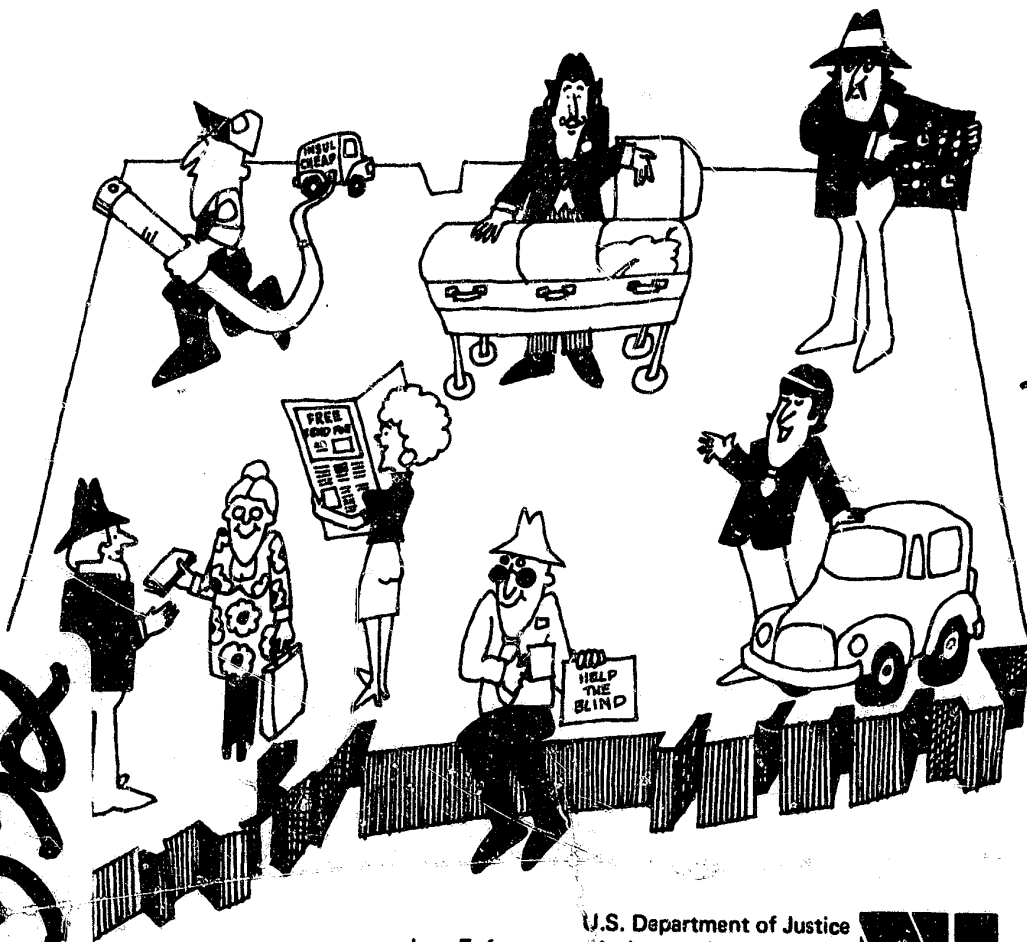


# Connecticut Economic Crime Unit

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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**

### **Connecticut Economic Crime Unit**

by

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

**September 1979**

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## Chapter 1 Introduction

*"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 headlines 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.



***An honest face can sometimes mask a con-man.***

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.

### 1.1 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 nasal 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 Department 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 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 development 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.

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 statewide 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 statewide 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.

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.

## 1.2 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 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,*

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\* 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.

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.

### 1.3 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.

### 1.4 Content Guide

Chapter 2 describes the Connecticut Economic Crime Unit's development and organization, pointing specifically to problems and priorities in developing the Unit.

Chapter 3 outlines the operations of ECU: case referral, screening and investigation and data management. In addition, Chapter 3 discusses preventive measures, public relations and training programs established by the ECU.

Chapter 4 presents the results of the ECU during the past three years and summarizes the project's operating costs. In addition, issues which should be considered by those planning similar projects are highlighted in each chapter.

## **Chapter 2**

### **Project Development and Organization**

#### **2.1 Background**

Prior to the establishment of the ECU in 1975, individual consumers and various consumer rights groups had begun to call for a systematic attack on economic crime. At the time, there was no organized effort in Connecticut to combat economic crime with criminal sanctions. The Connecticut Attorney General's Office had no criminal jurisdiction; while some consumer complaints were handled by that office, many more came to the attention of the state Department of Consumer Protection (DCP). Again, DCP had no criminal jurisdiction and could assist consumers only with civil remedies such as injunctive relief, class action suits or other forms of partial recoupment. As a result, individual victims were forced to rely almost exclusively on either the apparent coercive authority of these state agencies or on private civil suits. These suits frequently proved costly, time consuming and in many cases frustrating when convicted defendants were unable to pay the amount of the judgments against them.

This is not to say that criminal sanctions for economic crime were not available in Connecticut prior to 1975. Rather, the Department of Consumer Protection, which received the bulk of economic crime referrals, had not been making routine referrals to the one agency empowered to press criminal cases, i.e., the State's Attorney's Office. In addition, economic crime activity is not as easily recognized by enforcement agencies as are burglary, assault, or robbery and thus it does not always fit neatly into statutory definitions of crime.

Connecticut created the Office of Chief State's Attorney in 1973 with the responsibility of prosecuting all criminal actions in the state. The Chief State's Attorney is located in Wallingford and has the administrative responsibility of coordinating the activities of eleven state's attorneys located regionally within Connecticut's eleven Judicial Districts. All state's attorneys are appointed by the judiciary.

The Chief State's Attorney recognized the problems in identifying and prosecuting economic crime. He also recognized that prosecution of these crimes would require a considerable amount of expertise, not only in applying the statute to the offense, but in the investigation and preparation of the case. The various state's attorney's regional offices were so overwhelmed with their typical felony caseloads that they had too few resources to devote exclusively to economic crime. Coordinating prosecution across regional office lines was practically impossible. After attending a National District Attorneys Association (NDAA) conference on the subject of economic crime, the Chief State's Attorney initiated development of a program in Connecticut.

In considering the establishment of an Economic Crime Unit in Connecticut it appeared that the problem could best be approached through a statewide program operating out of the Chief State's Attorney's Office. A centralized program could maximize use of limited funds. Moreover, most economic crime schemes involve multi-county efforts and highly mobile con artists.

*ECU successfully prosecuted a defendant who had been operating a number of illegal activities. As a used car salesman he had been selling automobiles without a license and without delivering them to their new owners. At the same time, the defendant had been operating a detective agency without a license. These schemes were active in at least three counties. As a result of ECU's efforts, which profited from the support of all local state's attorney's offices, the defendant was convicted of multiple counts of fraud and forgery and is now serving a one year jail sentence.*

A statewide approach was particularly feasible in Connecticut for several reasons:

- The State's Attorney's Office has exclusive criminal jurisdiction in Connecticut. No such authority existed in either the Attorney General's Office or the state Department of Consumer Protection which assisted consumers only with civil remedies.
- The central office of the State's Attorney has jurisdiction to begin the criminal process in any county in Connecticut.
- A recent reorganization of the court system\* facilitated the ECU's prosecution efforts and its liaison with state's attorneys in the regional offices. Eleven judicial districts were created for the prosecution of major felonies, thus reducing traveling time and expense for ECU.

With these considerations in mind, the Chief State's Attorney began to develop the Economic Crime Unit in 1975.

#### *Issues for Replicators: Statewide Jurisdiction*

The benefits of a statewide approach greatly expand an economic crime unit's scope in two ways. First, protection is extended beyond the one or two most populated counties of a state (where local units are apt to be found) and perpetrators cannot avoid prosecution by simply relocating or concentrating their activities elsewhere in the state. Also, interstate and federal

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\* The state of Connecticut enacted legislation over the past three years reorganizing its court system. The Court of Common Pleas, previously empowered to hear misdemeanors and felonies punishable by sentences of five years in prison or less, has been consolidated into the Superior Court system, which in Connecticut is the court of general trial jurisdiction. The reorganization established eleven Judicial Districts in Connecticut with one or more Superior Court facilities located in each District. (These Districts bear no relationship to county lines.) Thus, all criminal cases are commenced in the appropriate Superior Court within the appropriate Judicial District.

communication and relationships are enhanced by a state organization responsible for economic crime prosecution.

The Connecticut ECU was one of the first attempts to investigate and prosecute economic crime through a statewide program (only New Jersey, Rhode Island and Delaware have also adopted a statewide approach). Interestingly, all four statewide projects operate in geographically small states. Large states, with widely dispersed population centers, may find that a centralized economic crime unit is a less viable approach due to increased travel time and associated administrative costs.

The major question in replicating the Connecticut ECU model, however, is establishing statewide criminal jurisdiction. There may be administrative or logistical bars if no on-line agency exists with such prosecutorial authority. Although the Connecticut ECU is housed in the State's Attorney's Office, in most states the most likely location for a statewide ECU would seem to be an Attorney General's office. The National Association of State Attorneys General reports that Connecticut is one of four states (the other three states are Indiana, Tennessee, and West Virginia) that prohibit the Attorney General from initiating criminal prosecutions under any circumstances. While some of the remaining 46 states impose limitations on the Attorney General's ability to initiate felony prosecutions, few, if any, appear to be so severe as to require statutory revision before a program similar to the ECU could operate out of that office.

Though in many states the Attorney General has limited criminal jurisdiction, the need for statewide coordination has and will become more pronounced with the growing sophistication, complexity and mobility of economic crime. Some states have successfully passed legislation which gives statutory criminal jurisdiction to the Attorney General. For example, New Jersey recently established an Economic Crime Unit under the auspices of the Attorney General's Office. Prior to 1970 the criminal business of the state was prosecuted by 21 independent law enforcement agencies; specifically, as in Connecticut, in each county the county prosecutor was the chief law enforcement officer. The process was viewed as inadequate and was amended. Former New Jersey Attorney General William F. Hyland states:

In 1970, our Legislature enacted the Criminal Justice Act, which established the Attorney General as the chief law enforcement officer in the state and created the Division of Criminal Justice within his office. The Director of the Division is appointed by the Attorney General and "serve(s) at (his) pleasure". The articulated objective of the statutory scheme, and hence the essential responsibilities of the Division, are to encourage cooperation among law enforcement agencies and to coordinate their efforts "in order to secure the benefits of a uniform and efficient enforcement of the criminal law". The legislative intent, as plainly revealed in the Act, was to establish a central agency having a statewide perspective over the administration of criminal justice with both line and staff functions. In New Jersey, the Attorney General, the primary prosecutorial officer, directs this massive effort.

In furtherance of this objective, the Division of Criminal Justice has been structured to both discourage violations of the law and to effectively prosecute wrongdoers. The Criminal Justice Act expressly empowers the Attorney General to conduct "such investigations, criminal actions or proceedings as shall be necessary for the protection of the rights and interests of the State". This authority is supplemented by the provisions of the State Grand Jury Act which dispense with ordinary procedural rules relating to venue and permit the Attorney General to try cases in counties other than those in which the offense occurred.\*

## 2.2 Project Development

Once the decision was made to organize a centralized, statewide Economic Crime Unit, such issues as structure, staffing, funding and start-up procedures had to be addressed. The latter raised several important considerations.

\* William F. Hyland, "Combatting Official Corruption in New Jersey: Deterrence and Detection," The Prosecutor, October 1976, pp. 164-165.

## **2.2.1 Developing High Visibility Among the General Public**

During the organizational phase of the project, much attention was devoted to reaching the public through press releases, radio and television interviews, and feature articles in local newspapers throughout Connecticut. This media campaign served a dual purpose: first, it alerted the public to the new Economic Crime Unit, letting them know that there was, indeed, an avenue for redress of consumer complaints. Second, it generated an initial caseload on which the ECU could "gear-up" and apply its new investigative and prosecution procedures. At the same time, however, it was recognized that with the limited resources available, the ECU could not afford to become a "dumping ground" for thousands of individual consumer complaints. As the ECU became more established, its primary focus turned further toward high-impact, multi-consumer fraud. For instance, in one "work at home, buy back scheme" investigated and prosecuted by ECU, there were over 30 victims; in one securities fraud scheme there were over 60 victims. Individual complaints are typically referred to Better Business Bureaus or the Department of Consumer Protection for civil remedies or mediation. Where criminal prosecution is warranted, citizen complaints are referred to the appropriate regional state's attorney's office.

## **2.2.2 Setting Priorities**

Maximizing the limited resources available to the ECU dictated a careful plan for prioritizing the program's operations. Some priorities were clear at the beginning; others developed later. As a start, an economic crime was defined as one not involving force or physical injury--in other words, the emphasis was on monetary loss rather than violence. Next, the Unit excluded a number of areas as outside its scope: welfare fraud, political corruption, arson, shoplifting, and prostitution.

The Unit further narrowed its scope to the following types of cases:

- high impact cases that involve a large number of victims or a large amount of money;

- cases likely to have a major deterrent effect;
- cases with a strong likelihood of success based upon the evidence gathered by the Unit;
- cases involving serious statutory violations; the fraud should be one that is likely to recur with some regularity; and
- cases with a strong possibility for restitution.

ECU staff also resolved to avoid preconceived targets of prosecution in terms of a specific offender or specific practice.

*Issues for Replicators: Consumer Complaint Versus High Impact Prosecution*

Prospective units should be aware of the advantages of consumer complaint and mediation as well as the resources required to support such a service. Responding to consumer complaints can establish greater rapport between the prosecutor's office and the community. It may generate an abundance of publicity for the project and heighten public awareness of fraudulent schemes operating in their neighborhoods. On the other hand, processing a rush of consumer complaints requires substantial investment in time and manpower. For example, during a recent year, citizen referrals comprised approximately 65 percent of the caseload of the San Diego County Fraud Division. That unit is staffed by the division chief and seven attorneys, ten investigators, five assistant investigators, six clerical staff and two accountants--in contrast to the Connecticut ECU's total staff of ten.

### **2.2.3 Coordinating with Related Agencies -- The Economic Crime Council of Connecticut**

It soon became clear that the ECU's success would depend in large measure on the relationships it would establish with other agencies and organizations with related interests. Special emphasis was given to contacting and meeting with Better Business Bureaus, state regulatory agencies, and orga-

nized consumer groups to alert them to the priorities and resources of the newly formed ECU. A different, but equally important task was to work closely with the regional state's attorney's offices to ensure that they felt no "loss of turf," but rather saw the ECU as a resource that they could call upon when their own staff or expertise were not sufficient to deal with localized economic crime.

*A bookkeeper who had worked for a large department store for more than ten years had systematically embezzled \$65,000 over the last two years. Both the nature of the crime and the amount of the money involved prompted the Middlesex County State's Attorney's Office to refer the case to the ECU for prosecution. The bookkeeper was sentenced to 1-2 years.*

The Chief State's Attorney quickly discovered that there had been little cooperation, coordination, or even contact among the various state regulatory agencies, police agencies and federal agencies that were charged with investigating and prosecuting economic crime. In an attempt to develop a cooperative program throughout the state, the Chief State's Attorney held a series of meetings with all of the appropriate organizations and offices. Many of the recommendations of those involved in this planning stage were formalized through the creation of the Economic Crime Council of Connecticut. The Council's membership includes representatives of the following state and federal agencies: the State Department of Consumer Protection, State Labor Department, State Department of Motor Vehicles, State Police, State Banking Department, State Tax Department, State Insurance Department, Federal Bureau of Investigation, the Federal Postal Inspectors Office, and the U.S. Attorney's Office.

The objectives in developing the Council were two-fold: to provide the personnel in these agencies with information relating to recent practices in consumer and economic fraud, both in Connecticut and in other states; and to develop a mechanism for marshalling all of the state's regulatory and investigatory capabilities and intelligence. The project staff as well as the Council members view the ECU's relationship with the Council as a critical element in the program's effectiveness.



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

Underlying the Council and the statewide approach on which it is based is the view that criminals are not constrained by geographical or substantive jurisdictions and thus law enforcement agencies should work together to overcome these jurisdictional or institutional barriers. The end result has been a cooperative approach in which the ECU and various Council members share information and assist each other. As discussed below, the Economic Crime Council is the primary source of referrals to the ECU.

### **2.3 Project Organization and Staffing**

The Economic Crime Unit is responsible directly to the Chief State's Attorney and is located within the same office in Wallingford. The ECU staff is headed by an Assistant State's Attorney and consists of three prosecuting attorneys (one of whom is the Unit Chief), five investigators, a law student intern and clerical staff. The intern and secretary are responsible for legal research and data management, thereby freeing more time for attorneys and investigators to prepare trial work and to secure comprehensive case investigations.

All attorneys and investigatory staff have had prior law enforcement or prosecutorial experience and several worked specifically with agencies concerned with consumer protection. For example, one inspector had been a policeman for 25 years and a Senior Fraud Investigator with the Department of Consumer Protection for seven years prior to his recruitment for the Economic Crime Unit. Another inspector was a member of the Connecticut State Police for 17 years and came directly from the Statewide Organized Crime Investigative Task Force. A third inspector has had several years experience as a welfare fraud investigator and holds a bachelor's degree in accounting. Two of the attorneys assigned to the Unit were formerly assistant state prosecutors from regional offices. Because the Unit's personnel are specialists in this area of law, they can more easily recognize a fraudulent scheme and quickly move to accumulate the necessary evidence for an arrest.

*Issues for Replicators: Staffing and Institutional Setting*

The Economic Crime Unit combines investigative and prosecutorial functions in one organization. This permits the investigator and the prosecutor to work closely in compiling and evaluating the evidence necessary to present a case to the court. This approach is important inasmuch as economic crimes are usually extremely complex and require that the investigator have expert legal advice at all stages of his inquiry. Other jurisdictions with similar units have found this approach to be extremely successful. Housing both prosecutors and investigators under the same roof enhances communication among them, and reduces uncertainty over responsibilities and effort through immediate feedback on assigned cases.\*

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\* Continuity is maintained in each case since the prosecutors who will handle the case in court are part of the investigation from the initial stages. This ensures that each criminal investigation is conducted according to due process standards with a view toward accumulating evidence that is both admissible and persuasive.

Once the focus and priorities of the unit have been established in the planning stages, personnel (including the proper investigator/ attorney/support personnel ratio) can be recruited. A small initial staff with qualified personnel enhances both coordination and communication among the members of the unit. Additional investigators and attorneys should be hired as a function of changing organizational priorities and needs.

For example, in the first two years of the Connecticut ECU, cases were primarily referred through citizen complaints and consisted of misdemeanors involving a great amount of investigative resources. More recently the 2:1 investigator/prosecutor ratio best serves the prosecution and investigation interests of the Unit. Inspectors now spend more of their time investigating the complex felony cases, and are more apt to leave citizen complaint mediation to the Connecticut Department of Consumer Protection.

There have been many standards established for selecting a Unit Chief,\* including: 1) experience in building and presenting criminal cases; 2) status in the prosecutor's office; and 3) ability to administer and manage a staff engaged in different activities (investigation, trial, complaint mediation, etc.). Further, he must already be, or rapidly become, thoroughly familiar with economic crime and the laws and methods available to investigate and prosecute it.

In staffing an ECU, trial attorneys with experience in courts of general trial jurisdiction are particularly desirable. If the circumstances preclude interstate or national recruiting for staff with expertise in economic crime prosecution, fraud investigation and accounting, the unit can contract out to consultants for assistance in designing a training program which specifically meets the needs of the unit. New Jersey, for example, hired a public accounting firm to develop a training program for prosecutors and investigators.

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\* Arthur D. Little Inc., Evaluation of The Economic Crime Project: National District Attorneys Association (Washington, D.C., September 1977). Unpublished Final Report, p. 67.

In reviewing the effectiveness of the Unit's investigation and case preparation capability, the ECU Chief Attorney emphasizes the importance of three factors. The first is the close working relationship on each case between an investigator and an attorney. Second is the value of recruiting experienced law enforcement personnel, particularly those with prior economic crime prosecution experience. Many of the more complex cases require a knowledge of banking, securities and accounting practices; there is no substitute for experienced personnel trained in these fields. Third is the ability to assess the evidence gathered and the likelihood of a guilty plea or conviction.



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

## 2.4 Authority and Supportive Legislation

Through the Chief State's Attorney's Office, the ECU has the authority to commence a criminal action in any court of the state with proper jurisdiction. The investigators in the Unit have the full police powers of any law enforcement official including the powers of arrest.

Still, coordination with state regulatory agencies is crucial because some have greater investigatory powers than the ECU. During the early days of the project, the attorneys examined all of the laws in Connecticut pertaining to investigatory authority of regulatory agencies that might cooperate with ECU. This has led to numerous joint efforts. Whenever an ECU investigation results from a law enforcement or state regulatory agency referral, the referring agency is contacted in order to access its files for complaints against the accused business or individual, and the accused party's record for compliance with regulations. For example, the state of Connecticut does not grant any of its prosecutors investigatory subpoenas prior to arrest. Often, however, bank records or company files are necessary evidence in demonstrating economic crimes (e.g., evidence of the inability to deliver promised monies or services, or evidence that the complainant's money or order was never deposited or filed). While the ECU may not be able to subpoena this evidence, the Banking Commissioner can if he deems an investigation is warranted. Thus, by working with the referring agency, the ECU may gather and present a case that otherwise might not have been successfully prosecuted.

The Chief State's Attorney's Office has been active in sponsoring legislation consistent with its goals and objectives. Of particular importance is the legislation enacted in 1977 allowing the issuance of search warrants for "mere evidence" rather than "fruits and instrumentalities" of the crime. This legislation expands the powers of law enforcement to gather evidence without having to define in great detail the evidence they expect to find during the search. The first search warrant granted under this new law was for an ECU investigation.

Other legislation sponsored by ECU includes:

1. Increasing the penalty for defrauding a secured party, e.g., disposing of collateral without first notifying the creditor.
2. A false advertisement statute with criminal penalties.
3. Removing the installment sale requirement under the Home Solicitation Sales Act, which provides that within three days, consumers may rescind agreements made with door-to-door salesmen, but only for installment sales. The proposed legislation would allow the consumer to exercise that option for any type of sale.
4. Amending the false promise statute. As it exists now, contractors who do not fulfill their promises to consumers may not be prosecuted on that offense alone. This statute does not affect the contractor's civil liability.
5. Legislation dealing with idea promotions, franchises and auto repair.

While most of the proposed legislation does not directly address the scope of the ECU's authority, it does enhance the Unit's ability to prosecute cases successfully by attaching criminal sanctions to certain types of economic crimes. ECU's procedure for investigating and prosecuting economic crime is described in Chapter 3.

## **Chapter 3 Operations**

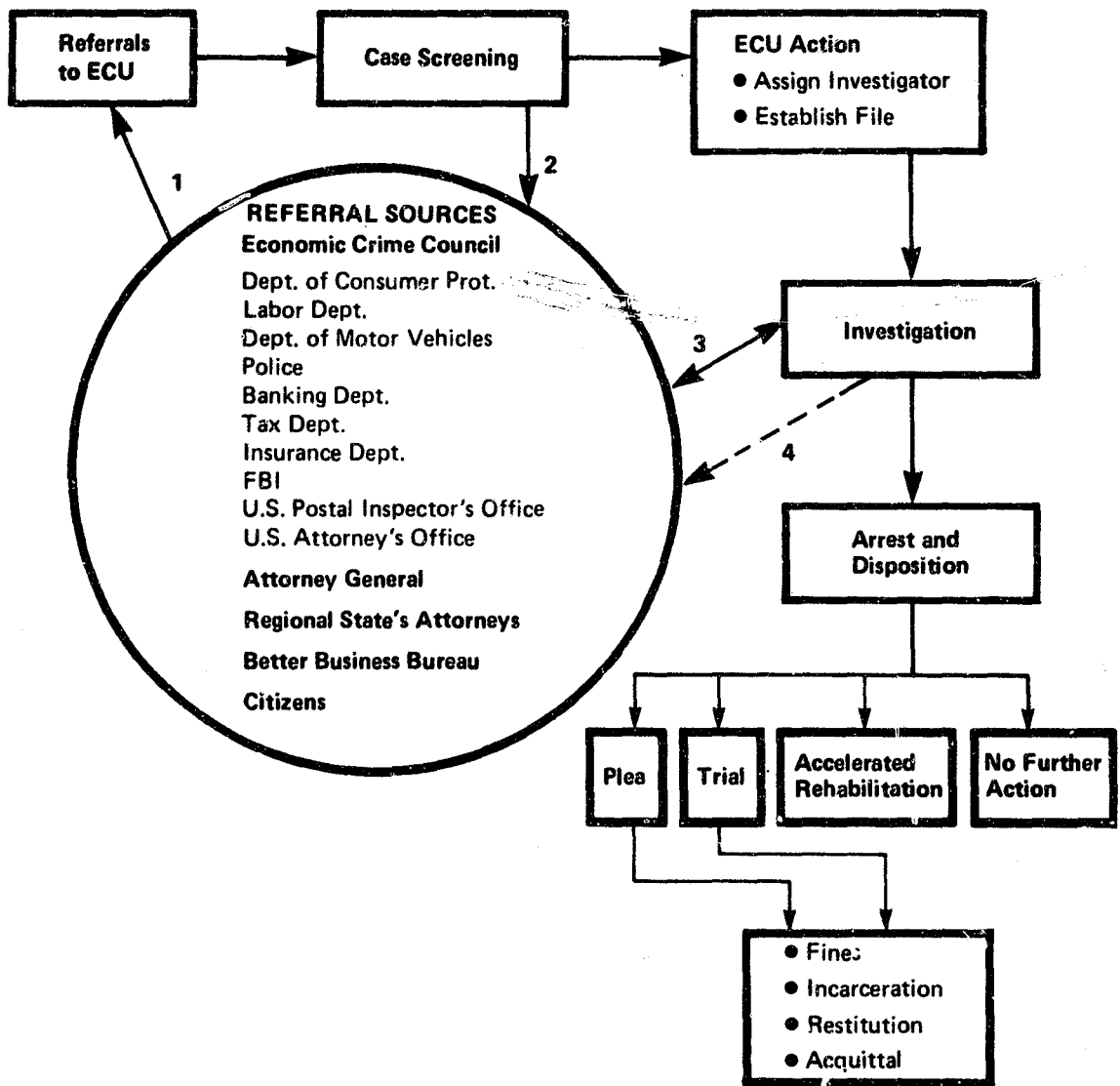
To a certain extent, the Connecticut ECU's method of handling cases brought to its attention has been dictated by limitations on its staff and resources. Screening criteria are essential in identifying those cases which merit the ECU's investigatory expertise. Reciprocal relationships with enforcement and regulatory agencies greatly enhance the Unit's evidence-gathering efforts. Ongoing public relations activities and training programs help to inform potential referral sources of the ECU's interests and priorities, thereby serving as additional screening devices. Taken together, these measures have contributed much to the ECU's success in combatting economic crime. Figure 1 on the following page illustrates the steps involved in processing a case referred to ECU.

### **3.1 Case Referral**

As previously indicated, the focus of referrals to ECU has changed substantially since the early days of the project. An initial emphasis on media coverage, public service spots and advertisements directed to the general public for the purpose of generating cases has given way to referrals from the Economic Crime Council, Better Business Bureaus and regional state's attorney's offices.

*The Better Business Bureau recently tipped off the ECU to an individual operating a home improvement scheme in which "gravel driveways" were being offered at 9 to 10 times the market value. Most of the victims were elderly, and the Better Business Bureau had logged a long record of complaints against this person. ECU involvement in the case resulted in a one year jail sentence.*

**Figure 1: ECU Case Processing\***



\* The Economic Crime Council and other cooperating agencies are central to the ECU's operations at four stages:

1. Sources of case referrals to ECU;
2. Recipients of cases referred by ECU at screening;
3. Co-investigators in collecting evidence; and
4. Final referral agencies should the investigation conclude that a case does not warrant prosecution.

These organizational contacts also serve as referral agencies for complaints received by ECU that are not within the program priorities. By 1977-1978 referrals made through the Economic Crime Council were major impact cases that referring agencies had investigated and determined were likely to result in a criminal conviction. The ability of Council members to make this assessment has been enhanced by training conducted through ECU. Of particular significance is the increase in referrals of major cases from law enforcement agencies such as the State Police, FBI, the Attorney General's Office and, most importantly, from the various regional state's attorney's offices which are now cooperating fully with the ECU.

### 3.2 Case Screening

ECU begins its screening process either as a result of a telephone call or a written complaint. Complaints received over the telephone from individual citizens are referred as soon as possible to one of the project's attorneys. If, on the basis of the initial phone conversation, the attorney determines that the case is not of interest to the Unit, the citizen will be referred to one of the ECU investigators who will attempt to refer the complainant to an appropriate agency. If the complaint appears to be of interest to the Unit, complaint forms are mailed to the individual to be filled out and returned. (A copy of the form is attached as Appendix A.) When the form is returned, it is again reviewed by the ECU attorney.

The decision to accept a case for investigation by the ECU is always made by one of the attorneys as is the ultimate decision of whether to pursue criminal charges. Once a case is accepted for ECU investigation, a specific investigator is assigned to work with a specific attorney in a team approach.

If, at this stage, the complaint is viewed as inappropriate for ECU action, the ECU will suggest other methods of pursuing the complaint, e.g., contact with Better Business Bureau, private attorney, legal aid or a state regulatory agency such as the Department of Consumer Protection. If the initial investigation concludes that the fraud may be in violation of Connecticut's

criminal laws, but does not meet the Unit's priorities, ECU staff will attempt to refer the case to the appropriate local state's attorney's office. Written complaints from individual citizens are handled in a similar manner.

If the complaint is from a business, law enforcement agency or regulatory agency the procedure may differ somewhat. If one of the ECU attorneys is familiar with the agency official requesting assistance and if the case appears to fall within the program guidelines, a written complaint may not be necessary. Informal discussions may suffice to assess the appropriateness of the complaint and to assign an attorney and investigator to the case.

For example, the ECU works closely with U.S. Postal Inspectors assigned to Connecticut. Recently, one of the two federal postal inspectors called the ECU chief attorney and outlined a serious case involving an alleged criminal who was using the mails to process phony insurance claims. Both federal and state laws were allegedly being violated. The screening and early investigation in this case were completed by a telephone call from a postal inspector who was familiar with ECU and its program priorities.

*Issues for Replicators: Case Screening and the  
Decision to Prosecute*

The decision to accept a case involves consideration of the adequacy of investigation at the time of referral to the Unit, sufficiency of the evidence and the goals and criteria established by the Unit. Program criteria and goals may include:

- pervasiveness of the fraudulent scheme (inter-county, statewide, interstate, etc.);
- whether it is a misdemeanor or felony case;
- potential and actual number of victims involved;
- potential recovery of restitution, fines;
- existence of relevant statutes;

- estimated investigator and attorney time necessary to prosecute the case;
- high impact, industry-wide fraud;
- case referral by direct citizen complaint or via state agency liaison;
- potential for incarceration; and
- likely deterrent effect of disposition.

The policy of prioritizing cases in a particular industry is seen by some (including the Connecticut Economic Crime Unit) to antagonize citizens and state agencies whose cases would suffer further delay. Thus, there is an implicit trade-off between "servicing client needs" and the ECU's potential to create a greater industry-wide impact through strategic prosecution.

There have been serious debates over the effectiveness and impact of the civil versus criminal sanction in the prosecution of economic crime.\* Many doubt whether civil remedies such as injunctive relief, cease and desist orders, etc. are as effective a deterrent as are jail sentences and fines imposed through criminal prosecution of economic crime. Most likely, legislative and statutory authority in a state will have impact on the choice between these two options. Since restitution is now considered an effective remedy in selected or limited criminal cases, those jurisdictions allowing prosecutors only criminal jurisdiction in economic crime cases can be "quite effective in stopping fraudulent operations immediately and punishing offenders economically."\*\* Criminal procedure, however, usually involves more restrictive

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\* The legal sanctions and enforcement strategies that are currently available in the consumer fraud law of 13 states are included in Appendix B. A Survey of the Consumer Fraud Law (NILECJ, 1978), by Sheldon and Sweibel, sets forth existing statutes and laws under which economic crime/consumer fraud can be prosecuted in state and federal courts.

\*\* Arthur D. Little Inc. Evaluation of the Economic Crime Project: National District Attorneys Association (Washington, D.C., September 1977). Unpublished Final Report, p. 59.

rules concerning discovery and admissibility of evidence than civil procedure. In those states where prosecutors have equity jurisdiction (both civil and criminal), the Arthur D. Little Report suggests that a unit decide whether to prosecute or sue on a case-by-case basis keeping the following factors in mind:

- the need to stop operations immediately or permanently;
- the need for publicity available through criminal prosecution;
- the most appropriate and effective punishment;
- the importance of recovering losses;
- the deterrent effect of punishing the offenders economically versus incarcerating them; and
- the likely outcome of sentencing given judicial attitudes in the jurisdiction.\*

### 3.3 Case Investigation

Investigation of economic crime requires skills and expertise quite different from traditional law enforcement activity. Following the "audit trail" of a complex securities fraud case is immeasurably different from criminal investigative techniques. A major problem that confronts the ECU is the lack of a sufficient number of investigators and prosecutors who understand both the nature of the crime and the specialized methods necessary to investigate it.

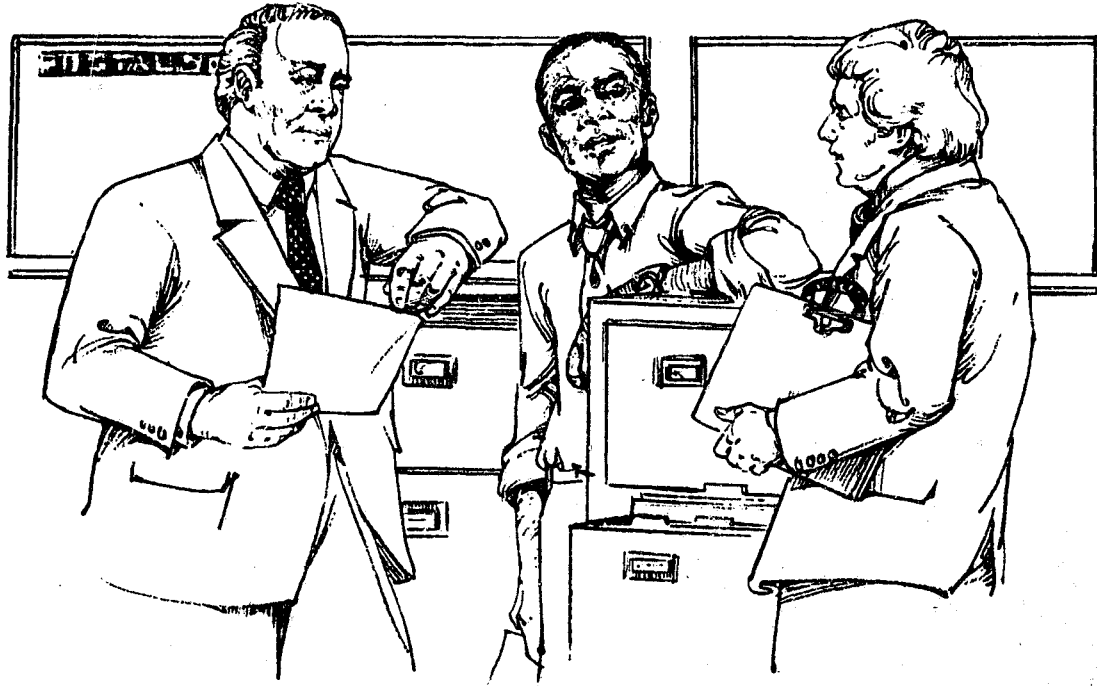
The ECU supplements the expertise and resources of its staff through its extensive network of referral agencies. While ECU coordinates the evidence collected, and its attorneys and investigators are principally responsible for preparing the case for prosecution, much of the actual "legwork" of the investigation is performed by the agency within whose province the particular case

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\* Ibid., p. 62.

may fall. For example, complaints regarding insurance fraud may be referred to staff of the state Insurance Commission for detailed investigation of records and files. Most of the cases accepted by the ECU fall under the auspices of regulatory or enforcement agencies belonging to the Economic Crime Council.

The ECU turns to the resources of appropriate federal agencies when necessary, most frequently the FBI, U.S. Attorney's Offices and U.S. Postal Inspectors. The FBI is particularly helpful because of its extensive resources and filing system. As previously discussed, the U.S. Postal Inspectors play a significant role in mail fraud cases. The Postal authorities and FBI have the ability to conduct investigations and interview witnesses throughout the country. They also have complete subpoena power through the U.S. Attorney's Office. To date, these offices have worked with the ECU on more than a dozen cases.



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

The ECU also seeks the cooperation of organizations and agencies in other states when cases involving economic crime in Connecticut cross state boundaries.

An employee of a Connecticut manufacturer of electrical motors was convicted of defrauding his company by destroying inventory records and shipping the motors to a Kentucky company without authority. Over a period of two years the employee received \$108,000 in checks from the Kentucky firm for motors with a wholesale value of \$350,000. The case was referred to ECU by the New Haven state's attorney's office. The Unit not only obtained a 2-4 year prison sentence for the employee, but in addition, the company in Kentucky was charged and convicted of commercial bribery and larceny in the first degree and has since made full restitution.

The Economic Crime Project of the National District Attorneys Association has been particularly helpful in promoting interstate cooperation. The ECU's chief attorney notes that there are 62 member offices throughout the country. Quarterly meetings are held at which the projects exchange detailed information regarding consumer fraud. Member projects are also available to assist in interstate investigations when necessary.

#### *Issues for Replicators: Proactive versus Reactive Investigation*

An issue of considerable concern to economic crime units, in terms of allocating investigation time, is whether to take a proactive or reactive approach. The ECU staff in Connecticut note that proactive investigations, such as decoy participation in a fraud, screening media advertising, and focusing investigation activity upon a particular area or industry, are effective activities which should be carried out at the earlier stages of the unit's development. This will ensure units of early visibility and better recognition by the public and other agencies. Units will also be able to identify the pervasiveness of different fraud schemes early-on through personal observation of existing economic crimes. Proactive investigation, however, can be curtailed if there are limitations on investigative resources and

time, especially when the unit begins to receive a steady influx of direct citizen complaints or state agency inquiries. For a useful discussion of investigative techniques, prospective units should refer to Edelhertz's manual on the Investigation of White-Collar Crime.\*

### 3.4 Preventive Measures/Public Relations

The ECU has undertaken a number of preventive measures to increase public awareness of economic crime. Staff attorneys and investigators monitor all major newspapers in the state for potential fraud schemes, often found in the "business opportunities" section of the classified ads. By soliciting the voluntary cooperation of the newspapers' classified ad managers, the Unit has been able to keep some potentially fraudulent ads out of the state's major newspapers. The Unit contacted the classified ad managers and instructed them regarding the various types of economic frauds. In addition, the classified ad managers were given a list of questions to ask prospective advertisers in order to obtain detailed information on their businesses, including the names of owners and references and financial statements. Since this technique was initiated, ECU reports a marked decrease in complaints regarding business opportunity and advance fee schemes.

Another preventive measure undertaken by the ECU is the issuance of "Consumer Alerts," press releases that are published in newspapers and broadcast in abbreviated fashion on TV and radio public service spots. They may be general in nature or may deal with a specific scheme for which the perpetrator is still at large. Recent "Alerts" have dealt with commodity options, home improvement schemes, and fraudulent franchising operations. Each Alert describes the scheme, how it should be avoided and reported and how to recognize and distinguish legitimate opportunities. Some of the Consumer Alerts include the following:

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\* Herbert Edelhertz, The Investigation of White-Collar Crime (U.S. Department of Justice, LEAA Grant Number 76-TA-99-0011; April 1977).

- A warning to consumers to be aware of so-called franchising frauds which attempt to lure individuals into new lucrative businesses. Examples outlined in the Alert are schemes involving game machines, vending machines, distributorships in limited geographical areas or multi-level sales organizations (pyramids).
- A warning to consumers regarding the purchase of commodity futures contracts. This Alert included the publication of a toll-free consumer hotline number established by the Commodity Futures Trading Commission.
- An Alert of an ongoing scheme of mail solicitations promising a "fabulous vacation for two people" for only \$15.95 and "processing and handling" costs. The two-page warning explains that this scheme is fraudulent and appears to be conducted on a nationwide basis.
- A recent warning described a home improvement scheme whereby individuals arrive at the door unannounced and suggest the need for exterior improvement. ECU states that more often than not, the work is never started, only partially completed, or improperly done.

Finally, ECU staff distribute a series of brochures developed by the NDAA's Economic Crime Project. These brochures help citizens to recognize and protect themselves against common types of fraud, including business opportunity, charity, home improvement and auto repair frauds.

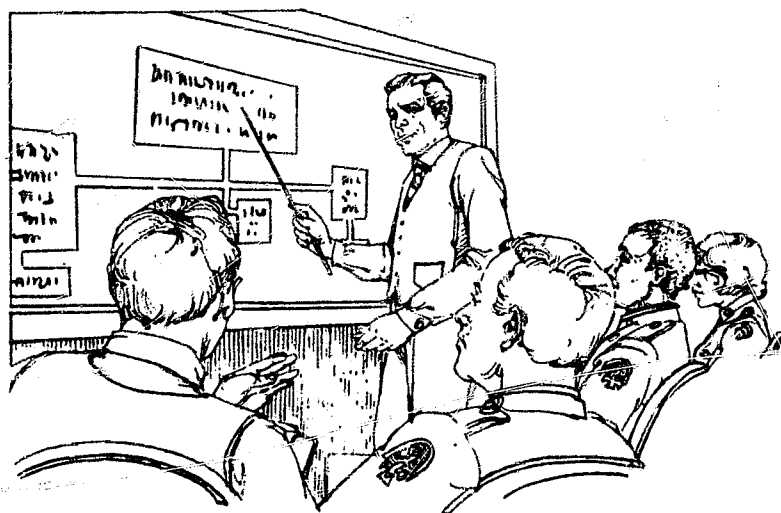
### 3.5 Training Programs

Training at the ECU takes place on two levels. First, members of the staff are encouraged to attend conferences, seminars and lectures pertaining to the general subject of economic crime as well as programs on specific substantive schemes and frauds. The attorneys have attended conferences sponsored by NDAA's Economic Crime Project, and the investigators have taken courses developed by the NDAA on the role of investigators and prosecutors in economic crime. In addition, one of the attorneys has attended

the FBI computer training school and computer courses offered by Battelle Institute. Members of the staff also attend seminars and training programs sponsored by such regulatory agencies as the Securities and Exchange Commission, Department of Banking and the Department of Motor Vehicles.

On another level, the staff of ECU have conducted and participated in extensive training programs throughout the state designed to provide information on economic crime, preventive measures and ECU's role in combatting economic crime. Training programs were conducted on an ongoing basis for several months at the State Police Academy, the Municipal Police Training Academy (MPTA), the various municipal academies for cities that do not subscribe to the MPTA program, and for line officers at their respective departments. Training is also provided informally during the regular meetings of the Economic Crime Council, portions of which are devoted to ECU discussion of the latest types of consumer frauds and the best ways to combat them.

Staff have conducted seminars for the state's banking and tax commissioners as well as the Securities and Exchange Commission and local Better Business Bureaus. Educational lectures are also given at local schools and at business and professional meetings around the state.



*ECU attorneys help train recruits at the State Police Academy.*

## **Chapter 4**

### **Results and Costs**

Before the inception of ECU in Connecticut, no strategies had been developed for prioritizing and combatting economic crime. Since its implementation in October 1975, the Connecticut ECU has established specific goals to prevent and fight economic crime and has made significant progress toward achieving these goals.

The ECU's three major goals have been:

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

The ECU's success in investigating and prosecuting existing economic crime in Connecticut is, in part, reflected in quantifiable measures. Other goals of the ECU, such as prevention of victim losses and restoration of public faith in the criminal justice system, are less measurable. This chapter discusses the results of the ECU's efforts and the costs incurred by the project over its three year history.

## 4.1 Investigations and Prosecutions

### Number of Complaints, Arrests, Pending Cases, and Investigations

In 1977 the project began to emphasize wide-impact felony cases. As Table 1 shows, this change in emphasis had several effects:

- The screening process becomes more important because of the greater resources required for developing a felony case. Referrals were screened on the basis of the potential for quality investigation and convictability.
- The number of arrests declined due to the more complex and time consuming nature of the cases.
- The number of cases filed decreased.
- The number of pending investigations increased.

The Unit Chief explains the drop in the arrest rate and the increase in pending investigations/prosecutions as a "positive indicator of the Unit's acquired experience in determining which cases are worth investigating and processing." A further indication of the Unit's greater selectivity is the 16 percent drop in the number of investigations assumed by the ECU investigators since 1975-76.

Table 1  
ECU CASELOAD 1975-78

	Year 1 1975-76	Year 2 1976-77	Year 3 1977-78	TOTAL
Formal Written Complaints*	558	220	321	1,099
Investigations	311	212	263	786
Arrests	50	36	32	118
Pending Cases	4	6	15	25
Pending Investigations	1	8	61	70

\*Requests that generate investigative activity and file entry by ECU.

### ECU Case Disposition

Table 2 displays the outcomes of cases entered in court by the ECU. Eighty-seven percent of the defendants charged with crimes by the ECU pleaded guilty. The project suggests a number of reasons:

- Because the ECU is involved in investigation as well as prosecution, each case is thoroughly prepared and ready to be tried when it reaches the court docket.
- The caseload of the staff is small, allowing each member the time necessary to fully prepare.
- No case is entered in court unless the attorney believes there is a strong likelihood that a conviction can be obtained.

All but eleven of the ECU cases that have been entered in court have resulted in a plea or finding of guilty. Four of those were "accelerated rehabilitation" cases, a pretrial option in Connecticut whereby first-time offenders agree to a period of probation which, if successfully completed, results in a dismissal. Most require the offender to make restitution to the victim(s). The remaining cases were five "nolle prosequi" (in which the prosecutor decides not to prosecute) and two acquittals.

Table 2  
ECU CASE OUTCOME 1975-1978

	<u>Year 1</u> <u>1975-76</u>	<u>Year 2</u> <u>1976-77</u>	<u>Year 3</u> <u>1977-78</u>	<u>TOTAL</u>
Guilty Pleas	34	25	25	84
Convictions at Trial	0	0	2	2
Accelerated Rehabilitation	0	0	4	4
Nolle Prosequi	1	2	2	5
Acquittals	0		2	2
TOTAL CASES DISPOSED	35	27	35	97

### Jail, Restitution and Fines

The ECU believes that one of the most important deterrents to economic crime is the imposition of prison sentences in appropriate cases. The threat of incarceration is an important deterrent because restitution alone is often viewed by the criminal as a mere business expense.\* In the past, many judges have distinguished economic crime from more violent offenses, due in part to the type of criminal involved in economic crime. Frequently there is no prior criminal record. Many defendants are employed in established businesses, have close family relationships and strong roots in the community. As a result, courts typically look to fines and restitution rather than jail sentences. There is some evidence, however, that the attitudes of the judiciary are changing, particularly when large numbers of individuals have been defrauded, or large sums of money misappropriated, or a defendant has a history of repeated offenses.

As in other parts of the country, prison sentences are particularly hard to achieve for economic crime cases in Connecticut. The ECU Chief Attorney observes that "the state of Connecticut, and the United States in general, have only recently recognized incarceration as a viable sentence for white-collar crimes." In its first three years of operation, ECU prosecution has obtained 15 jail sentences--three in 1975 and six in both 1976-77 and 1977-78. The lengths of those sentences range from 15 days to 3-1/2 to 7 years.

*The local agent for a major credit card firm notified the ECU that someone had apparently obtained a card under a false name and had run up a bill of several thousand dollars. Although the ECU does not usually handle credit card frauds, they accepted this case because of the large amount of money involved and because the defendant had previously been involved in similar schemes. After arranging for extradition of the defendant from Colorado, the ECU prosecution resulted in a 1½ to 3 year sentence.*

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\* It must be remembered that criminal investigations usually identify only a small percent of fraud scheme victims, and only a portion of them will be able to prove their losses in court. Rules of evidence require that restitution be based only on the losses alleged and proved in court.

Efforts by ECU to increase major felony case filings in the courts will enhance the possibility of incarceration in economic crime convictions. Table 3 shows the number of sentences involving jail, restitution and fines.

**Table 3**  
**NUMBER OF SENTENCES INVOLVING JAIL, RESTITUTION AND FINES\***

	<u>Year 1</u> <u>1975-76</u>	<u>Year 2</u> <u>1976-77</u>	<u>Year 3</u> <u>1977-78</u>	<u>TOTAL</u>
Jail Sentences	3	6	6	15
Restitution	10	12	15	37
Fines	19	11	9	39

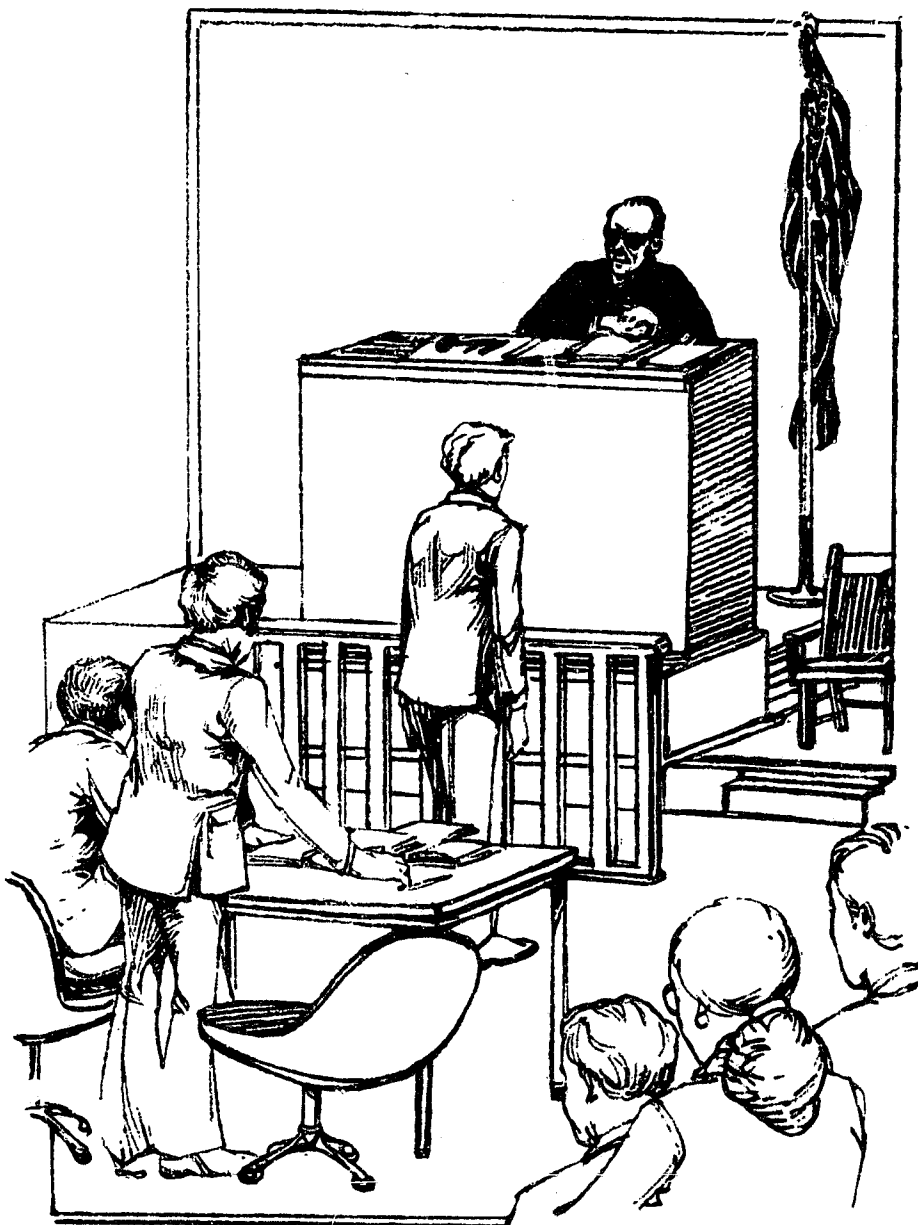
\*Cases can result in one or more of these sentence alternatives.

As Table 4 shows, the ECU collected more than four times as much in restitution and fines in the second project year as it did in the first year. This may illustrate the project's increased ability to recognize and pursue more serious cases. Also, because of the time lag between filing and disposition, many cases filed in the first year were disposed of in the second year; thus, more money was collected in the second year. Overall, restitution accounts for \$723,610 of the monies collected, while the remaining \$20,832 were collected in fines. (It should be noted that many defendants opt to make voluntary restitution to the complainants, before or after an arrest has been made. Such voluntary payments are included in this sum.)

**Table 4**  
**RESTITUTION AND FINES ASSESSED**

	<u>Year 1</u> <u>1975-76</u>	<u>Year 2</u> <u>1976-77</u>	<u>Year 3</u> <u>1977-78</u>	<u>TOTAL</u>
Fines	\$ 6,525.25	\$ 7,892.00	\$ 6,415.00	\$ 20,832.25
Restitution*	66,032.75	288,814.76	368,763.20	723,610.71
TOTAL	\$72,558.00	\$296,706.76	\$375,178.20	\$744,442.96

\*Data are unavailable to distinguish the amounts attributed to voluntary restitution from court ordered restitution.



*Most defendants charged with crimes by ECU plead guilty.*

Figure 2 on the following page summarizes the ECU's caseflow.

## 4.2 Public Awareness

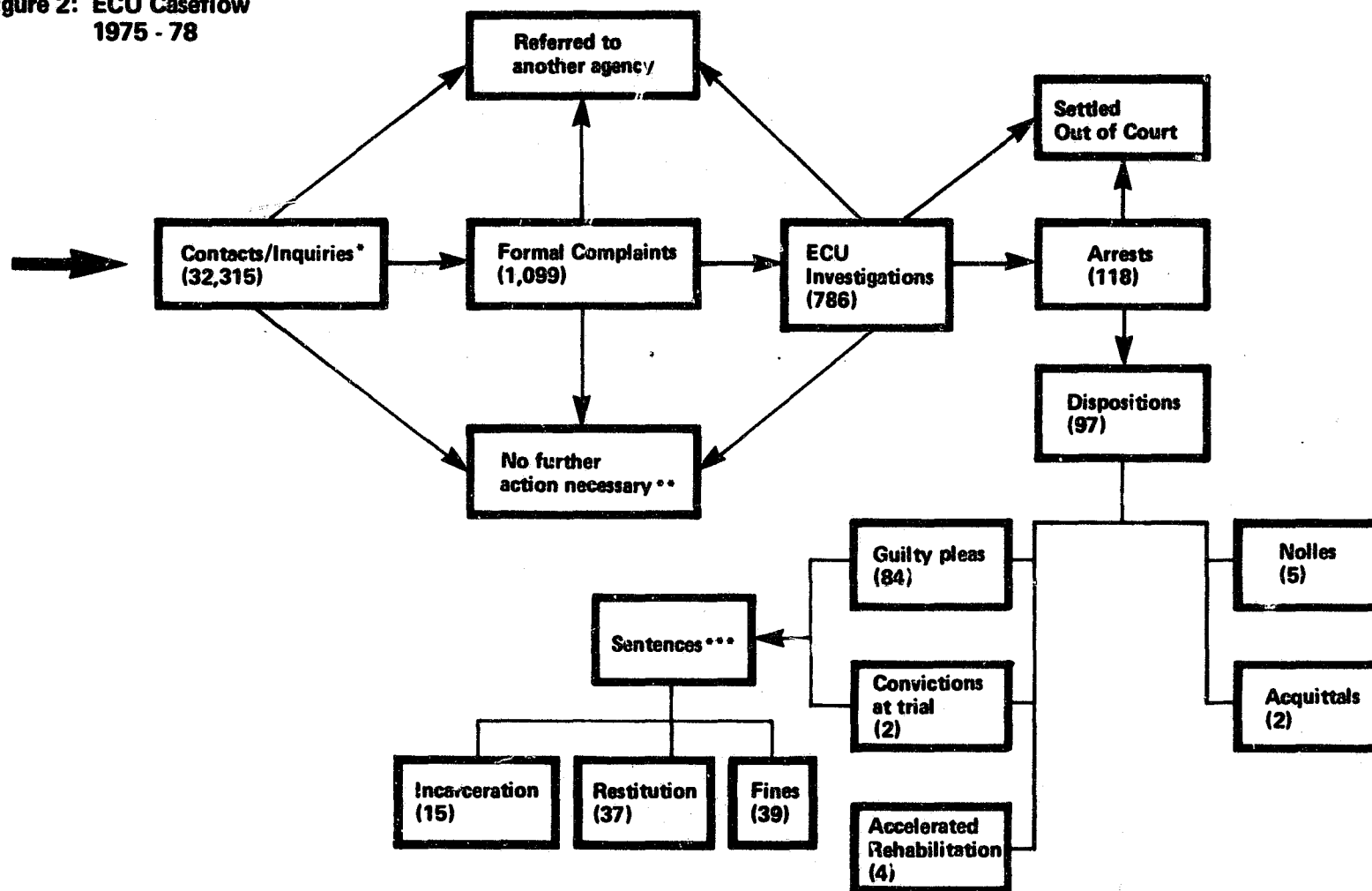
It is particularly important in combatting economic crime to undertake serious and continued efforts in educating the general public. The Arthur D. Little study cites a number of reasons:

- Because economic crime often requires the cooperation of the victim, or at least his ignorance of the crime, increasing potential victims' awareness may be a powerful deterrent. The public may be less vulnerable if they are adequately informed.
- Because economic crime is less understood, less visible and often embarrassing to the victim, there may be little tendency to report it. An informed public may be more likely to report crimes, cooperate in prosecutions, and thus contribute to the prosecutor's ability to discover and prosecute the offender.
- Again, because economic crime has received less public attention than violent or property crime, the public may see the criminal justice system as insensitive and powerless in the face of this sort of crime. Publicizing efforts to deal with economic crime may then contribute to greater credibility for the function of prosecution in the community, and generally enhance public confidence in the criminal justice system.\*

The ECU recognizes the need for greater public education about economic crime, and to further the educational process the Unit's personnel provide news releases and make speeches to interested groups. Further, they have developed a curriculum on economic crime geared toward police officers and have instituted training programs on economic crime in the Greater Hartford Community

\* Arthur D. Little Inc., Evaluation of the Economic Crime Project: National District Attorneys Association (Washington, D.C., September 1977). Unpublished Final Report, p. 47.

**Figure 2: ECU Caseflow  
1975 - 78**



\* The project estimates that of the 31,216 Contacts/Inquiries which do not result in a formal complaint, approximately 85% result in no further action and 15% are referred to another agency.

\*\* Includes for example, general information calls, complaints where no crime is involved, and cases dropped voluntarily by the victim.

\*\*\* Total sentences (91) may exceed total convictions and guilty pleas (86) because sentences may involve more than one alternative, for example, incarceration plus fine.

College and the Municipal Police Training Council. The ECU logged 92 such educational activities in its first year, 142 in year 2 and 172 in year 3.

The ECU receives both direct citizen inquiries and referrals from the representative agencies on the Economic Crime Council, regional state's attorney's offices, and Better Business Bureaus. (No breakdown of inquiries by source is available.) The ECU Chief Attorney indicates that it is difficult to accurately define and log a legitimate "inquiry" since most are made via telephone, and range from direct calls for service to general information about economic crime.

More than 32,000 inquiries have been made to the ECU in only three years of operation--11,545 in its first year, 10,968 in its second year, and 9,802 in its third year. In part, the project attributes the decline of direct citizen contacts to the ongoing dissemination of literature on white collar crime, consumer alerts, and business bulletins. Though the office initially encouraged citizen contacts in radio and TV spots, it now relies on Council members for referrals. In turn, agencies affiliated with the ECU via the Council are also more responsive to inquiries directed to their offices and therefore make fewer referrals to the ECU.

The ECU has also changed its focus on the type of referrals it encourages. As one Assistant State's Attorney noted:

In the last two years, we have done some grassroots diplomacy with these agencies regarding referrals made to our Unit. Realizing that the office is small and potentially could be overburdened with cases involving single victims, small financial losses or misdemeanor crimes, we have stressed our concern to prosecute the large-impact cases. Therefore, the agencies have responded by sending us almost the same number of cases per year, but these cases are more thoroughly investigated and represent major-impact felony criminal cases.

### 4.3 Statewide Approach

The Connecticut ECU was one of the first such units to operate with statewide jurisdiction. Though statewide efforts to attack economic crime have been established in New Jersey, Rhode Island and, more recently, Delaware, no comparable data were available at the time of the printing of this publication. One key to the success of the statewide approach is the Economic Crime Council discussed in Section 2.2.3. The vast majority of ECU cases involved both personal and formal interaction between ECU staff and Council member agencies.

Partly because of the work of the Council, and effective liaison with the regional state's attorney's offices, consumer groups, and Better Business Bureaus, the Unit has had an impact far beyond expectations of what its limited staff might achieve. During its three years of operation, ECU-initiated arrests have been made in all of the state's counties and judicial jurisdictions with the majority occurring in the most populous counties of Hartford, New Haven, Bridgeport and Fairfield. The Connecticut Chief State's Attorney notes that "'team cooperation' has evolved and ECU is now receiving a larger proportion of its referrals from the 'tentacles' of the local offices."

The ECU has also strengthened its fight to control economic crime in the state by combining the legal and enforcement powers of state and federal investigation and prosecution agencies in three ways:

- 1) Members of the Economic Crime Council refer cases to the ECU for prosecution.
- 2) The ECU initiates a preliminary investigation of the case, refers the case to an Economic Crime Council referral agency which utilizes its subpoena powers and authority to hold hearings, and refers the case back to the Economic Crime Unit for prosecution. For example, the ECU was able to follow through with prosecution of a securities fraud case only after the Banking Commission had held hearings and subpoenaed banking records from the defendants.

- 3) The ECU or the Economic Crime Council referral agency initiates a preliminary investigation in Connecticut and refers interstate cases either to the federal authorities (Postal Inspector, FBI, U.S. Attorney's Office, etc.) or to another state's prosecutor's office. In another case, the ECU worked with Postal Inspectors, utilizing the grand jury subpoena power of the U.S. Attorney's Office in a multi-jurisdictional mail fraud scheme.

Such authority and cooperation have permitted ECU to continually experiment with new approaches in the prosecution of economic crime under existing state and federal statutes, and have greatly extended its reach and effectiveness throughout the state.

*Issues for Replicators: Measuring Goal Achievement*

The types of data collected by an economic crime unit are determined by the goals that the unit hopes to achieve. To illustrate, the Connecticut ECU posits three goals and collects quantitative information for purposes of monitoring its achievement of each:

- To increase the number of economic crime investigations and prosecutions. The ECU tracks its current caseload: number of formal complaints accepted for ECU investigation; number of arrests resulting from ECU investigations; number of cases and investigations pending. ECU also logs the distribution of case outcome (guilty pleas, convictions, acquittals, etc.), jail sentences obtained, and the amount of fines and restitution assessed.
- To increase public awareness of economic crime. The ECU tallies the number of inquiries it receives. Prospective units may wish to break out these inquiries by source (i.e., law enforcement agency, regulatory agency, citizens) to monitor more closely the level of contact the unit has with the public and with cooperating organizations. Units may also wish to distinguish calls for general information from actual "complaint" calls. Further, units engaging in extensive media publicity, presentations for community groups, or training for police officers, should keep a log of such activities so that an evaluation of their impact may be made, as discussed below.

- To institute a statewide approach to the investigation and prosecution of economic crime. This is essentially a process goal. To measure it, the ECU notes the geographic location of each case to ascertain the relative frequency of cases referred by the several regional state's attorney's offices, and arrests in the various counties. Another indicator of the statewide approach is the membership of the Economic Crime Council.

To ensure that all relevant data are recorded, ECU staff developed a manual case data management system. Record keeping for each case begins by filling out three index cards. One card is filed under the name of the complainant, a second under the name of the defendant, and a third filed according to the type of scheme or fraud. These cards contain summary information about the case including disposition.

From this file card index, the Unit is able to ascertain the total number of each type of fraud or scheme it encounters. This information can be valuable in assessing the effectiveness of a unit's strategy against a particular type of economic crime. Also, new staff assigned to investigate a certain type of complaint for the first time can refer to the file card index to ascertain strategies that proved successful for similar cases in the past. A third use for crime type data might be to monitor the resources devoted to investigating various types of crime. A project may find that certain crimes are more "cost-efficient" to investigate (in terms of time, manpower, and expected outcome), whereas other crimes may involve extensive research and suffer a relatively low success rate. The file card index also reflects the number of different schemes in which each offender is involved, thereby enabling investigators to determine the prior history of repeat offenders.

In addition to the index card system, a "daily log" is maintained by each investigator on which he records the number of contacts, cases opened, and victims involved. He also records the amount of monetary damage to the victim and the number of arrests made for the month.

Each attorney maintains a "case log" which describes the status of each pending case handled by the attorney. This log also records the disposition of each case, the sentence, the amount of restitution and the term of imprisonment, if any. The information on both the daily log and case log forms is tabulated monthly by the clerical staff.

In addition, the ECU keeps a case book in which each case is entered chronologically as a file is opened and a case number assigned. The book contains the case number, the name of the referring agency, the name of the case, and the names of the attorney and investigator assigned to the case. The case numbers show the year of intake and are assigned sequentially so that the Unit can determine how many cases have been accepted for a given year.

The information collected by an economic crime unit should be utilized for monitoring daily activities and evaluating program impact. Both are invaluable to a unit's ultimate success as an effective and efficient crime prevention program. Monitoring the unit's caseflow is most useful for purposes of resource allocation. For example, when ECU first began operations, individual citizen complaints were encouraged for the sake of generating publicity and increasing public awareness. However, as the ECU became established, periodic monitoring indicated that project resources were being increasingly spent on individual consumer complaints (often involving relatively small losses). As a result of the monitoring of project contacts, caseflow and outcome, Unit staff decided to restrict their investigations to major impact cases.

Evaluating the effectiveness of a unit's operations utilizes much of the same data collected for monitoring purposes, but the thrust of analysis is aimed at demonstrating differences between conditions before and after the unit's inception or at various points in the development of the unit. Such an analysis presupposes the existence of "baseline" data, and ongoing collection of comparable data throughout the life of the project. For example, assessing the unit's impact on the apprehension and adjudication of the perpetrators of economic crime might involve comparisons of arrest and conviction rates for economic crimes over a given period of time before and after the project's

inception. As another example, to evaluate the unit's success in increasing public awareness of economic crime, a survey might be taken of a random sample of the state's population to assess the extent of their knowledge, before and after launching the project's publicity campaign or before and after a particular point in the project's development. The Chief of Connecticut's ECU suggests that when selecting "before" and "after" time periods for comparison, replicators should consider starting the "after" phase at some point following a one-year implementation period. Because many new projects experience a number of unanticipated problems during start-up, data collected for that period may be misleading and should either be excluded from the evaluation or analyzed separately.

Another consideration in analyzing a project's achievements is to standardize the units of comparison over time. For example, an economic crime project that handles 20 cases in its first year of operation may handle 100 cases in its third year. Superficially, the rising number of cases under investigation each year suggests that the project has improved its efficiency since its caseload has increased five-fold. However, a more appropriate unit of comparison for determining the project's efficiency might be the number of cases handled per investigator. Thus, a concomitant increase in staff size (e.g., from two investigators to ten) may reveal that the project's actual caseload is essentially unchanged.

As a further illustration, the number of cases disposed in a given year may exceed the previous year's figure. The reason may be that staff prosecutors are more successful in pressing their cases in court. On the other hand, the local court system may have expanded, allowing judges to dispose of their backlogs and process new cases more efficiently. In the latter instance the number of cases disposed per court may be a more accurate measure. In sum, outcome analyses must account for changes that occur in the course of the project's development--such as staff size, enlargement of the court system, or some other factor affecting the project's operations.

Clearly, formal evaluations can be quite costly, but in most cases they can be designed to meet the project's budget as well as its research needs. Evaluating program impact should be among

the unit's top priorities: Positive results from a well-designed evaluation can be a project's strongest argument for continued funding.

Potential replicators should be aware that some economic crime units, such as San Diego's, have been able to automate their records; other programs recognized by the National District Attorneys Association have developed a computerized information clearinghouse for case data, containing names, locations, and modus operandi. While the ECU in Connecticut has not attempted such an approach, the Arthur D. Little and Battelle\* reports have developed reporting elements for research data, management/operational information and measures of effectiveness and impact. They are set forth in Appendix D.

#### 4.4 Costs

The total operating cost of the ECU from October 1975 to October 1978 was \$474,778. A Federal grant provided \$125,000 in each of the first two years and \$177,300 in the third. Table 5 breaks down the ECU budget by category. The major part of these funds have been used to meet staff salaries. These cost data do not reflect the time and resources provided by such state agencies as local state's attorney's offices and the Chief State's Attorney's Office (where library, xeroxing and ancillary staff were available).

Between October 1975 and October 1978 the ECU returned \$723,610 in restitution to Connecticut victims of economic crimes and \$20,832 to the state in fines. Thus, in three years of operation the ECU has returned \$269,664 over and above the total cost for the Unit. The Unit's apparent cost effectiveness is especially noteworthy when one considers that most of the prosecutions initiated by the ECU would not have occurred in the Unit's absence.

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\* Battelle Institute Law and Justice Study Center, Research and Evaluation Report on the First Year of the Economic Crime Project: July 1, 1973 to June 30, 1974, National District Attorneys Association, pp. 45-46; Arthur D. Little Report, pp. 13-30.

**Table 5**  
**ECU BUDGET**

	<u>Year 1</u> <u>1975-76</u>	<u>Year 2</u> <u>1976-77</u>	<u>Year 3</u> <u>1977-78</u>	<u>TOTAL</u>
Personnel	\$102,257	\$113,325	\$140,696 <sup>1</sup>	\$356,278
Equipment	9,393	500	13,000 <sup>2</sup>	22,893
Contractual	800	3,364	4,900	9,064
Travel	7,800	8,000	16,373 <sup>3</sup>	32,173
Supplies	4,750	2,700	5,531	12,981
Rent	8,400	6,000	12,000 <sup>4</sup>	26,400
Other	5,489	5,000	4,500	14,989
<b>TOTAL</b>	<b>\$138,889</b>	<b>\$138,889</b>	<b>\$197,000</b>	<b>\$474,778</b>

<sup>1</sup> An additional investigator was hired.

<sup>2</sup> Includes purchase of three cars.

<sup>3</sup> Includes witness travel and costs associated with three leased vehicles.

<sup>4</sup> The Chief State's Attorney's Office and its divisions moved from diverse locations throughout the state to a central location in Wallingford.

A costing plan adaptable to prospective economic crime units has been developed by Abt Associates Inc.\* The methodology outlines the difficulty in projecting anticipated program costs, and offers a plan to accurately itemize both startup and ongoing expenditures of an ECU. The plan is excerpted as Appendix E to this manual.

### Conclusion

Clearly, the Connecticut ECU has developed an outstanding approach to the investigation and prosecution of economic crime. State-wide jurisdiction and reciprocal relationships with regulatory and enforcement agencies are key components, allowing the Unit far greater latitude in pursuing its goals than would be thought possible with such limited staff and resources. The ECU model should be instructive to all jurisdictions planning a direct attack on economic crime.

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\* Peter Finn, Alan Hoffman, Prosecution of White Collar Crime (Washington, D.C.: Government Printing Office, March 1976), pp. 75-80.

**Appendix A**  
**Citizen Complaint Form**

OFFICE OF THE CHIEF STATE'S ATTORNEY  
ECONOMIC CRIME UNIT  
100 SOUTH TURNPIKE ROAD  
P.O. BOX 5000  
WALLINGFORD, CONNECTICUT 06492  
(203) 265-1688

I wish to file a complaint against the company named below. I understand that the Chief State's Attorney's Economic Crime Unit does not represent private citizens seeking the return of their money or other personal remedies. I am, however, filing this complaint to notify your office of the activities of this company so that it may be determined if law enforcement action is warranted.

(Please PRINT or TYPE and fill out COMPLETELY AND IN DETAIL.)

NAME OF COMPANY COMPLAINED ABOUT \_\_\_\_\_

ADDRESS \_\_\_\_\_  
(Street) (City) (State) (Zip Code)

PHONE NO. \_\_\_\_\_ SALESPERSON, IF ANY \_\_\_\_\_

DATE OF \_\_\_\_\_ NAME OF PRODUCT OR  
TRANSACTION SERVICE INVOLVED \_\_\_\_\_

NAMES OF OTHER PERSONS CONNECTED WITH COMPANY  
WITH WHOM YOU HAVE BEEN IN CONTACT \_\_\_\_\_

WAS A CONTRACT SIGNED? YES \_\_\_\_\_ NO \_\_\_\_\_

IS ADVERTISEMENT INVOLVED? YES \_\_\_\_\_ NO \_\_\_\_\_ IF SO, PLEASE  
ATTACH COPY

WHEN AND WHERE DID ADVERTISEMENT APPEAR? \_\_\_\_\_

OTHER WITNESSES:

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

OFFICE OF THE CHIEF STATE'S ATTORNEY  
ECONOMIC CRIME UNIT  
100 SOUTH TURNPIKE ROAD  
P.O. BOX 5000  
WALLINGFORD, CONNECTICUT 06492  
(203) 265-1688

I wish to file a complaint against the company named below. I understand that the Chief State's Attorney's Economic Crime Unit does not represent private citizens seeking the return of their money or other personal remedies. I am, however, filing this complaint to notify your office of the activities of this company so that it may be determined if law enforcement action is warranted.

(Please PRINT or TYPE and fill out COMPLETELY AND IN DETAIL)

NAME OF COMPANY COMPLAINED ABOUT \_\_\_\_\_

ADDRESS \_\_\_\_\_  
(Street) (City) (State) (Zip Code)

PHONE NO. \_\_\_\_\_ SALESPERSON, IF ANY \_\_\_\_\_

DATE OF \_\_\_\_\_ NAME OF PRODUCT OR  
TRANSACTION SERVICE INVOLVED \_\_\_\_\_

NAMES OF OTHER PERSONS CONNECTED WITH COMPANY  
WITH WHOM YOU HAVE BEEN IN CONTACT \_\_\_\_\_

WAS A CONTRACT SIGNED? YES \_\_\_\_\_ NO \_\_\_\_\_

IS ADVERTISEMENT INVOLVED? YES \_\_\_\_\_ NO \_\_\_\_\_ IF SO, PLEASE  
ATTACH COPY

WHEN AND WHERE DID ADVERTISEMENT APPEAR? \_\_\_\_\_

OTHER WITNESSES:

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

\_\_\_\_\_  
(NAME) (ADDRESS) (PHONE NO.)

HAVE YOU CONTACTED A PRIVATE ATTORNEY? YES \_\_\_\_\_ NO \_\_\_\_\_

NAME \_\_\_\_\_

EXPLAIN FULLY: Describe events (who, what, when, where, how, and why) in the order in which they happened, if possible. (Use reverse side if necessary. Also attach copies of contracts, cancelled checks, etc.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THIS COMPLAINT MAY BE SENT TO THE COMPANY COMPLAINED ABOUT: YES \_\_\_\_\_  
NO \_\_\_\_\_

I WILL SIGN A SWORN STATEMENT REGARDING THIS COMPLAINT IF NEEDED.  
YES \_\_\_\_\_  
NO \_\_\_\_\_

YOUR NAME (print or type) \_\_\_\_\_

HOME ADDRESS \_\_\_\_\_ DATE OF BIRTH \_\_\_\_\_

PHONE NO. \_\_\_\_\_  
(City) (State) (Zip Code)

BUSINESS NAME AND ADDRESS \_\_\_\_\_

PHONE NO. \_\_\_\_\_

DATE: \_\_\_\_\_ SIGNED: \_\_\_\_\_

NOTE: DO NOT APPEAR AT THE OFFICE OF THE ECONOMIC CRIME UNIT WITHOUT AN APPOINTMENT.

**Appendix B**  
**Enforcement Strategies**

## ENFORCEMENT STRATEGIES\*

State laws authorize various strategies to combat consumer fraud practices. These strategies include state sanctions and private remedies for law violations, state-imposed requirements that prevent fraud and state-created rights that facilitate private actions against fraud. The accompanying chart lists these strategies.

1. Criminal Sanctions
2. Cease and Desist Orders, Injunctions
3. Civil Remedies
4. Restitution
5. Receivership
6. Condemnation and Seizure
7. Prosecution Costs

### Requirements

8. Labeling
9. Pre-Sale Disclosures
10. Post-Sale Disclosures
11. Recordkeeping, Inspections
12. Licensing
13. Bonding
14. Ratemaking
15. Other Requirements, Standards of Conduct
16. Rulemaking

### Private Remedies

17. Rejection, Revocation of Acceptance
18. Rescission, Contract Unenforceable
19. Injunctions
20. Damages
21. Multiple Damages
22. Statutory, Punitive Damages
23. Attorneys' Fees
24. Retention of Goods
25. Class Actions
26. Small Claims Court

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\* U.S. Department of Justice, National Institute of Law Enforcement and Criminal Justice, LEAA, Survey of Consumer Fraud Law by Jonathon Sheldon and George Zweibel (Washington, D.C.: Government Printing Office, June 1978), p. 74.

**Requirements and Rights Facilitating Private Action**

- 27. Warranties
- 28. Remedy Waivers, Defense Cut-offs
- 29. Cooling-Off
- 30. Affirmation
- 31. Refunds
- 32. Limitations on Contract Duration, Costs
- 33. Regulation of Contract Substance

**Appendix C**  
**Monitoring and Evaluation Report Forms**

participating

-----MONTHLY SUMMARY REPORT FORM-----  
UNIT STAFFING

_____ ATTORNEYS	COUNTY _____
_____ INVESTIGATORS	MONTH _____
_____ LEGAL ASSISTANTS/STUDENT INTERNS	
_____ CLERICAL	

-----

A-1  
COMPLAINT HANDLING ACTIVITY

INQUIRIES

Inquiries or citizen contacts made during month \_\_\_\_\_

CITIZEN COMPLAINTS

Complaints pending action at end of last month \_\_\_\_\_

(Copy figures from last month's report)

Complaints received during month\* \_\_\_\_\_

Complaints closed during month \_\_\_\_\_

Complaints pending action at end of this reporting month \_\_\_\_\_

IMPACT

Number of complaints yielding financial recovery,  
restitution or property \_\_\_\_\_

Approximate dollar value \_\_\_\_\_

RESOURCES EXPENDED ON COMPLAINT HANDLING (In man-months)

Attorney \_\_\_\_\_

Investigator \_\_\_\_\_

Legal Assistant, student intern \_\_\_\_\_

Clerical \_\_\_\_\_

\*If there was a large number of complaints in one category,  
identify the category and describe what this might be attributed  
to, e.g., press, radio, T.V. releases, lectures, etc.: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CASE STATUS SHEET**  
(One sheet for each Fraud category)

Date Filed	Defendant	Cause No.	No. of Victims	Est. Economic Loss	Cumulative Loss	Date Pleaded Guilty	Date Found Guilty/ Not Guilty	Date Sentenced	Term	Jail	Fine	Resti-tution	Cumula-tive Resti-tution

# WEEKLY SUMMARY SHEET

Week of: \_\_\_\_\_

## INQUIRIES

Day	Individuals		Other Agencies	TOTAL
	Phone	Walk-in		
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

## COMPLAINTS

Day	Individuals			Other Agencies	TOTAL
	Phone	Walk-in	Ltrs		
Monday					
Tuesday					
Wednesday					
Thursday					
Friday					

### INVESTIGATIONS

Date	Name	Description of Violation

### CASES FILED

Date	Cause No.	Name	Felony	Civil	Misd

**INVESTIGATION REPORT FORM**

**Name:** \_\_\_\_\_ **Month** \_\_\_\_\_

**Investigations Opened During Month**

**Name of Invest.:** \_\_\_\_\_  
**Date Opened:** \_\_\_\_\_  
**Type:** \_\_\_\_\_  
\_\_\_\_\_  
**Source:** \_\_\_\_\_

**Name of Invest.:** \_\_\_\_\_  
**Date Opened:** \_\_\_\_\_  
**Type:** \_\_\_\_\_  
\_\_\_\_\_  
**Source:** \_\_\_\_\_

**Name of Invest.:** \_\_\_\_\_  
**Date Opened:** \_\_\_\_\_  
**Type:** \_\_\_\_\_  
\_\_\_\_\_  
**Source:** \_\_\_\_\_

**Name of Invest.:** \_\_\_\_\_  
**Date Opened:** \_\_\_\_\_  
**Type:** \_\_\_\_\_  
\_\_\_\_\_  
**Source:** \_\_\_\_\_

(Source, e.g., citizen, State Police Department, State Auditor's Office, etc.)

(to be filled out by attorneys, interns and investigators)

CASE INFORMATION CARD

COMPLAINT AGAINST: \_\_\_\_\_

ADDRESS: \_\_\_\_\_ PHONE #: \_\_\_\_\_

PERSON OR AGENCY COMPLAINING: \_\_\_\_\_ PHONE #: \_\_\_\_\_

NATURE OF COMPLAINT: \_\_\_\_\_

COMPLAINT: \_\_\_\_\_ INVESTIGATION: \_\_\_\_\_ INVESTIGATOR: \_\_\_\_\_ CASE FILED: \_\_\_\_\_

CAUSE #: \_\_\_\_\_ CHARGES: \_\_\_\_\_

ATTORNEY FOR DEFENSE: \_\_\_\_\_ PHONE #: \_\_\_\_\_

DEPUTY: \_\_\_\_\_ ARRAIGNED: \_\_\_\_\_

PLEAD GUILTY OR TRIAL DATE: \_\_\_\_\_ RESULTS OF TRIAL: \_\_\_\_\_

SENTENCE DATE: \_\_\_\_\_ JUDGE: \_\_\_\_\_

SENTENCE: \_\_\_\_\_

NO. OF COMPLAINTS: \_\_\_\_\_

(This is filled out for each complaint, investigation, case, etc.)

**Appendix D**  
**Suggested Data Elements for**  
**Management/Monitoring Information**

Not all of the data elements listed below will be useful. Each economic crime unit should establish priorities in data items collected to enhance the manageability and utility of the data reporting system according to local conditions and priorities.

Management/Monitoring Information

<u>Data Item</u>	<u>Purpose/Utility of Item</u>
1. Cost information (grant, direct, indirect, opportunity)	The Office's primary area of focus (types of economic crime dealt with)
2. Total number of cases (by type)	
3. Conviction	
4. Total investigations	
5. Manhours spent on investigation, prosecution	When and where to add staff/resources
6. Number of arrests	
7. Number of pending cases and investigations	Adequate case loads
8. Number of felony and misdemeanor convictions	Areas of cost savings and increases
9. Number of guilty pleas, nollees accepted	
10. Cases disposed	Changes in staff operating procedures
11. Number of contacts/referrals (breakdown by source)	
12. Number of formal complaints written and accepted	Organizational strategies
13. Cases filed	
14. Cases per investigator and prosecutor	
15. Number of speeches, consumer alerts disseminated	

Effectiveness/Impact Evaluation Data  
Data Item

Purpose/Utility of Item

- |   |   |
|---|---|
| 1. Number of convictions: felony and misdemeanor                                    |   |
| 2. Number of guilty pleas, nolle  |   |
| 3. Cases filed and disposed   |   |
| 4. Number of jail sentences   |   |
| 5. Number of arrests  |   |
| 6. Total dollar amount of fines assessed  | Quantitative measures to assess level of impact or effectiveness of Economic Crime Unit |
| 7. Average restitution recovered/ case  |   |
| 8. Total number of victims  |   |
| 9. Average number of victims/ case of those prosecuted                              |   |
| 10. Conviction rate (convictions/ dispositions)                                     |   |
| 11. Number of fraud operations/ advertising schemes put out of practice or enjoined |   |
| 12. Number of news articles and/or media publicity/3 months                         |   |

**Appendix E**  
**Costing Plan**

## COSTING PLAN\*

Five major factors affecting program cost can be derived from an analysis of the structure and operations of fraud programs. These are discussed briefly below:

### TYPES OF CASES HANDLED

This is clearly one of the most important factors affecting program cost. A program which focuses on a limited number of different types of economic crime will have less of a caseload to deal with and will require a narrower range of staff expertise than will a program designed to handle any type of economic crime. Moreover, even if programs deal with the same number of case types, staff mixes may differ. For example, staff requirements for a program which deals exclusively with consumer grievances will be widely different from one which focuses solely on securities frauds.

### SCOPE OF PROGRAM ACTIVITY

This factor affects the cost of a fraud program in two ways. First, a program which performs a prosecutorial function only--leaving investigative duties to other agencies--will have fewer personnel requirements than will a program which encompasses both investigative and prosecutorial services, other things being equal. Second, a program which is designed to seek out cases of economic crime will require greater resources than one which simply receives complaints from outside sources. For example, the former may undertake a comprehensive public information and education effort in order to encourage people to make a complaint if victimized, or to recognize and avert a possible victimization, whereas the latter may need only to coordinate with case sources.

### SPECIFICITY OF RELEVANT STATUTES

This factor pertains more to cost per case considerations than to staffing requirements, but it must be recognized as having a

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\* Excerpted from Peter Finn, Alan Hoffman, Prosecution of White Collar Crime (Washington, D.C.: Government Printing Office, March 1976), pp. 75-80.

significant impact on cost-effectiveness when programs in different jurisdictions are compared. For jurisdictions in which statutes are vague or ambiguous, case screening and case preparation are likely to be more time-consuming than in jurisdictions where relevant statutes are highly specific. Furthermore, trials may take longer, and restitution may be more difficult in jurisdictions having statutes under which prosecution is more difficult. Other things being equal, staff costs may be higher in such jurisdictions due to the greater level of investigative or prosecutorial expertise which might be required to make a successful case.

#### AVAILABILITY OF EXISTING SERVICES AND FACILITIES

It is natural for an economic crime program to be implemented under the aegis of a general prosecutorial office. Thus it is very possible that office space, telephone service, reproduction equipment, and general office supplies will be available to the program without explicit cost--particularly if the fraud program represents a relatively small proportion of the overall office's activities. "Free" consultation services with staff from other divisions represent yet other services which might reduce cost. If a fraud program is designed to utilize data processing equipment, and such equipment is already available to the prosecutor's office, significant hardware (and possibly software) cost savings may be realized.

In making comparisons of economic crime programs, or in using an existing program as a model in planning a new one, it is important that hidden or implicit costs be recognized. No-cost service and facilities in one jurisdiction may represent substantial costs in another. Hence, particular care should be taken to identify these elements and to estimate their value when making comparisons or planning a new program from an existing one.

#### PREVAILING SALARY RATES OF NECESSARY PERSONNEL

It is obvious that this factor will account for differences in the cost of any type of program. Yet in planning a fraud program, the types and scope of cases to be considered may be affected by salary rate differentials between attorneys, investigators, paraprofessionals (e.g., law students), and clerical staff. If

salary rate differentials between these labor categories are widely different between jurisdictions, it may significantly influence program design and thrust, resulting in differing program goals and staff mixes for similar total budgets.

The factors affecting program cost described above were presented in somewhat abstract form, as they are not likely to lend themselves to analysis in isolation as the discussion may have implied. Moreover, there is a certain degree of overlap among the factors in their ultimate effect. Rather extreme examples were used to illustrate points; such examples would probably not be encountered in practice. However, considering these issues and recognizing their potential impact is seen to be an essential step in planning and costing a fraud program.

#### AN APPROACH TO COSTING A FRAUD PROGRAM

In view of the discussion of the previous subsection, it would be fruitless to plan the cost of a new fraud program by attempting to estimate cost per case from existing programs, and to multiply that estimate by the number of cases anticipated within a designated time frame and to obtain a total cost. A more rational approach would be to determine the relationship between the program goals and its design, and the influence that each of the five factors described will have on these, with respect to program cost. This would be a cyclical process in which goals may be modified within a range defined by needs and priorities, the design of the program modified accordingly, and the influence of the factors re-examined. This procedure will eventually result in some compromise of goals, program design, and cost which would reflect a suboptimal (or possibly optimal) combination of these for meeting pre-established needs and priorities. While it is recognized that this procedure is difficult to implement in practice, the systematic approach which it represents is seen to be an important element in program costing.

Some additional examples may serve to illustrate further the difficulties associated with costing a fraud program. The labor needed to investigate and prosecute a simple embezzlement by an employee against a business may consist of recording testimony from a company vice-president and the employee's supervisor, spending half of a day examining false entries in a cost ledger,

confronting the employee with the evidence, and agreeing on an equitable out-of-court settlement a week later. In contrast, prosecution of a major land fraud case may require several months of painstaking questioning of victims, subpoenaing witnesses and company records, tracing fugitives, poring over complex and deliberate / confusing financial records and sales and purchase contracts, and a protracted series of court appearances. Still another case may involve only a ten-minute telephone call.

Cost elements of a fraud program fall into two categories: visible components, such as staff salaries and overhead; and hidden components, such as utilization of other prosecutorial staff, provision of space and utilities in the Prosecutor's Office, and program efficiency. There may be as many as five major categories of visible costs of a fraud program:

- staff,
- direct costs (travel, supplies, etc.),
- consultants,
- fringe benefits,
- overhead.

As with most programs, staffing represents the bulk of program costs. In Seattle, for example, staff salaries account for 90 percent of the budget. As the largest and most important cost item, personnel will merit the most attention from program planners. Options such as using consultants, who do not require fringe benefits or involve overhead charges, or hiring relatively inexperienced staff, whose salaries may be correspondingly low, may be considered. In this latter case, however, the cost savings realized by hiring inexperienced staff may be more than offset by the initial loss in efficiency and effectiveness as these individuals gain practical experience in dealing with economic crime and use the time of experienced staff and the Chief Deputy with questions and requests for assistance.

Direct costs include standard items, such as telephone, travel (including per diem charges), duplication, postage, office supplies, and possibly, computer time. Another direct cost that fraud programs may incur is the expense of professional services to obtain evidence of fraudulent activity. Examples are testing or analyzing a product that has been falsely advertised, showing

that a product has been dishonestly serviced, or using the skills of a certified public accountant in an embezzlement case. (For instance, the San Diego Fraud Division purchased aerial photographs in obtaining evidence for a land fraud case.) In addition to payment for services, the court time of expert witnesses may also need to be compensated.

As discussed in the previous section, program costs will also include the utilization of existing services and facilities within the prosecutor's office. Estimates of the value of these are difficult to make because of their "hidden" nature. However, recognition of their presence should be made in developing program cost estimates.

#### COSTING METHODOLOGY

The costing form on the following page serves to illustrate the breakdown of major cost categories discussed above. It will, of course, be necessary to tailor this form to suit local conditions and the specific characteristics of program design. The form has been completed with hypothetical data to explicitly identify both visible and hidden cost components.

# HYPOTHETICAL COST ESTIMATE FORM

## I. DIRECT LABOR SALARIES

### Attorneys:

Chief Deputy @ \$21,000/year

Deputy @ \$12,000/year

Deputy @ \$14,000/year

### Investigators:

Investigator @ \$15,000/year

### Other Professionals:

1 Law Student @ \$3,500/half-time

### Clerical:

Secretary @ \$7,500

Total Salaries:	\$79,000	\$79,000
-----------------	----------	----------

x Fringe benefits @ 20%:		<u>15,800</u>
--------------------------	--	---------------

Total Salaries and Fringes:		<u>\$94,800</u>
-----------------------------	--	-----------------

## II. DIRECT COSTS

Consultants: 2 @ \$500 each = \$1,000

Telephone: paid by office

Travel: \$1,675

transportation: 10 trips @ \$100/trip = \$1,000

local transportation: \$15 x 15 days = \$225

per diem: \$30/day x 15 days = \$450

Duplication: paid by office

Postage: paid by office

Office Supplies: paid by office

Computer: will not be used

Training Course: 2 @ \$250/each = \$500

Product and Appliance Testing: \$2,000

Total Direct Costs:	\$ 5,175	\$ 5,175
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III. TOTAL SALARIES, FRINGES, DIRECT COSTS:	99,975
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x Overhead @ 35%	<u>34,991</u>
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IV. <u>TOTAL PROGRAM COSTS:</u>	<u>\$134,966</u>
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## **EXEMPLARY PROJECTS REVIEW BOARD**

Members of the Exemplary Projects Review Board in August 1978, when the Connecticut Economic Crime Unit was selected were the following:

### **State Officials**

John Parton, Executive Director  
Office of Criminal Justice Programs  
Columbia, South Carolina

Paul Quinn, Director  
Division of Criminal Justice  
Department of Local Affairs  
Denver, Colorado

### **LEAA Officials**

Mary Ann Beck, Director  
Model Program Development Division/ODTD  
National Institute of Law Enforcement  
and Criminal Justice

Robert Diegleman, Director  
Planning and Evaluation Division  
Office of Planning and Management

James Howell, Director  
National Institute of Juvenile Justice and  
Delinquency Prevention  
Office of Juvenile Justice and Delinquency  
Prevention

Warren Rawles, Chief  
Corrections Management and Facilities  
Branch  
Office of Criminal Justice Programs

Benjamin Renshaw, Director  
Statistics Division  
National Criminal Justice Information  
and Statistics Service

James Swain, Director  
Adjudication Division  
Office of Criminal Justice Programs

James Vetter, Chief  
Police Section  
Office of Criminal Justice Programs

Henry S. Dogin, Administrator  
Law Enforcement Assistance Administration  
Ex Officio

**END**