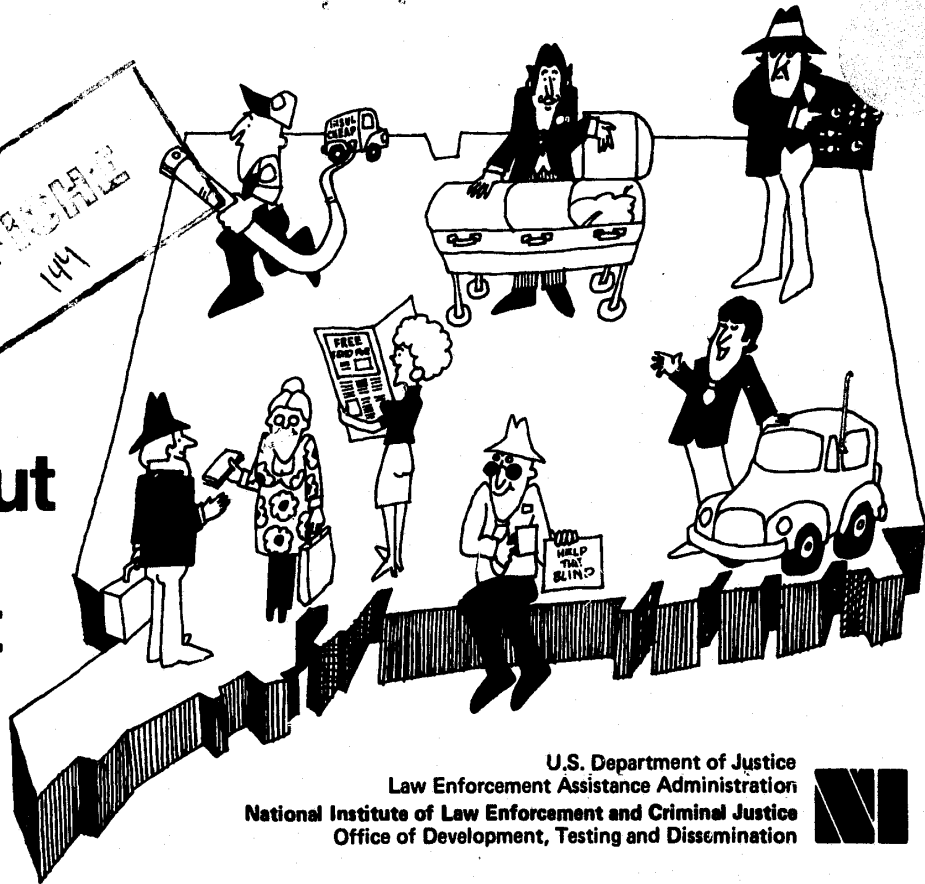


exemplary project

Connecticut Economic Crime Unit



U.S. Department of Justice
Law Enforcement Assistance Administration
National Institute of Law Enforcement and Criminal Justice
Office of Development, Testing and Dissemination



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An Exemplary Project

July 1979

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The Connecticut Economic Crime Unit is one of 29 programs which have earned the National Institute's "Exemplary" label. Programs may be proposed for consideration by the operating agency, local government or criminal justice planning unit, State Planning Agency or LEAA Office. Those which present the most clear-cut and objective evidence of success in terms of each of the selection criteria are examined by an independent evaluator to verify their:

- Overall effectiveness in reducing crime or improving criminal justice
- Adaptability to other jurisdictions
- Objective evidence of achievement
- Demonstrated cost effectiveness

Validation results are then submitted to the Exemplary Project Review Board, made up of LEAA and State officials, which makes the final decision.

For each Exemplary Project, the National Institute publishes a range of information materials, including a brochure and a detailed manual. Publications are announced through the National Criminal Justice Reference Service. To register for this free service, please write: NCJRS, P.O. Box 6000, Rockville, MD 20850.

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Two Arrested in Charity Racket Probe

School Board Member Charged in Kickback Scheme

Stock Fraud Costs Victims \$1.5 Million

Firm Chief Seized in Home Improvement Rip-off

White collar crimes make headlines every day, not a surprising fact considering that an estimated \$40 billion is lost each year to the increasing array of commercial and consumer frauds known as "economic" crimes. This compares with an estimated annual loss of \$1 billion for victims of street crime. Every day someone loses money through such frauds as false

advertising, real estate swindles, phony investment schemes, and sham repairs or home improvements. But victimization is not limited to the trusting consumer or the naive believer in get-rich-quick schemes. Small businesses, large corporations, and public institutions are all targets for stock frauds, property swindles, embezzlement, and kick-back deals.

In the last decade, consumer organizations and other public interest groups have worked hard to focus public attention on economic crime. The headlines attest to their success — more and more people are realizing that “bilking the public” is the chief goal of large numbers of so-called “con-men,” dishonest businessmen, and corrupt officials. But those same head-

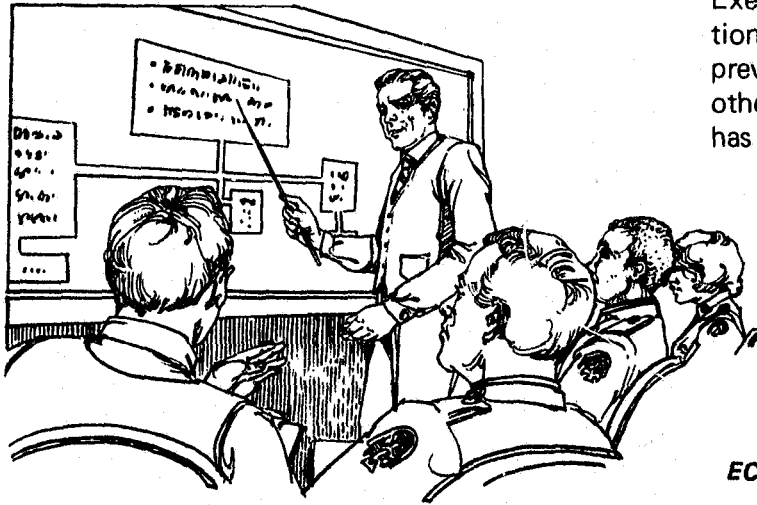


An honest face can sometimes mask a con-man.

lines do more than reflect a growing public awareness — the abundance of publicity given economic crime has helped to feed a growing public cynicism as well. A common notion is that, while large numbers of economic criminals are victimizing the populace, few are caught, and those who are rarely receive appropriate penalties. Many people believe that these criminals seldom go to jail.

Unfortunately, that view is not far from the truth. The nature of economic crime presents special problems for prosecutors: offenders camouflage their actions as normal dealings and disguise their intent so as to gain the trust of the unsuspecting victim. In addition, many victims of economic crimes may not be aware that they have been victimized until months later. Some may never discover that their loss was anything other than a bad investment or business decision. Moreover, judges are often reluctant to impose a jail sentence on economic criminals, many of whom have strong ties in the community and no prior criminal record. It is not surprising that economic crime is on the rise.

In 1973, the National District Attorneys Association, funded by an LEAA grant, began an effort to combat economic crime through programs in 15 different jurisdictions. There are now 62 such projects throughout the country. All have as their common goal an increase in the number of economic crime investigations, arrests and convictions.



In January 1975, LEAA's National Institute of Law Enforcement and Criminal Justice recognized the success of two economic crime projects; the King County (Seattle) and San Diego County Fraud Divisions, by designating them Exemplary Projects. The achievements of Connecticut's Economic Crime Unit (ECU) are equally noteworthy. However, as required by the Exemplary Projects Program guidelines, ECU's designation is based on a significant variation from the two previous exemplary projects (and, indeed, from most other economic crime units): the Connecticut ECU has statewide jurisdiction.

ECU attorneys help train recruits at the State Police Academy.

CONNECTICUT'S ECONOMIC CRIME UNIT

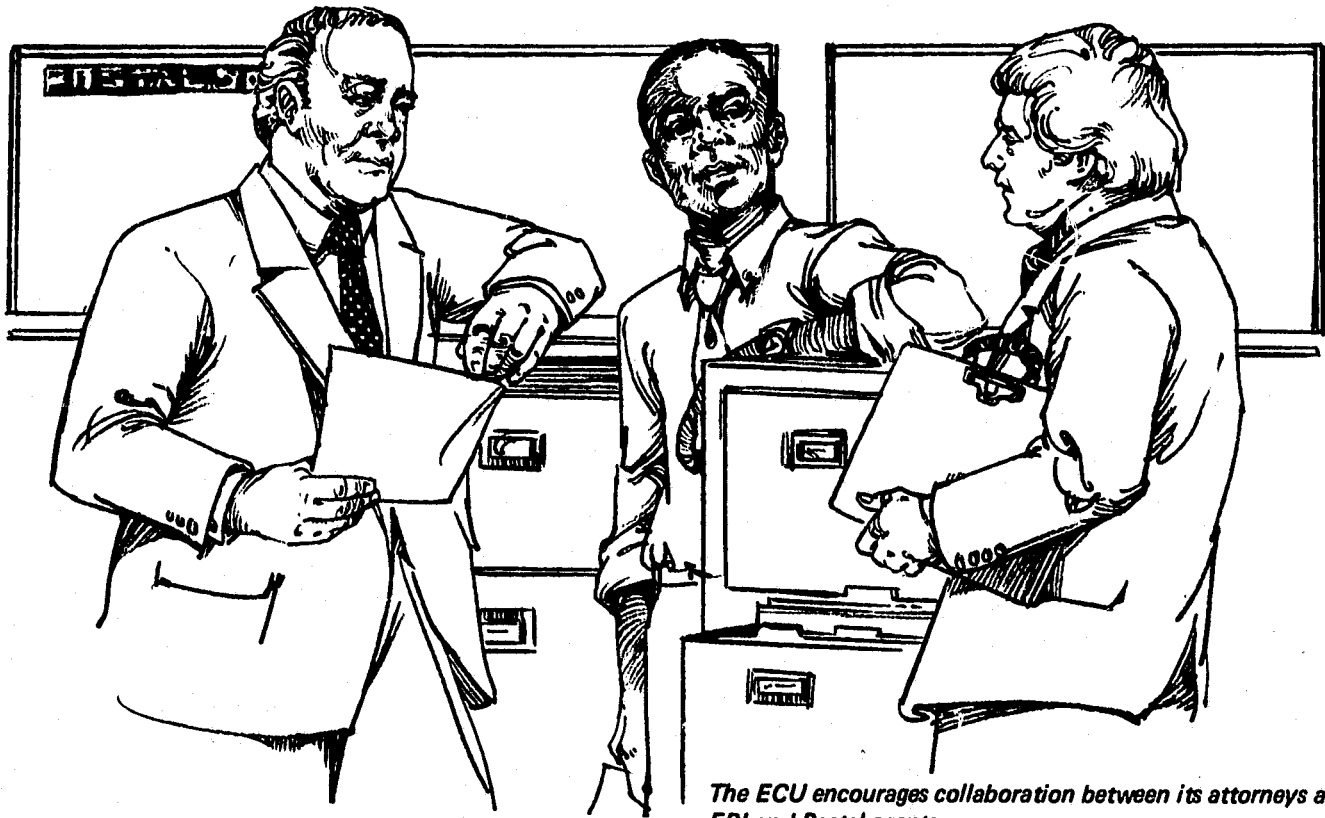
The Connecticut Economic Crime Unit (ECU) was one of the first statewide approaches to prosecuting economic crime. The benefits of such broad jurisdiction are obvious — protection is extended beyond the one or two most populous counties of the state, and the state's investigatory and prosecutorial resources can be marshalled to strengthen the case against alleged offenders.

Newspapers are a constant source of cases for the ECU. Investigators scanning the papers for suspicious ads and business opportunity listings discovered claims for "an amazing capsule reducing plan" that was supposed to "dissolve the fat right out of your body." The amazing pills were ordered and analyzed, and found to contain nothing more than a nasa¹ decongestant. The president of this pharmaceutical corporation was one of the Unit's first arrests.

Prior to the creation of ECU, the two agencies primarily responsible for consumer protection in Connecticut, the Attorney General's Office and the State Depart-

ment of Consumer Protection, had no criminal jurisdiction although civil remedies such as injunctions or class action suits were available. Lack of criminal jurisdiction results in several disadvantages for combatting economic crime. Civil litigation tends to be slow, costly and complex, and enforcement mechanisms are often ineffective. The plaintiff who wins a civil suit can lose in reality if the defendant fails to comply with the court order. Furthermore, the offender is more likely to be deterred by the threat of criminal sanctions and the stigma attached to criminal prosecution.

The Chief State's Attorney, whose office has responsibility for all criminal prosecutions in Connecticut, recognized that criminal prosecution for these crimes was desirable, but at the same time appreciated the extensive amount of expertise required to investigate and prepare these cases for successful prosecution. So, with funding from the Law Enforcement Assistance Administration, the Chief State's Attorney's Office



The ECU encourages collaboration between its attorneys and FBI and Postal agents.

developed an Economic Crime Unit (ECU), operating on a statewide basis, concentrating exclusively on economic crime cases.

THE PROJECT GOALS . . .

- to increase the number of economic crime investigations and prosecutions
- to increase public and police awareness in order to prevent economic crimes before they occur and to recognize them when they do occur
- to develop a comprehensive statewide approach to the investigation and prosecution of economic crime

. . . AND HOW THEY ARE ACHIEVED

The ECU is part of the Chief State's Attorney's Office and has *statewide jurisdiction* over economic crime. The ECU has only criminal jurisdiction. One of the primary strategies of the ECU, however, is the develop-

ment of working relationships with other state regulatory agencies which can take civil and administrative actions. The majority of cases are referred to the ECU through other agencies, with a primary focus on *major impact cases* — those which will affect the largest number of major offenders and protect the largest segment of the public. The ECU strives for felony prosecution wherever possible, and incarceration whenever the facts warrant.

A 60-year-old Connecticut sales representative is currently pending trial in a \$1.2 million securities fraud case involving 126 victims from several states and foreign countries. Several of the victims were friends and acquaintances of the defendant. Counterfeit shares and fraudulent stock reports were printed and shareholder meetings were held over a two-year period. The scheme was uncovered by a defrauded stockholder, who contacted the ECU and the State Banking Committee. The FBI, SEC, ECU and a host of auditors and accountants are combining efforts to ensure swift conviction and restitution in this worldwide fraud case.

The staff consists of three prosecuting attorneys, one of whom is the Unit Chief. Their jurisdiction includes both felony and misdemeanor cases. In addition, the Unit employs five investigators chosen for their wide range of experience in the field, a law student intern

and a clerical assistant. The joint efforts of investigators and prosecutors working in the same organization ensure that each case is properly investigated and that there is sufficient evidence to obtain a conviction.

Each case benefits from the cooperative efforts of an ECU attorney and investigator.

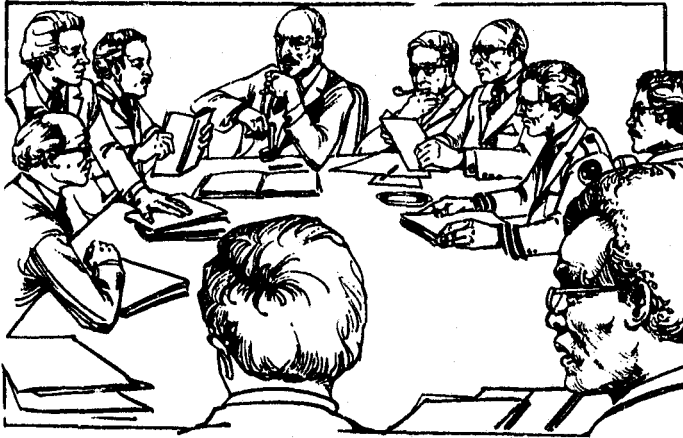


The *Economic Crime Council* is made up of representatives from virtually every regulatory, enforcement, and prosecutorial agency in Connecticut, both state and federal. It was organized to educate the personnel in these agencies as to the nature of economic crime and how best to recognize it. The Council also provides a mechanism for marshalling all of the state's regulatory and investigatory capabilities and resources.

No other aspect of the program addresses all three goals of the ECU so completely, nor supports the state-wide mandate of the ECU as effectively. The Council is based on the principle that since criminals are not constrained by jurisdictional (geographic or substantive) barriers, neither should law enforcement be so constrained; thus, the group is committed to removing as many of these barriers as possible in combatting economic crime. The result has been a cooperative approach in which the ECU and Council agencies share information, personnel assistance, and coordination of state-wide crime fighting and civil enforcement activities. The project director states that in virtually every case

handled by the ECU, some assistance has been forthcoming from one or more of the Council member agencies.

Sometimes, businesses that trade on their good names and an image of stability cannot afford to mar their "solid" reputations by revealing internal criminal activities. But one national insurance company netted a great deal of public thanks and praise — "good PR" by any standards — when it discovered an embezzlement scheme within the company and not only notified ECU, but worked closely with the Unit in a year-long investigation. The cooperative effort ended in the arrest of six of the company's own sales agents who had been forging signatures of policy holders in order to cash payment checks. The 365 victims who lost a total of \$66,000 to this scheme would never have even known of their loss had the company not chosen to investigate. And the firm reimbursed all of the policy holders involved for all losses they suffered.



The Economic Crime Council exemplifies the statewide approach of the ECU.

Other prevention activities include:

- ***monitoring of the state's major newspapers*** and liaison with classified advertising departments both to prevent crime and aid the ECU in investigating crime. The ECU follows up ads that appear suspicious, and in addition has provided advertising managers with detailed information and questions to ask prospective advertisers. The ECU reports a marked decrease in complaints regarding frauds commonly initiated through classified ads, such as business opportunity and "pay-in-advance" schemes.
- ***consumer alerts***, appearing in newspapers and broadcast as television and radio public service spots. Each alert describes a specific scheme and tells how to avoid it and report it.
- ***educational lectures*** at schools, state and local agencies, and for business and professional organizations around the state.

THE RESULTS

During its first three years of operations, the Connecticut ECU received 32,315 inquiries, 786 of which generated investigatory activity by the ECU. Arrests were made in every county in the state. Based on 97 cases in which indictments were brought and disposed of in that period, the ECU achieved 84 guilty pleas. Two defendants were found guilty at trial, and 4 received "accelerated rehabilitation" dispositions.* Only 2 cases resulted in acquittal and 5 were "nolled"*** by the prosecutor before trial.

The total operating cost of the ECU in its first three years of operation was \$474,778 (LEAA provided \$125,000 in each of the first two years and \$177,300

* Accelerated rehabilitation is a sentencing option in Connecticut by which first-time offenders agree to a period of probation prior to trial which, if successfully completed, results in a dismissal.

** Nolle prosequi, a decision by the prosecutor against prosecuting the case.



Most defendants charged with crimes by ECU plead guilty.

in the third). During that period, the ECU returned \$723,610 in restitution to victims of economic crimes and \$20,832 to the state in fines.

Thus, in its first three years of operations, the ECU returned approximately \$270,000 more than it cost to operate the Unit. This would be noteworthy in any event, but is especially so when one considers that most of the prosecutions initiated by the ECU probably would not have occurred in the Unit's absence. Furthermore, this record does not include the unknown numbers of criminals deterred because of the existence of ECU.

A corporation opened plush suburban offices and advertised that it had millions of dollars to loan, aiming its pitch at persons who had previously been turned down by other loan sources. The firm operated by agreeing to make a loan, often convincing the victim to increase the amount borrowed. The next move would be to inform the victim of certain fees that had to be paid — "attorney's" fees and "title" fees — and finally, borrowers were asked to pay a

"commitment fee" of up to 10% of the loan. After that payment, the victim would suddenly find it very difficult to reach his loan officer by phone. The total cost to victims of this operation before the ECU called a halt: close to \$100,000.

THE FUTURE OF ECONOMIC CRIME

"Let the buyer beware" is often a meaningless warning in the context of modern society. The "buyer" needs help. Our complicated society has engendered a whole new class of crime and criminals that feed on that very complexity. Economic crime is insidious and debilitating, and it claims a treble toll: buyer, taxpayer and tax collector alike are robbed of billions of dollars annually. But more than money is at stake — public trust in the business community and the criminal justice system is threatened as well. The broad range of resources offered by a statewide program can provide the protection and preventive measures that could help diminish economic crime.

**For further information concerning the policies and
procedures of the Connecticut Economic Crime
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