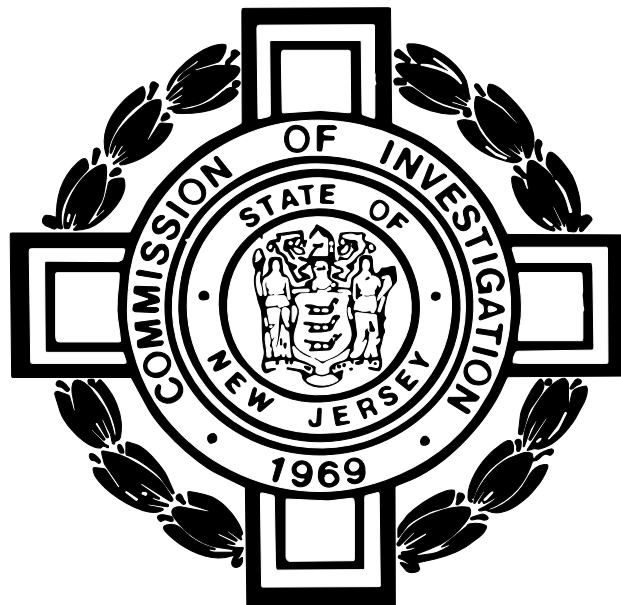


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*STATE OF NEW JERSEY*

**COMMISSION  
OF  
INVESTIGATION**



**SCI**

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

***2014***

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*State of New Jersey*

**Commission  
of Investigation**



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# State of New Jersey

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*Commissioners*

Philip James Degnan

*Executive Director*

March 2015

Governor Christopher J. Christie

The President and Members of the Senate

The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith formally submits its 46th annual report for the year 2014.<sup>1</sup>

Respectfully,

Joseph F. Scancarella  
Chair

Robert J. Burzichelli  
Commissioner

Frank M. Leanza  
Commissioner

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<sup>1</sup> Patrick E. Hobbs resigned as Chair of the Commission on May 16, 2014. On February 9, 2015, Rosemary Iannacone was appointed to the Commission by Governor Chris Christie to fill the vacancy. On February 10, 2015, the Governor appointed Joseph F. Scancarella as Chair.



## Members of the Commission- 2014



**Joseph F. Scancarella**  
**Chair**

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



**Robert J. Burzichelli**  
**Commissioner**

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



**Frank M. Leanza**  
**Commissioner**

*Mr. Leanza was appointed to the Commission in July 2014 by Assembly Speaker Vincent Prieto. A founding partner of the Hasbrouck Heights and Jersey City law firm, Leanza & Agrapidis P.C., from which he is retired, Mr. Leanza specialized in governmental, tax and development issues. Mr. Leanza graduated from Newark College of Engineering, summa cum laude, with distinction in humanities in 1972 and was employed by New Jersey Bell Telephone Company as an engineer and construction supervisor. He graduated from Rutgers Law School, Newark, with honors, in 1978 and worked for a major Bergen County law firm before starting his own law firm in 1984. Mr. Leanza also earned a master's degree in management science from the New Jersey Institute of Technology in 1979 and an L.L.M. (in taxation) from New York University in 1984. Mr. Leanza has also served in several charitable and governmental positions, including counsel for the North Hudson Sewerage Authority, 1988-Present; Municipal Judge in Guttenberg, 1990-2013; West New York Housing Authority Counsel, 1996-Present; and Town Attorney in Secaucus, 2000-2010.*





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# ***INTRODUCTION***

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

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

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

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

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

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

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

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

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

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

stages in a range of significant inquiries related to all elements of its statutory purview, including organized crime, official corruption, mismanagement and waste and abuse of government funds.

In that context, the Commission stands ready to address specific concerns raised by average New Jersey taxpayers, and they routinely avail themselves of this service. During 2014, as in years past, barely a week went by that the Commission did not receive requests for investigative action, assistance or advice from citizens. Throughout the year, the Commission received nearly 150 citizen contacts by regular mail, e-mail and telephone requiring evaluation and response. In order to facilitate public access, the Commission has established a Tip Hotline on its website for citizens to file complaints or otherwise communicate confidentially with investigators. It can be accessed at [Hotline@sci.state.nj.us](mailto:Hotline@sci.state.nj.us).

In sum, 2014 was a productive year for the Commission in its service to the citizens of New Jersey. Above all, given the fact that savings generated by reforms, efficiencies and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again has proved itself to be an effective and worthwhile public investment.

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

# ***PUBLIC REPORTING***

## ***INSIDE OUT Questionable and Abusive Practices in New Jersey's Bail-Bond Industry***

### **Summary**

In May, the Commission completed an investigation and issued a report that uncovered questionable and abusive practices in the bail-bond system in New Jersey. The inquiry revealed that the public bail system is dominated by private entrepreneurs who profit from the process but are subject to weak governmental controls that are easily manipulated or ignored with little or no consequence.

The Commission found instances in which bail-bond agencies were operated by unlicensed individuals, including some with extensive criminal records. These include former agents who forfeited bail licenses or registrations for engaging in illegal or improper activity but returned to the business using various subterfuges. In some cases, these unlicensed agents have operated in the industry for years, continuing to engage in the same abuses that led to their expulsion in the first place.

The investigation revealed that bail agents, seeking an edge on their competitors, regularly make deals that circumvent and undercut court-imposed bail set by judges. Outside the view of the court, some agents routinely craft arrangements that enable clients to get out of jail for the cash equivalent of as little as 1 percent or less of the total bail – a down payment that is substantially

below the standard bond “premium” of 10 percent. This means that a criminal defendant held on \$50,000 bail for a serious offense can gain immediate release for as little as a few hundred dollars. Typically, these customized bail payment arrangements are crafted with no outside regulation and little to no transparency.

Perhaps the most disturbing trend identified was bail-bond agencies’ widespread use and compensation of jailed criminal defendants to drum up business behind bars, a practice that is a crime in other states. The Commission found that it is quite common for bail-bond agents in New Jersey to recruit inmates as freelance subcontractors and to offer cash and other incentives to those who steer new clients to them. These arrangements are maintained through the jail telephone system with agents openly striking deals with those who agree to serve as “runners” behind bars. This occurs even though it is a regulatory violation for non-licensed individuals to solicit bail and despite the fact that both parties are informed that jail phone conversations may be monitored and recorded by jail authorities. Commission investigators reviewed scores of recordings from 14 county jails and found clear evidence of this practice virtually across the entire sample spectrum.

This investigation, in part, was an outgrowth of the Commission’s examination of the impact on New Jersey’s state prison investigation of the growing population of inmates linked to organized criminal street gangs. In that case, widespread evidence was found that gang-affiliated and other inmates discovered ways to exploit various prison operating systems, including the prison phone system. One tactic commonly used to subvert the phone system is a “three-way call” in which an inmate places a call to one individual who then surreptitiously forwards the call or otherwise connects the inmate to one or more parties whose phone numbers and identities remain hidden. The Commission found this tactic frequently employed in county jails because three-way calls are a key part of the rewards package offered by bail agents to inmates who make client

referrals.

While government oversight of the bail system falls within the purview of the state Department of Banking and Insurance (DOBI), the Commission found that regulation of the industry is a low-tier priority commanding limited resources. Not only is oversight lax, there is little in the way of effective deterrence against unscrupulous activity because the laws that govern the bail-bond process are weak, and violations carry minimal penalties. Further, the Commission found instances in which fines imposed against violators were never collected.

The Commission also found that New Jersey's counties collectively are failing every year to capture tens of millions of dollars in forfeited bails they are legally entitled and empowered to recover after defendants fail to appear for required judicial proceedings. Notwithstanding guidelines issued by the Office of the Attorney General a decade ago to tighten procedures and improve the recovery rate, bail forfeitures are typically negotiated and settled for pennies on the dollar. Twice in recent years, the Office of the State Auditor noted inconsistency in the use and application of these forfeiture guidelines, resulting in widespread recovery-rate disparity among the counties.

The Commission formally referred findings of its investigation to the Department of Banking and Insurance, the Office of the Attorney General, and the offices of the County Prosecutor, Sheriff and Corrections authorities in each of the State's 21 counties. Based on these findings, the Commission proposed the following recommendations for statutory and regulatory reform, nearly all of which have been incorporated into legislation pending before the State Senate and General Assembly. The Commission's recommendations included:



## **Reorganize Licensing, Oversight and Enforcement**

- Responsibility for licensing and oversight of bail-bond agencies and their personnel, as well as the enforcement of all applicable laws and regulations, should be moved from the Department of Banking and Insurance and assigned to the Department of Law and Public Safety in a new bail unit.

*Bills A3557/S2349, A3536 and S2292 address this issue.*

- Licensing and renewal fees for bail-bond agents and agencies should be increased in order to defray the taxpayer costs associated with the creation of a bail unit and to help make more the State's bail regulatory functions more self-sustaining.

*Bills A3557/S2349, A3535 and S2291 address this issue.*

## **Criminalize Violations of Licensure**

- Legislation should be enacted to amend the State's Criminal Code to make it a felony to perform the acts of a bail-bond agent or agency without licensure or to employ, compensate or otherwise use unlicensed individuals to solicit bail-bond business.

*Bills A3557/S2349, A3530, and S2290 address this issue.*

- Legislation should be enacted to make it a crime to facilitate three-way telephone calls for incarcerated inmates, with license revocation automatic for any bail agent or agency that participates in such arrangements.

*Bills A3557/S2349, A3537 and S2287 address this issue.*

## **Reform, Regulate and Require Disclosure of Discount Bail-Bond Deals**

- Legislation should be enacted to require that the premium charged by bail-bond agencies be no less than the 10 percent option available through the court, unless a judge determines that charging a lesser percentage of the full bail and/or offering a special installment plan is appropriate. Bail agents should be required to disclose to the court the terms and conditions of any customized bail-bond payment arrangement that departs from the standard 10 percent rule.

*Bills A3557/S2349, A3532, and S2286 address this issue*

## **Establish Uniform Bail-Agent Access Rules for County Jails**

- The Legislature should call upon a statewide organization, such as the New Jersey Jail Warden Association, to develop a uniform set of best practices governing commercial bail-bond agent access to inmate populations that could be adopted by every county jail in the State. These rules and procedures should include a schedule of sanctions, including access suspension for violators and access revocation for repeat offenders.

*Bills A3557/S2349, A3533, and S2288 address this issue.*

## **Streamline Bail Forfeiture Recovery Process and Increase Oversight**

- The State should examine forfeiture collection processes in other states
- The new Bail Unit proposed by the Commission should have direct supervision of bail forfeiture settlements and collections.

## **Enhance Consumer Protection in the Bail-Bond Industry**

- All bail-bond agents, as a condition of licensure, should be required to possess and display identification cards bearing their photograph, license number and other appropriate information. Licensing information should be displayed prominently within a bail agent's office.

*Bills A3557/S2349, A3531, and S2289 address this issue.*

## ***HONORS AND ACHIEVEMENTS***

During 2014, the SCI was widely recognized by organizations across New Jersey for its service and record of achievement, including not only its investigative findings and recommendations but also its contributions as a valuable resource for law enforcement agencies, government entities and citizen groups. The Commission's extensive expertise in the arena of prescription-pill and heroin abuse continues to serve as a source of information and to provide assistance for the law enforcement community, healthcare professionals, educators and parents. On another front, nearly all the recommendations made by the Commission in a May 2014 report that exposed improper practices in the commercial bail-bond industry were integrated into legislation. Further, in the past year, intelligence gathered by Commission investigators, or in collaboration with other crime-fighting organizations, and forwarded to prosecutors resulted in criminal convictions and subsequent prison sentences for individuals found guilty of breaking the law in the course of their misconduct.

\* \* \*

Underscoring the importance and relevance of the Commission's comprehensive inquiry into New Jersey's bail-bond industry, members of the state Senate and General Assembly introduced legislation to enact the majority of recommendations from the *Inside Out* report. The most inclusive of these measures is Assembly Bill 3557 (Burzichelli/Dancer)/Senate Bill 2349 (Turner) which would implement nearly all the investigative recommendations to address abusive and improper activities occurring within the bail-bond business. In addition, the majority of the Commission's proposals for regulatory and statutory reform of the bail industry were targeted individually in separate legislation. This was achieved by the introduction in each house of the

Legislature of a package of seven bills that address specific recommendations made in the report.<sup>2</sup>

\* \* \*

Intelligence first obtained by Commission investigators during an inquiry that resulted in the December 2011 report, *Industrious Subversion: Circumvention of Oversight in Solid Waste and Recycling in New Jersey*, recently led to a federal prison sentence for a former Essex County Sheriff's officer who carried out an extortion plot to collect a debt. The former officer, who was aided in the scheme by two co-conspirators, pleaded guilty to threatening bodily and economic harm in order to collect \$50,000 from an Ocean County construction contractor. The victim was led to believe he would be harmed by an associate of organized crime associate if the money remained unpaid. In addition to a 15-month prison term, the former sheriff's officer was sentenced in May to two years of supervised release and ordered to pay restitution of \$2,500 and restore a Rolex watch taken from the victim. The two co-conspirators, who pleaded guilty to conspiring to collect a debt from the victim using extortionate means, received three years of probation.

\* \* \*

The Commission's groundbreaking investigation into the abuse of prescription painkiller medication as the precursor of a new heroin epidemic was the subject of a presentation given by SCI Counsel Chadd W. Lackey in February. Invited by the Office of Legislative Services (OLS) to conduct a comprehensive briefing as a component of the Continuing Legal Education (CLE) program for licensed attorneys, Mr. Lackey, who led the *Scenes from an Epidemic* investigation, summarized the key findings and recommendations of the multi-faceted inquiry which began with a public hearing that was among the first to focus widespread attention on the growing trend of prescription pill abuse as the leading edge of a widespread opioid and heroin epidemic. The

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<sup>2</sup> The bills sponsored by Assemblyman Ronald Dancer are A3530, A3531, A3532, A3533, A3535, A3536 and A3537. Senator Peter J. Barnes III sponsored S2286, S2287, S2288, S2289, S2290, S2291 and S2292.

subsequent report took those initial findings further to reveal how corrupt doctors and entrepreneurs with links to organized crime operate seemingly legitimate medical clinics that dispense and sell unnecessary prescriptions for pain medication. The legislative and regulatory reform recommendations presented by the Commission included the creation of a statewide Strike Force to combat this complex problem, tougher penalties for prescription drug diversion, lower criminal-code thresholds for heroin possession charges and tighter controls on prescription forms used by licensed physicians. Numerous reforms proposed by the Commission were integrated into legislation awaiting action by the Legislature.

\* \* \*

In March, the Commission was invited to testify before the Assembly Health and Senior Services Committee to assist legislators as they considered reforms to combat prescription drug diversion and to strengthen the state's Prescription Monitoring Program, areas that were emphasized in the *Scenes from an Epidemic* report. Executive Director Philip James Degnan and Counsel Lackey presented an overview of the Commission's investigation and recommendations for reform. The SCI's expertise in this realm was again called upon later in the year when Executive Director Degnan served as a panelist at a conference hosted by Trinitas Regional Medical Center in Elizabeth that sought to develop strategies to reduce overdoses by those abusing prescription pills or heroin. That forum included discussion of reforms recommended by the Commission and the progress of recommendations already implemented at various levels of government.

\* \* \*

Special Agent Michael J. Dancisin was honored by the Waterfront Commission of New York Harbor in June for his participation in an investigation that resulted in the removal of a

dockworker from the waterfront because of his ties to organized crime. The individual was deemed by the Waterfront Commission to be “a danger to the public peace or safety and had associated with convicted racketeers, capos, soldiers and associations” of the Bonanno and Colombo *La Cosa Nostra* criminal organizations. This individual, who agreed to withdraw his application and surrender his registration, also was charged with committing fraud in his application by failing to disclose an association with a Bonanno capo. The case stemmed from a joint operation involving participation by the SCI, the NYPD’s Organized Crime Investigation Division, the U.S. Probation Department for the Eastern District of New York and the Waterfront Commission.

\* \* \*

For the past several years, the SCI has participated as a member of the FBI’s Newark-based Organized Crime Task Force, and 2014 was no exception. This group has been involved in a number of high-profile criminal investigations that have led to numerous indictments and convictions, including those of several individuals linked to organized crime. Following a Task Force investigation involving participation by SCI personnel, a former Jersey City police officer was sentenced to three years in federal prison in January 2015 after pleading guilty to involvement in a cigarette cargo theft and extortion scheme. The former officer faced criminal charges for stealing more than 600,000 cigarettes from a trailer and conspiring to steal \$20,000 from a drug courier. The former officer admitted that he and a confidential FBI informant drove to a Secaucus warehouse to break into a trailer and steal cigarettes they planned to sell for \$5,000 to the informant’s source. An undercover agent was the source providing the payment to the officer for the stolen goods. A week later, the duo was also involved in hatching a plan with undercover law enforcement agents to rob a drug courier, who, unbeknownst to them, was another undercover officer. To facilitate the plan, the undercover officers staged a vehicle containing \$20,000 cash in

a Jersey City mall. The former police officer and another man who served as his accomplice robbed the woman they thought was the drug courier after identifying themselves as law enforcement officers and pretending to arrest the confidential informant. Later that day, the former officer, his accomplice and the informant met in a hotel room at a Pennsylvania casino to split the cash. In addition to the prison term, the former officer was sentenced to serve three years of supervised release and ordered to pay a \$2,000 fine.

\* \* \*

Several years ago, the Commission participated in an investigation by the New York City Police Department (NYPD) along with other federal, state and county agencies into a nationwide illicit sports betting and money-laundering enterprise that spanned New Jersey, New York, Pennsylvania, Nevada and California. The multi-state investigation led a New York State Grand Jury to return an indictment in 2012 that charged 25 individuals with running an illicit wagering operation that profited by more than \$50 million during an 18-month period through bets on various professional and college sporting events.

Special agents of the Commission were involved in all facets of the New Jersey end of the investigation, including physical surveillance and gathering intelligence as well as assisting other law enforcement personnel in the arrests of the defendants.

Since that time, a number of individuals admitted to their involvement in the gambling ring, including one from New Jersey who pleaded guilty to felony gambling charges. The individual operated as a bookmaker responsible for overseeing “agents” whose job was to recruit bettors. In addition, the case also resulted in the payment of more than \$5.5 million to the Nevada Gaming Commission by the gaming affiliate of Wall Street firm Cantor Fitzgerald to settle a complaint that alleged the business was accepting illegal wagers and was involved in the



nationwide illicit betting operation.

\* \* \*

Through its work in recent years targeting the activity of organized criminal street gangs both inside and outside the prison system, the Commission has earned a reputation as a regionally recognized repository of expertise in the structure, membership and behavior of gangs. As a result, Commission investigators – notably Special Agent Edwin Torres – frequently are requested to appear before gatherings of law enforcement officials and at youth gang-prevention events for educators, social service organizations and the public. In 2014, Torres conducted training or made presentations to more than a dozen groups across New Jersey, detailing information to assist law enforcement on how to identify gang members and explaining the unique characteristics among particular organized criminal groups as well as the dynamics involved in managing the presence of gang-related elements in correctional facilities, courtrooms, community programs and schools.

\* \* \*

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

# ***HISTORY***

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

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

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

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

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

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

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

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

The Commission's status as a temporary agency subject to periodic review was rescinded effective January 7, 2002. On that date, legislation was signed establishing the Commission as a permanent entity of New Jersey government.<sup>3</sup>

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

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<sup>3</sup> The full text of the Commission's enabling statute may be reviewed at N.J.S.A. 52:9M-1 et seq.

# ***OPERATIONS***

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

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

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

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

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

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

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

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

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

Additionally, the Commission's December 1998 report on public pension and benefit abuses presented a veritable catalogue of needless waste and outlined a range of proposed reforms that would save taxpayers additional millions. Further, the Commission's September 2000 report on waste and abuse in public school roofing projects provided the state and its localities with invaluable insight into the subversion of multi-million-dollar public construction programs by unscrupulous contractors.

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

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

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

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

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

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

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



operations throughout its existence.

# **PRIOR INVESTIGATIONS**

## **ORGANIZED CRIME**

<b>1969</b> Garbage Industry	<b>1990-91</b> Afro-Lineal Organized Crime
<b>1970-71</b> Organized Crime Control of Long Branch	<b>1990-91</b> Video Gambling
<b>1972</b> Organized Crime in Ocean County	<b>1991</b> Organized Crime in Bars
<b>1977-78</b> Organized Crime in Atlantic City	<b>1991-92</b> Motor Fuel Tax Evasion
<b>1980-81</b> Organized Crime Infiltration of Dental Care Plans	<b>1993-94</b> Money Laundering
<b>1981-82</b> Organized Crime Labor Relations	<b>1994</b> Medical Provider Contracts
Profiteering at Mass Housing Construction Sites	<b>1995</b> Organized Crime in Bars Part II
<b>1983-85</b> Organized Crime in Boxing	<b>1996</b> Russian-Émigré Crime in the Tri-State Region
<b>1986-87</b> Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects	<b>2003-04</b> The Changing Face of Organized Crime in New Jersey
<b>1986-88</b> Check Cashing Industry	<b>2006-07</b> Subversion of Firearms Ammunition Sales
<b>1987-89</b> Solid Waste Regulation	<b>2008-09</b> Organized Criminal Street Gangs in New Jersey Prisons
<b>1988-89</b> Cocaine	<b>2011</b> New Jersey's Flourishing Narcotics Trade
<b>1989</b> Overview of Organized Crime	<b>2011</b> Circumvention of Oversight in Solid Waste and Recycling
<b>1988-91</b> Garment Industry	<b>2013</b> Scenes From An Epidemic: Prescription Pill and Heroin Abuse

## **WASTE, FRAUD AND ABUSE**

<b>1969-70</b> Monmouth County Prosecutor's Office-Misuse of Funds	<b>1974-75</b> Lindenwold Municipal Corruption
<b>1970-71</b> Hudson County Mosquito Commission Embezzlements	<b>1975-76</b> Land Acquisition Deals in Middlesex County
<b>1970-71</b> Corrupt State Purchasing Practices	<b>1975-77</b> Investigation of Medicaid Abuses
<b>1970-71</b> Building Service Industry Abuses	<b>1976-77</b> Prison Furlough Abuses
<b>1971</b> Misappropriation of Public Funds, Atlantic County	<b>1977-78</b> Misuse of Public Funds in the Operation of Non-Public Schools for Handicapped Children
<b>1971-72</b> Point Breeze Development Frauds, Jersey City	<b>1977-78</b> Boarding Home Abuses
<b>1972</b> Stockton College Land Acquisition Deals	<b>1978-79</b> Absentee Ballot Frauds
<b>1972-73</b> Bank Fraud in Middlesex County	<b>1978-79</b> Injury Leave Practices
<b>1972-74</b> Workers Compensation Frauds	<b>1979-80</b> Questionable Public Insurance Procedures
<b>1972-75</b> Improper Municipal Planning, Zoning Procedures	<b>1981-82</b> Mismanagement of the New Jersey Housing Finance Agency
<b>1973-74</b> Passaic County Vocational-Technical School: Misuse of Funds and U.S. Surplus Property	<b>1981-83</b> Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities
<b>1974</b> Pseudo-Charitable Firms Misusing Handicapped Fundraising	<b>1982</b> Inappropriate Activities of the Lakewood Municipal Industrial Commission
<b>1974</b> Conflicts of Interest at Delaware River Port Authority	<b>1983</b> Abuse and Misuse of Credit Controls at Gambling Casinos
	<b>1983</b> Improprieties in Leasing State Lands at Great Gorge in Sussex County to a Ski Resort

**1984** Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund  
**1984** Misconduct and Inappropriate Controls in the Newark School Security System  
**1985-86** Probes of N.J. Division of Motor Vehicles  
**1986-88** Union Lake  
**1989-90** AIDS Prevention Program – State Department of Health  
**1988-90** New Jersey School Boards Association  
**1992** New Jersey Transit’s Bus Subsidy Program  
**1992** Bergen County Utilities Authority  
**1992** Local Government Corruption Overview  
**1992-93** Fiscal Year’ 89 Budget Over-Expenditures Division of Development Disabilities  
**1993** Quality Education Money to Lyndhurst  
**1993** Belleville Township  
**1993** Passaic High School Print Shop  
**1993** Quality Education Money to Lyndhurst  
**1994** Nursing Home Certificates of Need  
**1994** Marlboro State Psychiatric Hospital  
**1994** Nursing Home Certificates of Need  
**1994** Marlboro State Psychiatric Hospital  
**1994** River Vale Recreation Department  
**1994** Point Pleasant School District  
**1994** Borough of Jamesburg  
**1995** County Clerks’ Trust Funds  
**1995** N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher  
**1995** Casino Control Commission  
**1995** Garfield School District  
**1995** N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher

**1997** Contract Labor – The Making of an Underground Economy  
**1997** New Jersey School Busing Industry  
**1997** Contract Labor – The Making of an Underground Economy  
**1997** New Jersey School Busing Industry  
**1997** Borough of Seaside Heights  
**1998** Pension and Benefit Abuses  
**1998** City of Orange Township  
**1999-2000** Public School Roofing Projects  
**1998** Pension and Benefit Abuses  
**1999-2000** Public School Roofing Projects  
**2001** Societies for the Prevention of Cruelty to Animals  
**2001-02** N.J. Enhanced Motor Vehicle Inspection Contract  
**2003** Associated Humane Societies  
**2003-04** New-Home Construction and Inspection Abuses – Public Hearings  
**2004** E-ZPass: The Making of a Procurement Disaster  
**2005** New-Home Construction and Inspection Abuses - Final Report  
**2005** Funding and Operations of County Clerks  
**2005** The Gifting of New Jersey Tax Officials  
**2006** Questionable and Hidden Compensation for Public School Administrators  
**2007** Charity Care: An Ailing System  
**2007** Public Higher Education Governance  
**2008** Waste and Abuse in Fire Truck Procurements  
**2009** Waste and Abuse in Local Government Employee Compensation and Benefits  
**2010** New Jersey State Interscholastic Athletic Association  
**2012** Taxpayer Cost of Public-Employee Union Leave

## **REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT**

**1969-70** County Prosecutor System

**1972-73** Office of the Attorney General of  
New Jersey

**1973-74** Narcotics Traffic and Drug Law  
Enforcement

**1976-77** Casino Gambling

**1979** Inadequate Sudden Death Investigations

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

**1986** State Racing Commission's Regulatory  
Deficiencies

**1986-87** Impaired and Incompetent Physicians

**1993** Criminal Street Gangs

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

**1997** New Jersey Detective Agency

**1999-2000** Computer Crime

**2007** Integrity of Electronic Voting Machines

**2014** New Jersey's Bail-Bond Industry

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

### **1969 Garbage Industry**

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

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

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

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

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

### **1969-70 County Prosecutor System**

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

### **1970-71 Organized Crime Control of Long Branch**

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

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

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

### **1970-71 Corrupt State Purchasing Practices**

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

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

### **1970-71 Building Service Industry Abuses**

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

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

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

### **1970-71 Hudson County Mosquito Commission Embezzlements**

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

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

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

#### **1971 Misappropriation of Public Funds, Atlantic County**

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

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

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

given a six-month suspended sentence.

#### **1971-71 Point Breeze Development Frauds, Jersey City**

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

#### **1972 Stockton College Land Acquisition Deals**

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

### **1972-75 Improper Municipal Planning, Zoning Procedures**

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

### **1972-73 Bank Fraud in Middlesex County**

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

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

### **1972-73 Office of the Attorney General of New Jersey**

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

### **1972 Organized Crime in Ocean County**

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

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



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

### **1972-74 Workers Compensation Frauds**

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

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

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

Finally, three New Jersey Judges of

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

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

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

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

### **1973-74 Narcotics Traffic and Drug Law Enforcement**

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

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

### **1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising**

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

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

### **1974 Conflicts of Interest at Delaware River Port Authority**

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

### **1974-75 Lindenwold Municipal Corruption**

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

### **1975-77 Investigation of Medicaid Abuses**

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

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

### **1975-76 Land Acquisition Deals in Middlesex County**

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

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

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

### **1976-77 Prison Furlough Abuses**

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

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

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

### **1976-77 Casino Gambling**

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

### **1977-78 Organized Crime in Atlantic City**

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

9th Annual Report for 1977 and a separate December 1977 report.

### **1977-78 Boarding Home Abuses**

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

### **1978-79 Absentee Ballot Frauds**

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

### **1978-79 Injury Leave Practices**

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

### **1979 Inadequate Sudden Death Investigations**

Following the Commission's November 1979 report, efforts to

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

### **1979-80 Questionable Public Insurance Procedures**

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

### **1980-81 Organized Crime Infiltration of Dental Care Plans**

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

### **1981-82 Mismanagement of the New Jersey Housing Finance Agency**

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

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

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

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

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

**1982 Inappropriate Activities of the Lakewood Municipal Industrial Commission**

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

**1983 Abuse and Misuse of Credit Controls at Gambling Casinos**

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

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

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

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

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

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

**1984 Misconduct and Inappropriate Controls in the Newark School Security System**

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

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

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

**1983-85 Organized Crime in Boxing**

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

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

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

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

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

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

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

#### **1986 State Racing Commission’s Regulatory Deficiencies**

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

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

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

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

### **1986-87 Impaired and Incompetent Physicians**

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

### **1986-88 Union Lake**

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

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

### **1986-88 Check Cashing Industry**

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

### **1987-89 Solid Waste Regulation**

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



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

### **1988-89 Cocaine**

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

### **1989 Overview of Organized Crime**

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

### **1989-90 AIDS Prevention Program — State Department of Health**

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

### **1988-90 New Jersey School Boards Association**

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

### **1988-91 Garment Industry**

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

### **1990-91 Afro-Lineal Organized Crime**

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

### **1990-91 Video Gambling**

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

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

### **1992 New Jersey Transit's Bus Subsidy Program**

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

### **1991-92 Organized Crime in Bars**

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

### **1991-92 Motor Fuel Tax Evasion**

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

### **1992 Bergen County Utilities Authority**

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

### **1992 - Present: Local Government Corruption**

As part of the Commission's continuing assault on local

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

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

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

### **1993 Belleville Township**

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

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

### **1993 Quality Education Money-Lyndhurst**

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

### **1993 Passaic High School Print Shop**

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

### **1993-94 Criminal Street Gangs**

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

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

#### **1993-94 Money Laundering**

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

#### **1994 Nursing Home Certificates of Need**

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

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

#### **1994 River Vale Recreation Department**

Responding to complaints from residents of River Vale Township, Bergen County, the Commission examined the township's recreation department and the operation of its youth sports programs. In a May 26, 1994 letter to the township administrator, the Commission noted cash missing from departmental accounts amid sloppy and inappropriate recordkeeping.

Recommendations included an overhaul of internal control mechanisms and the establishment of effective fiscal safeguards.

#### **1994 Point Pleasant School District**

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

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

#### **1994 Marlboro State Psychiatric Hospital**

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

#### **1994 Medical Provider Contracts**

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

adoption of appropriate procedures for competitive bidding practices.

#### **1994 Borough of Jamesburg**

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

#### **1995 Organized Crime in Bars Part II**

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

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

#### **1995 Garfield School District**

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

#### **1995 County Clerks' Trust Funds**

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

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

#### **1995 Casino Control Commission**

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

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

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

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

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

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

**1996 Russian-Emigre Crime in the Tri-State Region**

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

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

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

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

**1997 Borough of Seaside Heights**

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

taxpayer funds by various levels of government.

### **1997 Contract Labor — The Making of an Underground Economy**

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

### **1997 New Jersey Detective Agency**

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

### **1997 New Jersey School Busing Industry**

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

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

### **1998 City of Orange Township**

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

### **1998 Pension and Benefit Abuses**

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



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

### **1999-2000 Computer Crime**

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

### **1999-2000 Public School Roofing Projects**

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

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

### **2001 Societies for the Prevention of Cruelty to Animals**

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

### **2001-02 N.J. Enhanced Motor Vehicle Inspection Contract**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2009 Public Benefit Abuses**

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

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

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

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

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

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

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

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

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

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

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

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

**2013 Scenes From An Epidemic – A Report on the SCI’s Investigation of Prescription Pill and Heroin Abuse**

The Commission revealed that corrupt doctors and entrepreneurs with links to organized crime operate seemingly legitimate medical clinics to sell unnecessary prescriptions for painkillers. The July 2013 report culminated a comprehensive investigation into the illegal trafficking in and abuse of prescription painkillers and heroin. The Commission recommended creation of a statewide Strike Force to combat this multi-faceted problem, tougher penalties for prescription drug diversion, lower legal thresholds for heroin possession charges, the enhancement of New Jersey’s Prescription Monitoring Program and tighter controls on the prescription forms used by licensed physicians.

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

In May 2014, the Commission reported that bail-bond agents in New Jersey routinely engage in corrupt practices including the use and compensation of inmates to solicit customers behind bars. In order to edge out competitors, agents also negotiate discount bail-bond deals that put serious offenders back on the streets for a few hundred dollars or less. Further, the Commission found bail agencies operated by unlicensed individuals, some with extensive

criminal records. These practices occur, in part, because government regulation of the bail industry is weak and ineffective. The Commission recommended stronger oversight of the bail industry, legislation to make it a crime for an unlicensed person to solicit, negotiate or write bail, mandatory disclosure and judicial review of discount bail-bond deals and the creation of uniform bail-agent access rules for county jails.

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