

The New Jersey Casino Control Commission (CCC) was established nearly two decades ago by the Legislature as a core element in the state's regulatory scheme to ensure the integrity of legalized casino gaming operations in Atlantic City. Empowered by provisions of the 1977 Casino Control Act, the scope of the Commission's statutory obligations is sweeping. Primary duties include the issuance and/or denial of gaming licenses to individuals and corporations; oversight and enforcement of casino industry adherence to a strict regimen of internal fiscal controls; the prescribing of procedures, forms and methods of management controls for licensees; and the mandating of uniform standards of accounting to safeguard against cheating, skimming and other illegal and unethical activities.

The Commission's official actions and policies are set by five commissioners, each appointed by the Governor for a set term with the advice and consent of the Senate. The Commissioners preside over a staff of some 370 employees led by a chief of staff responsible for carrying out day-to-day regulatory operations. Although the Commission by design and statute is a part of state government — "in but not of" the Department of Treasury — its annual budget (\$23,075,000 for Fiscal Year 1995) is financed through assessments imposed on the casino industry.

In October 1994, information suggesting internal irregularities at the Casino Control Commission was received by the State Commission of Investigation. A subsequent probe uncovered a number of questionable and improper activities. The results of that investigation, including recommendations for follow-up actions as well as a series of internal reforms already undertaken by the Casino Control Commission in response to the SCI's work, are detailed in this report.

### *The Key Findings*

#### **“GOLDEN PARACHUTES” FOR NON-WORKING EMPLOYEES**

\* Three Casino Control Commission employees agreed to resign or retire at various intervals during 1993 and 1994 in exchange for special separation-of-employment packages that kept them on the payroll for months even though they did not show up for work or perform official duties. The gross amount of improper payments to these employees totaled more than \$66,000, not including benefits.

\* The compensation packages were arranged and negotiated with the employees by the Commission's Chief of Staff and Executive Secretary, Joseph N. Papp, who admitted under oath that he was aware of no legal basis for such arrangements.

One package was awarded with the express authorization of the then-members of the Commission in 1994.

### **FALSIFICATION OF RECORDS/FRAUD/FORGERY**

\* False data were recorded on official Casino Control Commission time and expense forms to make it appear that the former employees who received the severance packages performed work while absent. The time and expense forms bore signatures purporting to be those of the employees, as well as the signatures of supervisory personnel responsible for certifying their veracity.

The investigation revealed that, in order to facilitate the fraud, one employee was instructed to sign blank time and expense forms in advance of his official effective date of departure.

\* Signatures determined to be forgeries were discovered on official time and expense forms in the case of one employee who received payment for non-work.

\* False representations were made by Casino Control Commission officials to other state agencies so that when two of the involved employees finally were removed from the payroll, they could qualify for unemployment or disability benefits.

## **ABUSE OF OFFICIAL CARS/EXPENSE ALLOWANCES**

\* Casino Control Commission employees, including Chief of Staff Papp and General Counsel John Zimmerman, used official state cars without proper authorization to commute daily between their homes and the Commission headquarters in Atlantic City.

\* An examination of expense vouchers showed that Papp, in addition to his \$89,000 annual salary, collected meal allowance reimbursements on an inordinate number of occasions compared to other Commission employees based upon claims of having worked over-time. Evidence gathered through an analysis of Papp's telephone records showed that, in a number of instances, he was not at work long enough or was otherwise ineligible to qualify for this benefit.

\* The examination of Papp's telephone records also revealed mis-use of state property in the form of a cellular car-phone assigned to Papp and a telephone line installed at his home. Though both were for official use only, he failed to make reimbursements to the Commission for numerous personal calls placed on each by himself and by members of his family.

\* Expenses for a variety of receptions, luncheons and other functions for Casino Control Commission officials and staff were improperly billed to Commission accounts.

## **“GOLDEN PARACHUTES” FOR NON-WORKING EMPLOYEES**

Between mid-1993 and the end of 1994, three Casino Control Commission employees agreed to resign or retire in exchange for the offer of special separation-of-employment deals. The arrangements allowed these individuals to remain on the official payroll for months at a time even though they did not show up at work or perform any discernible duties.

Under normal circumstances, public employees who leave government service are entitled to lump-sum payment for unused vacation time and, at retirement, for a portion of unused sick leave. But the compensation packages under scrutiny here went well beyond the norm. In each instance, in addition to the traditional lump-sum payments, employees were allowed after their last day on the job to continue collecting full salaries and accumulating additional leave time for specified periods. The gross amount of improper payments for this purpose totaled more than \$66,000, not including health insurance and other benefits.

The terms of each compensation package were negotiated in the manner of a private-sector employment severance agreement — but with a unique twist. Unlike the private sector, there is no statute or regulation that permits such severance arrangements in state government in New Jersey. To accomplish them, one must employ deception. Thus, to maintain an appearance of legitimacy, Commis

sion payroll records were falsified. Time sheets were certified as accurate in advance — when they were blank. One ex-employee’s signature was forged repeatedly. The scheme was facilitated by a “don’t ask, don’t tell” attitude that pervaded the Commission’s senior ranks and discouraged internal questioning of personnel matters that appeared unusual.

Why weren’t the affected employees dealt with in the normal way? Casino Control Commission Executive Secretary Joseph Papp told the SCI that, as the primary architect of the compensation packages, his goal was to resolve personnel problems and minimize the risk of protracted and potentially costly litigation. Indeed, concern over the possibility of a lawsuit alleging wrongful discharge is what led Commission members themselves to urge Papp to strike a deal with one of the affected employees, Katherine M. Turner, the Commission’s former Director of Government and Community Relations.

Based upon the facts gathered in this investigation, however, it is the SCI’s judgment that the fear of court action was misplaced. Aside from that, even if the prospect of genuine litigation had been fulfilled, the response by Casino Control Commission officials — essentially to take a short cut by paying employees to go away — was improper, inappropriate and irresponsible. There simply was no legal or ethical foundation for it. Worse, illegitimate means had to be used to carry it out.

Following is a detailed recitation of each separation-of-employment package examined by the State Commission of Investigation:

**JOHN A. TRZAKA - Director of Financial Evaluation**

John A. Trzaka's last day at work in the offices of the Casino Control Commission was August 6, 1993. Under terms of a special retirement deal, however, he remained on the Commission's payroll nearly four months longer — through December 1, 1993 — at which point he cashed in one month's worth of unused vacation time to finish out the remainder of the year. His retirement actually took effect December 31, 1993.

During the August-December period, Trzaka ostensibly served as a part-time Commission consultant but was listed in the official payroll records as a full-time employee eligible for full salary and benefits. Weekly time and expense sheets for him were filled out with false data, yet certified as accurate. Also, as a "full-time employee," he was allowed to accrue additional vacation and sick-leave — for which he was later compensated — through the end of 1993. SCI investigators calculated that the gross amount of improper payments to Trzaka totaled \$34,696.48, not including the value of medical benefits.

Trzaka's departure package contained one additional perk: At the end of December 1993, his separation was designated "involuntary retirement" by Casino Control Commission officials due to what was described as the elimination of his consulting position. Though false and contrived, this designation was represented as accurate to the state Department of Labor, a ploy that enabled Trzaka to collect unemployment benefits in addition to his public-employee pension.

On the advice of his attorney, Trzaka declined an opportunity to testify before the SCI, but the terms and circumstances of his employment separation were confirmed by internal documents and described in detail by Casino Control Commission officials.

*"Fix It"*

In sworn testimony before the SCI, Commission Chief of Staff Joseph N. Papp said he arranged Trzaka's separation package in late 1992 at the behest of the Commission's then-Chairman, Steven Perskie. The explicit terms of the package — which both Papp and Perskie said were established and consummated without Perskie's express knowledge — were formally memorialized in a confidential Commission memorandum written by Papp and dated October 28, 1992. This memorandum was placed in a sealed envelope within Mr. Trzaka's personnel folder. The arrangement was the culmination of a



lengthy process aimed at removing Trzaka and replacing him as Director of Financial Evaluation and Control as part of an extensive reorganization plan Perskie had launched in late 1990. Papp told the SCI:

*A. Chairman Perskie . . . was unhappy with the type of work that was being done in the Division of Financial Evaluation and Control. He believed a lot of it was repetitive, stifling to the casino industry, overregulation, to a certain extent. . . . He wished to bring in some people from outside the agency. It was his opinion at the time that fresh blood would have been the best thing that could happen to the place, it would shake the place up.*

Perskie, in his statement to the SCI, said part of his motivation for a staff reorganization was to iron out policy disputes:

*A. . . .John [Trzaka] knew, because we had discussed, that I had some disagreements with him over, well I guess I'll call it administrative policy. I believed that he could do it with fewer people than he believed he needed. I believed that we could do with a different structure in the unit than he wanted to have and we had those kinds of dia*

*logues and I constantly pressured him, as well, frankly, for that matter, as all the other directors to reduce the size of their staffs and consolidate procedures and, that sort of thing. . . . Joe [Papp] would have known that I was eager to make changes in the unit and that I didn't want to make those changes by breaking John Trzaka's back.*

Papp testified that one result of the reorganization was the onset of personnel friction throughout 1991 and 1992 involving Trzaka and another individual hired by Perskie to work as Trzaka's deputy. Papp said the intensifying rivalry remained unresolved until September 1992 when Trzaka approached him in frustration with a suggestion that he, Trzaka, retire. Instead of being treated as a traditional retirement, however, Papp said Trzaka's suggestion was the trigger for negotiations leading to Trzaka's departure:

*A. I was somewhat relieved and I believe Chairman Perskie was somewhat relieved. The Chairman was looking for any way possible to move Mr. Trzaka out of the agency, but in a humane manner.*

Although Trzaka was amenable to retirement, there was a hitch. Trzaka submitted a written proposal that would allow him to remain actively on staff through December 1993. But both Papp and Perskie felt the proposed "transition" was too long. Papp told the SCI:

*A. When Mr. Trzaka met with the Chairman in September of 1992 . . . [Mr. Trzaka's]*

*plan called for a 15-month phase-out. That was too long for the Chairman. He wanted me to accelerate the plan as quickly as possible and to move John out of the agency. He [Perskie], in effect, told me to fix the situation. I —*

*Q. In effect, he told you to fix the situation?*

*A. Fix it, yes.*

*Q. Do you recall the precise words that he used?*

*A. He said, "Fix it."*

Perskie confirmed the essence of Papp's account, though he could not recall the exact words used during the conversation:

*Q. Do you recall telling Papp that the plan for Trzaka to leave was too long?*

*A. Yes. I told him the transition was too long. . .*

\* \* \*

*Q. Did you ever use the expression with Papp in connection with this whole process — 'fix it?'*

*A. You have to understand that I talked to Joe Papp 30 times a day for four years. . . . I don't know. I am sure that I said in substance what I just told you, which was to shorten the time frame, cut down on the bureaucracy and don't mess around with who's going to go into what spot. That was the message I conveyed. . . .*

Papp told that SCI that it was at that point that he initiated negotiations leading to Trzaka's

departure:

*A. I proceeded to have a meeting with Mr. Trzaka — I believe maybe the first or second week of October of [1992] — and sat down with John, and I asked him a question, “John, what would it take to get you to leave earlier,” and he said, “Well, I’m going to have to think about it.”*

Shortly after that meeting, Papp testified, Trzaka indicated to him a willingness to consider an earlier departure date. Papp told the SCI:

*A. . . . John, quite frankly, was going to accelerate his leaving the agency by almost five months. I talked to the Chairman about it. He indicated to me that that was an acceptable timetable for him. And at that time, I sat with John and worked out the agreement.*

#### *The Virtual Consultant*

A key provision of the separation-of-employment package negotiated by Papp called for Trzaka to be transferred, effective August 6, 1993, from the Commission’s Financial Division to the Office of the Chief of Staff. Under this arrangement, Trzaka continued to collect his regular salary but was

denominated a consultant until his actual retirement at the end of 1993, during which time he would,

ostensibly, work on Commission projects one day per week. However, the SCI investigation revealed that, for all intents and purposes, this essentially was a no-show appointment used as cover to disguise Trzaka's non-active status as a Commission employee.

In his testimony before the SCI, Papp acknowledged the unusual nature of Trzaka's "consulting" post:

*Q. When you say that he was a consultant to the Commission, did he have a contract defining his responsibilities?*

*A. No, he did not.*

*Q. And during the time that he was a consultant, he remained on the payroll?*

*A. Yes, he did.*

*Q. Is it common for the Commission to have consultants, persons denominated as consultants on the payroll?*

*A. No.*

*Q. Who made the decision to keep Mr. Trzaka on the payroll as a consultant?*

*A. I did.*

\* \* \*

*Q. Had you ever, before this time, ever kept an employee for any period of time after that employee had ceased to work for the Commission?*

*A. Only in cases where they were using up their accrued vacation leave.*

*Q. . . . Were you aware of any provisions in the applicable state regulations that permitted you to keep someone on the payroll after he had stopped working?*

*A. No, sir, I was not.*

Perskie said while he knew that Trzaka would be retained as a Commission consultant, he was not aware of the particular provisions contained in the separation package arranged by Papp:

*Q. Do you recall seeing any documents that mention that, although Trzaka would become known as a consultant, he would, in fact, be remaining on the payroll?*

*A. No. I never knew that to be the case, don't know it to be the case today.*

*Q. If you had seen such a proposal, would you have approved it?*

*A. No.*

#### *Bearing False Witness*

A comparison of Casino Control Commission payroll records with the dates and times of Trzaka's known absence from work showed that data were falsified to make it appear that he continued as a

legitimate, full-time employee. Presented with Trzaka's time and expense sheets through the end of 1993, Chief of Staff Papp admitted to having certified them as accurate documents even though he knew that at least some of them contained false information. Curiously, Papp said he had no qualms about doing so himself, but stated that any other supervisor who knowingly approved a false time sheet would be disciplined:

*Q. Now, each of these forms appears to show that Mr. Trzaka worked or used some form of leave on every day during that period.*

*A. Yes, sir.*

*Q. Does your signature appear on these forms?*

*A. Yes, sir; it does.*

*Q. And is that an approval?*

*A. Yes, it is.*

*Q. And under Commission practice, is that signature intended to indicate that the supervisor of the employee agrees with whatever representations are made on that?*

*A. Yes, sir; they do.*

*Q. And you signed each one of these?*

*A. Yes, I did.*

*Q. Attesting to the fact that Mr. Trzaka worked on every one of these days?*

*A. Yes, sir; I did.*

*Q. But in fact, you knew at the time that you signed them that Mr. Trzaka had not worked on those days?*

*A. For some of those periods of time, yes, sir, that's correct.*

\* \* \*

*Q. Did you have any concern at the time that you signed any of these time sheets that there would be fallout from your signing your name to a form that indicated that Mr. Trzaka had worked at times that he had not worked?*

*A. No, sir, I did not.*

*Q. If any other supervisor on the Commission staff signed and approved a [time and expense] form which contained false information, would that be cause for discipline of that supervisor?*

*A. If he knowingly did it, sir, yes, it would be.*

Trzaka's package also contained a provision under which his separation of employment would be falsely characterized in official documents so that he could qualify for limited state unemployment benefits in addition to his pension. In the October 28, 1992 memorandum detailing the separation package, Papp wrote: "Your separation of employment at December 31, 1993 will be treated as an 'involuntary retirement' due to a position elimination as a result of a restructuring plan put in place by my office. I will provide you with a letter during December, 1993, stating same for the purpose of



presentation to the Division of Unemployment Compensation. As it has been explained to me by the [Casino Control Commission] Personnel Office, if an employee involuntarily retires because of a request by the agency, he is eligible to collect unemployment benefits.”

In sworn testimony before the SCI, Papp attempted to explain the contrivance that was used to give credence to this ploy:

*A. There was not a position, sir. I believe he was kept on the payroll at the time in what is known as an X position, and when he left the agency, the position was abolished, the X position.*

*Q. While he was a consultant, he was in an X position?*

*A. Yes, I believe he was, although I can't state for a fact that he was.*

*Q. So it was that consultant position that you were referring to when you wrote the letter to the Department of Labor [stating] that the position had been abolished?*

*A. To a certain extent, yes, sir.*

*Q. To a certain extent?*

*A. Yes.*

*Q. But not to —*

*A. Because the position, quite frankly, expired towards the end of August that year, and I had no further contact with Mr. Trzaka, quite frankly, past that point in time.*

*No Questions Asked*

While admitting that he acted without knowledge of any legal basis for deals of the sort given Trzaka, Papp also made it clear he did not go out of his way to ask questions about the legitimacy of such matters, either. Similarly, Papp told the SCI that he did not inform the members of the Casino Control Commission about the details of Trzaka's package. By the same token, none asked. In this vein, separate assessments by Papp and Perskie of the nature of their relationship are particularly instructive:

Papp:

*Q. . . . When you worked for Mr. Perskie, was it your feeling that there were certain things that Mr. Perskie didn't want to know?*

*A. Yes, sir.*

*Q. And would the agreements, the details of the agreements with . . . Mr. Trzaka fall into the categories of things that you believed Mr. Perskie did not want to know?*

*A. Yes, sir.*

*Q. What was it that gave you the feeling or the belief that there were some things that Mr. Perskie did not want to know?*

*A. . . . It was always my assumption that Chairman Perskie was the head of the organization, the Chief Executive Officer, and he always deigned himself with the responsibil-*

*ity of running the organization . . . without the inclusion of the members of the Commission in the decision-making process.*

*Q. How did that lead you to the belief that there were things that he didn't want to know.*

*A. Because I believe I previously testified, sir, that Chairman Perskie would make reference to me to fix particular problems. He would not give me specific details or ideas about how to fix those problems. He left that up to me.*

Perskie:

*Q. Knowing now that an arrangement had been made to allow Trzaka to be known as a consultant but stay on the payroll . . . is that the kind of thing you would have expected Papp to tell you back then? . . .*

*A. It is hard for me to answer that question the way you've asked it because there's two different answers. . . . My first answer to your question is that I wouldn't have expected that it would have happened. So, therefore, no I wouldn't have expected Papp to tell me about it because I wouldn't have expected that it would have happened. The second answer to your question is yes, I would have expected that Papp would have brought to my attention anything that wasn't right . . . because he was very good like that.*

\* \* \*

*Q. But you would expect of him, whenever he was going to do something, or propose to do something, not in concert with state regulations . . .*

*A. Yeah, I would assume that if I didn't hear from him, whatever he was doing was consistent with, you know, with any applicable regulation.*

*Casino Control Commission Response*

In documents formally responding to issues raised during the SCI's investigation, the Casino Control Commission confirmed the circumstances, as well as the impropriety, surrounding Trzaka's severance package. The Commission stated, in part, that it "readily acknowledges that in certain particulars the plan and its implementation were improper. For example, Trzaka should not have been paid as a consultant for work he did not perform, and he should not have been paid his director's salary, complete with benefits and emoluments of Commission employment, for the consultancy work he did perform."

**DONALD H. OGDEN - Principal Clerk/Receptionist**

Donald H. Ogden's last day at work in the offices of the Casino Control Commission was March 18, 1994. Under the terms of a special separation-of-employment package, he remained on the

Commission's payroll through June 30, 1994 — more than three months longer — even though he performed no work. During this period, he was allowed to accrue additional vacation time and sick leave payable to him in a lump sum upon his actual retirement, effective July 1, 1994. SCI investigators calculated the gross amount of improper payments to Ogden, not including the value of medical benefits, at \$7,493.65

### *A Soft Landing*

In 1993, Ogden, a civil servant who had been employed by the Commission in various clerical capacities for 10 years, was assigned to the reception desk at the Commission's Arcade Building headquarters in Atlantic City. It was in this capacity that an incident occurred which triggered events leading to his employment separation.

According to sworn testimony by both Ogden and Papp, Ogden in March 1993 made racially disparaging remarks in the reception area in the presence of Commissioner Jeannine LaRue. Papp described the episode as “the straw that broke the camel's back” — the latest in a series of incidents involving Ogden's on-the-job behavior and performance over the years. Papp told the SCI:

*A. Commissioner LaRue was outraged by the comment. She came to see me in the office and basically related the entire story to me, and after all of the comments that I had received about Mr. Ogden's performance at the reception desk in the last three years in the Arcade Building, that was the creme de la creme, and at that time, I immediately called his supervisor and had him removed from the reception desk . . . .*

Papp said that on the same day, he also set in motion a process to ensure that Ogden would be induced to leave for good. The vehicle would be a severance package that would turn Ogden, like Trzaka before him, into a "ghost employee" on the Commission payroll. Papp said he met to map strategy with James Fiandaca, the Commission's Chief of Administrative Operations, and Dolores Hamilton, the Chief Personnel Officer:

*A. . . . I basically instructed them to have a conversation with Mr. Ogden and indicate to him that we wanted his resignation. If we did not receive his resignation, we would be in a position to take disciplinary action against him for incompetency and inefficiency. I threw in an offer that if Mr. Ogden left the organization immediately, he would be paid through June 30, 199[4].*

\* \* \*

*Q. And you authorized them to offer Mr. Ogden continuance on the payroll till the end of the fiscal year?*

*A. Yes.*

*Q. The end of June.*

*A. In return for his resignation, that's correct.*

Fiandaca confirmed Papp's account, recalling that the separation arrangement would be formulated in terms of retirement:

*Q. Did Mr. Papp suggest to you what you might say or offer to Mr. Ogden to encourage him to retire?*

*A. Yes, he did.*

*Q. What did he say?*

*A. Mr. Papp suggested — well, he told me that, you know, we would be willing to give Mr. Ogden some time off . . . if Mr. Ogden was agreeable to retirement.*

*Q. What did you take 'time off' to mean?*

*A. That Mr. Ogden would remain on the payroll and continue to be paid, but would not necessarily have to report to the office....* *Q. Did you have any concerns about making that kind of an offer to an employee?*

*A. Initially I did, but as I thought about it, I guess I viewed it more or less as a suspension with pay culminating into a retirement termination.*

*Q. Prior to meeting with Mr. Papp . . . , were you aware of any Commission employee who had been suspended with pay?*

*A. No, not at the Commission.*

\* \* \*

*Q. Were you successful in your efforts to get Mr. Ogden to retire?*

*A. Yes, I was.*

Ogden recalled his meeting with Fiandaca and the events leading to his separation agreement as follows:

*A. Well, [Fiandaca] presented me this list of things. I mean, if I would tender my resignation, I would be paid for three months. I would get, continue to get accrued vacation time and sick days for which I would be paid. They would be turned into cash at the time I left.*

*And I said, "And suppose I don't take it?"*

*[He said,] "Well, we would strongly suggest that you do."*

*And then I said to him . . . , "And if I don't, my life will be a living hell."*

*And he just smiled.*

Ogden told the SCI that in addition to the separation package, he was presented with a letter of resignation prepared in advance for his signature:



*Q. You ultimately accepted the offer that was presented to you?*

*A. I had no choice.*

*Q. . . . How did you inform the management that you were accepting the offer?*

*A. They had already prepared a resignation letter.*

\* \* \*

*Q. Did you play any part in drafting that letter?*

*A. None.*

### *Paperwork Falsification*

Given the fact that Ogden, under terms of his employment-separation package, was to remain on the payroll for several months without working, the question of how to make the arrangement appear legitimate in official records presented a problem. Both Fiandaca and Ogden told the SCI in their sworn testimony that basic techniques of falsification were employed.

Fiandaca:

*Q. Did you have any discussions with anybody about how this arrangement, which you construed to be a suspension with pay, was going to be treated on Mr. Ogden's . . . personnel records?*

*A. The time and expense records, I may have instructed, or whatever, that they should be, probably, filled out as though he was there, I assume, so he would be paid for the*

*time he was out of the office, yes.*

\* \* \*

*Q. Given that you had never dealt with a suspension with pay before, did you seek anybody's advice with respect to how to handle that on Mr. Ogden's personnel records?*

*A. No, I did not.*

*Q. You just assumed that the records should be treated as though he were in the office?*

*A. Yes, I did.*

*Q. Did you consider any other alternatives?*

*A. No, at the time, no, I did not, no.*

Ogden testified that his role in the deception involved signing his name to a stack of blank Commission time and expense forms that were to be filled in later when he was no longer working:

*Q. . . .Can you explain to us how it is that that [time and expense sheet] which is ordinarily kept by each individual employee at the Control Commission bears your signature at the bottom, but has entries that are not in your writing?*

*A. Well, because part and parcel of what happened that day, that Fiandaca gave me the resignation letter, I was given a stack of these blank to sign where I should sign.*

*Q. Were there any entries at all when you signed them?*

*A. Nothing, they were blank.*

*Q. No dates at the top?*

*A. No dates, no nothing. That was typed in later.*

*Close to the Vest*

In his sworn SCI testimony in connection with the Ogden case, Papp again admitted under questioning that he acted without knowledge of laws or regulations permitting the award of severance packages to state employees. He also stated that, as in the case of John A. Trzaka earlier, he did not provide any of the appointed members of the Commission with information or details of Ogden's separation-of-employment deal:

*Q. At the time that you authorized . . . the offer to Mr. Ogden that included his being paid through June of 1994, despite the fact that he was not working for a certain period of time, were you aware of any authority that granted you the ability to make such an arrangement?*

*A. As Chief of Staff and having the responsibility for administrative operational affairs, sir, I believed I had that authority.*

*Q. . . . [W]hen I said any authority, what I meant was in the law, statutes of the State of New Jersey, administrative regulations or any directives from Department of Treasury?*

*A. Not specifically, sir, no.*

*Q. Not specifically.*

*A. No.*

*Q. Does that suggest a qualification?*

*A. No, it does not.*

*Q. Were you aware of any authority whatsoever?*

*A. No, sir.*

\* \* \*

*Q. When Commissioner LaRue complained to you about the incident with Mr. Ogden at the reception desk, did she raise the issue of dismissal?*

*A. No, sir, she did not.*

*Q. Did she suggest any action that you should take?*

*A. She suggested that he be taken off the reception desk.*

\* \* \*

*Q. After Mr. Ogden had left the Commission, was no longer coming to work, did you have any conversations with Commissioner LaRue about him?*

*A. Not specifically, sir, no. I may have mentioned the fact that he had — he was leaving the agency effective June 30th.*

*Q. Did Commissioner LaRue question you at all about the circumstances?*

*A. No, sir, she did not.*

*Q. Did you volunteer or tell her in response to questioning that you had accomplished*

*his departure in part by offering him payment for a period of time when he was not going to be working?*

*A. No, sir, I did not.*

*Q. Did you ever inform any member of the Commission about the terms of Mr. Ogden's departure?*

*A. No, sir.*

#### *Casino Control Commission Response*

In documents formally responding to issues raised during the SCI's investigation, the Casino Control Commission confirmed the circumstances, as well as the impropriety, surrounding Ogden's severance package. The Commission stated, in part:

*As occurred in the Trzaka and Turner situations, time and expense forms were submitted which indicated that Ogden had worked on days that he did not. These documents were approved with full knowledge that the information contained therein was false in that Ogden was neither required to nor did he work for the six weeks in question.*

*As in the other two [Trzaka and Turner] matters, the CCC acknowledges that the methodology used to effectuate Ogden's separation was improper. . . . The CCC recognizes that the end does not justify the means and has taken steps to ensure that such errors do not recur.*

**KATHERINE M. TURNER - Director of Community and Governmental  
Relations/Affirmative Action Officer**

Katherine M. Turner's last day of work in the offices of the Casino Control Commission was June 9, 1994. Under the terms of a special separation-of-employment package — in this instance, negotiated by Papp and expressly approved by members of the Commission themselves — Turner's resignation did not become effective until November 30, 1994. She was compensated as though she remained on the payroll for the intervening months even though she performed no work. During this period, she was also allowed to continue accruing leave time for which she was later paid. The actual effective date of Turner's resignation was November 30, 1994. SCI investigators calculated the gross amount of improper payments to Turner at \$23,873.10, not including the value of medical benefits.

In order to cast a semblance of legitimacy over this arrangement, official time and expense forms covering the period of Turner's absence were falsified and her signature on them was forged. Commission paperwork was further manipulated so that after November 30, 1994, Turner could be classified as being "on leave without pay." This enabled her to qualify for a state disability pension. In February 1995, after Papp was interviewed by the SCI, he instructed Casino Control Commission personnel to revoke Turner's "leave without pay" status.

*A Heated Meeting*

Papp, Turner and Commissioner Jeannine LaRue told the SCI that a precipitating episode for events leading to Turner's resignation and severance package was a meeting on June 9, 1994. In attendance were Papp, Turner, LaRue and the Commission's assistant public information officer. Papp stated that LaRue had requested the session "to discuss purported comments that Ms. Turner had made about her [LaRue] outside the organization.

Papp:

*Q. . . . What did Commissioner LaRue say her problem was?*

*A. Commissioner LaRue started out by saying that she had been led to believe by certain members of the minority community that M[s.] Turner was making derogatory comments about her at various NAACP meetings, I believe, and at various community meetings as well, and that those comments had gotten back to Commissioner LaRue by people that the Commissioner knew who served on those particular boards.*

\* \* \*

*Q. At the June 9 meeting, did Ms. Turner have anything to say?*

*A. She hotly disputed Commissioner LaRue's contentions to the point where she insinuated at the time that she was going to hire an attorney and take legal action against Commissioner LaRue.*

Another point of contention during the meeting involved concerns expressed by LaRue about Turner's official calendar and her whereabouts during events and meetings. LaRue told the SCI:

*A. I said, "You have some areas on your schedule that I happen to know, for a fact, you haven't attended one meeting and for three years I have been looking at these things on your calendar." And I named them for her. I said, "The Atlantic City Council meetings, you say that every two weeks you attend those meetings. I happen to know that you never went there . . . I need to know what you're working on." So she stood up and said, "I don't know why you're always harassing me and I don't have to take this." And I said, "I'm not harassing you. I'm saying to you, that we pay you almost \$60,000 a year. Someone should have a general idea what it is you're doing. And so then she began to say, "I don't have to take this from you and all this." So Joe [Papp] closed the meeting down, which was probably proper at that point and [Turner] stormed out and that was her last day there.*

Turner testified:

*Q. Did you ever have any discussion with Commissioner LaRue about her concerns that she could not find you at certain times, or anything else along those lines?*



*A. She said to me that I didn't inform her of the activities that were on my calendar, and quite frankly at that point, I wasn't interested in really continuing this conversation anymore; I was pretty upset. I had an explanation for the calendar and how it was set up, but I didn't even get into it — bother to explain it.*

After the meeting concluded, Turner left the offices of the Commission on a medical leave and never returned. In her SCI testimony, she acknowledged retaining legal counsel at the time but said she had no intention of filing suit against either LaRue individually or the Commission as a whole. Indeed, she never did. Turner further testified she fired her attorney after he disregarded her instructions and employed threatening legal terminology in a June 15, 1994 letter to the Commission on her behalf:

*Q. Did you, at some time following your last day of work in the office, hire an attorney?*

*A. Yes.*

*Q. To deal with your employment situation?*

*A. Yes.*

\* \* \*

*Q. When you hired [an attorney], had you formed in your own mind a plan of how you were going to deal with your employment situation?*

*A. No. I needed some — I needed some guidance. I knew that there were some things that I would not consider doing.*

*Q. There were?*

*A. There were things that I would not possibly consider doing and I let him know that.*

*Q. What were the things that you would not consider doing?*

*A. I mean, any formal court action was out of the question.*

*Q. Did you suggest . . . or did [your attorney] suggest to you, what approach might be taken to deal with the situation without getting into litigation?*

*A. What I asked him to do at that point, after we talked a couple of times, I wanted him to write a letter, and I thought possibly this could be resolved by a letter.*

*Q. And what was your understanding that the letter would . . . discuss?*

*A. Just to serve as a minor warning that the environment in our relationship [at the Commission] was a problem for me. It was affecting my health and that we needed to sit down and talk and resolve the issue.*

\* \* \*

*Q. Do you know whether any such letter was ever sent . . . on your behalf?*

*A. . . . [T]here was some correspondence . . . [when] I went to a funeral out of town, and when I came back, it seemed like all hell had broken loose. . . .*

\* \* \*

*A. To me it sounded like [my attorney] was saying to the Commission, Okay, all bets are off now. We are going to duke it out now and we are going to court. That is something I particularly did not want to do and could not afford to because of my health problems.*

\* \* \*

*A. . . . It was at that time that I fired [my attorney.] I think at that point I did have some intention of probably going back to work.*

*Q. . . . [D]id you hire any other attorney?*

*A. No, I didn't.*

#### *Ultimatum Turns Into Settlement*

In an express-mailed, formal letter to Turner dated August 5, 1994 — nearly two months after her last day at the office — Papp warned that grounds existed for her termination. He pointed out that Turner, by that point, had exhausted her accrued vacation time and had failed to submit materials to document a claim for medical leave. “This state of affairs cannot and will not be permitted to continue,” Papp wrote. “You are hereby advised that . . . further inaction on your part will compel the Commission to take steps to sever your employment relationship. Thus, unless the Commission receives a properly

documented request for further leave (sick, vacation or any other) by August 12, 1994, you will have been considered to have abandoned your employment with the Commission.”

Papp’s ultimatum was never carried out. In his sworn SCI testimony, Papp said the Commission instructed him to reach a settlement:

*Q. Was there an event or an incident that prevented your deeming [Turner] to have abandoned her position?*

*A. Yes, sir.*

*Q. What was that?*

*A. I was questioned at first by Commissioner [Leanna] Brown, who indicated to me that she thought it would be preferable that we settle this issue as quickly as possible to the satisfaction of all parties.*

*Q. Commissioner Brown?*

*A. Yes.*

*Q. Did she contact you?*

*A. She came to my office to see me, yes.*

*Q. How . . . had she become aware of the problem?*

*A. I had regularly briefed all the Commissioners on the activities that occurred.*

\* \* \*

*Q. Did [Commissioner Brown] suggest to you what steps you might take to resolve it?*

*A. No, sir, she did not.*

*Q. . . . Did you, in fact, take steps to resolve it?*

*A. Yes, sir; I did.*

*Q. What did you do?*

*A. I first consulted with the other two Commissioners [Acting Chairman James R. Hurley and Commissioner LaRue]. At that time, we only had three members of the Commission serving, and I suggested to them that in order to prevent any future liability, that we ought to reach some sort of settlement with Ms. Turner, and at the same time, Commissioner Brown made mention in executive session that perhaps we should explore that possibility, and I received instructions from the Commission . . . to reach out to M[s.] Turner and see what arrangements I could reach.*

#### *Key Meeting at a Diner*

Pursuant to the Commission's instructions to negotiate a settlement, Papp arranged to meet Turner at a diner in Absecon on the afternoon of August 16, 1994. In testimony before the SCI, Papp recounted the salient elements of that session as follows:

*A. I sat with M[s.] Turner and basically indicated to her that the position that she had originally taken with the Commission was very untenable. . . . [O]pen warfare between a Commissioner and a high level staff member was not a healthy situation, and I said I*

*thought it would be best for all of us involved to work out some sort of agreement to part on amenable terms.*

*Q. Did Ms. Turner say anything in response to that?*

*A. Yes. She indicated to me that she would like to have restoration of leave time that was not paid to her. . . She also indicated to me that it was her hope that she could obtain alternative employment, and that she was ill and seeking medical help. . . . She requested of me at the time that we pay her for a specific period of time and then she would give us a letter of resignation. . . After a few more minutes of conversation, we negotiated a date of November 30th. I believe her original request was for March 31st of '95, and I said, ["N]o, that's much too long. I don't believe the Commission would be willing to go for anything more than three months."*

*Q. Did Ms. Turner tell you during that meeting that she was not interested in litigation?*

*A. No, sir, she did not.*

In her testimony before the SCI, Turner related her state of mind during the meeting with Papp:

*A. We talked about what was going on at the Commisison, and I said, "You know, I think I am almost glad anymore that I am not there." And he said, "Well, you know, what are*

*we going to do to resolve this?” And I again said, “I have no intentions of going to court for anything,” and I explained to him why. I said, “You know, it’s not me to really cause trouble. I just need to get out of this situation.” To tell you the truth, I didn’t ask how, what, why, when, where. All I needed was some sort of income, and I was more than willing to fade into the sunset.*

In exchange for the compensation package, which called for Turner to remain on the Commission’s payroll without actually working, she agreed to submit a resignation letter effective November 30 and to sign a document relinquishing any option to take legal action:

*Q. . . . Had you discussed that with Mr. Papp?*

*A. Yeah. He asked me if I’d be willing to sign a release.*

*Q. But you had already . . . told him that you had no interest in going forth [with legal action]?*

*A. Certainly.*

#### *The Commissioners Sign Off*

Papp told the SCI that he discussed the actual terms of Turner’s negotiated agreement with the Commission’s Office of General Counsel and with the Commission members themselves. He testified that the Commissioners gave the go—ahead to promulgate the arrangement:

*Q. And did you advise the general counsel's office that part of the agreement involved keeping Ms. Turner on the payroll for a period of time even though she would not be working?*

*A. Yes, sir; I did.*

*Q. All right. And did you inform the Commissioners of the fact that the agreement included a provision that Ms. Turner would be kept on the payroll for a period of time but not working?*

*A. Yes, sir.*

*Q. Did anyone with whom you discussed that particular aspect of the agreement raise objections or concerns about its legality?*

*A. No, sir.*

*Q. When you reached the agreement with Ms. Turner, were you aware of any provision of law or regulation or directive or other source that authorized you to pay an employee who was not going to be working?*

*A. No, sir.*

\* \* \*

*Q. Did you give the Commission at any time any memorandum or other writing that described the details of . . . the agreement you had reached with Ms. Turner?*



*A. I believe I transmitted copies of my letter to Ms. Turner and also the release form to the members of the Commission.*

*Q. Did the Commissioners in any way indicate their assent, their approval of the arrangement?*

*A. Yes, sir.*

Interviewed separately by the SCI, each of the three Commission members who were serving at the time — Brown, Hurley and LaRue — confirmed giving their official imprimatur to the terms of Turner's severance package.

Brown:

*Q. Were you aware that, as part of that arrangement, or settlement, or agreement, Ms. Turner would be paid for time that she was not working . . . at the Commission?*

*A. Correct.*

\* \* \*

*Q. Did anyone come to you to obtain your approval of the arrangement?*

*A. Yes, I have the ability to ask the Executive Director, on a fairly regular basis, because I don't think any executive likes to have things hanging, and, of course, we couldn't move until the clock on [Turner's] benefits or whatever time she had due to her had run out, and so I would, on a fairly regular basis ask how things stood.*

Hurley:

*A. . . . I suggested to Joe Papp and he suggested to me, almost simultaneously, that he try to meet with [Turner] to see if some kind of an agreement [could] be worked out with her.*

\* \* \*

*Q. Did you at some time become aware that Joe Papp had reached an agreement with Ms. Turner with regard to how and under what circumstances she would leave the Commission staff?*

*A. Yes.*

\* \* \*

*Q. . . . [S]he would leave if you continued to pay her for a period of time.*

*A. Yes.*

*Q. But she would not be working for that period of time?*

*A. She would not be here; she would not come back again.*

LaRue:

*Q. Did you, either individually or in concert with the other commissioners, ever give Joe Papp instructions to see what he could do to resolve this problem to avoid litigation?*

*A. . . . I conceded at the very, very end, once . . . [Turner] started talking about a settlement, yes I wanted to get this off the table.*

\* \* \*

*Q. Did Joe Papp eventually report back to you that he had reached a proposed settlement with Ms. Turner?*

*A. . . . He mentioned that she would be an employee but would not be in the office. . . .*

*Forgery/False Certifications*

A review of official payroll forms submitted in Turner's name during the period of her absence showed that false data were entered on the time and expense sheets to make it appear as though she actually worked full-time. Presented with copies of time and expense forms bearing her name for various pay periods in question, Turner told the SCI in sworn testimony that she made none of the entries and that signatures purporting to be hers were not genuine:

*Q. These particular forms cover pay periods ending August 19th, 1994 through December 9th, 1994. Did you make any of the entries on those forms?*

*A. No, I did not.*

*Q. Would you look at the sheets covering the last three pay periods. There is a signature on the employee's line on each of those. Do you see that there?*

*A. Yes. The last one does not have a signature. The two preceding ones have a signature.*

*Q. Is that your signature on either one?*

*A. No, it isn't.*

*Q. Did you authorize anybody to sign your name on there?*

*A. No, nobody ever asked me.*

Although Turner stopped receiving Commission paychecks as of November 30, 1994 as provided by her separation-of-employment package, arrangements were made to maintain her payroll status for an additional period of time. Papp told the SCI that, at the request of Turner's husband, he agreed in December to classify Turner as "on leave without pay." This classification, though false, enabled her to qualify for state disability benefits. In mid-January 1995, after an SCI investigator started asking questions, Papp said immediate steps were taken to revoke Turner's "leave without pay" status:

*Q. What was it that prompted you to direct that Katherine Turner be removed from the payroll?*

*A. I had a — after having my initial interview with Mr. [SCI Senior Special Agent Frank] Betzler . . . I informed the general counsel that the SCI was about to conduct an investigation. . . . I went through a couple of issues, the Trzaka incident and Katherine Turner at great length . . . and at that time, the recommendation to me was if we do have her on the payroll, we ought to take her off as quickly as possible. I wish to emphasize that she was not being paid during this period of time.*

*Q. Take her off leave without pay[?]*

*A. Yes. Line her off the payroll, remove her name from the roster.*

*Lessons Learned*

Commissioners Hurley, LaRue and Brown told the SCI they were not aware of the falsification of records and other mechanics of how Turner's severance arrangement was carried out. But the commissioners said they failed to question the basic propriety of the package and acknowledged an after-the-fact appreciation that it fell beyond the bounds of practices allowed by state laws and regulations.

Hurley:

*Q. Either in one-on-one conversation with Joe Papp or in a meeting with the other commissioners, which Joe Papp attended, did you or anyone else raise any question about whether it was lawful to pay Ms. Turner for time that she would not be working?*

*A. No, not to my knowledge.*

*Q. Did you hear anyone raise that issue?*

*A. No.*

\* \* \*

*Q. Did you have any concerns . . . about the legality of any agency of government paying someone when that person was not working?*

*A. No, I had no concerns about that.*

*Q. Do you think that's an appropriate course of action by an agency of government?*

*A. Well, on reflection now, obviously I have a concern and I don't think it's appropriate but having come from the private sector, I didn't even give it a second thought. . . . I thought it was the proper thing to do; it was a way to avoid litigation. We were quite pleased at the time. We thought we had done something worthwhile.*

*Q. Would you authorize that kind of action again?*

*A. Certainly not.*

**LaRue:**

*A. . . . I didn't find out until you [SCI] guys arrived on the scene, this is New Jersey government and probably in hindsight, there is no such thing as a settlement.*

\* \* \*

*Q. To your knowledge, did anyone on the staff or on the Commission raise any questions about the legality of the proposal?*

*A. No, not at all; not to my knowledge. And to tell you the truth . . . I should have thought . . . in order to get money out of a pot in government, there has got to be a document that makes it happen. I didn't think about that. I really didn't. I just said, "We're making a settlement here." So I should have thought that somebody had to verify, on a form, that so many hours were worked . . . the person who worked had to sign it and say, "Yes, I worked these hours." Somebody of authority had to sign off on*

*it. Never crossed my mind until January [1995]. Never did. And, I tell you one thing — it will in the future.*

In her initial conversation with SCI investigators, Commissioner Brown stated she would “not condone” the falsification of documents in order to effectuate a severance agreement. At the same time, she said she would not necessarily have reacted differently on the basic issue of offering such a package as an inducement for an employee to leave. In a subsequent letter to the SCI, Brown clarified her position as follows in the relevant excerpts:

*. . . Let me be clear: on none of the several occasions that I discussed this matter with Mr. Papp, Mr. [John] Zimmerman [the Commission’s general counsel]; Mr. [Dennis] Daly [the Commission’s assistant general counsel] or Acting Chairman James Hurley or Commissioner Jeanine LaRue, prior to the institution of the investigation by your agency, did the subject of the legality of the arrangement or the details of its implementation come up. . . .*

*. . . As to the second question, I said “no,” to the question, “would you react any differently,” but added I would recommend that the Chairman (whom I referred to as the CEO), first contact the appropriate authorities in State government to ascertain the correct (and lawful) way of accomplishing the desired end, i.e., the amicable termination of the employment of the employee in question. . . .*

*Casino Control Commission Response*

In documents formally responding to issues raised during the SCI's investigation, the Casino Control Commission confirmed the circumstances, as well as the impropriety, surrounding Turner's severance package. The Commission stated, in part:

*The CCC acknowledges that . . . it was not proper to pay Turner for time she neither worked nor was entitled to payment for sick leave, administrative leave or vacation. Her time and expense reports contained false information and should not have been approved. . . As each of the Commissioners testified, the matter would be handled quite differently today.*



## **ABUSE OF OFFICIAL CARS/EXPENSE ALLOWANCES**

### *Unauthorized Use of State Vehicles*

Five automobiles, leased or rented through the state Treasury Department's Bureau of Transportation, are assigned to the Casino Control Commission. One is designated exclusively for use by the Commission Chairman, while the four others are listed as pool vehicles for appropriate use as required by the official duties of the staff.

SCI investigators determined that two of the "pool" vehicles, in fact, were used for extended periods by senior Commission staffers for daily commutation purposes, in violation of Treasury Department regulations. One vehicle was used on a regular basis by Chief of Staff Joseph Papp to commute from his home in Hamilton Township (Mercer County) to the Commission's headquarters in Atlantic City until the spring of 1995, several months after the issue was raised during the course of the SCI's investigation. An analysis of records covering the period from November 1, 1993 through October 31, 1994, for example, showed 230 one-way commutes by Papp reported to centralized payroll as a non-cash fringe benefit. Another of the Commission's "pool" vehicles was used for commuting by General Counsel John Zimmerman and several other staff members until the spring of 1995.

Although tax records reflect that these employees reported their commutes in Commission vehicles for tax purposes as a fringe benefit, as required by law, appropriate authorization was never granted for such use.

According to state regulations (embodied in General Services Administration Circular No. 93-04, effective 10/1/92), official vehicles may be permanently assigned only to “the head of each principal department of State government, to the Chairman of the Board of Regulatory Commissioners, to the Chairman of the Casino Control Commission, to the Chief of Staff to the Governor, and to such other members of the Governor’s staff as shall be designated by the Chief of Staff.” Other state employees may be assigned vehicles permanently but only “if required by their formal job duties. . .[and] only if they will be used on official business for more than an average of 1,600 business miles each month.” Moreover, the rules state that such an assignment must be approved by the GSA Administrator or his designee. Case-by-case exceptions can be granted but only “where justified by extenuating circumstances.” Individual agency heads, however, have no authority to grant or approve any such exceptions.

Papp, who asked for and received permission to use a pool car from then-Commission Chairman Steven Perskie in late 1993, told the SCI in sworn testimony that he, Papp, did not become aware of the regulatory restrictions until early March of 1995 — in the midst of the SCI investigation. Only then was an application for an exception filed with the GSA Administrator’s Office:

*Q. Does it appear to you that in the absence of an approval by the GSA Administrator, your use of the car for commuting is in violation of that circular letter?*

*A. Under the strictest terms of the wording in here, yes, sir. . . .*

The application for an exception from normal state rules governing vehicle-use was denied. In its formal response to issues raised during the SCI's investigation, the Commission acknowledged "that the use of pool cars was not in compliance with the State guidelines for use of State vehicles for commuting purposes." The Commission further stated that, in the wake of the SCI's finding, it "has prohibited any use of State vehicles that does not meet with Treasury approval."

#### *Abuse of Meal Allowances*

The SCI examined Casino Control Commission personnel expense vouchers for Fiscal Years 1993-1995 and found that Chief of Staff Joseph Papp claimed an inordinate number of meal allowance reimbursements compared to other Commission employees. The examination showed that Papp collected payments totaling \$2,332.50 during that three-year period on 251 days worth of meal allowance claims, many of which were insufficiently documented. SCI investigators developed evidence showing that in a number of instances, Papp's claims were unjustified.

Regulations set forth by the Department of Treasury's Office of Management and Budget (Circular No. 94-12-OMB, effective 7/1/93) state that employees may be entitled to limited reimbursement (up to \$10 per meal for dinner) if they perform three or more consecutive hours of authorized or assigned work beyond the normal work day. The three hours of eligibility do not include time utilized for travel or for the meal break itself.

To determine whether Papp repeatedly met the three-hour threshold at his office, as claimed on his reimbursement vouchers, the SCI examined records of calls to and from a telephone line and a fax/modem line installed for official use by the Commission at his home. Also examined were calls to and from a portable cellular phone issued to Papp by the Commission and kept by him in the state car he used. In 17 of 24 instances reviewed in detail by the SCI, the records reflect calls placed from Papp's home or from the cellular car phone to various numbers — primarily official numbers, including those linked to fax machines at Casino Control Commission headquarters — during times he claimed on expense reports to have been at those same offices working overtime.

In documents supplementing his sworn testimony, Papp acknowledged that on 12 of the occasions examined by the SCI, he collected meal reimbursements to which he was not entitled. Papp also said he would make restitution for those undocumented claims, as well as for any others that may come to his attention:

*I am willing and have so represented to the [Casino Control] Commission that I will reimburse the Commission for any meal allowances made to me except those for which I can clearly establish entitlement. Of the 17 days questioned by [the SCI], I find five where the meal allowance was warranted. As for the remainder, I will concede that I was either not entitled to the allowance or had improperly documented my claim. In either case, I will reimburse the Commission for all meritless or undocumented claims.*

#### *Telephone Misuse*

The SCI's examination of Papp's telephone records for 1993 and 1994 also revealed personal use of state-issued equipment — his Commission cellular phone and the separate official lines at his home — without the required reimbursement to the state. In documents supplementing his sworn testimony, Papp acknowledged this finding and agreed to reimburse the Casino Control Commission for 14 personal calls specifically identified by the SCI "together with all other non-business calls charged to Commission lines."

Papp said he failed to make the reimbursements at the time the calls were made because he was never presented with bills for his official cellular and home phone lines. By the same token, he never asked for such bills. Papp told the SCI that, in the wake of its findings in this matter, the Casino Control Commission's procedures for reviewing phone use would be tightened:

*It should be noted that the telephone bills for office telephone lines are sent out periodically and money is collected from staff for personal telephone calls. Obviously, this should have been done for cellular and computer line charges as well. It is my intention to review all of the bills available to me for Fiscal Years 1993, 1994 and 1995 and reimburse the Commission for all personal calls made by me. In addition, I have instructed staff to send these bills out to all parties who had access to such lines for review and reimbursement, if necessary. As an added precaution, I have recalled all State-issued data lines and cellular phones, other than those in the possession of Commissioners and staff members who are on 24-hour call and otherwise meet the applicable [regulatory] circular.*

#### *Improper Billing for Receptions*

SCI investigators examined circumstances surrounding two social receptions held for Casino Control Commission members and staff during 1994 and found that expenses associated with the events were improperly charged to the Commission. On September 29, 1994, a staff reception was held at Commission headquarters in honor of two newly-appointed members of the Commission. Official vouchers were submitted for \$183.56 worth of refreshments and billed to Commission accounts. In November

1994, a staff reception was held to mark the conclusion of the State Employees Charitable Campaign. Official vouchers were submitted for \$290.00 worth of refreshments and billed to Commission accounts.

While these expenditures were small, state Department of Treasury regulations explicitly disallow the spending of official funds for such purposes. Under Office of Management and Budget Circular 94-18-OMB (effective 7/1/93), expenditures listed as “specifically prohibited” include “receptions or other social functions held for or honoring any employee or group of employees of the State (retirement, awards, appointments, etc.).”

## CONCLUSIONS AND RECOMMENDATIONS

The Casino Control Commission was established nearly two decades ago to serve as a bulwark against dishonesty and ethical degradation in New Jersey's multi-billion-dollar gaming industry. Critics of the process, in fact, complain that the Commission, owing to the potent sweep of its oversight powers, has done its job too well — that it has forced legitimate gaming interests to hue to the letter, as well as to the spirit, of legal and ethical standards second to none. Critics aside, it is precisely this “cleaner-than-a-hound's-tooth” regulatory posture which undergirds public confidence.

As the report of this investigation amply demonstrates, however, the same high standards routinely demanded of others have not always applied inside the offices of the Casino Control Commission itself. Based upon its findings, the SCI makes the following formal referrals and recommendations:

\* **Office of the Attorney General:** Evidence of fraud, forgery and falsification of official records in the matter of “golden parachutes” for selected employees is hereby referred to the state Attorney General through the Division of Criminal Justice, for whatever action is deemed appropriate.



**\* Executive Commission on Ethical Standards:** Evidence of breaches of the Casino Control Commission's formal Code of Ethics, as well as broader ethics codes that govern Executive Branch employees of state government, is hereby referred to the Executive Commission on Ethical Standards for whatever action is deemed appropriate.

**\* Department of Treasury:** Given that the Casino Control Commission exists under the purview and jurisdiction of the state Treasury Department, that agency should conduct a thorough review of mechanisms to safeguard and improve oversight and accountability of the Commission's internal operations.

**\* Statewide Review:** All departments, agencies, commissions and other entities that comprise state government in New Jersey should employ the findings of this investigation as an object lesson for improving internal controls and accountability across the bureaucracy. Supervisors and subordinates both should be reminded that:

1. The state, as an employer, is not allowed to provide employees with severance packages at the expense of taxpayers or any other interests.
2. Unauthorized use of official property, including state-owned telephones and vehicles, is prohibited.
3. It is improper and unlawful to abuse expense accounts for personal gain; and

4. Public funding of social events is not an appropriate activity.

## **REMEDIAL ACTIONS**

During the course of the SCI's investigation, the Casino Control Commission internally undertook the following formal remedial actions:

### 1. Audit Committee.

In March, 1995, the Commission formed an Audit Committee consisting of two members of the Commission and one staff member. The committee's charter is detailed below. In announcing the panel's formation, the Commission stated: "It is the hope of the Commission that the mere existence of this committee will eliminate the serious problems uncovered in the course of the SCI investigation. At the very least, the Audit Committee will ensure the early detection of any administrative or procedural irregularities, which will enable the CCC to take prompt and effective corrective action."

### 2. Director, Division of Administration.

In May, 1995, the Commission filled the position of Director, Division of Administration, vacant since July 1993. Responsibilities include oversight of all personnel matters and compliance with all state rules, regulation and policies.

### 3. Recall of Communications Equipment.

All electronic equipment and telephone lines assigned to Commission personnel have been re-

-called except those in complete accord with state rules. The Commission also has begun circulating all telephone bills for those lines provided to the homes of Commissioners and such staff members authorized to have them. The bills will be reviewed to facilitate reimbursement for personal calls in the same manner as in-office lines are currently handled. All telephone bills for prior periods of home installations are to be collected and circulated to the personnel involved, whether currently employed or not, for review and reimbursement where appropriate.

#### 4. Telephone/Meal Allowance Audits.

In order to allay concern over the scope of real and/or potential misuse of official telephone lines and meal allowances, the Audit Committee will conduct a thorough review of Commission records regarding telephone charges for lines installed in the homes of Commission members and employees, and of meal allowance claims of the type identified as a problem area by the SCI. Upon receipt of the Audit Committee's report, the Commission will take appropriate action.

*Gardiner, Senior Special Agent Francis A. Betzler and Investigative Accountant Christine F. Klagholz.*