

CONCRETE RESULTS: ENSURING JUSTICE, SAVING TAXPAYERS' MONEY

A multitude of successful criminal prosecutions and civil, administrative and disciplinary actions has resulted from referrals of evidence uncovered during Commission investigations. Moreover, taxpayers annually save millions of dollars due to integrity controls placed in various government systems as a consequence of Commission recommendations.

Garfield School District (January 1995 report). Responding to Commission criticism, district officials took steps to ensure greater accountability in a \$9 million lease purchase program and to comply with regulations limiting the personnel eligible to participate in the State's health benefits program. As recommended by the Commission, the Department of Education also stepped up its own monitoring of the district by beginning its own investigation in April 1995, including those items mentioned in the Commission's report. Garfield had been scheduled to receive a mandatory audit later in 1995, but the schedule was moved up because of the Commission's report.

In addition, local voters removed three incumbents from the Garfield School Board during the April 18, 1995 school election. The Commission had stated in its report, "The best avenue for reform ... lies with the voters, who can send a clear signal that tolerance of purchasing and benefit manipulations, cozy relationships between district officials and mobsters, and inadequate oversight is unacceptable."

The Commission's referral of conflict of interest evidence against School Business Administrator Anthony Barckett is pending before the School Ethics Commission. Meanwhile, on January 19, 1995, the School Board placed Barckett on probation and withheld his 1995-96 contractual salary increment.

Five days after the Board asked its attorney on March 9 to prepare a resolution that would remove Barckett as Business Administrator and return him to his former position of principal, he submitted a letter stating his intention to retire, effective December 31, 1995.

Borough of Jamesburg (November 1994 report). The Commission uncovered a systemic pattern of official misconduct, nepotism and abuse of public trust so pervasive as to cause local budgetary hardships and jeopardize the local police department's ability to finance its operations. The Program Director of Governor Whitman's Local Government Budget Review Program indicated that the Commission's report was a factor in selecting Jamesburg in February 1995 as the first municipality in Middlesex County to be examined under the Program.

The Commission referred evidence of possible criminal and other violations to the Office of the Attorney General, the Election Law Enforcement Commission, the Department of Community Affairs and the Department of Treasury. The Commission's report also recommended that Carmen Pirre be removed as Tax Assessor and Planning Board member. Within weeks of the report's release, Pirre agreed to retire from the Assessor position and his job as head of Middlesex County's Central Vehicle Maintenance Department. Richard D. Gardiner, Director of the State Division of Taxation, praised the Commission's cooperation and assistance, stating 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."

Pirre's son, Anthony, was scheduled for a disciplinary hearing and possible termination of his County Parks Department job after the Commission found evidence that he worked as a private security guard while on sick leave from the county position.

On January 24, 1995, the newly-constituted Borough Council passed a resolution noting "its resolve to support the [SCI] and to pursue the investigations of theft, insurance fraud, tax evasion, election law violations, influence peddling, nepotism, inefficiency and corruption in the Borough" The resolution concluded: "The Borough ... hereby adopts the conclusions and resolutions of the [SCI] report on Jamesburg and will strive to comply with same."

The Commission also supported the introduction of legislation that would cap the amounts that municipalities and school districts can pay for unused sick leave and limit accumulation of vacation, compensatory and personal leave for all employees. Such a measure could save local governments millions of dollars annually.

Marlboro Psychiatric Hospital (October 1994 report). The Commission revealed a tableau of waste, fraud, thievery and corruption in which the squandering of taxpayer dollars virtually had become business as usual at this institution. During the Commission's investigation, a new Chief Executive Officer cut the Budgeted Program Supplies and Activities Fund, which had been cited by the Commission for abuses and waste, by 50 percent, resulting in tens of thousands of dollars in annual savings.

The Commission cautioned that the situation at the Marlboro facility should serve as a red flag warning of similar problems at other large state institutions. The Commission's investigation prompted the Department of Human Services to send a special review team to Marlboro and other institutions to examine inventory control, the granting of sick leave injury benefits, purchasing and administrative oversight issues addressed by the Commission. On February 23, 1995, the review team reported that it had

indeed confirmed a lack of basic standards of accountability, oversight and expenditure control in these four areas, not just at Marlboro, but at six other psychiatric hospitals and eight developmental centers as well. The Department began the process to tighten controls in order to prevent the annual loss of perhaps millions of dollars of public funds.

Utilizing the Commission's evidence, the Department also disciplined six Marlboro employees in 1995, including two dismissals. The Commission also referred its evidence to the Attorney General and the Division of Purchase and Property.

Point Pleasant School District (August 1994 report). Evidence concerning alleged misappropriation of funds by Community School Principal Vito Dellegrippo was referred to the Attorney General. Relying on the Commission's findings, the Board of Education suspended Dellegrippo on August 15, 1994, with pay, pending the outcome of the Attorney General's investigation. On February 16, 1995, the Board accepted Dellegrippo's resignation. Finally, Dellegrippo pled guilty on May 11, 1995 to two criminal charges of theft by deception of \$2,300 in school district funds. He agreed to pay \$5,000 in restitution and to be barred for life from holding or applying for public office. Sentencing was scheduled for June 23, 1995.

The Board of Education also transferred operation of the Community School, which had been losing \$20,000 annually, to the Monmouth-Ocean Educational Services Commission, beginning with the spring 1995 semester.

The Commission also criticized the overly generous \$260,000 compensation package provided to Superintendent Lawrence DeBellis when he retired from the District, calling it "the public school version of a corporate 'golden parachute' — all at taxpayer expense." Hundreds of thousands of tax dollars could be saved annually if the Legislature or the State Board of Education established retirement standards for local boards to follow, as recommended by the Commission.

Money Laundering (July 1994 report and December 1993 public hearing). Millions of ill-gotten dollars could be recovered annually by criminal and civil enforcement authorities utilizing the October 1994 law that was enacted in response to the Commission's public exposure of the use of money laundering by organized criminals. During the first six months of the law's existence, a number of criminal indictments have resulted.

River Vale Recreation Department and Youth Sports Programs (May 1994 letter). On February 24, 1994, while the Commission conducted the investigation which led it to criticize the failure of Recreation Director James V. Commerford to account for about \$1,300 cash missing from the Township's recreation accounts, Commerford resigned from his position. Previously, investigations by municipal officials and the County Prosecutor's Office had cleared Commerford of embezzlement allegations.

Belleville Township (August 1993 report). The Commission identified various financial and purchasing failings, including violations of bidding laws, expenditures in excess of appropriations and the absence of appropriate fiscal checks and balances. After the Commission found that Fire Chief Walter Beresford abused his power and disregarded proper purchasing and administrative practices, he was suspended and demoted.

Passaic High School Print Shop (June 1993 letter). The Commission found that Lawrence Mayo, head of the school's Industrial Arts Department, used its print shop equipment, personnel and supplies, as well as student labor, to conduct a personal printing business at taxpayer expense. The Commission referred its evidence to the Attorney General, and in December 1994 Mayo pled guilty to an accusation charging him with a fourth degree crime for falsifying vouchers. On February 10, 1995, he was sentenced to four years probation, 150 hours of community service, \$12,000 restitution and a \$2,500 fine.

While awaiting the results of the Attorney General's prosecution, Passaic School District offi-

cialists relied upon the Commission's investigation to remove Mayo as head of the Industrial Arts Department. Mayo and two other district employees were also denied overtime authorization.

New Jersey Transit's Bus Subsidy Program (March 1993 report and July 1992 public hearing). After the Commission referred its evidence to the Attorney General for prosecution, five members of a family that fraudulently reaped excessive public subsidies to run two bus companies pled guilty on December 1, 1994 to swindling New Jersey Transit out of approximately \$750,000 since 1983. The defendants had been indicted on December 7, 1993. Howard Farrelly, his wife, Virginia, and their children, Kerry, Keith and Kelly Farrelly Casiero, admitted siphoning off subsidies for salaries to fictitious employees, falsifying vouchers for expenses, and providing paychecks for no-show employees.

On February 27, 1995, Howard, who masterminded the scheme, was sentenced to seven years in prison and ordered to pay \$615,443 in restitution to the State. Kerry was sentenced to four years in prison and ordered to pay \$66,100 to the State. Keith was sentenced to 180 days in the Middlesex County Jail, five years of probation, 150 hours of community service and \$46,110 restitution. Kelly was placed on probation for five years and ordered to serve 200 hours of community service and to pay \$30,000 to the State. Virginia was sentenced on March 13 to five years probation and 300 hours of community service. She was also required to help pay Howard's restitution amount.

Ronald Brousell, who had participated in the Farrelly schemes, and his company, Monmouth Petroleum, had previously been sentenced on February 4, 1994 to pay \$125,000 in restitution. Brousell also received five years probation and community service and had agreed to cooperate in the prosecution of the Farrelly family. Another defendant, assistant bookkeeper Florence Saldutti, who had been accused of falsely endorsing payroll checks, was admitted to a pretrial intervention program.

Following the Commission's public hearing, New Jersey Transit terminated its contracts with the two bus companies, effectively forcing them out of business. After reviewing the Commission's evidence, New Jersey Transit also eliminated the bus subsidy program in favor of competitive bidding; fired its Director of Internal Auditing, Michael Fucilli; established an Auditor General position reporting directly to the Board of Directors; demoted an Assistant Executive Director, Albert Hasbrouck, III; accepted the resignation of Ronald L. Reisner, the official in charge of the subsidy program who had earlier been suspended; and tightened accountability in its bus and equipment retirement programs.

By exposing the schemes masterminded by Howard Farrelly, the Commission curtailed frauds that might have continued indefinitely. Thus, the Commission foreclosed on the likelihood of taxpayer losses that could have ranged as high as hundreds of thousands of dollars annually.

Lyndhurst School Aid (January 1993 report and letter). When no other agency would examine the improper grant of \$1.5 million to Lyndhurst, the State Board of Education asked the Commission to investigate. Based on the Commission's findings, the State Board ordered a denial of state aid to the Lyndhurst School District equivalent to the amount improperly received. Attorney General Robert DelTufo then launched a state grand jury investigation of the controversy and issued his own report. A Special Prosecutor, called for by legislation enacted at the end of Governor Florio's term, concluded the grand jury investigation and obtained a presentment, as well as indictments against the Superintendent of the School District and his predecessor. The Superior Court has not yet allowed public dissemination of the presentment. The Attorney General also brought a declaratory judgment action against Lyndhurst to void the state grant and compel the return of \$1.5 million to the State Treasury. The Special Prosecutor, former Attorney General George F. Kugler, intervened.

Solid Waste Management by the Bergen County Utilities Authority (December 1992 report). The Commission detailed how the Authority, 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. After much shuffling of personnel and a lengthy struggle to replace the agency in the wake of the Commission's report, Bergen County Executive William P. Schuber and the Board of Freeholders hired former Attorney General W. Cary Edwards in September 1994 to study privatizing trash and sewerage services now handled by the Authority. Meanwhile, as recommended by the Commission, legislation (A-162, sponsored by Assemblyman Patrick Roma and Assemblywoman Rose Heck) to give county executives veto power over actions by county authorities was enacted on April 21, 1995.

Organized Crime in Bars (October 1992 report, March 1992 preliminary report and February 1992 public hearing). Relying on information first revealed by the Commission, a state administrative law judge in March 1994 revoked the liquor license held by the Medford Village Resort and Country Club because the club failed to meet the requirements under which nonprofit groups can hold club licenses. In August 1994 the Director of the Division of Alcoholic Beverage Control upheld the decision and disqualified the club from holding any type of liquor license for two years. The written decisions of both the administrative law judge and the ABC Director relied extensively on Commission executive session testimony.

Motor Fuel Tax Evasion (February 1992 report and October 1991 public hearing). Legislation resulting from the Commission's work took effect on July 1, 1992. It revised the method of collection of taxes on diesel fuels to curtail tax fraud through the use of "daisy chains" of fly-by-night companies that substituted untaxed No. 2 heating oil for taxed diesel fuel. The Division of Taxation has reported that the State will recoup at least \$22 million annually by being able to more closely monitor and document the flows of fuels and thereby reduce the op-

portunities of fraud and evasion by sellers and users of motor fuels. A high-ranking Division official wrote to the Commission on June 12, 1992 that its public hearing “was a major contributing factor towards the adoption of” the remedial legislation.

Moreover, as a result of reducing tax fraud, honest fuel dealers, who had faced insolvency as a result of competition from the tax cheats, have been able to remain in business, pay taxes and maintain payrolls. Meanwhile, the Commission uncovered evidence and investigative intelligence which helped the Middlesex County Prosecutor’s Office and other law enforcement authorities in New Jersey and other states successfully prosecute several individual cases of fraud and money laundering.

Garment Industry (April 1991 report and October 1990 public hearing). Commission evidence and intelligence about the intrusion of organized crime into garment trucking assisted the Manhattan District Attorney’s Office, which on October 18, 1990 obtained indictments charging Thomas and Joseph Gambino, owners of several trucking companies operating in New York and New Jersey, as well as other defendants, with illegally controlling the provision of trucking services to the garment industry through extortion, coercion and illegal restraint of trade. Thomas Gambino is a capo (captain) in the Gambino organized crime family of La Cosa Nostra. On February 26, 1992, the Gambinos pled guilty to antitrust violations and agreed to quit the trucking business and to pay a \$12 million fine. The court appointed a Special Master to monitor the restructuring of the industry. The Master also has relied on information supplied by the Commission.

The Commission exposed the shady operations of garment contractor Michael Eliasof. The Commission referred information about Eliasof, uncovered during its investigation, to various state and federal law enforcement and administrative agencies. On June 22, 1993, Eliasof pled guilty to state tax offenses and agreed to make restitution of \$41,700 to the New Jersey Division of Taxation.

New Jersey School Boards Association (April 1990 report). The Commission revealed fiscal irregularities at the taxpayer-funded NJSBA that led to losses totaling nearly \$1 million on speculative stock index option investments on behalf of the Association’s Insurance Group. The Commission also uncovered profligate spending of NJSBA funds by Executive Director Octavius T. (Ted) Reid, Jr. Reid also failed to supervise properly the activities of stockbroker Daniel Adlai Druz of Dean Witter Reynolds, a former employee of the NJSBA retained by Reid to handle the investments of the Insurance Group. Druz also managed Reid’s personal brokerage account and gave him a \$12,000 personal loan.

One of the Commission’s key investigative findings was that the Insurance Group had been tied too closely to the NJSBA and was, therefore, unable to exercise the independent judgment necessary to safeguard the insurance funds of 155 school districts. Even before the Commission report was issued, the Insurance Group began to distance itself from the Association. It replaced Reid as Administrator, hired a full-time director of insurance and moved to separate offices outside Trenton.

The Commission recommended that the NJSBA dismiss Reid. On May 4, 1990, Reid resigned in the face of a resolution by the NJSBA Board of Directors that would have resulted in his being fired. The resignation included a financial settlement. Reid later refused to accept the settlement, but a court order in favor of the Association was entered on December 18, 1990.

In March 1991, the Attorney General’s Office indicated that Reid would not be prosecuted for criminal wrongdoing.

On March 31, 1992, a state grand jury indicted Druz for securities fraud, misapplication of entrusted property and falsifying or tampering with records. The grand jury investigation resulted from a referral by the Commission of its findings in the NJSBA investigation. A week before, the Insurance Group announced that Dean Witter had paid it \$995,000 to

settle a five-year-old federal court lawsuit in which the Insurance Group charged the brokerage firm with illegal investments and portfolio churning. In September 1992, the Insurance Group's former accountant, Ernst & Young agreed, without admitting liability, to pay \$450,000 to settle a state court lawsuit that charged the firm with failing to uncover improper investment practices by Druz. In July 1994, the New York Stock Exchange board affirmed a panel's findings, following a contested hearing, that Druz engaged in sales-practice misconduct in the accounts of four customers. He was barred for eight years.

The same day Reid resigned, the NJSBA President appointed a Special Management Review Committee to look into issues raised by the Commission's report and make recommendations for reform. The Committee report was issued in September 1990. The NJSBA adopted many of the recommendations in the report, including reducing the size of the Board of Directors. It also forbade any member to bill the Association for liquor consumed while on Association business, placed limits on the amount a member could charge the Association for meals and hotel expenses, and reduced the number of officers that could be sent to conventions at Association expense. The NJSBA also sold four executive vehicles, recalled all American Express cards and most telephone credit cards, no longer pays travel expenses for officers' spouses, and requires officers to account for all expenses within 90 days in order to obtain reimbursement.

Under a law enacted on January 24, 1995, officers and employees of the NJSBA became subject to the financial disclosure and ethics requirements of the School Ethics Act.

The Commission had also called upon the Legislature to clarify the kinds of investments permitted and prohibited for school board self-insurance pools. A law was enacted on July 17, 1992 allowing the Director of the Division of Investment to invest funds of joint self-insurance pools established by school districts, counties, municipalities and certain contracting units.

Administration of the AIDS Prevention Program by the Department of Health (January 1990 letter). Although exonerating the AIDS Prevention Program of several allegations of wrongdoing, the Commission found that a grantee called Looking Into the Future Together, Inc. (LIFT), a community-based organization in Trenton, abused grants totaling approximately \$235,500, which it had received between December 1, 1987 and December 31, 1989. LIFT failed to accomplish grant objectives, neglected to maintain adequate financial records and charged to its AIDS grants thousands of dollars worth of expenditures that had nothing to do with AIDS prevention and education. Despite insider allegations which proved accurate in many instances, Department of Health officials continued to approve disbursements of funds to LIFT while either failing to recognize obvious abuses or ignoring those which were discovered.

An expensive special audit by a New York CPA firm hired by the Department of Human Services on behalf of DOH overlooked some of the wrongdoing but provided, albeit in bland terms, a sufficient basis for termination of the LIFT grant. Nonetheless, follow-up by DOH auditors ignored the significance of many of LIFT's transgressions, and the grants continued. In several instances DOH simply amended grant budgets — well after the grant periods — in order to authorize questionable expenditures. All of this indicated a disturbing attitude on the part of certain DOH officials that even a flagrant violator of AIDS grant requirements would be tolerated so that the overall program might be viewed as an unconditional success.

On January 9, 1990, DOH announced that it would not renew the AIDS prevention grant to LIFT when its grant expired on February 28, 1990. In mid-1990, The Times of Trenton reported that a new Assistant Health Commissioner in charge of AIDS prevention had declared his intention to assess the AIDS grants and deal with issues raised by the Commission's report.

Check Cashing Industry (August 1988 report and April 1988 public hearing). Commission revelations led to the enactment of the Check Cashers Regulatory Act of 1993 to help protect consumers and legitimate check cashing businesses from unscrupulous practices. The Commission's evidence was used in administrative proceedings leading to the November 19, 1992 decision to refuse to renew the license of City Check Cashing, Inc. of Jersey City, fine it \$25,000 and bar from the business for three years Robert Santoro and Edwin Siegel. The Commissioner of Banking found that City was illegally engaged in the business of making loans by regularly cashing checks in large amounts for customers who had a continuing history of having their checks returned unpaid.

In a criminal case based on Commission evidence, trucking company owner Andrew Thorry was sentenced in federal court on November 18, 1991 to 2 1/2 years in prison and a \$10,000 fine for mail fraud and failure to file a tax return. He was ordered, as a condition of an additional year of supervised release, to pay all taxes for six years and to pay \$488,000 restitution to his fraud victim, Rutherford Commercial Corp. As a factor of accounts receivable, Rutherford had been duped into purchasing with checks receivables represented by phony invoices. The Commission had tracked Rutherford's checks to check cashers, who provided the perpetrators with untraceable cash.

The Commission referred intelligence and evidence uncovered during its investigation to, among others, the New Jersey and New York Departments of Banking, the State Division of Taxation, the IRS, the Division of Criminal Justice, the Federal Organized Crime Strike Force, the U.S. Customs Service, the New York State Organized Crime Task Force, the Waterfront Commission of New York Harbor, the FDIC and the U.S. Attorney's Offices in New Jersey and the Southern and Eastern Districts of New York. Commission Chairman James R. Zazzali also testified before the U.S. Senate Permanent Subcommittee on Investigations on February 27, 1992. The subcommittee recognized that the Commission was

at that time the only state agency in the nation that had taken action regarding the criminal misuse of check cashing.

Green Acres Acquisition of Union Lake (March 1988 report). The Commission's evidence was turned over to the Attorney General's Office, which sued Wawa, Inc. on May 18, 1988. The State is presently seeking in court to recover from Wawa some of the cost of repairs to the Union Lake dam. The repairs revived the lake for public recreational use.

Also relying in part on Commission evidence, the State Department of Environmental Protection on December 23, 1988 directed Vineland Chemical Co., Inc. to pay \$4.9 million toward rebuilding the Union Lake Dam. Although Vineland Chemical had become insolvent, the claim was asserted in the event that some assets could be found to help compensate the State for the expense of coping with the company's arsenic emissions while repairing the Union Lake Dam.

Regulation of Horse Racing (October 7, 1986 letter to the Racing Commission). The Commission uncovered lax regulatory controls in areas such as horse and human drug use, security, veterinarian activities, licensure, clocking, horse death reporting, and state appointments of stewards and other racing officials. Several corrective measures were instituted as a result of the Commission's actions and recommendations. On November 10, 1986, SCI Executive Director James J. Morley appeared before a legislative committee at the request of its Chairman, Assemblyman William P. Schuber, to expand on the SCI's critique of the Racing Commission's performance and the industry's problems. Morley urged passage of a bill which would appropriate \$390,000 for the Racing Commission's regulatory needs, particularly its auditing and computerization efforts, as a way to effectively respond to the SCI's most urgent reform proposals.

As a result of evidence uncovered by the SCI, a state grand jury on December 3, 1986 indicted a

former secretary of the Horsemen's Benevolent and Protective Association (HBPA) on charges involving the embezzlement of more than \$10,000 through phony reimbursement claims. At the time, Attorney General W. Cary Edwards stated:

We are grateful to the SCI for bringing this matter to our attention during its [racing] investigation. The case goes to the heart of the reason for the existence of the HBPA, which was created to provide basic employee benefits normally received by employees in other industries. Those employees have a right to expect those benefits will be protected.

In February 1987, the Association secretary pled guilty to a count involving the theft of funds paid to reimburse the phony claims. She was sentenced to five years probation and \$11,132 restitution.

Organized Crime-Affiliated Subcontractors at Casino and Public Construction Sites (1986 Annual Report). The Commission's investigation demonstrated that mob-operated companies had amassed millions in revenues from casino and public works projects from which they should have been barred. Legislation extending Casino Control Commission regulatory scrutiny to subcontractors was signed into law on January 4, 1988.

The Commission reported that Lawrence (Yogi) Merlino, a soldier in the Bruno-Scarfo organized crime family, incorporated a company called Bayshore Rebar in Florida in 1984 but dissolved it in November 1985. One month later, Merlino's son, Joseph N., incorporated Bayshore Rebar in Trenton — and almost immediately began to obtain subcontracts on casino jobs from his father's former business associates. In January 1987, the Division of Gaming Enforcement moved to bar Bayshore as a casino construction contractor. The Casino Control Commission referred the matter to an administrative law judge (ALJ), who concluded that the company had sufficient ties to the mob to warrant debarment.

In April 1989, the Casino Control Commission upheld the ALJ and prohibited Bayshore from doing business with casinos.

Thomas F. Kepner, Business Agent of Local 350 of the Ironworkers Union, exercised his Fifth Amendment privilege when he appeared at the Commission for executive session testimony. However, the Commission's investigative findings on the mob's subversion of labor unions were turned over to the federal Labor Department during its racketeering unit's probe of Kepner. In October 1987, a federal grand jury indicted Kepner on charges that he and certain associates received \$250,000 in cash and gifts from four casino construction contractors. He spent three years in federal prison for these crimes.

Price Waterhouse Computer Contract With the Division of Motor Vehicles (June 1986 report). The Commission referred its evidence revealing the causes of the collapse of a \$6.5 million computer system to the Attorney General's Office. On December 2, 1988, the Attorney General and Price Waterhouse, the computer contractor, settled the State's claims for damages resulting from the failed system. Under the settlement, Price Waterhouse agreed not to seek the final \$1.25 million payment owed under the original \$6.5 million contract, \$460,441 in costs it had billed the State to repair the computer system or another \$1.5 million in repair costs that were never billed to the State.

Inadequate Regulation of Boxing (March 1984 interim report). The Commission strongly criticized Robert W. Lee, the Deputy Commissioner of the Office of the State Athletic Commissioner. On August 16, 1984, the Executive Commission on Ethical Standards accused Lee of unethical conduct. Although Lee denied the accusations, Governor Thomas H. Kean, who had nominated Lee for the Commissioner post prior to the publication of the SCI's report, withdrew the nomination the next day.

Excessive Spending by the Supplemental Fringe Benefits Fund (SFBF) of the Newark Board of Education/Newark Teachers Union

(1984 Annual Report and December 1984 public hearing). The SFBF pays benefits to unionized teachers not covered by the School Board's primary health insurance plan. It is financed solely through contributions made by the School Board on behalf of each teacher. The Commission's investigation developed evidence that the Fund had become a vehicle for the callous and irresponsible self-enrichment of its administrators and the union. The findings also demonstrated the acquiescence of the school board, through its Fund appointees, in the depletion of Fund resources. In brief, the Commission's investigation revealed that the Fund during a five-year period spent almost \$1.2 million in public tax money for unnecessary, inappropriate and possibly illegal purposes. This excessive spending, largely for personal benefit of Fund and union officials, continued unabated despite documented warnings as early as 1978 that Fund expenses annually were exceeding finite revenues and that by 1982 the Fund was facing insolvency.

The Commission showed that more than \$500,000 had been paid to Fund Director Joseph J. Visotski in overly generous compensation that included fees for managing such simple Fund investments as certificates of deposit. Unauthorized cash payments for unused vacation and sick leave, lavish expenses for excessive travel and personal car use, a non-contributory 15 percent pension, entitlement to a year's leave with pay, and other benefits were taken by Visotski. On July 18, 1984, while the Commission's investigation was pending, the Fund's Board of Trustees terminated Visotski for violating his "contractual and fiduciary duties." On August 27, 1984, Visotski filed an unsuccessful suit in Federal Court seeking reinstatement. One of the trustees who removed Visotski, Pietro Petino — also Director of Organization for the Union — took over Visotski's duties as Fund Director. Petino was able to hold down his full time job with the Union and assume other obligations while also doing, at no additional salary, what Visotski had been paid more than \$70,000 a year to handle.

Since the Commission's investigation and the removal of Visotski, the Fund, which was close to

bankruptcy, has reportedly accumulated a surplus of nearly \$2 million.

Vernon Valley Recreation Association (August 1983 report and March 1983 public hearing). Criminal and civil actions were brought based on the Commission's investigative findings pertaining to irregularities in the operation of the Vernon Valley ski resort and amusement facility on land leased from the State at Great Gorge in Sussex County. These actions resulted in the reimbursement of millions of dollars owed to the State and in substantial fines and other penalties against principals of the Vernon Valley conglomerate and its subsidiary companies.

In April 1984, a state grand jury, relying in part on evidence first developed by the Commission, returned an indictment listing 110 counts of conspiracy, fraud, theft, embezzlement, forgery, tax evasion and other crimes against Vernon Valley, nine associated companies and a group of executives and employees headed by Eugene Mulvihill, the corporate Chairman. A number of the individual defendants were admitted to the pretrial intervention program and required to perform community service in return for eventual dismissal of criminal charges. Mulvihill pled guilty on November 8, 1984 to criminal charges related to an insurance fraud scheme that was first revealed during the Commission's hearing. Mulvihill agreed to guarantee payment of any fine up to \$500,000 imposed on Vernon Valley, which also pled guilty, and to make restitution of \$270,000 claimed by New Jersey from the ski operation. Mulvihill also received a suspended prison sentence and a \$45,000 fine. A \$250,000 fine was imposed on the Vernon Valley company.

In a related settlement of a civil suit brought by the Department of Environmental Protection against one of Mulvihill's companies, it was agreed that the resort operation would be continued under a third party contract, with Mulvihill and his companies losing all direct control.

County and Local Sewerage and Utility Authorities (March 1983 report and July 1982 pub-

lic hearing). The Commission recommended direct state control over the financial operations of these and similar entities. A bill to accomplish this, the Local Authorities Fiscal Control Act, was signed into law on August 26, 1983. The new law gave fiscal control responsibility to the Local Finance Board of the Division of Local Government Services in the Department of Community Affairs. It applies to all types of regional, county or local authorities and to the project financing as well as the fiscal operations of these agencies.

In September 1983, a federal grand jury indicted Arthur Cohen in connection with a scheme to defraud the Township of Ocean Sewerage Authority between 1976 and 1980. United States Attorney W. Hunt Dumont said this indictment was related to the Commission's investigation and public hearing on local sewerage authorities and chemical industry kick-backs. The indictment specifically accused Cohen and one of his companies of scheming to pay former Superintendent Robert Rogove more than \$25,000 for the right to sell so-called treatment chemicals to the Sewerage Authority. On June 20, 1984, Cohen pled guilty to mail fraud. He was fined \$1,000 and placed on probation for four years on condition that he "continue to pursue his cooperation and other obligations" with federal authorities. Related bribery charges, to which Rogove pled guilty, were filed against Rogove by the New Jersey Attorney General's Office. In June 1983, he was sentenced to a suspended five-year prison term, a \$10,000 fine and 1,000 hours of community service. Rogove also agreed to cooperate in the continuing federal investigation which led to Cohen's conviction.

In February 1984, the Cape May County Prosecutor's Office obtained conspiracy, fraud and bribery indictments involving the Cape May Municipal Utilities Authority and an engineering firm. The Cape May MUA was among the sewerage and utility authorities whose operations and dealings with vendors were criticized by the Commission.

In July 1986, a state grand jury indicted a former Cape May County MUA appraiser for per-

jury and false swearing involving his testimony before the Commission and the grand jury. In September, another indictment accused the county treasurer and others of participating in a \$110,000 bribery scheme involving the award of contracts for construction of a sewage treatment plant. Anthony T. Catanoso, former Director of the Cape May County Board of Freeholders, was created in the scheme. The former MUA Chairman, John Vinci, pled guilty to a conspiracy charge and cooperated with the investigation.

Labor Relations Profiteering by Organized Crime in Housing Construction (1981 Annual Report). Frank A. LaVecchia was a labor consultant who was criticized in the Commission's report on organized crime's impact on labor relations in mass housing construction. In April 1984, a state grand jury indicted LaVecchia on five counts of failure to file a tax return on income of more than \$400,000 between 1978 and 1982.

Organized Crime Infiltration of Dental Care Plan Organizations (June 1981 report and December 1980 public hearing). The Commission exposed organized crime incursion of dental plans. In December 1981, a federal grand jury indicted Stanley Resnick and another individual for conspiring to transport stolen money in interstate commerce and making false credit applications. In announcing the indictment, United States Attorney W. Hunt Dumont stated that "the indictment resulted from evidence developed by the New Jersey State Commission of Investigation" during its probe of pre-paid dental plans operating in New Jersey. Resnick was convicted in April 1982. Dumont similarly credited the Commission when in March 1983 a federal grand jury indicted Dr. Joel S. Sokol for conspiracy and mail fraud in a scheme involving Resnick and attorney George A. Franconero to defraud banks and equipment leasing firms in connection with dental clinics operated by Sokol's professional association. Sokol, Resnick and Franconero, who was later shot to death in the driveway of his home, were among the key witnesses at the Commission's public hearing.

In February 1983, a federal grand jury indicted Lawrence A. Smith in a \$255,000 kickback scheme involving organized crime figures and labor union severance plans for which his company, Rittenhouse Consulting Enterprises, was the administrator. Smith also was among the key witnesses in the Commission's dental care plan investigation and hearing. Prior to that time, Smith's ties to organized crime figures were unknown.

Housing Finance Agency (HFA) (December 1982 final report and March 1981 interim report). This investigation disclosed that certain aggressive, politically connected housing entrepreneurs were able to have their projects aided through a combination of loose agency procedures, an authoritarian Executive Director, William L. Johnston, and, for the most part, a malleable staff. The susceptibility of the HFA to favoritism and influence peddling became rampant during Johnston's leadership from the mid-1970s to the spring of 1979. During the course of the Commission's investigation, Johnston resigned and a new reform administration was put in place. After issuance of the interim report, many of the HFA personnel discussed in the report resigned or were dismissed, and new procedures for processing housing projects were instituted.

During its HFA investigation, the Commission referred to the Attorney General evidence that Ralph Tomasulo, the agency's Vehicle Coordinator, had accepted kickbacks, commonly known as "bird dog" fees, from an auto dealer for steering purchase orders to it in the spring and summer of 1980. A state grand jury indicted Tomasulo, who pled guilty on September 24, 1980. He was sentenced to a year's probation, fined \$1,000 and ordered to make restitution of \$8,000.

The Commission's findings detailed admissions by Charles Marciante, President of the New Jersey AFL-CIO, that he had received at least \$55,000 in consulting fees on one project and a return of more than \$31,000 from a \$1,000 investment in another project. Testimony elicited by the Commission revealed that Marciante had been paid the consulting

fees even while his benefactor delayed a promised contribution of \$50,000 to the AFL-CIO Scholarship Fund in return for the transfer to him of yet another project which initially had been sponsored by the AFL-CIO. The AFL-CIO's National President, Lane Kirkland, subsequently appointed a panel to review the Commission's findings. This panel responded with a report that was critical of Marciante's conduct and was followed by the designation of a "financial monitor" to police all State AFL-CIO fiscal transactions until December 31, 1985. Marciante was ordered to submit annually a certification disclaiming that he had engaged in any outside business deals smacking of conflict of interest with his employment by the AFL-CIO.

The Commission recommended that the HFA's board membership be expanded to include additional public members with specialized experience in public housing finance, construction and law, and it endorsed a bill to accomplish this. The resulting law was enacted in March 1981.

Lakewood Industrial Commission (August 1982 report). The Commission's investigation revealed no evidence of criminal or corrupt activities but did confirm "certain inappropriate actions or omissions in the conduct of the Commission." In November 1984, the Municipal Industrial Commission Law was revised to include several SCI proposals — including requirements that such commissions operate on a bipartisan basis and make all policy, financial and other decisions and transactions a matter of public record and open to public inspection.

Purchase and Administration of Public Insurance Programs (April 1980 report and June 1979 public hearing). The Commission exposed the mishandling of public insurance programs by certain county, municipal and other governmental agencies. The Commission's actions served as a catalyst for legislation enacted in March and October of 1983 authorizing public self-insurance funds and pools for school districts and other local government entities. Essex County Executive Peter Shapiro, citing the Commission's investigation, announced in Decem-

ber 1980 the institution of a program under which “for the first time the selection of agents and brokers for the County’s \$8 million worth of insurance will be completely removed from politics and placed on an open, fair and professional [set of] standards.”

During its public hearing, the Commission criticized Warren Fuhro, Hudson County Purchasing Agent from 1974 to 1980, for his questionable handling of the county’s insurance contracts. In May 1984, Fuhro pled guilty to a federal charge that he participated in a kickback scheme in the award of insurance contracts, including receipt of kickbacks based on the size of commissions on policies purchased by the County. In July 1984, he was sentenced to two years in prison.

The Commission also disclosed, among other things, that North Bergen Township Clerk and political leader Joseph Mocco, Jr. was responsible for township insurance placement at the same time that he received commissions as a broker for municipal insurance policies, a clear conflict of interest. The coverage which was obtained by Mocco was lacking in so many respects that North Bergen was left uninsured for certain perils. The Commission referred its evidence to North Bergen’s Mayor, Anthony DiVincent, on August 10, 1979. Just prior to the Commission’s public hearing, Mocco was suspended from office after an election in which the Mocco regime in that community was defeated. Retired Superior Court Judge George B. Gelman presided over a hearing of charges against Mocco. Based on Judge Gelman’s recommendations, Mayor DiVincent fired Mocco as Township Clerk on January 15, 1980. The Commission’s investigative findings of conflicts and other improprieties in the handling of North Bergen insurance by Mocco highlighted the hearing.

The Commission also notified the Mayor of Kearny that United Agencies, Inc. had received unadvertised annual commissions of approximately \$20,000, as well as an additional \$80,000 “service” fee which was paid by the town. The Commission’s public hearing disclosed that Kearny’s Insurance Director, Frank Arilotta, shared in a portion of these

fees under an agreement with a United Agencies salesperson. The Commission recommended that Kearny terminate Arilotta’s public employment and insurance broker relationship with the town. Arilotta resigned as Insurance Director, and early in 1980 Kearny replaced United Agencies with a firm did not charge “service” fees.

Incorrect Injury Leave Practices in the Counties (January 1979 interim report). In a spinoff of its probe of public insurance programs, the Commission found that most counties with injury leave payment policies were incorrectly deducting social security and income taxes from wages paid to employees pursuant to these policies. In addition, these counties were contributing such taxes as employers even though they were not required to do so. In connection with workers’ compensation insurance, the Commission criticized unnecessary administrative costs that were automatically becoming a part of annual workers’ compensation premiums in the counties. Another finding was that Burlington County and the Essex County Welfare Board were illegally allowing employees to receive and keep both workers’ compensation and injury leave checks. As a result of the interim report’s recommendations, inappropriate tax deductions were largely halted, efforts were made at both the state and county levels to assist workers in recouping losses from such deductions, the illegal double-check practice was discontinued in Burlington and Essex counties, and a legislative effort began to amend state law to eliminate needless administrative costs of workers’ compensation programs in all counties.

In the June 1980 issue of State Government News, an article noted that nearly all of the 43 state governments that then voluntarily contributed to Social Security were perhaps unnecessarily making tax payments on employees’ sick pay as well as on wages. The article, which noted that the Council of State Governments was monitoring the problem, made the following observation applicable to the period subsequent to the issuance of the Commission’s interim report: “Many states may be entitled to refunds for retroactive payments of FICA

on sick leave under the three-year statute of limitations. New Jersey anticipates a savings of \$3 million a year, and the state has claimed retroactive adjustments.”

Abuses and Irregularities in the Boarding Home Industry (November 1978 report and June 1978 public hearing). Following the Commission’s actions, in 1980 John J. Fay, the State Ombudsman for the Institutionalized Elderly, filed a class action suit on behalf of 16 recipients of Supplemental Security Income checks seeking “declarative and injunctive relief and damages” from seven licensed boarding home operators for allegedly withholding all or part of the boarders’ Federal Energy Allowance checks. The defendants included one operator in Long Branch who had invoked his Fifth Amendment privilege against self-incrimination 32 times when subpoenaed to the Commission’s public hearing.

In addition, the Commission provided the House Select Committee on Aging and the Federal General Accounting Office with copies of its report, as well as audits and other data resulting from its investigations, to support a congressional inquiry into the nation’s boarding homes. During this inquiry, the House Committee subpoenaed the records of a Camden boarding home which had been a Commission target.

Medicaid Program (series of reports and public hearings from April 1975 to April 1977). The Director of New Jersey’s Medicaid agency noted in 1977 that the implementation of Commission recommendations to restructure the property cost reimbursement system for Medicaid nursing homes would result in savings of as much as \$6 million per year. The Commission’s disclosure that some independent clinical laboratories bilked Medicaid through false billing and kickback practices led to drastic revision of the program’s laboratory expense payment procedures in order to bar such abusive practices. Language in the manual was tightened to proscribe clearly the practice by which small laboratories subcontracted particular tests to large reference facilities and then, in many instances, marked up the cost by more than

300 percent to reap windfall profits at taxpayer expense. The Medicaid agency also reduced the highly inflated fee schedule for reimbursing the laboratories by 40 percent. In addition, it adopted a hard line with respect to inducement type payments in any form whatever between laboratories and their physician customers. Savings from the laboratory reforms alone were estimated to be \$1.4 million for Fiscal Year 1976.

The Commission also referred evidence of criminal wrongdoing to the Attorney General. A joint state-federal criminal prosecution, charging Medicaid fraud and related tax fraud, was brought against a clinical laboratory, three corporations, a laboratory owner and a laboratory business manager. In January 1977 a doctor, his son, the administrator of three nursing homes in Passaic County, and an accountant were convicted of cheating the Medicaid program out of \$132,000. Their testimony led to an investigation of alleged payment of bribes to labor union officials. Four other doctors were convicted in other Medicaid fraud cases that built on Commission revelations.

During the course of its Medicaid investigation, the Commission found that a number of doctors and dentists had received substantial business income from Medicaid but might be failing to report the income under the New Jersey unincorporated business tax law. Based on Commission evidence, criminal complaints were filed against 14 doctors and dentists and two professional partnerships for failure to file tax returns on business income totaling \$2.7 million over a three-year period.

Pre-parole Release (Furlough) Programs of the State Correctional System (1976 Annual Report and May and June 1976 public hearing). The Commission exposed widespread and dangerous inmate subversion of prison furlough programs. During and after the investigation, the Commission pointed out the need for numerous corrective steps to bring the programs to a point where system integrity would be ensured. Many of these recommendations, including elimination of inmate supervision of

the program and the provision of funds to sustain non-inmate control, were implemented. The Commissioner of the Department of Corrections, commented at the time: “The SCI investigation was a high-class, highly professional job. It was done in a positive fashion. The effect was really to help the Department correct problems rather than simply expose them.”

Following the Commission’s investigation and public hearing, a state grand jury indicted in December 1976 a since-dismissed clerk at Trenton State Prison for false swearing and perjury during the Commission’s investigation. These charges related to a forged Appellate Division opinion which was inserted into the record of an inmate, Patrick Pizuto (an underling of Anthony Russo, the seashore mob figure), enabling him to be released from prison two years and 52 days before his earliest parole date. This disclosure at the Commission’s hearing led to the immediate reincarceration of Pizuto, who was subsequently indicted for murder and federal bank fraud. Pizuto eventually became an informant in the federal witness protection program. In the spring of 1980, he was a key state witness in the State Attorney General’s prosecution of several organized crime members. Two entered guilty pleas and four were convicted at trial.

In January 1977, five former inmates of Leesburg Prison were indicted on charges of escape by means of fraudulent furloughs. These indictments led to guilty pleas or verdicts.

Land Acquisition Practices of Middlesex County Under the State’s Green Acres Program (1975 Annual Report and June 1975 public hearing). The Commission found that the County paid up to 100 percent above fair market value for certain parcels of land in Piscataway Township. The investigation determined that the Administrator of the County’s Land Acquisition Department, Nathan DuBester, had approved the land purchase prices with virtual rubber stamp consent from the Board of Freeholders. DuBester not only constantly solicited a stream of political contributions from appraisers doing business

with the County but also, according to sworn testimony of two of the appraisers, solicited cash payments from the two at a time when he was awarding them County appraisal work.

Even before the Commission completed its 1976 hearings, state officials, alerted by the Commission’s actions, began to transfer 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 Commission was also able to prevent gross land acquisition overpayments in connection with a local park project, thereby saving state taxpayers at least \$77,880.

As a result of the Commission’s revelations, DuBester was suspended and county officials instituted more stringent checks and balances on land acquisition procedures. The Commission’s evidence was referred to the Middlesex County Prosecutor’s Office. In September 1976, a grand jury issued a presentment in which it said that while it found “no provable criminal act” by DuBester, 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 within the law, certainly gave the appearance of impropriety.”

Lindenwold Borough (1974 Annual Report and December 1974 public hearing). The Commission obtained testimony and exhibits proving that \$198,500 had been paid by land developers to Lindenwold public officials in return for favorable government treatment and cooperation. After receiving the Commission’s evidence, a state grand jury returned indictments in 1975 against former mayors William J. McDade and George H. LaPorte on charges that included soliciting a bribe from a land developer, misconduct in office and perjury. Former Borough Treasurer Arthur W. Scheid, also a former Councilman, was also indicted on a charge of solicit-

ing a bribe from a land developer. McDade and a real estate developer pled guilty to bribery and conspiracy charges in September 1977, as their trial was scheduled to start. LaPorte had earlier pled guilty to conspiracy to commit bribery. After their trial concluded on October 5, 1977, Scheid was found guilty on three counts and former Councilman Dominic Stranieri was found guilty on two counts. Meanwhile, Lindenwold voters gave control of the Borough to a new regime.

Compatibility of Interests of the Chairman of the Delaware River Port Authority (October 1974 report). Based on evidence obtained by the Commission, the Port Authority claimed \$64,330 from its former Chairman, Ralph Cornell, as repayment of profits some of his firms made on Authority construction projects. The claim was settled in October 1977 for \$50,666. Although the Attorney General absolved the former Chairman of any criminal wrongdoing in 1975, the Governor did not reappoint him to the Authority when his term expired in January 1975.

Profit-Oriented Companies Operating in a Pseudo-Charitable Manner (September 1974 report and June 1974 public hearing). The Commission acquainted federal authorities with investigative findings during and after its probe. Subsequently, the owner of one of the profit-making companies identified at the Commission's public hearing and the sales manager of another company pled guilty to federal fraud charges. The owner was fined and given a two-year suspended sentence, and the sales manager received a three-year suspended sentence.

Workmen's Compensation System (January 1974 report and May and June 1973 public hearing). Major reforms, many specifically recommended by the Commission or obviously aimed at stopping abuses that it exposed, were accomplished by rule changes promulgated by the Department of Labor and Industry. Additionally, a bill recommended by the Commission was enacted into law to prevent more effectively false medical billing practices which, investigation showed, were used by some to inflate

compensation and negligence claims. By letter dated April 18, 1975, Joseph A. Hoffman, Commissioner of Labor and Industry, stated that the Commission's investigation and report were "of immeasurable assistance in formulating new systems and regulations" and drafting legislative proposals. In 1978, several major reform bills were introduced to enact wide-ranging revisions and to create a new Workers' Compensation system.

As a result of the Commission's investigation, three judges of compensation were given disciplinary suspensions by the Commissioner of Labor and Industry. One of the judges, James J. Bonafield, was dismissed by Governor Cahill at the conclusion of his six-month suspension. The hearing officer, retired Supreme Court Justice John J. Francis, found that the Commission's evidence proved beyond a reasonable doubt that Bonafield had maintained a private law practice beyond January 7, 1970, the day after which a statute prohibited judges of compensation from practicing law. The Appellate Division subsequently upheld Bonafield's dismissal. He was also suspended from the practice of law for six months. Another judge, Alfred P. D'Auria, elected to retire at the end of his five-week suspension. He was also suspended from the practice of law for six months.

After the Commission referred its evidence of bill padding and collusion to the Essex County Prosecutor, a grand jury returned an indictment in October 1975 charging two law firm partners and the firm's business manager with conspiring with two doctors and others to obtain money in a bill-padding scheme exposed at the Commission's public hearing. Although the main indictment was dismissed, a second indictment against one of the partners was allowed to stand. Essex authorities, after being deputized in Middlesex County, also obtained an indictment from a Middlesex County grand jury. The Waterfront Commission of New York Harbor also used the investigative techniques and methodology developed by the Commission in this investigation to uncover widespread workers' compensation frauds involving dock workers.

Narcotics Distribution and Its Relation to Laws and Law Enforcement (1973 Annual Report and December 1973 public hearing). As a result of intelligence gathered during this investigation, the Commission identified the victim of a 1970 Pennsylvania gangland-style slaying as Jed Feldman, a Newark resident engaged in alleged burglary ring activities in Northern New Jersey. Feldman had been wrongly identified as a police informant. The Commission proved the corpse's identity and helped the District Attorney of Lackawanna County obtain arrest warrants for Gerald Donnerstag of Belleville and Gerard Festa of Newark. Commission agents located a third suspect, Harold Ellis, in Florida. In October 1974, Donnerstag was convicted of first-degree murder. The other two defendants pled guilty to lesser charges and testified for the prosecution.

When Donnerstag and Festa were arrested, Essex County Prosecutor Joseph Lordi commented, "This ... certainly is another true validation of the merits of the [SCI] as an aid to law enforcement." The head of the Federal Drug Enforcement Administration and the Pennsylvania State Police Captain in charge of the criminal investigation also lauded the Commission's contribution.

In developing information relative to its narcotics inquiry and the Feldman murder, the Commission also learned about a burglary ring and stolen jewelry fencing operation in Essex County. The Commission turned its evidence over to the Essex County Organized Crime Strike Force. On October 5, 1973, Frank Martin and his son, Richard, the two proprietors of a long-established Newark jewelry store, were arrested. They were convicted of conspiracy and receiving stolen property.

On May 16, 1974, federal and Essex County grand juries, again relying on information first developed by the Commission, returned more than 20 indictments against members of a loosely knit federation of crime rings which had engineered scores of armed robberies and burglaries, as well as numerous homicides, arsons, atrocious assaults, and receipts of stolen goods. In announcing the indictments, the

Essex County Prosecutor's Office placed the Commission at the head of the list of a group of state, federal and local agencies whose participation and cooperation in the complex probe traced robbers and thieves operating across county and state boundaries. Numerous convictions were obtained, including several for homicide. Of particular importance was the development by Commission special agents of an exceptionally knowledgeable and accurate informant, who provided extensive detail about the criminal activities.

Donated Federal Surplus Property Distribution by the State and the Purchasing and Administrative Practices of the Passaic County Vocational and Technical High School (1973 Annual Report and September 1973 public hearing). After the Commission referred its evidence to the Attorney General, a state grand jury in 1974 indicted Alex Smollock, the school's Board Secretary and Business Manager, on charges of taking nearly \$40,000 in kickbacks. He was convicted in January 1976 of nine counts of accepting bribes and was sentenced to one to three years in prison and fined \$9,000. In March 1977, in a state court lawsuit brought by the Passaic County Freeholders and the High School, Smollock was ordered to return the salary he received during his suspension from school duties, as well as the bribe money. In a February 1978 settlement, Smollock agreed to pay the County more than \$50,000 in 60 installments during a five-year period upon completion of his prison term.

In May 1974, the State Board of Education issued a memorandum to county and municipal public schools in which the Commission's recommendations were set forth and each school board was called upon by the State Board to adopt a policy concerning purchasing "with specific attention to the Commission's recommendations." The Commission had suggested procedures to implement a competitive "bidding" or "comparative price" approach for items costing less than the threshold amount mandating formal competitive bids.

Operations of Organized Crime in Parts of New Jersey (1972 Annual Report and February 1972 public hearing). A key witness at the Commission's public hearing was hotel investor Herbert Gross, who, in order to shorten a state prison term, began in 1971 to cooperate with government agencies, including the Commission. Gross recounted how a \$5,000 shylock loan he incurred became the subject of a gangland dispute, including the severe beating of Gross in Lakewood by John (Johnny D) DiGilio, John (Red) DeFazio and Jerry (Nap) Napolitano. The dispute, Gross testified, eventually led to his being taken to New York City for an underworld "sit down" or "trial" held in the back room of a store. The "judge" was Frank (Funzi) Tieri, then the street boss of the Genovese organized crime family. Tieri, according to Gross, ruled that Gross should be under the control of or "owned" by DiGilio via DiGilio's underworld supervisor, Pasquale (Patty Mack) Macchiarole.

The Commission made its evidence available to federal authorities, who subsequently obtained extortion and conspiracy indictments against Tieri, DiGilio, Anthony (Tumac) Accetturo, DeFazio, Napolitano, Vincent J. (Jimmy Sinatra) Craparotta and Macchiarole concerning the incidents related by Gross in his Commission testimony. Tieri had been convicted in 1922 of armed robbery and had been arrested nine times since then but had beaten all the charges. A Commission special agent testified during Tieri's trial and helped to solidify the prosecution's identification of Tieri as a major leader of mob strong-arm racketeering operations that extended into New Jersey. Tieri was convicted on November 21, 1980. In January 1981, Tieri was sentenced to 20 years in prison but allowed to remain free on bail pending appeal. He was also fined \$60,000. Tieri died in March 1981 while his appeal was pending.

Manipulations of Securities and Bank Funds in Middlesex County (1972 Annual Report). At private hearings the Commission developed evidence that Santo R. Santisi, President of Middlesex County Bank, and several cohorts misdirected over \$500,000 in bank funds for their personal gain. The Commission deferred a planned public hearing at the request of bank examiners concerned about the bank's financial health. Instead, the Commission referred its evidence to federal authorities, who arrested Santisi in August 1972 and in 1973 obtained indictments against him and others on charges involving the misapplied bank funds. All the defendants pled guilty in 1973.

Planning and Zoning Corruption in Madison Township, Middlesex County (1973 Annual Report and September 1972 public hearing). After a day and a half of public hearings, three developers obtained from the Chancery Division a summary judgment restraining the Commission from conducting a public hearing regarding the developers' private hearing testimony. The New Jersey Supreme Court certified the Commission's appeal before argument could be heard in the Appellate Division. On July 5, 1973, the Supreme Court reversed the summary judgment and directed that the developers' complaint be dismissed.²⁷ Meanwhile, the Commission had honored the Middlesex County Prosecutor's request that it postpone its public hearing and refer its evidence for prosecutorial use. In early 1974, a Middlesex County grand jury indicted former Madison Township Councilman Donald Tierney. On February 21, 1975, a jury found Tierney guilty of misconduct in office and extorting \$10,000 from a land developer in exchange for arranging a subdivision approval.

Development of the Point Breeze Area of Jersey City (1971 Annual Report and October 1971 public hearing). Two bills implementing Commis-

²⁷*Cali v. New Jersey State Commission of Investigation* 63 N.J. 310 (1973).

sion 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 paid on such a purchase.

Meanwhile, the Commission referred its evidence to the Hudson County Prosecutor's Office. In 1973, a Hudson County grand jury returned an indictment charging Timothy Grossi, a former Jersey City building inspector, with extorting \$1,200 from an official of the Port Jersey Corporation and obtaining money under false pretenses. In 1975, Grossi was convicted of obtaining money under false pretenses, fined \$200 and given a six-month suspended sentence.

Misappropriation of Public Funds in Atlantic County (December 1971 report). The misappropriation of \$130,196 came to light with the suicide of a purchasing agent in Atlantic County's government. Testimony revealed that the purchasing agent had brazenly diverted money to his own use over a period of 13 years under the noses of higher officials and without adequate inquiry even after a bank finally questioned a false endorsement. Copies of the Commission's report were sent to freeholder boards throughout the state for use as a guide in preventing further instances of similar misappropriation of funds. As a result of fiscal irregularities uncovered in its probes, not only of Atlantic County but also of county agencies in Monmouth and Hudson counties, county and municipal auditors were mandated to exercise more responsibility for maintaining integrity, with stress on continuous reviews of the internal controls of local governments.

City of Long Branch (1970 Annual Report and March and April 1970 public hearing). In the late 1960s it had been publicly alleged that organized crime figure Anthony (Little Pussy) Russo controlled the government of Long Branch. Mob figures were apparently operating in an atmosphere relatively secure from law enforcement. The Commission's public hearing disclosed the following conditions:

1. The City Manager was ousted from his job by the City Council after he began taking action to counter organized crime's influence.
2. Russo offered to get the City Manager's job back if he would close his eyes to underworld influences and act as a front for the mob.
3. Impending police raids on gambling establishments were being leaked in time to prevent arrests, despite the anti-gambling efforts of an honest police chief who died in 1968.
4. The next police chief lacked the integrity and desire to investigate organized crime or stem its influence.

After the Commission's public hearing, the irresponsible police chief retired and the electorate voted in a new administration. The Asbury Park Press commented editorially that the Commission's hearings did more good than four previous grand jury investigations.

The Commission's special agents and accountants developed detailed fiscal information relating to corporations formed by Russo. Federal authorities used the information to obtain a 1971 indictment of Russo for failure to file corporate income tax returns. He pled guilty to the charge and was sentenced to three years in prison in 1972.

Administration of the Monmouth County Prosecutor's Office (1970 Annual Report and February 1970 public hearing). The Commission investigated the misuse of funds from a confidential expense account ostensibly used by Chief of Detectives John M. Gawler to pay informants. Indeed, the money had not been used to pay informants and could not

be accounted for. The fund had never been audited, nor was it supervised by the part-time County Prosecutor, who testified that he signed blank vouchers. On October 15, 1969, the Commission subpoenaed Gawler to a private hearing. The next day he was found dead of carbon monoxide poisoning in the garage of his home, an apparent suicide.

The Commission revealed that for 12 years the Prosecutor employed a confidential investigator, James LoBiondo, who simultaneously served as a business agent for a labor union. In the 12 years, LoBiondo never made a written report of an investigation. He was unable to remember a single instance where information he supplied led to an arrest or conviction. Two days before the Commission's public hearing began, the Prosecutor fired LoBiondo.

The Commission recommended that all counties be served by full-time prosecutors. This proposal was gradually implemented until by 1986 all counties had full-time prosecutors. The Commission's further recommendation that the Attorney General be empowered to exercise some supervision over county prosecutors also was implemented.

Practices of the Division of Purchase and Property (1970 Annual Report and June 1970 public hearing). The Commission revealed payoffs to a senior state buyer, Joseph W. Seaman, in return for increasing the state business to a building maintenance and service company, Middlesex Building Services of New Brunswick. The Commission also found evidence of rigging of state contract bids, renewal of those contracts without bidding, and unsatisfactory performance of work called for under state contracts. As a result of the investigation, a number of state bidding and purchasing procedures were changed. Seaman was also dismissed from his state job. The Commission turned its evidence over to the Attorney General, who in June 1972 obtained a state grand jury indictment charging Seaman with misconduct in office. He pled guilty in 1973 and was fined and placed on probation for three years.

Building Services and Maintenance Industry (1970 Annual Report and June 1970 public hearing). The Commission discovered anti-competitive and other improper practices and influences in the building services industry. A trade organization, controlled by a union official linked to organized crime figures, thwarted competition by limiting free bidding and enterprise. Coerced sales of certain detergents and the imposition of sweetheart contracts were sometimes the price of labor peace. In addition, a major organized crime figure acted as an arbiter of customer allocation disputes between some cleaning companies.

The United States Senate Commerce Committee, chaired by Senator Warren G. Magnuson, invited Commission representatives to testify at its 1972 public hearings on organized crime in interstate commerce. Senator Magnuson wrote to the Commission: "It is only through the assistance of organizations such as yours and the professionals associated with them that progress can be made in the effort to expose the cancer of organized crime in interstate and foreign commerce."

The Commission later assisted the Antitrust Division of the federal Justice Department in an investigation which led to the indictment in May 1974 of 12 companies and 17 officers operating in New Jersey — all first exposed at the Commission's public hearing — for conspiring to prevent competition in the industry. One company pled guilty to the charges and the other defendants pled no contest. Fines totaling \$233,000 were levied, and the individuals received suspended prison sentences. In October 1977, the defendants entered into a consent judgment in which they agreed to abandon the practices alleged against them.

Hudson County Mosquito Extermination Commission (1970 Annual Report and December 1970 public hearing). The SCI found that the Mosquito Commission's Treasurer, who was almost blind, signed improper checks and vouchers at the direction of the agency's Executive Director, C. Harry Callari. The SCI also revealed shakedowns by Callari

in connection with construction projects or rights-of-way in the Hudson meadowlands, the existence of a secret bank account, and kickbacks by contractors and suppliers under a fraudulent voucher scheme. As a result of the investigation, the County abolished the Mosquito Commission.

After receiving the SCI's evidence, the Hudson County Prosecutor's Office in 1971 obtained conspiracy and embezzlement indictments against Callari, his two sons, Benjamin and Ronald, his secretary, the Commission's engineer and a foreman. Callari pled guilty to embezzlement, and in June 1972 was sentenced to two to four years in prison. His sons pled guilty to conspiracy and were fined \$1,000 each and placed on probation for four years. The other indictments were dismissed.

As part of its investigation, the Commission found that the State had not been paid in full for fill material used in the expansion of the Turnpike in the northern meadowlands area. The Commission's analysis showed that certain amounts of the dredged fill had not been accounted for by a major contractor. As a result of the investigation and analysis, the contractor paid the State of New Jersey an additional \$14,211.84. After the Commission notified New York State that some one million unaccounted-for cubic yards had been dredged from that state's waters, the contractor paid New York an additional \$156,185.10 during 1971.