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*STATE OF NEW JERSEY*

COMMISSION  
OF  
INVESTIGATION



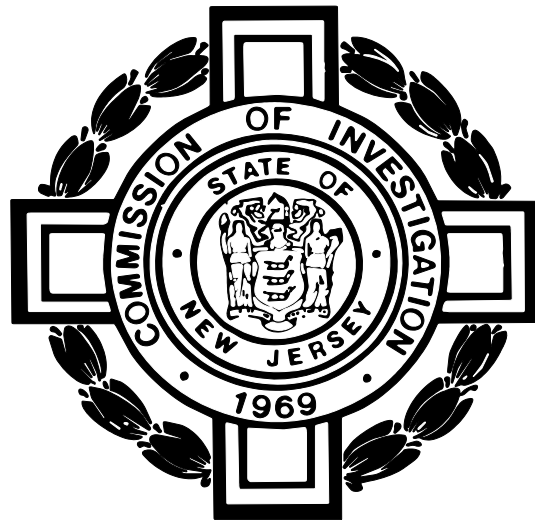
SCI

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

*2004*

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*State of New Jersey*  
*Commission*  
*of*  
*Investigation*



*SCI*

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Acting Governor Richard J. Codey  
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 36<sup>th</sup> annual report for the year 2004.<sup>1</sup>

Respectfully,

W. Cary Edwards  
*Chair*

Joseph R. Mariniello, Jr.  
*Commissioner*

Kathy Flicker  
*Commissioner*

Patrick E. Hobbs  
*Commissioner*

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<sup>1</sup> Mr. Hobbs was appointed in November and replaced Rev. Francis E. Schiller, whose term expired. Mr. Edwards was appointed Chair, a position previously held by Rev. Schiller.

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## A Message from the Executive Director

*The Commission welcomes the input of concerned citizens in the fight against organized crime, corruption, and the waste and abuse of taxpayer funds. Our mandate is to identify and investigate matters that may require administrative or legislative reform, civil remedies or even criminal prosecution.*

*Legitimate complaints received either directly at our offices or through the e-mail hotline available on our Internet 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. In other instances, complaints may be referred to other more appropriate governmental agencies for consideration. 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 governmental agencies, elected officials, responsible private sector mediators and, of course, the prosecutors, Attorney General 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 important 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-seven 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 2004, 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:

- ***E-ZPASS: THE MAKING OF A PROCUREMENT DISASTER***

In June, the Commission released the final report of a comprehensive investigation of events leading to the design and award of a contract for the E-ZPass regional electronic-toll collection system. The Commission found that the procurement process was

mismanaged and manipulated amid multiple conflicts of interest involving senior officials of the New Jersey Department of Transportation; that due diligence was sacrificed for expediency; and that the project – despite multiple warnings of the probable chaos to come – was plagued from the start by mechanical dysfunction and by an escalating revenue shortfall. In response to the key findings, the New Jersey Economic Development Authority (NJEDA), which provided a \$300 million bond mechanism to finance the project, undertook measures to tighten its internal review and oversight procedures. Separately, legislation was introduced in the New Jersey Senate to enact key elements of the Commission’s recommendations for systemic reform of the overall state contract procurement process.

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

Pursuant to a continuing statewide investigation of flawed and deficient practices in new-home construction and inspection, the Commission held final rounds of public hearings in January and October to solicit input from consumers, government regulators and building industry representatives. This unprecedented investigation has revealed widespread abuses throughout New Jersey, including shoddy workmanship, lax and corrupt construction inspections, blatant code violations, poor governmental oversight and inadequate home-warranty programs and other remedial options for consumers. A final report, including detailed recommendations for systemic reform, will be completed early in 2005.



- ***ORGANIZED CRIME IN NEW JERSEY***

Given its core statutory mission to conduct investigations “with particular reference to organized crime,” the Commission in May 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 upon extensive work by Commission investigators in concert with personnel at other state, local and federal law enforcement agencies, and testimony from an array of witnesses who appeared during a two-day of public hearing in 2003, the Commission’s report delineated how traditional elements of organized crime – the *Mafia*, *La Cosa Nostra* and other groups that dominated the underworld during the past century – have been joined by a chaotic array of criminal entities, adult gangs and drug-dealing syndicates that present law enforcement with new and difficult challenges. The report incorporated a wide range of programmatic and policy recommendations designed to assist local, state and federal law enforcement authorities in meeting these new and difficult challenges in organized crime.

### ***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, nearly 100 Commission subpoenas were served during 2004 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 2004 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 Public 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 more than three 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. Additionally, Commission personnel worked closely with their 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, the Commission was among a number of agencies credited by the U.S Department of Justice in March as having contributed to the successful effort to secure multiple federal racketeering indictments against high-ranking members of a Cuban organized crime network with an extensive

history of drug-dealing, gambling and money-laundering operations in North Jersey and South Florida. In another significant instance of cooperation, the Commission referred findings and materials to the New Jersey Executive Commission on Ethical Standards. In addition, the Commission staff provided advice and counsel with regard to efforts by the administration of Acting Governor Richard J. Codey to reform New Jersey's Executive Branch ethics oversight structure.

The Commission's work also triggered salutary action by state legislators and policymakers during 2004. In addition to introduction of the Senate bill (S-2194, Karcher/Scutari) to reform state contracting pursuant to Commission recommendations stemming from E-ZPass, a special gubernatorial panel credited the SCI's investigative findings of waste and abuse in the Societies for the Prevention of Cruelty to Animals (SPCAs) with spurring development of a strategy to reform New Jersey's animal welfare system.<sup>1</sup> Pursuant to Executive Order 23, the Governor's Animal Welfare Task Force in November issued a final report calling for wholesale changes in the enforcement and oversight of the state's animal cruelty laws, stating that its "mission was . . . greatly facilitated by information provided in the SCI [SPCA] Report" of December 2000.

## ***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. These include a streamlined and reorganized investigative staff structure and management initiatives to enhance the agency's proactive approach to its core investigative

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<sup>1</sup> Following a hearing on January 31, 2005, the Senate State Government Committee unanimously released S-2194.

mission. Additionally, the Commission has bolstered its accessibility and outreach to law enforcement and the public at-large through a variety of means, including the Internet-based e-mail hotline for citizen complaints.

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In sum, 2004 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.<sup>2</sup>

The unique and complementary role of the Commission has been noted repeatedly in three separate and comprehensive reviews that have been conducted of the SCI's operations – in 1975, 1983 and 1995. In each instance, the reviewing panel found that the SCI performs a valuable function and strongly concluded that there is a continuing need for the Commission's work. The final review committee report summarized this view, stating, “. . . [t] is crucial to New Jersey that its citizens have confidence that government on all levels is operating appropriately and efficiently. The SCI is uniquely positioned to expose corruption and mismanagement to New Jersey residents and to make recommendations aimed at improving New Jersey's system of government.”

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<sup>2</sup> 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. It thus may be said that the Commission by law is bipartisan and, by concern and action, is nonpartisan. This central construct makes the Commission unique among all other agencies of government, endowing it with the integrity and the independence necessary to perform its job in a credible fashion, especially where 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 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. Also, 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 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 – 2004**

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## **Waste, Fraud and Abuse**

### **Final Report: *E-ZPass – The Making of a Procurement Disaster***

#### **Summary**

The Commission found that the E-ZPass contract awarded in 1998 was the product of an ill-advised, inappropriate procurement process that lacked proper safeguards to ensure accountability and to protect the public's interest. In essence, a major capital project of unprecedented scope and technical complexity was removed from normal competitive bidding and treated as a professional service. Professional-service contracting, however – typically employed by government to negotiate and retain private engineering, legal or other expertise – was not designed, and was never intended, for use in procurements as unique and massive as E-ZPass. Its injudicious use constituted the foundation of an administrative and financial debacle of immense proportions, a debacle that laid bare serious gaps in the laws governing public-project contracting in this state.

The Commission determined that once the professional-service approach was chosen, the process of carrying the procurement to completion fell prey to human error, and to obvious mismanagement and manipulation by senior personnel at the New Jersey Department of Transportation (NJDOT) and the New Jersey Turnpike Authority.

Procurement documents were vaguely written, and the solicitation and evaluation of vendor proposals were rushed, in some instances unreasonably so. Members of the vendor evaluation team complained that they were given insufficient time to review the proposals prior to making a contract-award recommendation and that their requests for additional time and information were rejected. Further, every member of the evaluation team testified under oath that, as a group, they were instructed by a ranking NJDOT official to score the vendor proposals at least twice. Team members testified that this occurred during a confidential, late-night session. This unusual exercise boosted the final numerical ranking of a proposal submitted by MFS Network Technologies, the ultimate contract-award winner, vis-à-vis that of the only other bidder, Lockheed Martin IMS Corp.

Further, the Commission found that the procurement unfolded against the backdrop of events and circumstances that evidenced multiple conflicts of interest. On one level, these conflicts involved personal employment discussions by a senior NJDOT official with companies doing business with the state, including two with corporate links to the procurement. The Commission also examined the activities of private consultants hired by NJDOT with regard to no-bid state contracts. During this process, a strategy memorandum was prepared suggesting that MFS's chief competitor for the contract be misled as to how prospective vendors were to address the technical issue of deploying a fiber-optic telecommunications network for E-ZPass operations.

On another level, the Commission found that in the arena of public-sector due diligence in this matter, thoroughness was sacrificed for expediency. No comprehensive independent study was ever undertaken to determine whether the E-ZPass revenue projections, and the assumptions beneath them, were reasonable, realistic and attainable. Ultimately, while the prevailing vendor undertook appropriate private-sector due diligence to protect its own financial position, the public toll authorities did not. They agreed to assume full liability for an untested and uncertain funding strategy, despite the scope and imminence of the associated risk.

According to evidence and sworn testimony, the lack of concern for fiduciary duty during the procurement approached the status of deliberateness. Internal and external warnings of possible financial problems were actively and repeatedly minimized, or ignored altogether, and efforts by skeptical mid-level officials to paint an accurate picture of cost and revenue projections were actively and repeatedly frustrated. Indeed, throughout the key phases of this procurement, over the course of more than a year, the purported merits of the project's funding strategy repeatedly were touted, without qualification, in public press releases and pronouncements despite what can only be characterized as a relentless tide of internal skepticism.

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The Commission's findings in E-ZPass generally echoed those which had arisen previously in a separate SCI inquiry into New Jersey's enhanced motor vehicle inspection contract.<sup>1</sup> Both procurements embodied assiduous efforts to privatize portions of key public

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<sup>1</sup> See Commission report, *N.J. Enhanced Motor Vehicle Inspection Contract*, March 2002.

services; both, for their type, were unprecedented in scope and cost; and both, once executed, provided a framework for operational failure and profound financial exposure for similar reasons – lack of due diligence, flawed contract documents, manipulation of the bid evaluation process and failure to heed reasonable warnings.

Given the enormous amounts of time, money and resources wasted as a consequence of these misbegotten procurements, the Commission concluded that it was imperative for those in authority to undertake the corrective legislative and regulatory reforms necessary to prevent similar momentous blunders from occurring in the future, starting with an overhaul of the public-project contracting system.

## ***Recommendations***

Based upon the investigative record, the Commission made the following recommendations for statutory and regulatory reforms:

### ***1. Safeguarding Procurement Integrity***

- **Tighten the Definition of “Professional Services”**

Given that E-ZPass was designated an integrated professional-service procurement, it was exempt from a host of statutory and regulatory rules that govern open, competitive public bidding. However, the Legislature has never explicitly defined the term or considered the need for limiting its use. That a massive capital undertaking such as E-ZPass could be placed for procurement purposes in the same category as legal or engineering consulting with no enhanced controls or oversight to safeguard fairness and guarantee a level playing field for vendors raises serious questions that go to the heart of whether the public’s best interests are properly served by current law. Indeed,

the professional-service procurement process was never designed or intended for use in such instances. The Legislature and Governor should take action to tighten the definition of this term. By doing so, they will not only protect taxpayers and consumers; but they will also provide proper and reasonable guidance to the courts.

*Legislation (S-2194) introduced in the New Jersey Senate in December 2004 addresses this issue.*

- **Strengthen Accountability under the Public Contracts Law**

In January 1999, after the E-ZPass procurement was completed, legislation was signed overhauling the state and local government contract law (*N.J.S.A 52:34-12*). Though hailed at the time as a means to enhance procurement integrity and to balance administrative efficiency with public accountability, the revised statute contains a provision which, in light of what is now known about the E-ZPass procurement, could be self-defeating. Subsections (f) and (g), state<sup>2</sup>:

*(f) for any procurement, the State Treasurer or the [Division of Purchase and Property] director may negotiate with bidders, after bid opening, the final terms and conditions of any procurement, including price; such ability to so negotiate must be expressly set forth in the applicable invitation to bid;*

*(g) award shall be made with reasonable promptness, after negotiating with bidders where authorized, by written notice to that responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the State, price and other factors considered.*

This language was intended to promote flexibility in obtaining the best deal at the best price on behalf of the taxpayers, but the Commission expressed concern that it is so

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<sup>2</sup> Underlined material denotes language added to the statute as part of the changes enacted in 1999.



broad as to constitute an invitation to abuse. In effect, it opens the way for every procurement to be treated such that the lowest responsible bid no longer is necessarily paramount in any instance. Further, the statute as written authorizes private discussions, i.e. “negotiations”, with select vendors prior to the award of the contract without any explicit mechanism to ensure that such discussions are carried out in the public’s interest. Given the troubled history of both the enhanced emissions-inspection and E-ZPass procurements, the Commission recommended that the relevant sections of this statute be reviewed at the earliest possible date and amended to incorporate appropriate checks and balances without undermining or forestalling negotiated procurements deemed proper and legitimate.

*S-2194 would amend the statute to address this issue.*

- **Establish a New Process for Achieving Unique Procurements**

New Jersey’s contract procurement system as presently constituted provides an inadequate regulatory framework for the proper promulgation and administration of unique, technically difficult and financially complex procurements, such as E-ZPass, that may involve an elaborate mix of capital components and services. The state, therefore, should formulate a process to deal with those types of procurements requiring custom treatment and special oversight. A task force should be established to develop such a process and to recommend to the Legislature and the Governor a practical methodology for implementing it. A key function of this task force would be to establish core criteria for determining whether a given procurement qualifies for this unique category either because its scope is beyond that of conventional competitive public bidding or does not

fit the definition of a negotiated professional-service procurement, or because it is a hybrid of the two, thus requiring its own process.

- **Reorganize Government Oversight or Create an Independent Comptroller's Office for Procurement Auditing**

The documented failures of the E-ZPass and enhanced emissions-inspection procurements point to the critical need for a central state-level entity to ensure that the public-project contracting system throughout New Jersey is subject to proper and thorough financial and programmatic oversight. The Legislature and the Governor should take appropriate steps to review the current fragmented oversight structure and either reorganize it or create an independent comptroller with authority to consolidate and expand procurement oversight functions, and properly charged with auditing and reporting thereon.<sup>3</sup> The goal in either case would be to establish and administer a practical system for auditing, monitoring and certifying all public-project procurements pursued by the state or by the various authorities to which the state is a party, with the following critical tasks in mind:

- Review the feasibility of large, unique and complex procurements
- Ensure that proper procurement procedures are followed
- Examine the financial and programmatic viability of proposed public-project contracts prior to contract execution

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<sup>3</sup> On November 29, 2004, Acting Governor Richard J. Codey issued an Executive Order creating an Office of the Inspector General. According to the text of that order, the rationale for establishing this position includes the fact that “there is a compelling need to centralize the responsibility for reviewing, auditing, evaluating and overseeing the expenditure of State funds by **and the procurement process of** all State departments and agencies, independent authorities, county and municipal governments, boards of education, and private entities and individuals who receive State grant funds.” (Emphasis added.)

- Certify the accuracy and propriety of cost and revenue projections associated with public-project procurements
- Perform specialized public-project auditing functions

## ***2. Conflicts of Interest***

New Jersey's conflict-of-interest statute should be amended to require that state employees whose positions bring them into contact with private vendors relative to the state contract procurement process be barred from taking employment with such vendors, subsidiaries or otherwise related companies for at least two years following termination of state service.

At a minimum, legislation should be enacted that explicitly requires disclosure of a pre-existing or current professional or personal relationship between a state official and a vendor or consultant with involvement in a state procurement. Such disclosures should contain details sufficient to identify the exact vendor or consultant, regardless of any subsidiary relationship with a larger entity.

*S-2194 addresses the issue of disclosure.*

## ***3. Due Diligence: New Jersey Economic Development Authority***

Statutes governing the operations of the New Jersey Economic Development Authority (NJEDA) should be amended to require that the NJEDA conduct authoritative and independent financial due diligence evaluations on all financing arrangements in which it agrees to participate as a "conduit" for the sale of bonds or with which it otherwise is integrally involved.

*In October, NJEDA staff informed the Commission that the agency had undertaken a series of steps to strengthen and enhance internal due diligence with regard to bond applications that come before it.*

#### ***4. Vendor Protests***

During the E-ZPass procurement, the losing bidder, Lockheed Martin IMS, filed a formal protest claiming the contract was unfairly awarded. The protest was dismissed following two separate hearings presided over by the top administrative officials of the New Jersey Turnpike Authority, which was the lead agency in the procurement. In one instance, the presiding officer – at the time the Turnpike Authority’s Chief of Staff – was a reluctant participant who testified to being ill-prepared and denied the assistance of outside counsel. Thus, the Commission expressed concern not only about the appearance of a conflict of interest associated with a protest proceeding conducted by an agency directly involved in a procurement, but also about the experience and qualifications of personnel who preside over such proceedings. To address these issues, legislation should be enacted specifying that such protest claims be filed with and heard by a qualified, experienced and independent arbitrator.

*S-2194 addresses this issue.*

#### ***5. Vendor Evaluations***

The State Division of Purchase and Property should adopt regulations explicitly requiring that all vendor evaluation committees established pursuant to the state contract procurement process, particularly as it relates to large capital projects, include at least two members proficient in matters related to public-project financing. This is essential in those procurements where substantial sums of money are involved or nontraditional financing approaches are contemplated. In instances where appropriate and necessary expertise is not available within the government, the responsible agency should seek to obtain objective resources through the private sector at reasonable expense.

Further, to safeguard the integrity of the evaluation process, a reliable mechanism should be established to evaluate the suitability of candidates for membership on evaluation committees. Individuals found to have a current or past relationship with a prospective vendor, or with the principal of a prospective vendor, should not be considered for evaluation assignments to which such a vendor is a party.

*S-2194 addresses these issues.*

## **6. Transparency**

In the interests of public disclosure, legislation should be prepared and enacted requiring that once a matter has entered the procurement process, any contact related to the procurement between state employees and representatives of active or prospective state vendors be memorialized in writing so that a public record of all such contacts can be maintained.

*S-2194 addresses this issue.*

## **7. Service of Process**

Legislation should be enacted to require that all foreign and domestic entities doing business in New Jersey relative to any public project – including consultants, contractors and subcontractors – complete, maintain and keep current the New Jersey Division of Revenue’s “*Public Records Filing For New Business Entity*” form that includes the designation of a registered agent and regional office within this state for the service of process (subpoena) for any legal action or inquiry, civil, criminal or otherwise. Further, proof of such filings should be required by the public entity prior to the award of any public contract. The Commission

repeatedly has made this recommendation over the course of a number of its investigations in recent years.

The Commission also recommended that the “Uniform Act to Secure the Attendance of Witnesses From Without a State in Criminal Proceedings” (N.J.S. 2A:81-18 *et. seq.*) be amended to allow for compulsory attendance by out-of-state witnesses in investigations conducted by the SCI.

# **Waste, Fraud and Abuse**

## **Public Hearings: *Abuses in New-Home Construction and Inspections***

### **Summary**

Based upon numerous citizen complaints, the Commission undertook an investigation of issues related to the new-home construction industry and found widespread problems and abuses in communities throughout New Jersey, including shoddy workmanship, lax and corrupt inspections, blatant code violations, poor government oversight and inadequate remedial options for consumers. The initial findings of this probe were aired during five days of public hearings conducted in three stages over the course of approximately one year – in November 2003, January 2004 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 Commission found genuine and significant problems and abuses in dozens of complaint scenarios related to home-construction projects involving thousands of home-buyers. These scenarios encompassed the activities of multiple builders, large and small, scattered throughout New Jersey's 21 counties. The Commission's ultimate goal is to set forth a comprehensive set of sensible, objective recommendations for strong, effective statutory and regulatory reforms.

The backdrop for the Commission's investigation was a booming home-construction market in which builder priorities have become increasingly defined by speed and volume rather

than quality craftsmanship. Documentary evidence and sworn testimony revealed numerous instances in which unsuspecting consumers purchased new homes replete with structural flaws, such as missing roof-support struts and cracked foundations; defective plumbing; improperly installed heating, cooling and ventilation systems; faulty electrical networks; and moisture-related conditions conducive to the spread of toxic mold. A common theme involved reliance by builders on unsupervised subcontractors who employ unskilled, untrained workers. Witnesses testified that these types of construction deficiencies are as likely to be apparent in suburban developments of upscale, single-family homes as they are in multi-unit, affordable housing projects in the cities.

The Commission also examined evidence showing a systematic breakdown in the governmental process through which homes under construction are supposed to be subjected to rigorous inspection for structural and other deficiencies. In numerous instances, inspections were inadequately performed, incomplete or altogether non-existent. The investigation revealed that municipal inspection and code-enforcement officials frequently are poorly trained and over-worked. In other cases, local construction officials were found to have accepted a variety of inducements from builders and developers, including free luncheons and other meals, golf outings and gifts of liquor, construction materials and tickets to sporting events.

Experts testified that one of the most serious consequences of this flawed inspection system is that multiple construction code violations – some of them potentially life-threatening, such as unventilated heating systems and unsecured foundations – went undetected even as buyers took possession of the property. Indeed, in some instances, the Commission found that real-estate closings on new homes later determined to be plagued by code violations and structural problems were facilitated through the issuance of forged or fraudulent certificates of



occupancy. Throughout this process, the Commission also examined documented failures in government and private-sector new-home warranty programs, as well as other issues related to problems and abuses in the home-construction industry. Further, pursuant to the requirements of its operating statute, the Commission in connection with this investigation has referred evidence suggesting criminal misconduct to the Office of the Attorney General.

This investigation, together with the public hearings it generated, triggered an outpouring of editorial commentary throughout New Jersey lauding the Commission's efforts and prompted dozens of additional home-buyer complaints and allegations, the facts and circumstances of which the Commission undertook to examine. A final report, incorporating detailed and comprehensive recommendations for systemic reform, is expected to be completed early this year.

# Organized Crime

## Final Report: *The Changing Face of Organized Crime in New Jersey*

### Summary

The Commission last issued a comprehensive status report on organized crime more than 15 years ago in its Annual Report for 1989. Since then, much has occurred, and given the Commission's statutory mandate "to conduct investigations . . . with particular reference to organized crime and racketeering," it was determined that a thorough update was required both to assist law enforcement and to keep the public informed about a vital societal issue. Pursuant to that goal, the Commission held public hearings in April 2003 and issued a final report last May.

\* \* \*

The changing shape of organized crime is exemplified by the rise of a vast network of heavily armed drug-trafficking gangs sustained by a lucrative underground economy. Led by adults and served to a considerable extent by juveniles, these gangs – Bloods, Crips, Latin Kings and others – have exploded in recent years to command a widening turf that extends beyond the cities and into New Jersey's suburbs. Their presence ensures that illegal drugs, guns and other societal threats once the domain of traditional organized crime have gained a new and menacing

lease in the hands of ultra-violent groups whose scope and activity pose an enormous challenge to law enforcement.

That is not to say that the “old mob” has disappeared from the scene. State and federal law enforcement experts testified that elements of *La Cosa Nostra* are engaged in efforts to reclaim at least a share of the underworld empire they dominated until the important segments of the LCN were dismantled by prosecutions and infighting during the 1980s and 1990s. All of the top LCN groups – the so-called “seven families” – in the New York/New Jersey/Philadelphia region: the Gambino, Genovese, Lucchese, Bonanno, Colombo, DeCavalcante and Bruno organizations – are active in this region at least to some degree, according to evidence presented at the hearing. Each group continues to recruit members and associates, and a new generation of leaders has emerged. In recent years, these groups also have displayed greater willingness to partner with each other in pursuit of common criminal goals, a topic of concern in the law enforcement community.

Little more than a decade has passed since the Commission recorded the emergence of organized crime groups operating well beyond the scope of the LCN and other long-established segments of the underworld. Today, these disparate groups, migrating post-Cold War from the former Soviet Union, Asia and Africa, and from a raft of Caribbean and Latin American countries, including Mexico, Columbia, Cuba and the Dominican Republic, have grown to become prominent players in their own right. With disturbing transnational components, they present law enforcement investigators with a host of difficult obstacles that must be overcome, including a penchant for violent, unpredictable behavior. Operated by organizational hierarchies far different from those of traditional organized crime, they also present an array of linguistic and cultural barriers. At the same time, these groups have demonstrated a willingness to forge

temporary working alliances with elements of the LCN in order to achieve various criminal objectives.

The Commission also examined the extent to which the changes that organized crime has undergone have affected that nature and scope of various groups' criminal activities. While gambling, drug dealing, prostitution, loan-sharking, extortion and other such strong-arm activities remain foundation endeavors of the criminal underworld, certain adaptive and innovative segments of new and old criminal groups increasingly have adopted sophisticated schemes that twist legitimate businesses into enterprises making money illegally. Carefully contrived and highly lucrative frauds, for example, have been mounted from within the health-care industry. Organized criminals bent on manipulating stock markets have infiltrated Wall Street brokerage firms. As both a world financial center and a magnet for gamblers visiting Atlantic City's casinos, the region also remains an integral transshipment point in the international money-laundering circuit.

## ***Recommendations***

The Commission proposed review, reform and improvement in the following key areas in order to strengthen the system for combating organized crime:

### **1. Organized Crime and Drugs**

Trafficking in narcotics is the lifeblood of organized crime and criminal groups. As the Commission's investigation amply demonstrated, the explosive growth of highly structured "super gangs" not only has changed the face of organized crime forever, but has also brought new urgency to society's battle against the lucrative, illicit commerce that sustains this violent,

unconventional underworld. To be broken, the sycophantic connection between drugs and organized crime will require a multi-dimensional strategy that is balanced, aggressive and creative, and it is imperative that our political leaders, the Governor and the members of the Legislature, ensure that New Jersey is on the right track.

As was set forth in the Commission's public hearing and in the text of its final report, billions have been spent on efforts to disrupt and interdict the supply of illicit drugs. New Jersey's prisons are filled to beyond capacity with incarcerated drug offenders, and our criminal justice system is clogged with such cases. Despite such difficult and problematic circumstances, of course, no rational person would argue that law enforcement should drop its weaponry and walk away from the pursuit and prosecution of tough laws aimed at the worst offenders – the dealers and kingpins. But what of the demand side? How can we best control the actual use of narcotics and thus pull the market out from under organized crime and organized criminal groups? In this regard, the state should undertake a systematic review of the full spectrum of current demand-reduction programs, primarily those related to early intervention, treatment and rehabilitation, and replicate those that have shown results.

## **2. Law Enforcement Priorities**

Because the nature and scope of organized crime is radically different today compared to even a decade ago, society's response must also change accordingly. Whether that change produces salutary results, however, will depend to a great extent on the law enforcement community's selection of priorities amid an array of new challenges.

The conventional “one-size-fits-all” response to organized crime is no longer viable. Many law enforcement agencies are cognizant of the need to adopt creative approaches and,

indeed, have begun to deploy resources and personnel to infiltrate the new frontier of Russian, Dominican and South American mobsters, Asian drug gangs, Mexican Mafiosi and other emerging groups. But all too often, this necessary strategic shift is occurring too slowly and in piecemeal fashion. Too many organized crime control units, originally established to battle Italian, Irish and Jewish immigrant mobsters, remain wedded to monitoring the past, enamored of their successes in prosecuting the traditional syndicates, despite the general decline of these long-time targets and the rise of new players who appear alien in everything from their mode of criminality to their spoken language. In effect, law enforcement – individually and as a whole – needs to conduct a community-wide “gut check” to make sure that task forces, intelligence analysts, money-laundering countermeasures and community-policing resources are being employed most effectively and efficiently against the threat of the new organized crime where that threat is most pronounced.

### **3. Law Enforcement Recruitment and Training**

In order to deal effectively with the changing face of organized crime, law enforcement must be equipped with the proper tools. Expanded efforts should be undertaken to recruit qualified personnel who possess particular familiarity with the language and culture underlying every non-traditional organized crime group known to be active in this region. Additionally, all existing personnel who are assigned to investigative units targeting non-traditional groups should receive a basic modicum of linguistic and cultural training, as well as follow-up instruction as warranted by circumstances.

Further, a review of training in police academies should be undertaken. Police-training curricula may have to be revised to require universal inclusion of courses that foster awareness

of society's diversity, as well as a full understanding of the historical causes and effects of crime, of good police ethics and of what it takes to counteract official corruption. The training should include extensive examples of real-world situations that young officers may encounter and instruction as to what they need to do in order to perform honorable service. Representatives of the U.S. Attorney's Office and Federal Bureau of Investigation, as well as New Jersey agencies, such as the Division of Criminal Justice, State Commission of Investigation and county Prosecutors' offices, should engage in comprehensive workshops for new recruits. The state should cast a wide net in the effort to improve its training regimen, drawing upon the best programs here and abroad.

#### **4. Law Enforcement Coordination and Cooperation**

Abundant task forces and units already exist in the battle against the scourge of drugs and the involvement of organized crime in the distribution network. In particular, drug enforcement is split between local police departments, county Prosecutor's offices, the State Division of Criminal Justice, the State Police, the federal Drug Enforcement Administration, the FBI, and various joint entities, such as High Intensity Drug Trafficking Area (HIDTA) task forces. New Jersey needs to do a better job of directing and facilitating cooperation, coordination and intelligence sharing among law enforcement agencies at all levels. Toward that end, the Office of the Attorney General of New Jersey has the singular authority to create a unique umbrella consortium composed of all levels of law enforcement. Though law enforcement, due to the multi-dimensional nature of the challenge at hand, remains but one piece of the overall strategy to rid society of organized crime and the drug-ridden engine that drives it, the law enforcement

community as a whole nonetheless is a crucial component that demands proper, coordinated and productive deployment.

## **5. Expand Solid Waste Industry Background Checks and Licensing**

The continued presence of organized crime in the solid waste industry requires legislative expansion of the system of licensing and background checks to include demolition and recycling operations. This is especially important to ensure that those with criminal backgrounds are not in a position to take advantage of opportunities to mix hazardous materials with other waste.

## **6. Increase Penalties for False Documentation**

Current laws provide that making false or misleading statements in hazardous waste disposal documentation amounts to no more than a third degree crime. Because of the enormous profit potential, organized criminals find improper disposal of solid and hazardous waste to be a lucrative racket. Depending on the ultimate consequences for individual victims and the environment, crimes impacting the environment are difficult to prove and should be met by severe fines and imprisonment. The deceit which makes them difficult to prove often lies in the documentation required to be kept by collection or disposal companies or filed with the Department of Environmental Protection. Therefore, crimes relating to tampering with or falsification of records pertaining to the collection, transport or disposal of hazardous or solid waste should be upgraded to crimes of the second degree with severe economic penalties.

## **7. Add Predicate Crimes to the Racketeering Statute**

Certain significant crimes should be added to the list of predicate offenses triggering application of New Jersey's anti-racketeering statute. This would ensure appropriately severe



sentences for the worst organized criminals, including violent gangsters; those disrupting proper functioning of the free enterprise system in traditional target industries such as construction contracting and waste hauling; and those exploiting and coercing human beings for the sex trade or other involuntary labor. Thus, aggravated assault; restraint of trade unlawful under *N.J.S.A. 56:9-1 et seq.*; environmental crimes; holding another in a condition of involuntary servitude (a form of criminal restraint); and criminal coercion should be included as predicate crimes under the racketeering statute. In addition, the Commission strongly recommends that the crimes of holding another in involuntary servitude and criminal coercion be reviewed by the Office of the Attorney General to determine whether they should be upgraded from crimes of the third degree to crime of crimes of the second degree.

## **8. Crack Down on Kingpins of Illegal Gambling**

Traditional and non-traditional organized crime groups run extensive illegal gambling operations that bring hundreds of millions of dollars annually into the coffers of criminal syndicates operating in New Jersey, promoting the use of these dollars for drug trafficking and poisoning the state's economy in other ways. Bribery, tax evasion, loan-sharking and the coerced repayment of usurious loans under threat or infliction of violence often accompany large-scale illegal gambling activity. The Legislature should consider enacting enhanced sentencing penalties to provide the courts with discretion to punish career offenders, or kingpins of large-scale gambling operations, in appropriate cases.

## **9. Task Force to Study Legalization of Sports Betting**

As with the fight against illegal narcotics, the battle to contain illegal gambling and to cut off the profit it generates for organized crime must occur within a multi-dimensional framework.

Concomitant with the previous recommendation to redouble law enforcement's efforts against operators of large-scale gambling enterprises, the Legislature should consider empanelling a task force to examine whether certain forms of illicit wagering known to be widely popular, particularly sports betting, should be legalized and regulated by the state. The goal of this task force would be to determine, after extensive study, whether the cost of maintaining the *status quo* – including widespread tax evasion, loan-sharking and extortion, and the diversion of law enforcement resources against such activities – would be outweighed over the long run by the potential benefits of a carefully controlled and regulated system providing substantial revenues to the public coffers.

## **10. Crack Down on Human Trafficking**

Trafficking in human beings, either through outright abduction or by trickery and fraud, is one of organized crime's most despicable and pernicious activities, crossing an entire spectrum of illegality. It involves fraudulent immigration, extortion, debt bondage, exploitation for prostitution and pornography, sweatshop labor and indentured servitude. As testimony before the Commission demonstrated, human trafficking is a widespread and worsening problem, one that not only places hundreds of thousands of victims of many ethnic backgrounds at risk but also one that is fueling a huge underground economy on an international scale. New Jersey should play a lead role in fighting this scourge. The Legislature should examine the adequacy and scope of existing criminal statutes as they might apply to all facets of human trafficking and strengthen them where appropriate.

## **11. Nationalize New Jersey's Strict Handgun Controls**

Criminal street gangs and other organized criminal groups often hold the balance of power in afflicted neighborhoods and against outmatched police forces because they can amass arsenals of easily concealed weapons capable of rapid firepower. In New Jersey, handguns are registered individually and may not be purchased without a thorough background check of the purchaser every time they are transferred. This system, however, is easily circumvented by black marketers purchasing large quantities of potent weapons in other states with lax firearm purchase requirements. Until the federal government mandates reasonable but stringent purchase control measures throughout the nation, organized criminals will continue to possess the devastating coercive power that threatens public safety and often gives them the edge over law enforcement. Members of New Jersey's congressional delegation should take the lead in this effort. In the implementation of federal transportation policy, states have been required to adhere to certain speed limits and blood-alcohol standards or lose federal funding. The same approach should be applied to sanction those states whose lax gun laws violate sensible gun-control standards that the federal government should adopt. New Jersey's system could serve as a model for such standards.

## **12. Public Reporting of Gang and Organized Crime Activity**

One serious consequence of the changing shape and threat of organized crime is that it has superseded the ability of current data-gathering systems to provide law enforcement and the public at-large with a comprehensive, accurate and timely statistical picture of actual criminal activities engaged in by the proliferating multitude of non-traditional crime groups. Legislation should be enacted as soon as practicable to require that information on organized crime activity –

particularly in the context of criminal street gangs – be included by all municipal and county law enforcement agencies in the quarterly offense reports they are required to submit to the Attorney General. The legislation should require that this data be compiled by the State Police and included by specific designation in the annual Uniform Crime Report. Over the years, the Uniform Crime Report has been enhanced and expanded a number of times to incorporate data related to explicit crime categories, including domestic violence and bias crimes, and this recommendation would follow in the same spirit – to provide New Jersey with a valuable and more effective crime-tracking tool.

### **13. Expand Gang-Awareness Education**

The State Department of Education should undertake a thorough review of existing gang-awareness education programs and curricula to determine whether current school resources in this regard are deployed appropriately and effectively. Drawing upon gang-related law enforcement expertise at the State Police, the Division of Criminal Justice and gang units established by Prosecutors’ offices and leading municipal police departments, as well as from experienced investigators within the State Parole Board and Department of Corrections, the Department of Education should, within six months of undertaking this review, develop and implement a “short list” of instructional and informational programs that hold the most promise of helping to break the cycle of street-gang involvement and recruitment. This effort to craft a creative, comprehensive and up-to-date gang-awareness agenda should encompass all age groups and every form of educational locale – urban, suburban and rural.

## **14. Bolster New Jersey's Assault on Money Laundering**

Organized criminal groups thrive because of their ability to generate and maintain huge sources of income, much of it hidden. Many groups engaged in international criminal activity transport their illegal proceeds out of the country through a variety of money-laundering schemes, and in the mid-1990s, partly in response to a Commission recommendation to get a grip on this illicit financial trade, New Jersey enacted its first criminal statute explicitly targeting money laundering. It is past time for the state to take the next step.

One significant way New Jersey can help turn the tide on money laundering is to tighten its law governing money transmitters, *N.J.S.A.17:15C-1*. Money transmitters are persons or entities engaged in the business of receiving money for transmission to locations within or outside the U.S. via payment instructions, wire transfer, facsimile, or electronic funds transfers for fee or commission. These are not sophisticated banks but are primarily storefront locations that operate money-transmittal business as adjuncts to the sale of calling cards, cell phones, beepers and the like. Despite this “mom-and-pop” aspect, the amount of cash moved by these businesses is enormous. Analysis of the latest available annual money-remittance reports filed with the state Department of Banking and Insurance show nearly 5.2 million transmissions from New Jersey during 2001 alone, totaling in excess of \$2 billion – an increase of nearly \$150 million over the previous year. Although transmitters are required to be licensed and to file annual reports with the Department of Banking and Insurance – 148 such licenses were in effect in 2003 – significant numbers of those who engage in or assist this cottage financial industry fall through the cracks. These transmitters employ or otherwise rely upon the assistance of more than 8,700 agents, or “delegates,” who are required to undergo no background investigation, site audits or licensing.

New Jersey also should adopt a state version of Federal Law PL 107-56, section 1960, to make operating an unlicensed money transmission business a crime subject to both a fine and imprisonment. Further, N.J.S.A. 17:15C-1 should be amended to include a licensing requirement for each location owned or operated by an applicant. The Commission also strongly recommends that the statute be equipped with a provision requiring full disclosure by both licensees and delegates of all information associated with money transmissions to which they are parties. Further, licensees should be liable for fraudulent and false statements made by affiliated delegates, as well as for the failure of affiliated delegates to comply with state regulations. In addition, key shareholders and managers of delegate locations should be fingerprinted and subject to the same criminal background checks currently required of licensees.

# **PRIOR INVESTIGATIONS**

## **ORGANIZED CRIME**

- |   |   |
|---|---|
| <b>1969</b> Garbage Industry  | <b>1987-89</b> Solid Waste Regulation                               |
| <b>1970-71</b> Organized Crime Control of Long Branch   | <b>1988-89</b> Cocaine  |
| <b>1972</b> Organized Crime in Ocean County   | <b>1989</b> Overview of Organized Crime                             |
| <b>1977-78</b> Organized Crime in Atlantic City   | <b>1988-91</b> Garment Industry                                     |
| <b>1980-81</b> Organized Crime Infiltration of Dental Care Plans  | <b>1990-91</b> Afro-Lineal Organized Crime                          |
| <b>1981-82</b> Organized Crime Labor Relations Profiteering at Mass Housing Construction Sites                | <b>1990-91</b> Video Gambling                                       |
| <b>1983-85</b> Organized Crime in Boxing  | <b>1991</b> Organized Crime in Bars                                 |
| <b>1986-87</b> Organized Crime-Affiliated Sub-Contractors on Casino and Publicly-Funded Construction Projects | <b>1991-92</b> Motor Fuel Tax Evasion                               |
| <b>1986-1988</b> Check Cashing Industry   | <b>1993-94</b> Money Laundering                                     |
|   | <b>1994</b> Medical Provider Contracts                              |
|   | <b>1995</b> Organized Crime in Bars Part II                         |
|   | <b>1996</b> Russian-Émigré Crime in the Tri-State Region            |
|   | <b>2003-2004</b> The Changing Face of Organized Crime in New Jersey |

## **LOCAL GOVERNMENT CORRUPTION**

- |   |   |
|---|---|
| <b>1969-70</b> Monmouth County Prosecutor's Office-Misuse of Funds                                      | <b>1982</b> Inappropriate Activities of the Lakewood Municipal Industrial Commission  |
| <b>1970-71</b> Hudson County Mosquito Commission Embezzlements  | <b>1984</b> Misconduct and Inappropriate Controls in the Newark School Security System  |
| <b>1971</b> Misappropriation of Public Funds, Atlantic County   | <b>1984</b> Excessive Spending and Near-Insolvency of the Newark Board of Education/Newark Teachers Union Supplemental Fringe Benefits Fund |
| <b>1971-72</b> Point Breeze Development Frauds, Jersey City   | <b>1992</b> Bergen County Utilities Authority   |
| <b>1972-75</b> Improper Municipal Planning, Zoning Procedures   | <b>1992</b> Local Government Corruption Overview  |
| <b>1973-74</b> Passaic County vocational-Technical School: Misuse of Funds and U.S. Surplus Property    | <b>1993</b> Belleville Township   |
| <b>1974-75</b> Lindenwold Municipal Corruption  | <b>1993</b> Passaic High School Print Shop  |
| <b>1975-76</b> Land Acquisition Deals in Middlesex County   | <b>1994</b> River Vale Recreation Department  |
| <b>1979-80</b> Questionable Public Insurance Procedures   | <b>1994</b> Point Pleasant School District  |
| <b>1981-83</b> Misconduct in the Operation of Certain County and Local Sewerage and Utility Authorities | <b>1994</b> Borough of Jamesburg  |
|   | <b>1995</b> Garfield School District  |
|   | <b>1997</b> Borough of Seaside Heights  |
|   | <b>1998</b> 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  
**2004** E-ZPass: The Making of a Procurement Disaster

## **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.

shoddy workmanship, lax and corrupt construction inspections, blatant code violations, poor government oversight and inadequate home-warranty and other remedial options for consumers. In addition to examining wholesale abuses, the Commission solicited input from consumers, government regulators and building industry representatives in order to craft comprehensive and equitable reform recommendations.

### **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.

### **2003-2004 New-Home Construction and Inspection Abuses**

The Commission held five days of public hearings in 2003 and 2004 to air the findings of an unprecedented statewide investigation of flawed and deficient practices in new-home construction and inspections, including

# MEMBERS OF THE COMMISSION

## 1969-2005

### *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	