

STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION



32nd ANNUAL REPORT

2000



State of New Jersey

COMMISSION OF INVESTIGATION

28 WEST STATE STREET

PO Box 045

TRENTON, NJ 08625-0045

TEL (609) 292-6767

FAX (609) 633-7366

LESLIE Z. CELENTANO

Chair

M. KAREN THOMPSON

W. CARY EDWARDS

AUDRIANN KERNAN

Commissioners

JAMES J. MORLEY

Executive Director

March 2001

Acting Governor Donald T. DiFrancesco
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation herewith formally
submits, pursuant to N.J.S.A.52:9M, its 32nd annual report for
the year 2000.

Respectfully,

Leslie Z. Celentano

M. Karen Thompson

W. Cary Edwards

Audriann Kernan

Members of the Commission



Leslie Z. Celentano

Attorney, Bedminster; sole practitioner, Pluckemin. Appointed to Commission January 1995 by Senate President Donald T. DiFrancesco. Designated chair by Governor Christine Whitman. Assistant Prosecutor, Essex County, 1984-1985; Commissioner, New Jersey Police Training Commission, 1986-1995; Committeewoman, Township Committee, Bedminster Township, 1993-1995. Graduated 1975, Montclair State College; 1980, New York Law School.



M. Karen Thompson

Certified civil trial attorney, Warren; principal, Norris, McLaughlin and Marcus, Somerville. Appointed to Commission October 1995 by Governor Christine Whitman. Member, Supreme Court Advisory Committee on Judicial Conduct; former member, Supreme Court Civil Practice Committee; former member, Board on Trial Attorney Certification; and former chair, District XIII Ethics Committee; president, Somerset County Bar Association, 1992-1993; Graduated 1974, Monmouth College; 1978, Rutgers University Law School.



W. Cary Edwards

Attorney, Oakland; managing partner, Edwards & Caldwell, Hawthorne/Trenton. Appointed to Commission March 1997 by Governor Christine Whitman. New Jersey Attorney General, 1986-1989; Chief Counsel to Governor Thomas H. Kean, 1982-1986; member, New Jersey General Assembly, 1977-1982; member, Oakland Borough Council, 1975-1979. Faculty member, Rutgers Eagleton Institute of Government, Politics & Public Policy, 1990-1991. Graduated 1967, Seton Hall University; 1970, Seton Hall University Law School.



Audriann Kernan

Attorney, West Deptford; principal, Audriann Kernan, P.C., Woodbury. Appointed to Commission January 1999 by Assembly Speaker Jack Collins. Solicitor, Gloucester County Planning Board, 1997-1999; Prosecutor of Environmental Violations, Gloucester County Health Dept., 1996-1999; Prosecutor, Westville Borough and Harrison Township, 1998-1999; Public Defender, West Deptford, 1996-1999; Public Defender, Woodbury Heights, 1998-1999. Graduated 1988, Stockton State College; 1991, Widener University Law School.

TABLE OF CONTENTS

INTRODUCTION.....	1
HISTORY.....	6
OPERATIONS.....	9
INVESTIGATIONS AND REPORTS – 2000.....	13
REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT	
Computer Crime.....	13
WASTE, FRAUD AND ABUSE	
Public School Roofing Projects.....	20
PRIOR INVESTIGATIONS.....	34
COMMISSION MEMBERS, 1969-2001.....	56

INTRODUCTION

Why the SCI

The State Commission of Investigation was created by law in 1968 to fulfill a unique mission of vital importance to the citizens of New Jersey: to attack organized crime and political corruption; to root out waste, fraud and abuse of taxpayers' dollars; to shed light on matters that subvert public justice and public safety; and to recommend appropriate reforms and improvements in laws and in the operations of government. The Commission was given an extraordinary mandate to pursue this all within a framework untainted by political intrusion or favoritism.

Thirty-three years later, this investigatory and fact-finding mission, as well as the need for an independent entity to carry it out, remains no less vital.

Singular Achievements

During 2000, the Commission bolstered its record of exemplary public service with wide-ranging investigations that shed light on crime and corruption, waste of taxpayers' money and other abuses of the public trust. In each instance, the citizens of New Jersey were alerted to a range of systemic problems and the need for comprehensive reforms:

- ***COMPUTER CRIME***

In an unprecedented project conducted jointly with the Office of the Attorney General, the Commission examined 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, child pornography and bias crime, has grown to such an extent that a unified approach by law enforcement is required to meet the challenge. A report of this investigation, which included three days of public hearings in February 1999, was issued in June 2000.

Recommendations contained within this comprehensive joint report formed the basis for proposed legislation that would strengthen New Jersey's computer and technology crime laws. Additionally, the report provided parents, teachers, law enforcement authorities and government officials alike with an easily accessible compendium of ways to detect and curb computer crime and related abuses.

• *WASTE AND ABUSE IN 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 needless millions of dollars each year. The Commission aired its preliminary findings during a two-day public hearing in December 1999. A final report, incorporating sworn testimony and other investigative materials, was issued in September 2000.

The findings of this investigation, which coincided with the enactment of a \$12 billion statewide school construction and renovation program, provided a framework for investigative follow-up by the new Office of the Inspector General and served as a valuable "road map" for

taxpayers and local boards of education on how to recognize and avoid future abuses.

A Broader Mission

The true measure of the Commission's performance far exceeds the findings and results of investigations completed during the past year. Beyond the public activities detailed in this annual report, the Commission and its staff currently are engaged at various stages in a range of significant investigations related to all elements of the Commission's statutory purview, including organized crime, official corruption, and waste and abuse of government funds. In that regard, approximately 150 Commission subpoenas were served during 2000 seeking access to scores of individuals, thousands of documents and a range of other exhibits relevant to those active investigations. Also, as in years past, barely a week went by that the Commission did not receive requests for investigative action, assistance or advice from citizens of New Jersey. Commission records include more than 100 such citizen contacts via mail and telephone requiring evaluation and response.

Also during the past year, the Commission provided staff advice and assistance to federal, state and local law enforcement agencies. One notable example involved the findings of the Commission's school roofing investigation, which were furnished to a range of state and federal agencies, including the Office of the United States Attorney, the Federal Bureau of Investigation, the United States Internal Revenue Service, the New Jersey Division of Criminal Justice, the New Jersey Office of the Inspector General and the New Jersey Department of Labor. In this regard, the Commission also provided information and assistance to the New Jersey Departments of Education and Community Affairs. Additionally, Commission staff participated in a series of seminars to help local school board members

and business administrators deal with the types of abuses detected during the investigation and to provide them with insight into ways of enhancing competition in the award of construction contracts. Beyond New Jersey, the roofing investigation triggered numerous inquiries and requests for assistance from oversight entities in other states, including the Delaware State Auditor of Accounts and the Office of the Inspector General – New York City School Construction Authority.

On the legislative front, in addition to a series of measures stemming from the computer crime investigation, legislation was introduced in the Assembly last year to combat abuses uncovered by the Commission in its 1997 investigation of contract labor practices. The probe found that millions of dollars are siphoned from state and federal tax revenues each year by unscrupulous entities that employ undocumented aliens and fail to fulfill a variety of payroll tax obligations.

In sum, 2000 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 efficiencies, reforms and improvements resulting from the Commission's work far outweigh its overall operating costs, this agency once again has proven itself to be an effective public investment.

The Commission's public documents, including the full text of reports of investigations, are available electronically via computer at **<http://www.state.nj.us/sci/>**

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 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 criminal justice system were proposed.

Two of the most significant recommendations were for the creation of a new criminal justice unit within the Executive Branch, and the establishment of an independent 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 its findings to appropriate law enforcement agencies for possible prosecution and make recommendations to the Governor and the Legislature for improvements in laws and in the operations of government.

As the Forsythe Committee stated in the final report of its comprehensive study, this would not

be “a ‘crime commission’ alone. 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 and the State Commission of Investigation, structured as an independent agency of the Legislature, 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.

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 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 most recent review report summarized this view, stating, “. . . [I]t 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.”

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 party, 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 Assembly. It thus may be said the Commission by law is bipartisan and, 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 politically-charged or otherwise sensitive investigations are concerned.

The Commission specifically is invested 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. 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 of possible criminality immediately to 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 law 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 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 deriving from 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 has enabled the state to recover an estimated \$22 million annually in tax revenues. Additionally, the Commission's December 1998 report on public pension and benefits 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 provided the state and its localities with invaluable insights into the subversion of multi-million-dollar public construction projects by unscrupulous contractors. Indeed, the report of that investigation should serve as a precautionary "road map" as New Jersey embarks on a massive public-school construction and renovation program.

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

INVESTIGATIONS AND REPORTS — 2000

Regulatory, Ethics and Law Enforcement Oversight:

Computer Crime

In conjunction with the Office of the Attorney General, the Commission undertook an unprecedented effort to evaluate the threat posed by computer-related crime in New Jersey. Following a three-day public hearing in February 1999 and subsequent additional investigative work, the Commission and the Attorney General issued a final joint report in June 2000. Primary areas of inquiry included:

Threats to Children

While the Internet has proved to be an invaluable educational and research tool, it also has evolved into a means for the abuse and exploitation of children. Law enforcement and private-sector experts who testified before the Commission cited repeated instances in which individuals who produce, purchase, trade and sell child pornography have found in the World Wide Web a convenient and camouflaged mechanism for plying their trade. They described the methods by which child molesters stalk their victims over the Internet. Further, they pointed out that a wide range of strictly adult items, including tobacco products and alcoholic beverages, are marketed to children in this fashion.

Criminal Enterprises

The Internet threatens to become an effective tool for criminal groups drawn to it for the promotion and conduct of a multitude of illicit enterprises, including illegal gambling, prostitution, narcotics trafficking and money laundering. Expert testimony and other investigative materials established that elements of organized crime have begun to employ computer-related technology, including digital encryption methods, in order to cloak their activities and evade detection by law enforcement.

At another level, experts testified that the Internet can be used as a centralized communications and recruitment apparatus for groups and individuals bent on inciting and carrying out hate and bias crimes.

Fraud

The investigation demonstrated how easily the Internet can be employed to expedite a wide range of consumer and investment frauds, including bogus health-care plans, fake credit repair operations, business opportunity scams and financial “pyramid” schemes. Computer technology also is used by telecommunications thieves who undertake elaborate schemes to defraud telephone customers.

Unauthorized Access/Espionage

Law enforcement and private sector security experts described the vulnerability of computer networks to the phenomenon known as hacking, the cyberspace version of breaking and entering, which can seriously disrupt an entire computer system and its data. Hacking also can be employed as a means for committing electronic embezzlement and can put at risk the

integrity of millions of confidential records, including personnel files, medical and legal documents, proprietary financial information and private credit histories. Expert hackers utilize a variety of techniques to steal passwords so that they and/or their customers can acquire the means to prowl undetected through any computer network of their choosing. Experts told the Commission that disgruntled present and former employees of government and private industry can use insider information to access their employers' computer systems in a myriad of harmful ways.

Identity Theft/Invasion of Privacy

The proliferation of integrated computer connections worldwide threatens the privacy and security of average citizens as never before. In one demonstration, for example, it was shown that equipped simply with a person's name and home state, an "identity thief" can use directory assistance, commercially available CD-ROMs, proprietary data bases and the Internet to capture a full range of confidential information about that person within a matter of hours.

Recommendations

1. Strengthen Computer Crime Laws

New Jersey's computer crime law was enacted in 1984 and should be revised to deal with computer-related crime in a succinct but comprehensive statutory scheme. Amendments should recognize technological changes, including the establishment of the Internet, occurring over the last 16 years and into the future.

2. Boost Law Enforcement Resources

- Training for the Computer Analysis and Technology Unit in the Division of Criminal Justice and for the High Technology Crime and Investigations Support Unit in the Division of State Police should be enhanced and maintained at levels that ensure these units keep pace with technological developments.
- Investigators and attorneys who enforce civil laws against illicit online conduct should receive comprehensive training in order to remain current with technological developments and investigative and litigation techniques related to computer evidence. Ongoing training of employees in the Division of Consumer Affairs, Division of Law and Division of Civil Rights should remain a priority.
- The Department of Personnel, coordinating closely with the Statewide Computer Crime Task Force, should explore ways to compensate key computer crime enforcement personnel to allow the state to be competitive with private industry.
- Each county prosecutor's office should be encouraged to consider establishing a specialized unit dedicated to computer-related crime or forensics, such as the High Tech Crimes Unit in the Union County Prosecutor's Office. At a minimum, every prosecutor's office and police department should send primary and back-up personnel to computer crime and forensics training.
- Computer crime and forensics curricula should be developed for a complete "train-the-trainers" program for investigators, police officers, deputy attorneys general and assistant prosecutors who investigate and prosecute computer-related crime.
- The Statewide Computer Crime Task Force should continue to help coordinate computer crime-control activity among federal, state, county and municipal participants. Law enforcement agencies should encourage their computer crime-control staff to become members of the High-Tech Crime Network, the Northeast Chapter of the High Technology Crime Investigation Association or comparable organizations.

3. Increase Prevention and Education

- Adults need to develop “street smarts” about the information superhighway to protect themselves and their children from computer criminals. All school district and community college adult and extension education programs should offer instruction on computer crime recognition and prevention.
- All public libraries should have at least one Internet access terminal that uses software to screen out offensive material and prevent children from providing personal information over the Internet.
- All public schools should determine if there is a need to install monitoring or tracking software on their Internet-connected computers and periodically review student use to detect behavior that warrants counseling.
- All public school teachers whose courses involve student use of the Internet should receive training in the instruction of Internet safety and the application of critical thinking skills to online information.
- Every school district should adopt and fully implement acceptable use policies for filtered and unfiltered stations on their computer networks.
- The State Department of Education should takes steps to ensure that all public school districts fully implement provisions of the High Technology Crimes and Interactive Computer Services Protection Act.
- Consideration should be given to providing additional resources to the Commission on Holocaust Education so that it can study the extent of false and misleading information about the Holocaust on the Internet.
- Internet service providers should be encouraged to prepare carefully, and enforce strictly, terms-of-service agreements with their customers in order to bar material containing expressions of hate, indulging in child pornography or exploitation, touting get-rich-quick schemes, or encouraging other patently offensive activity.

4. Provide Access to Electronic Records of Internet Use

- Internet service providers should be required to maintain their customers' online session records so that law enforcement authorities can make properly authorized inquiries concerning online criminal activity or wrongdoing.
- State law should be reviewed to determine if a new statute is needed in order to provide the Attorney General additional authority to issue administrative subpoenas for computer records.
- New Jersey should enact laws requiring corporations doing business in this state to comply, within five days of service, with compulsory process from proper authorities in this or other states seeking information and/or records of electronic communication services or remote computing services located outside New Jersey. Alternatively, New Jersey should encourage a new interstate compact that would help ensure enforcement of out-of-state subpoenas and warrants stemming from Internet investigations.

5. Ensure On-Line Privacy

- By formal resolution, and in cooperation with the State's Executive branch, the New Jersey legislature should call upon the federal government to enact and implement a wide range of measures to enhance privacy in cyberspace. These should include a law prohibiting the collection or storage of information regarding subscribers or customers by web sites, online vendors and interactive computer services without proper protection of privacy interests.
- New Jersey should enact a law prohibiting public, charter and private schools from disclosing personal information about students on their Web sites without first receiving parental consent to the extent allowed under the Family Education Rights and Privacy Act.

6. Restrain On-Line Sales

- Consideration should be given to the adoption of legislation to authorize the New Jersey State Board of Pharmacy in the Division of Consumer Affairs to license

out-of-state pharmacies doing business with New jersey residents over the Internet.

- A new federal law should be enacted permitting state attorneys general to seek injunctive relief in federal court against those violating state laws regulating Internet sales of intoxicating liquor and tobacco.
- Federal legislation should be adopted prohibiting the sale of guns, ammunition or explosives over the Internet.

7. Establish and Publicize Hot lines and Complaint Processes

- The Statewide Computer Crime Task Force should set up a 24-hour toll-free telephone hotline service to receive complaints of computer-related crime.
- The Department of Law and Public Safety's Web site for safe computing guidelines should include electronic forms for filing complaints of computer-related wrongdoing with enforcement agencies.

8. Maintain Prohibition on Internet Gambling

- As an unauthorized form of wagering, Internet gambling is illegal in New Jersey, and the prohibition against it should be maintained.
- New Jersey should not encourage additional legalized gambling and should continue to support federal enactment of the proposed Internet Gambling Prohibition Act.
- In the event that no federal statute is enacted to prohibit Internet gambling, and state attempts at prohibition prove to be ineffective or contrary to New Jersey's interests, the regulation of Internet gambling should be reconsidered expeditiously.

Waste, Fraud and Abuse:

Public School Roofing Projects

The Commission launched an investigation of public school roofing projects in 1998 based upon confidential complaints and preliminary evidence suggesting widespread waste and abuse. The probe was comprehensive in nature and statewide in scope, involving a review of 115 separate projects in 39 school districts across 13 of New Jersey's 21 counties. Projects examined by the Commission involved a total taxpayer investment of nearly \$40 million. Preliminary findings were aired during a two-day public hearing in December 1999. A final report with recommendations for reforms was issued in September 2000.

The Commission's findings revealed a systematic breach of the public trust. Evidence of waste and abuse totaling between \$6 million and \$10 million was uncovered in more than half of the districts where roofing projects were examined. Construction budgets were squandered through unnecessarily costly roof repairs and replacements at the hands of consultants and manufacturers' sales representatives who contrived to line their own pockets at taxpayer expense. Processes governing public bidding and contracting were subverted by those bent upon putting personal gain ahead of the public interest. Moreover, these abuses were sustained by the action, and inaction, of high-level school district officials – in some instances, even after they had been alerted to potential problems.

Based upon the results of its investigation, the Commission concluded that these types of waste and abuse are widespread and continuing, that substantial sums of taxpayer money remain

in jeopardy across New Jersey and the entire system of public school repair, renovation and construction remains vulnerable to manipulation and subversion.

Key Findings

Conflicts of Interest and Professional Misrepresentation

School districts across New Jersey have paid millions more than they should have for roof repairs and replacements, in part because projects were riddled from start to finish with conflicts of interest and deception.

- Project design consultants presumed by district officials and boards of education to be independent experts were secretly compensated by roofing material suppliers. Such covert financial relationships form the basis for schemes resulting in excessive project costs.
- Thousands of dollars in secret payments were funneled by a major roofing materials supplier to a consultant who repeatedly wrote project specifications favoring the firm's products. The consultant used this money for personal expenses and failed to report it for tax purposes.
- Key players in the school roofing industry, including a leading roof-design consultant and several contractors, were found to have criminal records while securing contracts at taxpayer expense.
- Roof inspections were carried out by firms and/or individuals with a financial stake in projects.
- A leading supplier of roofing materials routinely presented itself as a manufacturer of products bearing its own label. In reality, the firm produced few materials and instead chiefly re-labeled products made by others.

- School district officials responsible for oversight of roof maintenance enjoyed a social relationship with both a design consultant and a roofing company sales representative who together cashed in on lucrative contracts in a succession of districts.

Manipulation and Subversion of Public Bidding and Contracting

The process by which boards of education award contracts for roof repairs and replacements was found to be rife with abuses that thwart the public's ability to obtain quality work at the most reasonable price.

- Design consultants/architects, working in secret partnership with manufacturers and suppliers of roofing materials, routinely crafted “proprietary” project specifications favoring a given set of products, thus eliminating competition in the award of contracts.
- Technical “hurdles” were inserted throughout project specifications to foreclose the possible substitution of less expensive materials of similar or equal quality.
- Installation contracts were steered into the hands of favored contractors through a variety of means, including inadequate public notice of project proposals, selective offers of preferential pricing and mandatory pre-bid meetings. In at least one instance, the mandatory pre-bid meeting was held the same day the bid proposal was advertised.
- In some instances, work on public school roofs was turned over to sub-contractors without approval by the school district and in violation of State Division of Building and Construction rules.

School Safety Issues

A number of unusual and questionable circumstances gave rise to concerns about the safety and structural integrity of public school roof repairs and replacements completed through this process.

- In some instances, project plans were drawn or merely copied by individuals who were not licensed architects. In others, no design professionals were utilized at all. Drawings lacked the requisite detail and architectural seal, and requisite building permits were not obtained prior to construction.
- Less expensive and sometimes inferior roofing products were used in place of specified materials. Specified materials sometimes were left out altogether with no substitutions.
- Structural problems raised in some feasibility studies were not addressed in project plans and specifications.
- On-site inspections were lax, non-existent or tainted by conflicts of interest.

Improper Labor Practices/Payroll and Tax Violations

In an effort to undercut their competition and maximize profits, certain roof installation contractors engaged in practices that helped them evade and circumvent laws governing proper labor and payroll practices.

- In some instances, contractors were able to secure school roofing work by submitting low bids secretly conditioned on the fact that their laborers would be paid substantially less than the legally mandated prevailing wage.
- Certified payroll forms submitted in connection with school roofing projects were found to be replete with phony employee social security numbers and false data relative to hours worked and wages paid.

Inadequate Oversight

The abuses uncovered by the Commission in public-school roofing projects were abetted by the action, and inaction, of school district officials and by lax oversight and guidance at the state and local levels.

- Ranking school district officials placed millions of taxpayer dollars at the disposal of consultants, contractors and roofing manufacturers without asking the most basic questions about their qualifications and possible connections.
- District officials in a number of instances okayed questionable contracts even though they had been warned of potential abuses.
- District officials responsible for roof maintenance struck up social relationships with roofing consultants and sales representatives who secured a share of various districts' roofing business. In several cases, these officials agreed after the fact to act as references for a roofing consultant.
- New Jersey lacks an effective mechanism at the state level to monitor the public-school roofing industry and to provide school districts with technical training and advice on how to avoid abuses.

Referrals and Recommendations

The Commission referred the findings of this investigation to the following government agencies for whatever action they deemed appropriate:

- Office of the New Jersey Attorney General, Division of Criminal Justice
- Office of the Inspector General – Fiscal Integrity in School Construction Unit, New Jersey Attorney General's Office
- Office of the United States Attorney

- United States Internal Revenue Service
- New Jersey Division of Taxation
- New Jersey Department of Labor, Division of Wage and Hour Compliance
- New Jersey State Board of Architects and Board of Professional Engineers and Land Surveyors

* * *

The results of this investigation demonstrated a critical need for officials at all levels of government in New Jersey to take steps to safeguard the quality and integrity of publicly funded construction projects, particularly those related to schools. Pursuant to that goal, the Commission fashioned a detailed set of recommendations calling for statutory and regulatory reforms in laws related to bidding and contracting, the selection of project design consultants, technical assistance and oversight. Given the scope of the abuses uncovered during this investigation, the Commission urged the enactment of legislation that would make these recommendations applicable to all repair, renovation and construction projects undertaken by school districts and local governments without limit to roofing or any other specific type of project.

Ultimately, the Commission was constrained to point out that, aside from explicit statutory changes, there is no substitute for the exercise of common sense and awareness by public officials in the discharge of their duties on behalf of the taxpayers. For any system of reform to be effective, the contracting entities need to pay greater attention to all repair, renovation and construction projects.

1. Oversight, Accountability and Assistance

The Educational Facilities Construction and Financing Act of 2000 designated the New Jersey Economic Development Authority (NJEDA) as the lead agency responsible for screening bidders, developing project specifications, awarding contracts and overseeing construction. While this role may have been vested more appropriately in an entity with broader experience in all phases of public construction, such as the New Jersey Building Authority, the selection of NJEDA nonetheless represented an important step toward establishing a centralized mechanism to administer an unprecedented investment of tax dollars. Even given its new powers and responsibilities, however, the NJEDA's reach will be limited. Under the statute, the agency's involvement is mandatory only for school districts in the following categories: "special needs" or "Abbott" districts, districts subject to level II monitoring, and districts receiving state financial assistance equal to 55 percent or more of a project's cost. These categories account for a total of approximately 75 districts. All others, more than 500 school districts across the state, may undertake projects on their own or request NJEDA involvement. To ensure that proper and effective oversight, accountability and assistance is provided statewide, the Commission recommended the following:

- A special unit should be created within a statutory framework within the New Jersey Department of Community Affairs (NJDCA) to develop model specifications; review project specifications; oversee renovations, repairs and new construction; and enforce construction contracts in all of New Jersey's public school districts and local governments.
- Both the new NJDCA unit and the NJEDA should be provided with sufficient staffing and resources to ensure that their respective roles are meaningful.

- Projects in all school districts, whether undertaken within or outside the scope of the Educational Facilities Construction and Financing Act, should be subject to the review and enforcement activities of the new NJDCA unit.
- A mandatory educational program for school administrators and other public officials who handle renovation, repair and construction projects should be implemented under the direct auspices of the NJDCA. The program should include material relevant to bid procedures, and should provide comprehensive information with regard to the writing of project specifications and to the types of products and systems available for roof repairs/replacements and other types of projects. The program should also address the relative costs of premium and traditional/conventional roofing and alternative product systems.

2. Preliminary Investigation Report

When a school district believes a roof requires repair and/or replacement, and plans to undertake the necessary construction on its own, the district should be required to seek proposals for a preliminary investigation and report from qualified architects, engineers or roof consultants as follows:

- The request for proposals should identify the general scope and time frame for completion of the report. It should request the consultant to: (a) identify an approach for conducting the investigation and preparing the report, (b) provide documentation demonstrating that the consultant is qualified to perform the work, (c) provide a report of similar scope that was prepared for another client, and (d) provide five references each from public building owners, roofing contractors and other consultants (architects/engineers/roof consultants).
- The school district should select a firm based on the firm's qualifications and its approach to conducting the investigation. The district should then enter into negotiations with the firm regarding compensation. The consultant should briefly

look at the roof and interview persons familiar with the roof's history. Each district should maintain a log book or history chart on their buildings. School officials should point out all known defects to the consultant. The consultant should also be advised if preliminary construction cost estimates are desired for proposed options, and whether litigation is anticipated in connection with the existing roof. The consultant should develop a fee proposal, based on either "time-and-materials" with a guaranteed maximum limit, or a fixed fee. Because of unknown conditions associated with preliminary investigations, the first option is typically preferred.

3. Selection of a Firm for Final Design and Preparation of Contract Documents

After receipt of the preliminary investigation report, a school district should seek proposals from a qualified architect or engineer to prepare contract documents for repair or re-roofing in accordance with the recommendations in the preliminary report as follows:

- The request for proposals should identify the general scope and time frame for completion of the contract. It should request the consultant to: (a) identify the intended approach for preparing the design and conducting additional investigations, if needed, and preparing the documents, (b) provide documentation that the consultant is qualified to perform the work, (c) provide a set of contract documents of similar scope that was prepared for another client, and (d) provide five references from each of the following categories: public building owners, other consultants (architects/engineers/roof consultants) and roofing contractors.
- The district should select a firm based on the firm's qualifications and its approach to preparing the design and the documents. The district should then enter into negotiations with the firm regarding compensation. Typically, the scope of work should be adequately defined to allow a fixed fee to be developed for design and document preparation. Construction contract administration (e.g., submittal review

and periodic field observations) typically lends itself to a payment or a “time-and-materials” basis.

- After a firm is awarded the contract, it should study the preliminary investigation report and conduct field examinations to become familiar with the project. If the firm is uncomfortable with proceeding with the recommendations given in the preliminary report, the firm should submit a written report to the district, presenting its concerns and reasons for them, and recommending how it wishes to proceed. For example, if the preliminary report recommends two roof system options, but the consultant desires to specify a different type of system, the reason for doing so should be adequately documented.

4. Preparation of Project Manual (Specifications)

The process of preparing project specifications in all instances should include the following requirements:

- The design should comply with the building code. If the building code does not include energy conservation requirements, the design should also comply with the International Energy Conservation Code.
- Current editions of American Institute of Architects (AIA) documents (e.g., General Conditions) should be used.
- The specifications should be based on a current edition of an automaster specification, such as MASTERSPEC®, SpecLink?, or SPECTEXT?. The specifications should be tailored for the project. Specification criteria regarding qualifications of the contractor are critical.
- Specifications based upon generally accepted standards in the applicable industry as opposed to the use of specifications calling for unique or proprietary materials should be utilized. Products should be specified by reference to ASTM (American Society for Testing and Materials) product standards. For products not covered by a

consensus standard, specified criteria should be rationally based. If manufacturers are listed, a minimum of three manufacturers should be listed. In rare circumstances it may be appropriate to list only one manufacturer. However, the consultant should provide written documentation to justify doing so.

- The material price list should be distributed with the project specifications and other bid documents to ensure that a record exists as to whether all eligible bidders were offered materials at the same price.

5. Preparation of Contract Drawings

In all instances, a roof plan should be accurately drawn and of sufficient size to provide adequate guidance to installation contractors. It should show all roof penetrations and detail references. Details, tailored to the project, should be provided to show typical and special conditions.

6. Review of Contract Documents

After completion of the documents, a school district should submit the documents to the DCA unit established in Recommendation #1, to conduct a peer review of the documents. Alternatively, the school district may retain a qualified architect, engineer or roof consultant to conduct a peer review of the documents. The reviewer should recommend if a second review is needed after the documents have been revised.

7. Construction Contract Administration

Processes related to construction contract administration in all instances should include the following requirements:

- Advertising for public renovation, repair and construction projects should be done in construction and other periodicals with wide circulation, e.g. *FW Dodge Reports*, *Philadelphia Construction News*, *Browns Newsletter*, and well in advance of bid due

dates. The time period provided by statute for preparation and submission of the bids should be expanded for repair, renovation and construction on public facilities, to provide sufficient time for prospective contractors to adequately prepare their bid proposals. The Legislature should specifically address the critical timeframe between the pre-bid meeting and the bid due date which was found to be inadequate on a complex roofing job examined by the Commission. The Legislature should also consider extending bid time requirements on public projects in areas beyond construction, if appropriate.

- Public advertisement at least ten days in advance of a mandatory pre-bid meeting should be statutorily required. If a sufficient notice requirement is not statutorily enacted, failure to attend a pre-bid meeting should not disqualify an otherwise qualified bidder.
- If a properly advertised pre-bid conference is held, the consultant should prepare meeting minutes.
- The consultant should review all submittals thoroughly and should insist that all specified submittals are received. The consultant should also verify that the contractor obtained a building permit.
- The consultant should conduct frequent field inspections. The first one should occur on the first day of actual work. If the contractor's skill is marginal, the frequency and duration of the inspections should be increased. In some instances, full time inspection may be appropriate, either by a member of the consultant's staff, or by another consulting firm retained by the consultant or hired by the school district. A written report of each day's field inspection should be prepared by the consultant.

8. Project Close-Out

In all instances, the process of closing out projects should be subject to the following requirements:

- The consultant should deliver a set of the approved submittals and executed warranty, if specified, to the district, all of which should be retained in a permanent file with the contract documents.
- Project managers including school boards should be required to complete periodic and final contractor and architect/engineer/consultant performance evaluations as required by the State Department of Treasury, Division of Policies and Procedures.

9. Pre-Qualification

Requirements and pre-qualifications for all state, county, municipal and other public projects should be standardized. Local governments, school districts and other municipal bodies should be required to use consultants, who have been pre-screened under existing or new classification systems. Adequate resources should be supplied to those offices to scrutinize thoroughly consultant, contractor and subcontractor submissions. Contractors should be prohibited from subcontracting work to unapproved contractors.

10. Disclosure

In all instances, the following disclosure requirements should be imposed and enforced:

- Roofing architects, engineers and other design consultant firms and their principals should be required to disclose fully all affiliations, whether financial, direct or otherwise, with manufacturers and material suppliers, including manufacturer indemnification.
- Affidavits of non-collusion should be extended to architects, engineers, roofing design and other consultants, as well as contractors. Moreover, they should specifically preclude collusion among or between consultants, bidders or potential bidders, manufacturers and/or material suppliers.

- Written contracts should be executed with architects, engineers, roofing design, and other consultants, as well as contractors.

11. Service of Process

All entities doing business in New Jersey relative to any public project, including material suppliers, consultants and contractors, should be required by statute to complete, maintain and keep current the State Division of Revenue's, "*Public Records Filing For New Business Entity*" form that includes the designation of a registered agent and registered office within this state for the service of process, for any legal action or inquiry, civil, criminal or otherwise. Moreover, proof of such filings should be required by the public entity prior to award of any contract.

12. Prevailing Wage

The Legislature should thoroughly review this subject, including the prevailing wage rate schedules, and either provide the State Department of Labor and other regulatory offices with adequate resources to enforce aggressively the wage rates or restructure the applicable wage schedules. The Commission found that there is considerable failure to pay prevailing wage rates, perhaps due to economic unreality of the current rates. The filing of false payroll certifications or receipt of repetitive fines for failing to pay prevailing wages should result in debarment from public projects by the State Department of Labor, State Department of Education, State Department of Community Affairs, State Building Authority and New Jersey Economic Development Authority.

PRIOR INVESTIGATIONS

ORGANIZED CRIME

1969 Garbage Industry	1987-89 Solid Waste Regulation
1970-71 Organized Crime Control of Long Branch	1988-89 Cocaine
1972 Organized Crime in Ocean County	1989 Overview of Organized Crime
1980-81 Organized Crime Infiltration of Dental Care Plans	1988-91 Garment Industry
1981-82 Organized Crime Labor Relations Profiteering at Mass Housing Construction Sites	1990-91 Afro-Lineal Organized Crime
1983-85 Organized Crime in Boxing	1990-91 Video Gambling
1986-87 Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects	1991-92 Motor Fuel Tax Evasion
1986-1988 Check Cashing Industry	1991 Organized Crime in Bars
	1993-94 Money Laundering
	1994 Medical Provider Contracts
	1995 Organized Crime in Bars Part II
	1996 Russian-Émigré Crime in the Tri-State Region

LOCAL GOVERNMENT CORRUPTION

1969-70 Monmouth County Prosecutor's Office-Misuse of Funds	1982 Inappropriate Activities of the Lakewood Municipal Industrial Commission
1970-71 Hudson County Mosquito Commission Embezzlements	1984 Misconduct and Inappropriate Controls in the Newark School Security System
1971 Misappropriation of Public Funds, Atlantic County	1984 Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund
1971-72 Point Breeze Development Frauds, Jersey City	1992 Local Government Corruption Overview
1972-75 Improper Municipal Planning, Zoning Procedures	1993 Belleville Township
1973-74 Passaic County vocational-Technical School: Misuse of Funds and U.S. Surplus Property	1993 Passaic High School Print Shop
1974-75 Lindenwold Municipal Corruption	1994 River Vale Recreation Department
1975-76 Land Acquisition Deals in Middlesex County	1994 Point Pleasant School District
1979-80 Questionable Public Insurance Procedures	1994 Borough of Jamesburg
1981-83 Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities	1995 Garfield School District
	1997 Borough of Seaside Heights
	1998 City of Orange Township

WASTE, FRAUD AND ABUSE

1970-71 Corrupt State Purchasing Practices
1970-71 Building Service Industry Abuses
1972 Stockton College Land Acquisition Deals
1972-73 Bank Fraud in Middlesex County
1972-74 Workers Compensation Frauds
1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising
1974 Conflicts of Interest at Delaware River Port Authority
1975-77 Investigation of Medicaid Abuses
1976-77 Prison Furlough Abuses
1977-78 Misuse of Public Funds in the Operation of Non-Public Schools for Handicapped Children
1977-78 Boarding Home Abuses
1978-79 Injury Leave Practices
1981-82 Mismanagement of the New Jersey Housing Finance Agency
1983 Abuse and Misuse of Credit Controls at Gambling Casinos
1983 Improprieties in Leasing of State Lands at Great Gorge in Sussex County to a Ski Resort

1985-86 Probes of N.J. Division of Motor Vehicles
1986-88 Union Lake
1989-90 AIDS Prevention Program -- State Department of Health
1988-90 New Jersey School Boards Association
1992 New Jersey Transit's Bus Subsidy Program
1992-93 Fiscal Year' 89 Budget Over-Expenditures Division of Development Disabilities
1993 Quality Education Money to Lyndhurst
1994 Nursing Home Certificates of Need
1994 Marlboro State Psychiatric Hospital
1995 County Clerks' Trust Funds
1995 N.J. Marine Sciences Grant and Sham Retirement of E. Brunswick Teacher
1995 Casino Control Commission
1997 Contract Labor -- The Making of an Underground Economy
1997 New Jersey School Busing Industry
1998 Pension and Benefit Abuses
1999 Public School Roofing Projects

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 Computer Crime

SPECIAL REPORT

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

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 in interest of 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 a 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.

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.

1973-1974 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 cigarette vending 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

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 was issued 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 in early 1995 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 schools 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 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 investigation 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.

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 of unreasonably high salaries, lax financial procedures, the absence of

purchasing controls and violations of public bidding laws. The Commission also found evidence of widespread, high-pressure tactics to extract political campaign contributions from public employees and private businesses. 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 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 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.

1999 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.

MEMBERS OF THE COMMISSION

1969-2001

Appointed by the Governor

William F. Hyland
1969-1970
Chair

Charles L. Betini
1969-1976

John F. McCarthy, Jr.
1970-1973
Chair

Lewis B. Kaden
1976-1981

Joseph H. Rodriguez
1973-1979
Chair

Robert J. DelTufo
1981-1984

Henry S. Paterson, II
1979-1990
Chair (1985-1990)

James R. Zazzli
1984-1994
Chair (1990-1994)

Kenneth D. Merin
1990-1992

Justin J. Dintino
1994-1996

Dante J. Sarubbi
1993-1995

W. Cary Edwards
1997-

M. Karen Thompson
1995-

Appointed by the President of the Senate

Glen B. Miller, Jr.
1969-1971

Paul Alongi
1985-1987

Wilfred P. Diana
1971-1973

W. Hunt Dumont
1988-1991

David G. Lucas
1973-1976

William T. Cahill, Jr.
1991-1995

Stewart G. Pollock
1976-1978

Leslie Z. Celentano
1995-
Chair

Arthur S. Lane
1979-1985
Chair

Appointed by the Speaker of the General Assembly

Emory J. Kiess
1969

John J. Francis, Jr.
1979-1982

James T. Dowd
1969-1971

William S. Greenberg
1982-1987

Thomas J. Shusted
1971-1972

Barry H. Evenchick
1987-1993

Thomas R. Farley
1973-1977

Louis H. Miller
1993-1997

Arthur S. Lane
1977-1978

Audriann Kernan
1999-