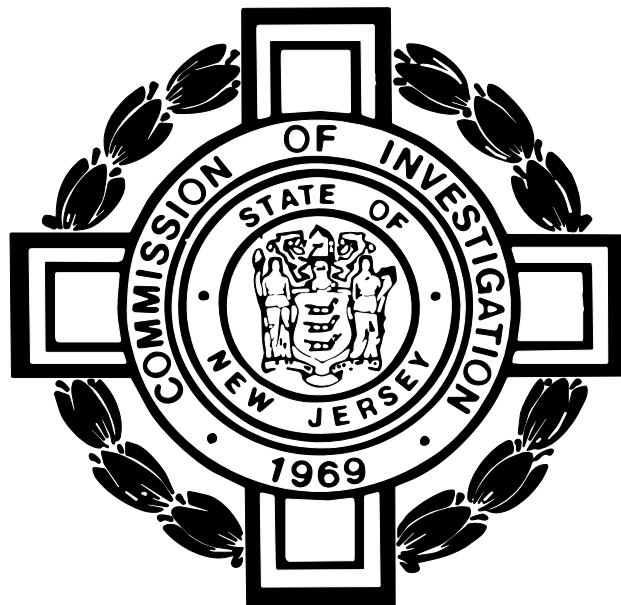

STATE OF NEW JERSEY

**COMMISSION
OF
INVESTIGATION**



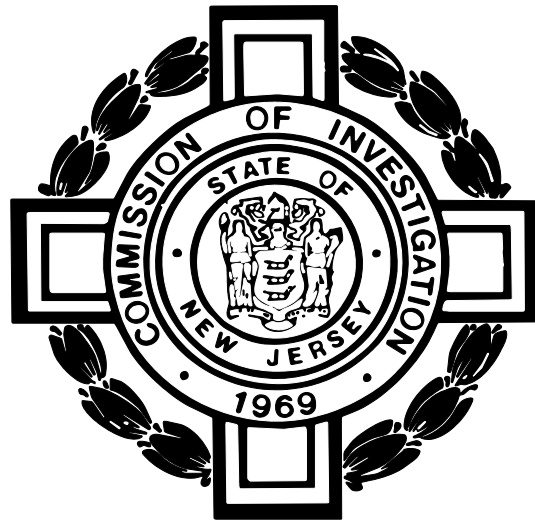
SCI

37th ANNUAL REPORT

2005

State of New Jersey

**Commission
of Investigation**



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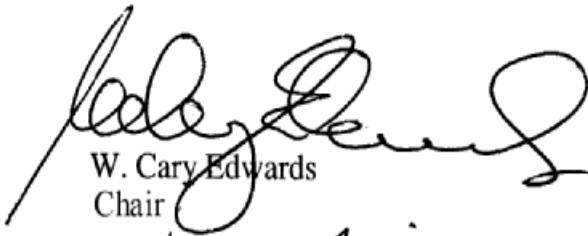
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February 2006

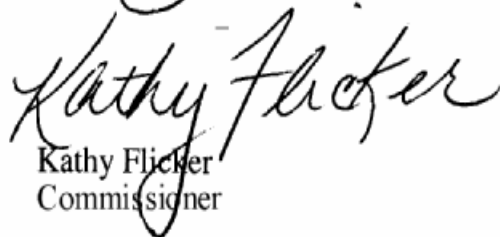
Governor Jon Corzine
The President and Members of the Senate
The Speaker and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith
formally submits its 37th annual report for the year 2005.

Respectfully,



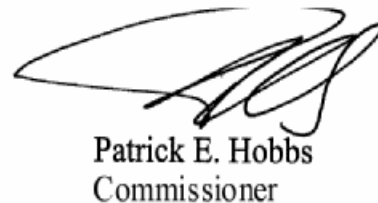
W. Cary Edwards
Chair



Kathy Flicker
Commissioner



Joseph R. Marinello, Jr.
Commissioner



Patrick E. Hobbs
Commissioner

A Message from the Executive Director

Each year in our annual report, the SCI reviews our past accomplishments and reinstates our continued commitment to conduct independent investigations to expose inequities and suspected violations of laws that interfere with the quality of life for New Jersey citizens. We understand, however, we cannot rest on our past achievements. The SCI welcomes the challenges that lie ahead and solicits the input of concerned citizens in the fight against organized crime, corruption, and the waste and abuse of taxpayer funds.

Legitimate complaints received either directly at our offices, through regular mail or by the e-mail hotline available on our Website are carefully evaluated to determine the most effective and efficient manner of response. In some instances, matters brought to our attention may become part of a larger investigative record or they may be referred to other more appropriate governmental agencies for consideration. Unlike the fictional investigations on television that are wrapped up within a half-hour episode, it may take some time. But in every case, the interests of an informed and responsive citizenry are paramount.

Americans should never accept crime or corruption as a way of life. There is a system in place in our Republic to address a citizen's problems and to work out a just conclusion. This structure includes the vast majority of honest, hard-working individuals with whom we are privileged to work including governmental agencies, elected officials, responsible private sector mediators and, of course, the prosecutors, Attorney General, U.S. Attorney and the courts.

The Commission was established to serve the people of New Jersey fairly and independently by investigating and exposing systemic problems and by recommending significant improvements to the essential legislative and enforcement arms of government. That is what we do best. We are fact-finders, not advocates, and we are dedicated to the successful pursuit of that goal.

Alan A. Rockoff
Executive Director

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INTRODUCTION

Why the SCI

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

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

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

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

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

Thirty-eight years later, this investigative and fact-finding mission – as well as the need for an independent entity to carry it out – remains no less vital to the challenge of safeguarding the integrity of New Jersey’s governmental processes and systems.

Singular Achievements

During 2005, the Commission bolstered its record of exemplary public service with wide-ranging investigations targeting organized crime and corruption, waste of tax money and other abuses of the public trust. Significant probes are ongoing, and the goal in each instance is the same: to pursue the facts and, as appropriate, to alert the citizens of New Jersey to systemic problems and to the need for comprehensive reforms.

Three important investigations completed over the past 12 months collectively formed the centerpiece of the Commission’s public activities during the year, highlighted as follows:

- ***NEW-HOME CONSTRUCTION AND INSPECTION ABUSES***

In March, the Commission issued the final report of an extensive statewide investigation of flawed and deficient practices in new-home construction and inspections. This document culminated an unprecedented investigation into

widespread abuse in which new-home buyers throughout New Jersey were victimized by shoddy workmanship, lax and corrupt construction inspections, blatant code violations, poor governmental oversight and inadequate home-warranty programs. The report offered a series of recommendations for legislative and regulatory reforms to boost government oversight and protect homebuyers, including expansion of New Jersey's Consumer Fraud Act and a new home "Lemon Law." The investigation resulted in criminal charges against unscrupulous local construction officials and prompted Governor Richard J. Codey to issue an executive order mandating a number of administrative reforms to bolster the oversight of the new-home construction industry, and to strengthen the inspection and enforcement process and to safeguard the homebuying public.

- ***FUNDING AND OPERATIONS OF COUNTY CLERKS***

The Commission examined and found that millions in fees collected for County Clerks to officially record and file real estate documents have been used instead to subsidize general state and county budgets through a process that causes significant recording delays and constitutes a form of hidden taxation. While there has been enormous growth in recording and filing fees amid the housing market boom in recent years, little of the revenue generated actually has reached its intended destination. As a result, many Clerks' offices have been unable to provide timely recording and proper disposition of mortgage and deed applications, as required by law. The Commission recommended legislation to ensure Clerks' offices have

sufficient budgetary resources and to require the proper disclosure of government's revenue-raising practices to inform the public if the true objective of a fee is a tax.

- ***THE GIFTING OF NEW JERSEY TAX OFFICIALS***

In December, the Commission issued a report detailing the acceptance by officials of the Taxation and Revenue Divisions of the New Jersey Treasury Department of thousands of dollars in gifts and entertainment from a vendor hired by the State to collect back taxes. These officials then turned a blind eye when the firm padded its billings, at taxpayer expense, by more than \$1 million between 2000 and 2004. No fewer than 20 officials – including senior and mid-level managers with long careers in the department – accepted meals, alcohol and outings courtesy of the vendor. Criminal probes at both the state and federal level were triggered by the Commission's investigation. The Commission called for the temporary debarment of the vendor and the transfer of all duties assigned to the firm and recommended systemic reforms, including the establishment of an independent government entity to provide fiscal oversight across state government and an internal Treasury unit to audit contracts.

A Broader Mission

The true measure of the Commission's performance far exceeds the findings and results of investigations completed in any given 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, mismanagement, and waste and abuse of government funds. In that regard, more than 250 Commission subpoenas were served during 2005 seeking access to scores of individuals, tens of thousands of documents and a range of other exhibits relevant to those active investigations.

Also, as in years past, barely a week went by during 2005 that the Commission did not receive requests for investigative action, assistance or advice from citizens of New Jersey. Commission records include scores of such citizen contacts via mail and telephone requiring evaluation and response. In order to facilitate public access, the Commission has established a Tip Hotline on its Internet site for use by citizens seeking to file complaints or otherwise communicate confidentially with investigators.

Further, as has been standard practice during the nearly four decades of its existence, Commission staff throughout the year provided expert assistance to multiple law enforcement and oversight agencies at the local, county, state and federal levels here and throughout the nation. Information and evidence suggesting possible criminal misconduct were referred on a number of occasions to the New Jersey Office of the Attorney General, pursuant to the requirements of the Commission's enabling statute.

Following the Commission's March 2003 report on mismanagement and abuse at Associated Humane Societies Inc., the animal shelter organization agreed in June 2005 to pay

\$138,057 to settle charges filed by the Attorney General's Office that AHS violated New Jersey's Consumer Fraud Act and Charitable Registration and Investigation Act.

In another matter, the referral of information developed during the Commission's investigative work resulted in a state grand jury indictment of a former Somerset County school construction contractor on charges of embezzling nearly \$1 million in public funds earmarked for school construction and renovation projects in Edison, ventures that were funded in part by the New Jersey School Construction Corporation (SCC). The contractor was sentenced to five years in state prison and ordered to pay \$116,000 in fines and restitution. Additionally, the Commission provided extensive assistance to the Office of the New Jersey Inspector General's Office in an investigation of the SCC. The probe resulted in the substantial findings of mismanagement, inefficiency and waste in the disbursement of \$8.6 billion in funds earmarked for new and renovated schools and resulted in a series of reforms designed to safeguard the future expenditure of SCC funds.

As a result of information developed during the Commission's new-home construction and inspection inquiry, three key municipal officials in Old Bridge, Middlesex County – the director of community development/township engineer, code inspector and the engineering inspector – were indicted by a state grand jury for official misconduct and other corruption-related charges for accepting financial favors from developers doing business with the town. In subsequent court proceedings, all three Old Bridge officials pleaded guilty to corruption charges. The Commission continues to provide assistance in this ongoing investigation by the New Jersey Division of Criminal Justice

Additionally, Commission personnel worked closely with counterparts in other law enforcement agencies to share and develop information relevant to various investigations. In one instance emblematic of productive law enforcement cooperation at this level, as a member of the FBI Organized Crime Task Force, the SCI participated in a federal racketeering investigation and assisted in the August 2005 arrests of top members and associates of the Genovese crime organization of *La Cosa Nostra*.

The Commission's work also triggered salutary action by state legislators and policymakers during 2005. In response to the Commission's two-and-a-half-year inquiry into new-home construction and inspection abuses, the Governor signed Executive Order 33, implementing a series of reforms to bolster the oversight of the home construction industry, to strengthen the inspection and enforcement process and to safeguard the homebuying public. In addition, the Governor signed legislation (S-2194, Karcher/Scutari) to reform state contracting pursuant to Commission recommendations stemming from its 2004 investigation of waste and mismanagement in the E-ZPass toll collection procurement.

Challenging the Future

Over the course of the past year, the Commission has undertaken a number of internal operational and organizational steps designed to strengthen and sharpen its focus and effectiveness. Under legislation signed by Governor Codey, the Commission was authorized to expand its investigative tools to include the power to subpoena records of telephone calls and e-

mails. The legislation also lengthened the terms of service of the four SCI Commissioners from three years to four and staggered the expiration dates so that the Commission's important work does not suffer potential disruption from simultaneous expiration of terms.

• • •

In sum, 2005 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 proved itself to be an effective public investment.

The Commission's confidential e-mail hotline, as well its public documents, including the full text of reports of many prior 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 state’s criminal justice apparatus were proposed.

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

That is why the Forsythe Committee, in the final report of its comprehensive study, characterized what it had in mind as not just “a ‘crime commission’” in the conventional sense. “There are many occasions,” the panel concluded, “when hard-hitting, expert fact-finding is needed without involving the criminal process or implying criminal violations are under investigation. . . . This Commission will provide a significant, independent ‘watchdog’ for the entire system. . . .”

As a result of the Forsythe Committee’s recommendations, the Division of Criminal Justice in the Department of Law and Public Safety of the Executive Branch and the State Commission of Investigation, structured as an independent agency “in but not of” the Legislative Branch, were created. New laws were designed – effectively so, as history has shown – to prevent conflict and duplication between the Commission’s operations and those of prosecutorial authorities.

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

Legislation creating the SCI in 1968 established an initial term beginning January 1, 1969, and ending December 31, 1974. The Legislature extended the term of the SCI for five-year periods on four subsequent occasions: in 1973 for a term expiring December 31, 1979; in 1979 for a term expiring December 31, 1984; in 1984 for a term expiring December 31, 1989; and in 1989 for a term

expiring December 31, 1994. On Dec. 28, 1994, legislation took effect extending the Commission's term for a period of 18 months, through June 30, 1996, pending the outcome of a review by a special committee appointed by the Governor, the President of the Senate and the Speaker of the General Assembly. On February 7, 1996, the review committee recommended that the Commission's operating authority be extended for six years, until July 1, 2002. Legislation incorporating this central recommendation was enacted into law with the Governor's signature on June 28, 1996.

The Commission's status as a temporary agency subject to periodic review was rescinded effective January 7, 2002. On that date, legislation was signed establishing the Commission as a permanent entity of New Jersey government.¹

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

¹ The full text of the Commission's enabling statute may be reviewed at *N.J.S.A. 52:9M-1*.

OPERATIONS

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

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

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

The enabling statute provides further that the Commission shall, by direction of the Governor or by concurrent resolution of the Legislature, conduct investigations and otherwise assist in connection with the removal of public officers, and in the making of recommendations to the Governor and the Legislature with respect to changes in existing law required for more effective enforcement, regulation and administration. The Commission also is empowered to investigate the

management or affairs of any department, board, bureau, commission, authority or other agency created by the state, or to which the state is a party.

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

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

Witnesses appearing before the Commission in public and private hearings are protected by the New Jersey Code of Fair Procedure, the requirements of which were incorporated in the Commission's enabling statute in 1979. Constitutionally required due process is afforded under the provisions of that code, and the courts have upheld the integrity and fairness of the Commission's investigative procedures. For example, all witnesses have the right to be represented by counsel when appearing before the Commission at public or private hearings. Additionally, any individual criticized in a proposed Commission report is, by law, given an opportunity to review relevant

portions of the report. The individual may then submit a written response which, under certain circumstances, shall be included in the final report. As a practical matter, the Commission always has been careful to evaluate investigative data in private in keeping with its obligation to avoid unnecessary stigma and embarrassment to individuals.

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

Additionally, the Commission's December 1998 report on public pension and benefit abuses presented a veritable catalogue of needless waste and outlined a range of proposed reforms that would save taxpayers additional millions. Further, the Commission's September 2000 report on waste and abuse in public school roofing projects provided the state and its localities with invaluable insight into the subversion of multi-million-dollar public construction programs by unscrupulous contractors. In 2003, in a move that embodied a central recommendation of the Commission's 2000 report, *Computer Crime*, legislation was signed into law revising and updating New Jersey's computer crime law for the first time since its enactment two decades ago. The Commission's 2004 report on the flawed procurement process for the E-ZPass cashless toll system included

recommendations that resulted in a complete overhaul of the state's contract procurement procedures.

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.

REPORTS and PUBLIC HEARINGS – 2005

* * *

Waste, Fraud and Abuse

Final Report: *The Good, the Bad and the Ugly New-Home Construction In New Jersey*

Summary

In March, the Commission issued the final report of an extensive statewide investigation of flawed and deficient practices in new-home construction and inspections. The probe, which started in July 2002 following a number of citizen complaints, found widespread problems and abuses, including shoddy workmanship, inspection irregularities, potentially dangerous building code violations and an unresponsive system of remediation. As the inquiry progressed, the range and volume of these complaints – along with the fact that they involved different housing developments and different builders across the State – suggested a broad and disturbing pattern. In sum, the Commission found a system in which the public trust was thoroughly shaken by graft, greed and incompetence and marked by a failure of government to fulfill its fundamental duty to protect the safety and welfare of citizens.

As a direct result of the Commission's findings and recommendations, immediate action was taken by the Governor's Office to implement administrative reforms through Executive Order 33 to address many of the abuses.

The Commission's initial findings were presented during five days of public hearings held in three segments between November 2003 and October 2004. Numerous witnesses, including homeowners, builder representatives, state and local officials and Commission investigators and accountants provided sworn testimony across a range of issues. The investigation revealed a range of systemic problems abound in new home construction, including structural and mechanical deficiencies – such as cracked, crumbling foundations or faulty plumbing. Substandard workmanship and lax quality control was found in across the spectrum in single homes, housing developments, dwellings large and small, high-priced and affordable, in suburban and urban communities across New Jersey.

The Commission found that questionable and ineffective practices in new-home construction play out against a backdrop of lax governmental oversight. Despite the presence of structural problems that could pose potentially hazardous conditions, certificates of occupancy were routinely issued by local governments. In many instances, the Commission found that required inspections were never performed or were done in an incomplete manner, in some cases due to pressure from builders. The investigation also revealed that some local construction office personnel accepted gifts and other inducements from builders or developers, a violation of prohibitions banning such activities.

Meanwhile, the Commission found that consumers often are caught in the middle with no way to protect or salvage their own interests. New home "warranty" programs, which are

supposed to provide guarantees of repair and remediation – frequently fail to fulfill their promise.

Recommendations

Collectively, all of these factors led the Commission to recommend wholesale legislative and regulatory reforms to tighten the supervision of the new-home construction and inspection process and to protect consumers who are simply innocent bystanders trying to realize the American dream of homeownership. The recommendations are summarized as follows:

- **Expand Consumer Fraud Act**

New Jersey’s premier consumer protection law should be amended and expanded to cover the activities of new-home builders and developers. It should also be extended to cover circumstances involving faulty workmanship.

- **Establishing New-Home “Lemon Law”**

The Legislature should enact a new-home “Lemon Law” requiring that, in instances where a reasonable number of repair attempts fail to cure a defect that poses a serious safety hazard or substantially impairs the use or market value of a new home, the builder/developer – at the homeowner’s option – must purchase the structure and provide reimbursement to the homeowner for all relevant expenses.

- **Strengthen Criminal Penalties**

Expand the definition of official misconduct to include any code official/inspector who fails to perform inspections or conducts them recklessly. Criminal statutes should be expanded to provide penalties for builders/developers who offer items of value to a municipal or state government official, employee or inspector.

- **Disciplinary Action Against Inspectors**

DCA should not delay or suspend administrative action against local code officials or inspectors, or fail to take action against builders, in instances in which a homeowner chooses to litigate or when a criminal referral has resulted from an inspector's activities.

- **Code of Ethics**

Legislation should be enacted to require that a code of ethics be promulgated for legislative and governmental agents ("lobbyists") who work in the construction/home building industry. *Executive Order 33 addresses this issue.*

- **Web Site for Consumers**

A Web site and information system should be established and made accessible to the public to provide information to prospective new-home buyers. *Executive Order 33 addresses this issue.*

- **Homebuyer’s Bill of Rights**

A Homebuyer’s Bill of Rights should be enacted to define builder responsibility, explain what laws protect the homebuyer and what regulations builders, inspectors, arbitrators, and warranty providers should be following/enforcing, outline the various periods of warranty coverage and what is covered in each, and define a homebuyer’s rights and responsibilities in arbitration. *Executive Order 33 addresses these issues.*

- **Warranty Rights Booklet**

A new information booklet should be prepared and mailed to owners of new homes within four months after closing, with information on warranty and the importance of filing timely claims. *Executive Order 33 addresses this issue.*

- **Filing of Warranty Claims**

All complaints/requests for service made by homeowners to builders and/or their affiliated service providers shall serve as notice to the New Jersey-approved warranty provider. *Executive Order 33 addresses this issue.*

- **Arbitration Process**

The current multi-step arbitration process should be eliminated in favor of one arbitration, which should focus on correction (repair) of defects rather than monetary settlement. *Executive Order 33 addresses these issues.*

- **Builder Compliance with Framing Checklist**

DCA should require all builders to utilize and certify compliance with its framing checklist in order to provide builders with guidance as to what is required, to increase

accountability in this key area and to ensure inspectors are not being called out prematurely.

Executive Order 33 addresses this issue.

- **Extension of Warranty Coverage**

The effective period for basic warranty coverage should be increased from the current standard of one year to two years, and warranty coverage should be extended to three years for water damage caused by construction and for lot defects; to three years for deficiencies caused by defective materials, faulty design or installation of plumbing, electrical, heating and cooling, mechanical, fire protection, and well or septic systems; and to 10 years for major construction and fire safety defects.

Waste, Fraud and Abuse

Report: *The Funding and Operation of County Clerks' and Registers' Offices*

Summary

In August, the Commission issued the report of an inquiry into the funding and operation of County Clerks' and Registers' offices. The probe was triggered by citizen complaints of unreasonable and potentially deleterious delays in the recording and proper disposition of mortgages and deeds. Despite the enormous growth in recording and filing fees amid the housing-market boom in recent years, little of the revenue remained with the Clerks' offices and instead was used to subsidize general state and county budgets. The Commission found a pattern in which Clerks' offices were, in many instances, transformed into "cash cows" for purposes well beyond the ambit of their regulatory jurisdiction.

The Commission found that between 2000 and 2003, the last complete year for which records were made available, tens of millions of dollars were diverted from revenue collected on behalf of Clerks' offices in connection with real estate transactions. At the same time, the budgets to support the operations of these offices remained essentially flat, and staffing levels remain unchanged while the workload exploded.

During the four-year period 2000-2003, Clerks' offices across New Jersey, on average, experienced an 88 percent increase in the number of real estate transactions requiring consequent document processing and recordation. Recording/filing fee revenue taken in at the county level

grew by 318 percent during this period, rising from \$32.7 million to \$136.4 million. Only a relatively small portion of this revenue was used to fund the essential and statutorily mandated operations of Clerks' and Registers' offices.

Use of fees to cover general budgetary obligations raises a number of troubling questions that bear upon the proper exercise and full disclosure of revenue-raising authority. In the case of real estate recording and filing fees, the Commission found that persistent diversion of revenue for general-fund purposes has been tantamount to a hidden tax that has little to do with the explicit purposes for which the fees were established, i.e. to support a regulatory scheme carried out by Clerks' Offices directly commensurate with services they are required to provide.

Further, the Commission found that delays in filings not only create widespread inconvenience, but they also leave real estate transactions vulnerable to a variety of fraudulent schemes that could produce potentially serious financial losses for participants in the title insurance industry and the real estate market in general.

Recommendations

The Commission recommended that significant steps be taken to ensure these offices are able to fulfill their constitutional obligations with consistency and effectiveness:

- **Provide Clerks' Offices with Sufficient Budgetary Resources**

Legislation should be enacted to explicitly dedicate revenue from real estate recording and filing fees sufficient to enable Clerks' offices to carry out their duties under the law. As an alternative, the Legislature and Governor should consider legislation requiring counties to

establish within their budget process a mechanism to ensure that revenue would be set aside to serve as additional funding for Clerks' offices based upon changing needs and requirements.

- **Require Proper Disclosure of Revenue-Raising Mechanisms**

If the Legislature intends a levy primarily to raise general revenue and not to compensate a governmental entity for the cost of providing an explicit regulatory service, or to assist the police power, it should identify that revenue-raising mechanism as a "tax" rather than a "fee." The Constitution of New Jersey mandates that every law enacted must embrace a singular objective or purpose, which should be expressed in the statute's title. If a statute does not reveal that the principle objective of a fee is a tax, and there is an unreasonably disproportionate gap between defraying the cost of the service and the amount of revenue raised – both key findings of this inquiry – appropriate amendments should be enacted to clarify and disclose the true purpose.

- **Standardize Documents and Evaluate Filing Mechanisms**

Document forms and forms used for computer-based electronic filing for documents utilized by Clerks' offices should be standardized throughout the state to effectuate clarity and efficiency in recordation process. The Legislature should undertake a comprehensive evaluation to determine the most practical, cost-effective approach toward achieving uniformity in the filing process.

Waste, Fraud and Abuse

Report: *The Gifting of New Jersey Tax Officials*

Summary

In December, the Commission issued a report detailing the acceptance by officials of the Divisions of Taxation and Revenue in the New Jersey Department of Treasury of thousands of dollars worth of gifts and entertainment from an outsourcing vendor. The investigation revealed that what began as an effort to privatize the collection of tax debt 12 years ago evolved into a corrupt association whereby high and mid-level managers compromised their integrity by taking these inducements and then turned a blind eye as their benefactor padded the billings.

These officials engaged in the systematic acceptance of gifts, meals and outings from OSI Collection Services, a multi-million dollar, national corporation that provides outsourcing services to government and private entities, and never reported any item to the department's Ethics Liaison Officer. The level of gifts, meals and entertainment given out depended upon the level of employee. For example, higher-placed officials usually were treated to late-afternoon lunches, dinners, accompanied by alcohol on occasion, and cocktails, while lower ones were the recipients primarily of lunches. Some top officials were given even larger perks such as golf outings, spa treatments and tickets to a Broadway musical.

The Commission found that allegations of improper billings by OSI were ignored by State officials. In the absence of a vigorous watchdog, OSI took license to enhance its profits. Based upon the Commission's limited investigation, it is estimated that for each year from 2000 through 2004, OSI over-billed the State by hundreds of thousands of dollars that totaled more than \$1 million for the five-year period

Because the initial stages of the Commission's investigation revealed conduct that may constitute violations of the criminal and/or civil laws of this State and of the federal government, referrals were made in a timely manner to the New Jersey Office of the Attorney General, Division of Criminal Justice, and the US Attorney for the District of New Jersey. In deference to their examinations of the issues, the Commission suspended further investigative activities and, thereby, limited the scope of its investigation. Nevertheless, the Commission's findings are of such a serious nature that its exposure of them and recommendations for change are compelled.

This matter presented another example of the failure of state government oversight with respect to the administration and performance of contractual arrangements with private vendors and pointed out the need for an independent entity, such as a state comptroller, to provide auditing and fiscal oversight. The system eroded because those responsible for oversight compromised their personal integrity and abandoned their public duty. Accordingly, the Commission urges that immediate action be taken to sever the offending employees' relationship with the vendor. Along with establishing an independent entity to provide fiscal oversight, a detailed audit should be done of all contracts the vendor holds with the state to ensure the corporation is complying with the terms of each agreement.

Recommendations

In addition to the referrals previously made to various law enforcement agencies, the Commission offered a series of recommendations, summarized as follows:

- **Sever the Relationship between OSI and Recipients of Benefits in the Divisions of Taxation and Revenue**

The Commission urged that immediate action be taken to sever the involvement of employees who received benefits with the administration of OSI's contracts and agreements and called for disciplinary proceedings against the offending officials and employees to demonstrate to the public and other government employees that such conduct will not be tolerated. Further, department-wide ethics training should occur to reinforce in every employee the importance of strict adherence to the Code of Ethics.

- **Audit OSI Contracts and Agreements**

The Department of the Treasury should immediately conduct a detailed financial and internal control or systems audit of all contracts and agreements with OSI and correct any deficiencies. The department should initiate proceedings to recover amounts owed to the State. In addition, the department must determine whether OSI has been complying with all of the terms of each contract and agreement.

- **Establish an Independent Entity for Fiscal and Programmatic Oversight**

The Legislature should review the State's current fragmented oversight structure and either reorganize it or establish an independent entity to consolidate and expand fiscal and compliance oversight functions. This entity could take any number of forms, including an

appointed or elected state auditor or auditor general, or an appointed or elected state comptroller or controller.

- **Establish an Internal Treasury Unit to Audit Contracts**

The Commission recommends that a special oversight unit be established within the confines of the Treasury. This unit would have no involvement in the administration of the contracts. It would determine whether the vendor is collecting appropriate amounts in relation to the debt; audit vendor billings and examine whether the State is receiving the services for which it contracted.

- **Strengthen Procedures for the Award and Oversight of Privatization Contracts**

It is imperative that the State institute comprehensive procedures to ensure that the use of private contractors, in other than *de minimis* situations, is in the best interest of the public. Procedures for the award, extension or renewal of a contract or agreement should include the following: an analysis to determine whether the cost saving or benefit to the State is sufficiently substantial to justify the privatization of the services; an audit at the conclusion of the contract to assess the cost-effectiveness or benefit of the outsourcing program; signed attestation by any State employee involved in the process to verify he or she did not receive anything of value from the vendor; and an analysis to ensure the lowest price and responsible contractor has been retained.

- **Strengthen the New Jersey Conflicts of Interest Law**

The Commission urges additional safeguards be put in place and renews its call for measures to place controls on the revolving door between government and the private sector to

include requiring employees to verify they possess a copy of the Code of Ethics and understand its provisions; and barring any State employees, who have had substantial contact with a vendor, from seeking or taking employment with such vendor for a period of at least two years.

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 |
| 1977-78 Organized Crime in Atlantic City | 1988-91 Garment Industry |
| 1980-81 Organized Crime Infiltration of Dental Care Plans | 1990-91 Afro-Lineal Organized Crime |
| 1981-82 Organized Crime Labor Relations Profiteering at Mass Housing Construction Sites | 1990-91 Video Gambling |
| 1983-85 Organized Crime in Boxing | 1991 Organized Crime in Bars |
| 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 | 1993-94 Money Laundering |
| | 1994 Medical Provider Contracts |
| | 1995 Organized Crime in Bars Part II |
| | 1996 Russian-Émigré Crime in the Tri-State Region |
| | 2003-2004 The Changing Face of Organized Crime in New Jersey |

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 Bergen County Utilities Authority |
| 1972-75 Improper Municipal Planning, Zoning Procedures | 1992 Local Government Corruption Overview |
| 1973-74 Passaic County vocational-Technical School: Misuse of Funds and U.S. Surplus Property | 1993 Belleville Township |
| 1974-75 Lindenwold Municipal Corruption | 1993 Passaic High School Print Shop |
| 1975-76 Land Acquisition Deals in Middlesex County | 1994 River Vale Recreation Department |
| 1979-80 Questionable Public Insurance Procedures | 1994 Point Pleasant School District |
| 1981-83 Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities | 1994 Borough of Jamesburg |
| | 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 Absentee Ballot Frauds
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
1999-2000 Public School Roofing Projects
2001 Societies for the Prevention of Cruelty to Animals
2001-2002 N.J. Enhanced Motor Vehicle Inspection Contract
2003 Associated Humane Societies
2003-2004 New-Home Construction and Inspection Abuses – Public Hearings
2004 E-ZPass: The Making of a Procurement Disaster
2005 New-Home Construction and Inspection Abuses - Final Report
2005 Funding and Operations of County Clerks
2005 The Gifting of New Jersey Tax Officials

REGULATORY, ETHICS AND LAW ENFORCEMENT OVERSIGHT

- 1969-70** County Prosecutor System
1972-73 Office of the Attorney General of New Jersey
1973-74 Narcotics Traffic and Drug Law Enforcement
1976-77 Casino Gambling
1979 Inadequate Sudden Death Investigations
1983-84 Inadequacy of Laws and Regulations Governing the Boxing Industry
- 1986** State Racing Commission’s Regulatory Deficiencies
1986-87 Impaired and Incompetent Physicians
1993 Criminal Street Gangs
1996 Insurance Interests and Licensure of Former Insurance Commissioner Andrew J. Karpinski
1997 New Jersey Detective Agency
1999-2000 Computer Crime

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.

1971-71 Point Breeze Development Frauds, Jersey City

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

1972 Stockton College Land Acquisition Deals

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

1972-75 Improper Municipal Planning, Zoning Procedures

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

1972-73 Bank Fraud in Middlesex County

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

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

1972-73 Office of the Attorney General of New Jersey

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

1972 Organized Crime in Ocean County

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

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

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

1972-74 Workers Compensation Frauds

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

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

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

Finally, three New Jersey Judges of

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

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

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

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

1973-74 Narcotics Traffic and Drug Law Enforcement

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

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

1974 Pseudo-Charitable Firms Misusing Handicapped Fundraising

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

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

1974 Conflicts of Interest at Delaware River Port Authority

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

1974-75 Lindenwold Municipal Corruption

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

1975-77 Investigation of Medicaid Abuses

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

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

1975-76 Land Acquisition Deals in Middlesex County

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

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

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

1976-77 Prison Furlough Abuses

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

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

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

1976-77 Casino Gambling

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

1977-78 Organized Crime in Atlantic City

The Commission's investigation and August 1977 public hearing confirmed the infiltration by the organized crime family of Angelo Bruno of Philadelphia into certain legitimate businesses 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 operations of all such commissions.

1983 Abuse and Misuse of Credit Controls at Gambling Casinos

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

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

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

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

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

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

1984 Misconduct and Inappropriate Controls in the Newark School Security System

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

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

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

1983-85 Organized Crime in Boxing

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

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

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

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

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

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

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

1986 State Racing Commission’s Regulatory Deficiencies

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

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

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

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

1986-87 Impaired and Incompetent Physicians

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

1986-88 Union Lake

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

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

1986-88 Check Cashing Industry

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

1987-89 Solid Waste Regulation

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

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

1988-89 Cocaine

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

1989 Overview of Organized Crime

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

1989-90 AIDS Prevention Program — State Department of Health

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

1988-90 New Jersey School Boards Association

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

1988-91 Garment Industry

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

1990-91 Afro-Lineal Organized Crime

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

1990-91 Video Gambling

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

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

1992 New Jersey Transit's Bus Subsidy Program

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

1991-92 Organized Crime in Bars

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

1991-92 Motor Fuel Tax Evasion

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

1992 Bergen County Utilities Authority

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

1992 - Present: Local Government Corruption

As part of the Commission's continuing assault on local

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

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

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

1993 Belleville Township

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

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

1993 Quality Education Money-Lyndhurst

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

1993 Passaic High School Print Shop

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

1993-94 Criminal Street Gangs

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

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

1993-94 Money Laundering

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

1994 Nursing Home Certificates of Need

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

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

1994 River Vale Recreation Department

Responding to complaints from residents of River Vale Township, Bergen County, the Commission examined the township's recreation department and the operation of its youth sports programs. In a May 26, 1994 letter to the township administrator, the Commission noted cash missing from departmental accounts amid sloppy and inappropriate recordkeeping. Recommendations included an overhaul of internal control mechanisms and the establishment of effective fiscal safeguards.

1994 Point Pleasant School District

Alerted by concerned local taxpayers, the Commission examined questionable financial practices related to the operations of the Point Pleasant Community School in Ocean County and the terms of a lucrative separation-of-employment agreement with a former 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 Medical Provider Contracts

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

adoption of appropriate procedures for competitive bidding practices.

1994 Borough of Jamesburg

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

1995 Organized Crime in Bars Part II

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

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

1995 Garfield School District

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

1995 County Clerks' Trust Funds

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

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

1995 Casino Control Commission

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

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

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

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

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

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

1998 City of Orange Township

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

1998 Pension and Benefit Abuses

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

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

1999-2000 Computer Crime

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

1999-2000 Public School Roofing Projects

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

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

2001 Societies for the Prevention of Cruelty to Animals

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

2001-2002 N.J. Enhanced Motor Vehicle Inspection Contract

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

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

2003-2004 The Changing Face of Organized Crime in New Jersey

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

2003-2005 New-Home Construction in New Jersey

The Commission in March 2005 issued the final report of a multi-year investigation into abuses in the new-home construction and inspection process. It capped an unprecedented, statewide inquiry that included five days of public hearings in 2003 and

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

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

2005 Funding and Operations of County Clerks

The Commission found that millions of dollars in fees collected for County Clerks to officially record and file real estate documents were used instead to subsidize general state and county budgets through a process that causes significant recording delays and constitutes a form of hidden taxation. Little of this money was returned to the Clerks' offices despite the increase in recording and filing fees amid the housing market boom.

2005 The Gifting of New Jersey Tax Officials

The Commission found that officials of the Taxation and Revenue Divisions of the New Jersey Treasury Department accepted thousands of dollars in gifts and entertainment

from a vendor hired by the State to collect back taxes and then turned a blind eye when the firm padded its billings. Officials accepted meals, alcohol and outings courtesy of the vendor. Based on the findings, the Commission called for the temporary debarment of and transfer of all duties assigned to the firm. The Commission also called for a series of systemic reforms, including greater fiscal oversight by the Treasury Department and creation of an independent entity to oversee procurements.

MEMBERS OF THE COMMISSION

1969-2006

Appointed by the Governor

William F. Hyland 1969-1970 <i>Chair</i>	Dante J. Sarubbi 1993-1995	Charles L. Betini 1969-1976	Justin J. Dintino 1994-1996
John F. McCarthy, Jr. 1970-1973 <i>Chair</i>	M. Karen Thompson 1995-2001	Lewis B. Kaden 1976-1981	W. Cary Edwards 1997- <i>Chair</i> (2004 -)
Joseph H. Rodriguez 1973-1979 <i>Chair</i>	Francis E. Schiller 2001-2004 <i>Chair</i> (2002-2004)	Robert J. DelTufo 1981-1984	
Henry S. Patterson, II 1979-1990 <i>Chair</i> (1985-1990)	Patrick E. Hobbs 2004 -	James R. Zazzali 1984-1994 <i>Chair</i> (1990-1994)	
Kenneth D. Merin 1990-1992			

Appointed by the President of the Senate

Glen B. Miller, Jr. 1969-1971	W. Hunt Dumont 1988-1991
Wilfred P. Diana 1971-1973	William T. Cahill, Jr. 1991-1995
David G. Lucas 1973-1976	Leslie Z. Celentano 1995-2001 <i>Chair</i>
Stewart G. Pollock 1976-1978	John J. Farmer, Jr. 2002
Arthur S. Lane 1979-1985 <i>Chair</i>	Kathy Flicker 2002-
Paul Alongi 1985-1987	

Appointed by the Speaker of the General Assembly

Emory J. Kiess 1969	William S. Greenberg 1982-1987
James T. Dowd 1969-1971	Barry H. Evenchick 1987-1993
Thomas J. Shusted 1971-1972	Louis H. Miller 1993-1997
Thomas R. Farley 1973-1977	Audriann Kernan 1999-2002
Arthur S. Lane 1977-1978	Joseph R. Mariniello, Jr. 2002-
John J. Francis, Jr. 1979-1982	