissed.

269. Cleveland S. Fort, a private contractor and a drug addict, was sentenced in state court on 9-28-90 to four years probation with unannounced urine monitoring for drugs for conspiracy.

270. Howard Caldwell, head of the Camden Police Department's Vice Unit and a police officer for 17 years, was sentenced in state court on 5-27-92 to two years probation and a \$3,750 fine for official misconduct. In opting for no incarceration the sentencing court noted Caldwell's "loss of public employment and potential pension impairment."

271. Robert Moore, a trash truck driver for Winslow Township, after being found guilty by a state court jury, was sentenced on 4-24-92 to three years probation and 100 hours of community service for official misconduct. He also lost his job of 17 years with the Township.

272. John F. Lafferty, a Mount Ephraim Borough Commissioner, was admitted into the Pretrial Intervention Program on 8-6-90 after pleading not guilty to an accusation of official misconduct. Lafferty agreed to pay \$1,020 restitution in return for a promise by the Camden County Prosecutor's Office not to oppose his admission into the PTI Program. He also agreed to resign his Commissioner position. On 2-14-91 Lafferty satisfactorily completed the conditions of PTI, and the accusation was dismissed.

273. Oscar James, Executive Assistant to Newark's Director of General Services, was sentenced in federal court on 3-18-91 to 120 days of home confinement, three years probation and a \$5,000 fine on a no contest plea to mail fraud. James had reimbursed the City \$4,000.

274. Walter J. Baillic, Jr., was admitted to Pretrial Intervention on 7-31-91 for a period of two years. As a condition of PTI he had to perform 100 hours of community service. He also lost his job with the Township.

275. John F. Phelan, Superintendant of the Harding Township Public Works Department, was admitted into the Pretrial Intervention Program in February 1991 after being charged with official misconduct. Special conditions for admission into PTI were three years supervision, \$2,324 restitution, a tour of the Morris County Jail, random urine monitoring and Phelan's agreement to resign his position, not to seek future public employment within Morris County and not to seek public employment within New Jersey for five years.

276. Renard A. Galus, an officer with the Butler Police Department, was admitted into the Pretrial Intervention

Program on 8-7-91 after being charged with official misconduct. Special conditions for admission into PTI included three years supervision, a tour of the Morris County Jail, random urine monitoring, resignation from his position and prohibition from obtaining employment in any other law enforcement capacity for three years.

277. Thomas Mainiero, an Edison School District computer science teacher, was admitted into the Pretrial Intervention Program on 1-30-92. He resigned his position on 1-17-92.

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