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NATIONAL EVALUATION
OF THE
MAJOR WHITE COLLAR CRIME PROGRAM

VOLUME I

EXECUTIVE SUMMARY

June, 1981

IIIR

INSTITUTE FOR INTERGOVERNMENTAL RESEARCH

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NATIONAL EVALUATION
OF THE
MAJOR WHITE COLLAR CRIME PROGRAM

VOLUME I

EXECUTIVE SUMMARY

Submitted to:

National Institute of Justice
U. S. Department of Justice
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Project Director

NCJRS
JUN 18 1982
ACQUISITIONS

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PREFACE

This document is the Executive Summary of the national evaluation of the Law Enforcement Assistance Administration's Criminal Conspiracies Major White Collar Crime Program. The national evaluation is published in three volumes:

Volume I - Executive Summary

Volume II - Final Report

Volume III - Evaluation Design Support Document

The national evaluation was supported by a grant from the National Institute of Justice. The primary goal of the evaluation was to identify and describe the significant factors affecting the operation and success of agencies having a major white collar crime focus. Five major white collar crime projects were selected for an intensive process and impact evaluation.

This evaluation document includes an overview of the Law Enforcement Assistance Administration (LEAA) Major White Collar Crime Program and the national evaluation; a summary of the five projects selected for intensive evaluation (projects located in New Jersey, Massachusetts, Delaware, Florida, and Alabama); interjurisdictional comparisons among the five sites; and evaluation recommendations.

This evaluation report is directed to criminal justice practitioners and to the criminal justice research community. It is hoped that a foundation has been provided for further testing and implementation of white collar crime projects. The national evaluation was conducted by the Institute for Intergovernmental Research (IIR).

ACKNOWLEDGEMENTS

The Institute for Intergovernmental Research (IIR) is indebted to a large number of people for their assistance during this national evaluation effort. Of primary importance to the achievement of basic evaluation goals and objectives was the active support and cooperation of Harry M. Bratt, Acting Director, National Institute of Justice, and the program managers at the National Institute of Justice:

Richard Laymon and Walter P. Travers, Office of Program Evaluation, who served consecutively as evaluation grant managers; and

Paul E. Lineberry and Harold R. Holzman, Ph.D. (formerly of the Institute);

and the Law Enforcement Assistance Administration, Criminal Conspiracies Division:

J. A. Marshall, Major White Collar Crime Program Manager;

James O. Golden, Director;

Stephen B. Cooley, former Assistant Director; and

Richard H. Ward, III, Law Enforcement Specialist.

IIR also received complete cooperation and assistance from the leadership of each of the individual projects, and the sponsoring agency representatives and their staffs:

Edwin H. Stier, Director, Division of Criminal Justice, New Jersey

Stephen R. Delinsky, Chief, Criminal Bureau, Department of Attorney General, Massachusetts

Joseph J. Farnan, Jr., Chief Deputy Attorney General, Department of Justice, Delaware

Walter W. Wood, Project Attorney, Securities Fraud Unit, Department of Banking & Finance, Florida

Thomas L. Krebs, Director, Alabama Securities Commission

IIR was responsible for overall evaluation management. Primary IIR personnel assigned to the project included:

William L. Reed, Project Director

Emory B. Williams, Site Evaluation Activities Team Leader

E. Bruce Buckley, Site Data Collection Supervisor

Other IIR personnel who assisted in this effort were William A. Dunne, Howard H. Schleich, Janice K. Sebrell, Donna B. Hodges (who performed word processing functions related to report development), and Brian Williams (Technical Report Editor).

Harris K. Goldstein, D.S.W., Professor of Research at Florida State University, was responsible for direction of the data analysis team which performed data entry, processing, statistical analysis, and data presentation tasks. Kitty Convertino assisted IIR in extended data analysis tasks.

Assistance was also provided by Robert G. Bowers of the University City Science Center in initial site visits and data collection instrument development tasks and Andrea G. Lange of the University City Science Center in initial site visits.

There were, of course, many other individuals too numerous to mention who were involved in the evaluation effort over the last two years, without whose help this report would not have been complete.

CHAPTER I. PROGRAM AND EVALUATION OVERVIEW

A. MAJOR WHITE COLLAR CRIME PROGRAM

In 1974, the U. S. Chamber of Commerce estimated that the economic cost of white collar crime in the United States was at least 40 billion dollars annually. In 1978, the U. S. House of Representatives' Subcommittee on Crime estimated that white collar crimes may in fact cost ten times the total amount of all crimes against property. Further, the social consequences of these economic crimes may be even more damaging than the monetary costs.

The 1970's were characterized by a change of general attitude toward white collar crime from public indifference to public concern. In the 1970's, progress was made in improving and enhancing white collar crime enforcement capabilities. Much of this enforcement progress, as well as the research and technical assistance underlying this progress, can be directly attributed to the substantial support provided by the Law Enforcement Assistance Administration (LEAA).

Created by the Omnibus Crime Control and Safe Streets Act of 1968, LEAA is charged with assisting state and local governments in preventing and reducing crime and in improving the performance of the criminal justice system. By the early 1970's, LEAA had assumed an important role in sponsoring white collar crime research and technical assistance support for state and local law enforcement units. Additionally, LEAA provided direct funding to state and local prosecutive/investigative agencies to support their development of white collar crime enforcement capabilities.¹ By the fall of 1974, the emerging

¹ Subcommittee on Crime of the Committee on the Judiciary, House of Representatives. White Collar Crime: The Problem and the Federal Response. 95th Congress, 2nd Session, June 1978, p.28.

LEAA Criminal Conspiracies Major White Collar Crime Program was discernible as a separate component of the LEAA Organized Crime Program. The thrust of the program (component) was to foster the initial development of white collar crime enforcement units having the capability to investigate and prosecute complex, sophisticated large scale frauds and their perpetrators.

From September 1974 to October 1978, eight somewhat divergent projects were funded under the program. Because of the lack of major white collar crime enforcement experience available in the criminal justice community during this period of time, these projects varied widely in terms of:

- o basic legal authority and jurisdiction
- o governmental level of sponsoring agency
- o organizational placement and degree of autonomy
- o leadership and staffing
- o degree of dependence upon other agencies and resources for fundamental investigative and prosecutive functions

The projects, while maintaining major white collar crime emphasis, also varied in terms of thrust. Some developed a general enforcement orientation, while others developed a more specific focus on particular offenses and offenders.

These initial years can be viewed as a period in which a moderate degree of latitude was given in the selection and funding of projects without any undue operational constraints on their development, direction, or focus. Yet, these early projects appear to have developed strategies and targets in much the same manner as projects funded after 1978.

In October 1978, the major white collar crime program component was removed from the organized crime program, given separate program identity, and established as an initiative of the LEAA Office of Criminal Justice Programs.² There were substantial differences between the 1978 program and the efforts of 1974-78. Significant among these was the obvious shift from supporting the basic development of white collar crime enforcement units and initial staff acquisition to an exclusive focus on specific investigations which presumed the existence of an enforcement capability generally non-existent at the time of initial project funding during the 1974-78 period. The rationale for this change was to prevent the projects' resources, strategies, and thrust from becoming diluted, dispersed, and degraded in response to a wide range and excessive volume of investigative matters and complaints experienced by some of the earlier projects which had undertaken broad gauged enforcement efforts. In addition, as white collar crime enforcement knowledge, experience, and capabilities increased, the perception of what constitutes "major" offenses was revised upward at both the program and project levels.

The 10 projects funded by LEAA under the major white collar crime program since 1974 and considered candidates for intensive evaluation are listed in Exhibit 1 in the order in which they were funded.

²Decision Memorandum to Implement the Enforcement Division's Major White Collar Crime Program, October 1978 (James O. Golden, et al to James H. Gregg).

EXHIBIT 1
LEAA CRIMINAL CONSPIRACIES MAJOR WHITE COLLAR CRIME PROJECTS

FLORIDA SECURITIES FRAUD IDENTIFICATION AND ENFORCEMENT PROJECT

Securities Fraud Section
Office of the Comptroller
Tallahassee, Florida

Grant	#75-DF-04-0007	\$ 99,000	Period 09/01/74 to 01/31/76
	76-DF-04-0016	600,797	02/01/76 to 07/04/78
	78-DF-AX-0110	271,086	07/05/78 to 07/04/79

PHOENIX WHITE COLLAR CRIME INTELLIGENCE PROJECT

Phoenix Organized Crime Intelligence Unit
Phoenix Police Department
Phoenix, Arizona

Grant	#76-DF-09-0026	\$277,706	Period 07/01/76 to 08/03/77
	77-DF-09-0028	198,200	08/04/77 to 03/03/79

MASSACHUSETTS ORGANIZED CRIME PROJECT

Office of the Attorney General
Boston, Massachusetts

Grant	#76-DF-01-0019	\$394,795	Period 07/15/76 to 06/30/78
	78-DF-AX-0104	213,900	07/01/78 to 12/31/79

NEW JERSEY WHITE COLLAR CRIME/TOXIC WASTE PROJECT

Economic Crime Unit
Division of Criminal Justice
Department of Law and Public Safety
Princeton, New Jersey

Grant	#76-DF-02-0022	\$375,000	Period 10/01/76 to 06/30/78
	78-DF-AX-0097	449,970	07/01/78 to 06/30/79
	79-DF-AX-0078	199,995	07/01/79 to 11/18/80

TEXAS WHITE COLLAR CRIME PROJECT

Office of the Attorney General
Austin, Texas

Grant	#77-DF-06-0002	\$211,275	Period 11/01/76 to 04/30/78
	78-DF-AX-0075	155,000	05/01/78 to 08/31/79

SAN FRANCISCO CORRUPTION CONTROL/SPECIAL PROSECUTIONS PROJECT

Office of the District Attorney
San Francisco, California

Grant	#77-DF-09-0018	\$325,032	Period 04/15/77 to 08/14/79
	79-DF-AX-0090	293,608	07/09/79 to 01/08/81

ALABAMA SECURITIES FRAUD DETECTION, IDENTIFICATION, & ENFORCEMENT PROJECT

Alabama Securities Commission
Montgomery, Alabama

Grant	#77-DF-04-0011	\$200,000	Period 07/01/77 to 03/31/79
	77-DF-04-0011 (S-1)	80,593	04/01/79 to 12/31/79

DELAWARE WHITE COLLAR CRIME PROJECT

Office of the Attorney General
Wilmington, Delaware

Grant	#78-HC-AX-0011	\$350,496	Period 08/01/77 to 04/30/80
	80-CJ-AX-0044	200,000	05/01/80 to 10/31/81

MASSACHUSETTS PROCUREMENT ANTI-FRAUD PROJECT

Special Commission Concerning State and County Buildings
Boston, Massachusetts

Grant	#79-DF-AX-0039	\$209,507	Period 03/01/79 to 06/30/80
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MARION COUNTY, INDIANA, WHITE COLLAR CRIME/ORGANIZED CRIME PROJECT

Office of the Prosecutor
Indianapolis, Indiana

Grant	#79-DF-AX-0111	\$ 66,344	Period 08/01/79 to 04/30/80
	#80-CJ-AX-0041	\$100,000	05/01/80 to 04/30/81

B. THE NATIONAL EVALUATION

In September 1979, the National Institute for Law Enforcement and Criminal Justice (subsequently reorganized and designated the National Institute of Justice) awarded the major white collar crime program evaluation project to the Institute for Intergovernmental Research (IIR) to determine the operational impact of the program and, to the extent possible, the causes for variation in that impact.

1. Evaluation Research Design

The purpose of IIR's evaluation was to conduct both a process and impact evaluation of those projects selected for intensive evaluation. The IIR evaluation research design incorporated both the organizational and programmatic diversities existing at the project level, as well as the diversities in project environments within which the program's intervention occurred. Following a round of initial site visits to each of the ten white collar crime projects, a series of research questions was developed. These research questions, which are listed below, were developed based upon extensive on-site interviews with project personnel, interviews with LEAA program managers, and intensive examinations of program documentation and project documents at each site.

- o How did pre-existing environmental conditions influence project implementation and effectiveness?
- o How do the identified types of white collar crime influence project implementation and effectiveness?
- o How does legal authority influence project implementation and effectiveness?
- o How does resource availability influence project implementation and effectiveness?

- o How does an overall enforcement strategy influence project implementation and effectiveness?
- o How do prioritizations of enforcement effort influence project implementation and effectiveness?
- o How does planning for specific investigations and prosecutions influence project implementation and effectiveness?
- o How do cooperative, multijurisdictional working arrangements between criminal justice and regulatory agencies influence project implementation and effectiveness?
- o How does the application of intelligence techniques and intelligence/offense information influence project implementation and effectiveness?
- o Cost effectiveness: What dollar costs can be associated with project impacts in terms of the arrest and conviction of offenders?

These research questions were specifically designed to incorporate evaluation objectives contained in the National Institute's Solicitation and to provide a sufficiently flexible framework for the evaluation effort, recognizing the common operational characteristics as well as the common problems associated with program implementation at each project site, without adversely affecting either the conduct of the evaluation or the quality of the research findings.

Also in response to the evaluation objectives, six evaluation research activities were specifically designed. These activities, which were carried out in the course of IIR's evaluation effort, are listed below:

- o Conduct a process evaluation of each project that focuses upon the issues of priority setting and strategy development.
- o Conduct a process evaluation of the collection, analysis, and use of intelligence information and analyze the impact of intelligence information on the investigative and prosecutive processes of each project.

- o Describe the strengths and limitations of the legal authorities of the participating agencies and analyze their respective impacts upon each project's investigative and prosecutorial processes.
- o Describe the relationship between the participating criminal justice agencies and regulatory agencies and analyze the impact of these relationships upon the ability of the project to carry out its mission.
- o Identify other factors which have a significant impact upon the operations of each project.
- o Review the cost effectiveness of the projects in terms of the arrest and conviction of white collar crime offenders.

2. Methodology

Site Selection

The evaluation's data collection process took place over a thirteen month period from the end of 1979 to the end of 1980. Following the initial round of visits to all ten sites, IIR submitted a report entitled Site Assessment Summaries to the National Institute of Justice and LEAA. Based on the contents of the IIR report, the National Institute of Justice, after consultation with the LEAA program managers, selected the following five major white collar crime projects for intensive evaluation:

- o New Jersey White Collar Crime/Toxic Waste Project
- o Massachusetts Organized Crime Project
- o Delaware White Collar Crime Project
- o Florida Securities Fraud Identification and Enforcement Project
- o Alabama Securities Fraud Detection, Identification, and Enforcement Project

The second phase of data collection and site visits took place during the second half of 1980.

Data Sources

Exhibit 2 depicts the general categories of information collected during the course of the evaluation. While various sources were used at each site for information collection, the primary sources were project personnel, program documentation, and the individual investigative case files.

EXHIBIT 2
CATEGORIES OF INFORMATION COLLECTED

<u>Categories</u>	<u>Qualitative</u>	<u>Quantitative</u>
Project host agency jurisdiction and authority	X	
Project structure	X	
Project case screening procedures	X	
Prosecution procedures	X	
Grant and budget data		X
Personnel information		X
Case referrals		X
Case activity, including closings		X
Case status information		X
Case dispositions		X
Criminal and civil penalties or sanctions		X

The evaluation team conducted on-site interviews with project personnel, host agency personnel, and representatives from external agencies participating in project activities. Interviews were appropriately tailored to the characteristics of each project.

In addition to the investigative case files, the evaluation team examined prosecution logs, intelligence information files (as appropriate), special reports, assessments, and administrative documentation pertaining to project development and operational activities, as well as multijurisdictional relationships/agreements, staff acquisition, training programs, periodic reports, and legal opinions.

Method of Data Collection

A variety of data collection instruments was developed to capture essential information at each project site. One set of instruments was specifically designed to guide evaluation team interviews of key project personnel. This set consisted of a prepared list of over 100 questions pertaining to the ten research questions and a separate list of logical interviewees for each specific question. At least two interviewees were deemed necessary for a response to each question in order to improve the reliability of the information gathered.

Three other data collection instruments were designed to capture information relevant to variables such as funding, organizational structure and staffing, administrative data, and case activity data for each grant period:

WCC Project Grant Summary: focused on project staffing and funding.

WCC Project Overview: focused on the project's legal authority, geographical jurisdiction, organizational structure, screening processes, and criminal prosecution of cases.

WCC Project Case Activity Counts: focused on sources of project cases, case openings and closures, case dispositions, and adjudicative data.

An additional data collection instrument, a case information worksheet, was designed to collect quantitative data at several points in the processing of white collar crime cases. Exhibit 3 indicates the data collection points and the related case processing stages.

Although some of the projects were in various stages of developing automated data systems, none had an automated case information system which could be used in evaluation data collection. Thus, all case data were collected manually. One evaluation team member supervised data collection activities on and off site. Any discrepancies between and among data sources were brought to the attention of site agency personnel and rectified. Limited interpretation of source data was sometimes necessary. In these instances, a policy decision was made and data collectors were informed: for example, suspended sentences were categorized as probation for data collection purposes. The evaluation team made a conscious decision to examine every white collar crime case file at each project site to maximize the collection of a rich and potentially productive base of technical information and quantitative data.

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Method of Data Analysis

Descriptive, narrative information was analyzed to focus upon the differences between planned and actual operations. Where available, base line data and pre-project measures were utilized in this analysis.

Data provided by the technical data collection instruments were tabulated into categories for each variable and cross tabulated for each variable by each site. Frequency counts and percents of cases (and where appropriate of individuals and organizations) were computed. Using these statistics, three kinds of analyses were made:

- o Comparisons among categories of each variable within a site
- o Comparisons among categories of each variable across sites (site by site comparison)
- o Comparisons of the frequency and proportion of total cases studied that were dealt with at various stages in the legal and judicial process across sites (interjurisdictional comparisons)

These analyses show the relationships among project inputs, activities, and results, and between project descriptive data and technical data. Where necessary, alternative explanations of results were considered, along with rival causes and possible external influences.

What occurred at each site was considered unique and unlikely to be repeated at another place or another time. This led to the decision that the various sites could not be considered samples from a particular population or universe. Thus, no tests of statistical significance have been made of differences found. Instead, in the interests of conservatism, only major differences were reported and

commented on. In addition, the collection of data in all 1,068 project cases is also considered to add to the reliability and validity of conclusions.

The information obtained by the above methods provided a basis for determining the relative effect of activities at each site on cases, individuals, and organizations. This in turn led to judgments of relative effectiveness. The study of effectiveness is, therefore, based on a content analysis rather than on a statistical analysis.

CHAPTER II. SUMMARY OF PROJECTS SELECTED FOR INTENSIVE EVALUATION

A. INTRODUCTION

All five of the projects selected for intensive evaluation were disparate in the manner in which each organized and implemented the major white collar crime program. This in part can be attributed to divergent and unique circumstances which led to the initiation of the individual projects.

Two projects (Florida and Delaware) initially experienced serious problems in program implementation; however, through reorganization and reorientation, and with the assistance and support of the LEAA program managers, these projects were able to establish productive enforcement capabilities.

Dominant influences on project development stemmed from the legal authority, jurisdictional scope, and enforcement capabilities of the project sponsor. A major influence on project implementation resulted from the extent to which each project was prioritized and incorporated into the regular structure of the sponsoring agency. Other major influences on the projects were multiagency cooperation, interagency agreements, and the extent of prior criminal conspiracy investigative/prosecutive experience of the project staff. Multiagency cooperation most often existed in the detection and/or investigative stages and served as a mechanism for referral of cases to the project or project cases to other agencies for appropriate action. No instances were found wherein case management responsibilities were shared and there were few instances of sharing even on an individual case basis. Multiagency coordination, therefore, did not extend project authority

per se; rather it ensured the coordination of enforcement efforts, expanded the scope of project cases, and expanded investigative capabilities available to the project.

The degree of formality of interagency agreements and the extent of prior experience of the project staff in investigating and prosecuting criminal conspiracies were major factors influencing successful project implementation and project outcomes.

For purposes of reader clarification, the term "project report" is used in lieu of the evaluation term "case study" when describing the individual projects because of the common, frequent, and narrower usage of the word "case" throughout the national evaluation documentation to describe project investigative/prosecutive endeavors. The five project reports are summarized below.

B. NEW JERSEY

1. Pre-existing Conditions

During the mid to late 1960's a series of New Jersey legislative initiatives identified the need to develop effective statewide enforcement capabilities to combat organized crime and corruption within the state. As a result of these initiatives, a series of major criminal justice reforms occurred in New Jersey in the late 60's and early 70's, including the creation of the Division of Criminal Justice as a state level investigative and prosecutive agency under the Attorney General.

Following the implementation of the statewide grand jury system in 1971, the Division of Criminal Justice commenced state level investigation and prosecution of organized crime and corruption cases. The division's assistance was also sought to prosecute criminal violations

detected by state regulatory agencies which had been solely dependent upon the willingness of local prosecutors to prosecute their cases.

Once the prosecution of regulatory cases began, it became apparent that many of the referred cases suggested a wide range of complex fraudulent schemes beyond those violations initially detected. Further, many of the referrals were found investigatively deficient. In response to these findings, two attorneys and three investigators were assigned by the division to process regulatory agency cases; however, it was soon realized that the five-man unit could not handle the increasing volume of regulatory case referrals. The division further recognized that the complexity of cases also required a staff skilled in investigative accounting, financial and business systems and practices, and knowledgeable in the statutory laws and authorities governing major white collar crime conspiracies.

2. Grant Overview

Based upon these resource needs, the division applied to LEAA for major white collar crime discretionary funding in 1976. The project was federally funded for a period of fifty months, October 1, 1976 to November 18, 1980, in the total amount of \$1,024,965. Three LEAA grants were awarded: the first to create a major white collar crime enforcement capability; the second to continue major white collar crime enforcement efforts and also to provide an enforcement focus on toxic waste investigations; and the third to continue the toxic waste enforcement effort.

3. Legal Authority

Initiation of the New Jersey project was primarily influenced by the statewide prosecutive authority of the Attorney General which was

further strengthened by the Criminal Justice Act of 1970 which created the Division of Criminal Justice as a division of the Attorney General's Office.

The 1970 Act provided that all functions, powers, and duties of the Attorney General, as the chief law enforcement officer of the state, would be exercised through the division. Included in the broad powers granted to the Attorney General was the authority to supervise the twenty-one county prosecutors of the state who, like the Attorney General, are appointed by the Governor.

The division's authority and that of the Attorney General was further strengthened by the subsequent passage in 1971 of a statewide grand jury statute, the first state statute of its kind in the United States, which authorized the Attorney General or the director of the division to convene statewide grand juries and to initiate or intervene in local prosecutions when the interest of the state so required.

The Attorney General's authority, however, extends beyond that of the Division of Criminal Justice since the Attorney General also had direct responsibility, inter alia, for the Department of Law and Public Safety, including the New Jersey State Police, the Division of Consumer Affairs, the State Medical Examiner, the Division of Gaming, and the Division of Law which represents the state and its agencies in all civil matters.

4. Institutionalization

The New Jersey project's enforcement capability, initially created with LEAA funding, has been fully institutionalized in the Economic Crime Section of the Division of Criminal Justice.

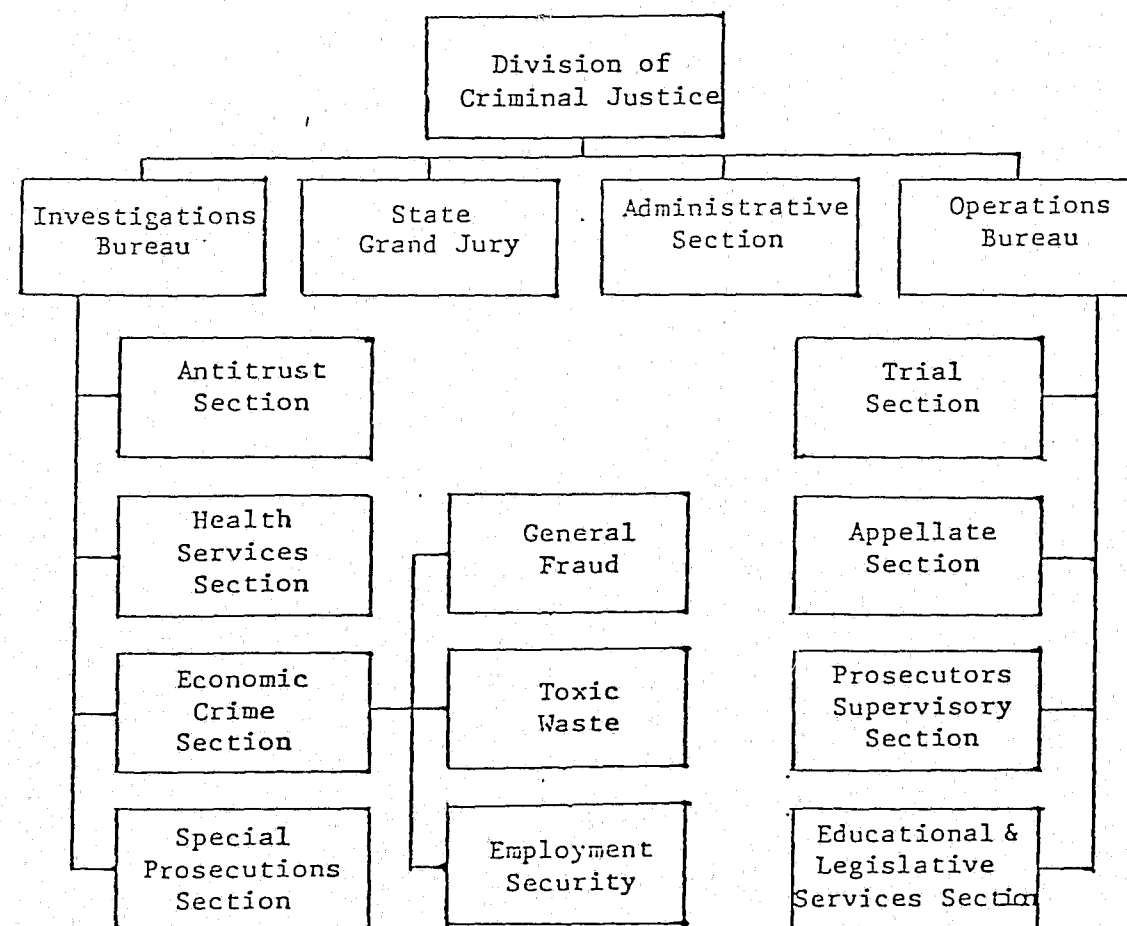
5. Project Organization, Structure, and Staffing

The project was managed by the director and deputy director of the division. The chief of the Economic Crime Section was delegated responsibility for the day-to-day management of all project investigations and case activities. Considerable latitude is granted to the sections in the management of their assigned responsibilities.

The division was reorganized in 1978 and again in 1980, after experiencing vast growth in case volume and professional staffing. The 1980 organizational structure is shown in Exhibit 4.

EXHIBIT 4

New Jersey Project Organizational Structure



6. Project Operations

New Jersey's 613 project cases were more than the combined total of the other four projects selected for intensive evaluation and involved the type activity listed below:

- o General Frauds - Relating to banking, insurance, industry related crimes, and other violations detected by the various regulatory agencies, boards, and commissions of the state.
- o Employment security - Relating primarily to frauds involving unemployment compensation together with other violations of the New Jersey labor and industry laws.
- o Toxic Waste - Relating to violations pertaining to the storage and/or disposal of hazardous wastes.

7. Project Outcomes

At the time of data collection, approximately one-fourth of the project's cases were still pending disposition. Of those cases referred for criminal prosecution, eleven cases resulted in sentences of incarceration for twelve individuals, thirty-six cases resulted in sentences of probation or suspended sentences for fifty-four individuals, thirty-five cases resulted in fines against thirty-five individuals and fourteen organizations totalling \$394,500, and twenty cases resulted in court ordered restitution against nineteen individuals and nine organizations in the amount of \$380,180. There were two cases involving voluntary restitution by six individuals amounting to \$17,568. Civil penalties and sanctions occurred in nine instances against individuals and in seven instances against organizations.

C. MASSACHUSETTS

1. Pre-existing Conditions

The Massachusetts project selected for intensive evaluation resulted primarily from the Attorney General's personal commitment to enhance the effectiveness of state-level prosecutive and investigative capabilities directed against organized criminal conspiracies, rather than as a result of any particular incidence of crime. In the project, organized crime control was interpreted broadly to include all criminal conspiracies and public corruption and was not limited to traditional activities of organized crime family members and associates. Within this broader interpretation, arson for profit emerged as the primary project enforcement target during the 1976-79 grant period. As arson for profit is a priority enforcement area of the LEAA Major White Collar Crime Program, the project was transferred from LEAA's organized crime program monitoring to the Major White Collar Crime Program.

In 1970, the Office of the Attorney General consisted of a fairly small, primarily appellate staff and organized crime control activities were designed to support local prosecutors and investigative agencies. In the intervening years the office grew to 150 attorneys, thirty of whom were assigned to the Criminal Bureau.

During the 1970's, the Attorney General's Office underwent important organizational changes and restructuring. Consequently, the organized crime enforcement/prosecutive function was assigned to various organizational entities within the Attorney General's Office. Currently, the function is assigned to the Criminal Bureau. The

initial emphasis on organized crime support services and the subsequent transition to an operational capability has been the primary overall accomplishment of the project. Project resources were utilized to support prosecutions in areas of criminal activity that had not been previously prosecuted in the state, with an emphasis on setting precedents for similar operations at the local prosecutive levels.

The project was comprised of four primary components: investigation, prosecution, intelligence, and technical assistance. The intelligence component was primarily designed to enhance existing capabilities.

2. Grant Overview

The Massachusetts project was federally funded for approximately forty-two months, July 15, 1976 to December 31, 1979, in the total amount of \$608,695 for the purpose of supporting an organized crime section within the Office of the Attorney General.

3. Legal Authority

By reason of the Massachusetts Attorney General's broad statewide enforcement authority, action can be undertaken in situations where other agencies might lack necessary legal authority, jurisdiction, or resources; or where other agencies might fail to take appropriate action on suspected illegal activities. The Attorney General's authority also facilitates coordinating and marshaling other state-level resources and capabilities.

The Attorney General also has the authority to initiate or supersede local prosecutions and seek indictments in any county of the

state. By established policy, however, the Attorney General's supersession authority in local prosecutions is rarely used. By policy, the Attorney General's prosecutive/investigative role differs substantially from local district attorneys. Whereas the thrust of the Attorney General's prosecutions are selective and investigatively based, local district attorneys are primarily reactive to traditional criminal cases generated by police agencies.

4. Institutionalization

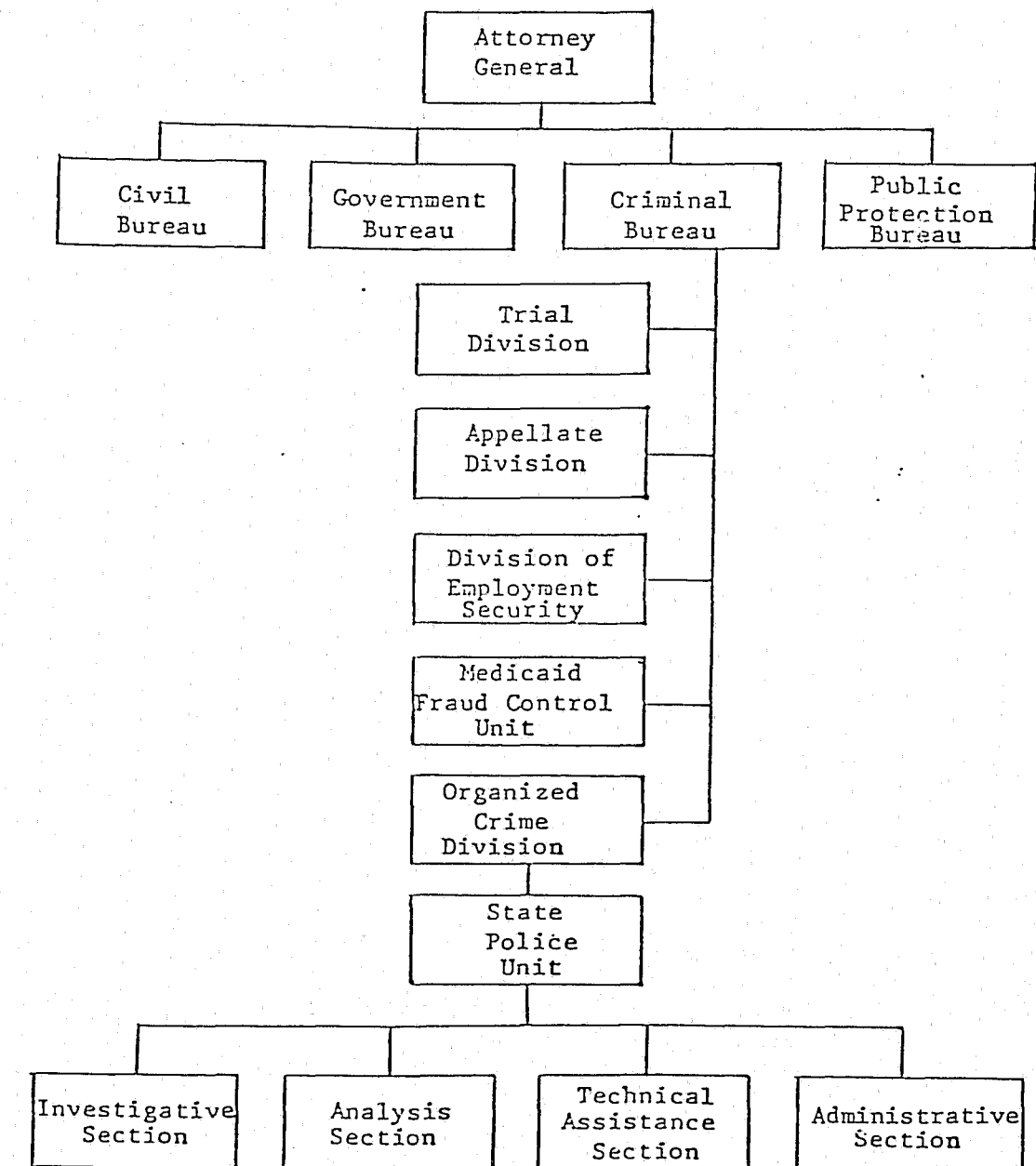
After the grant's expiration in December 1979, state funds were appropriated to continue project personnel positions and to provide witness protection and limited investigative funds. Even though the state legislature did not appropriate funds to provide overtime pay for the state police, state police investigators continued to be assigned to the project.

5. Project Organization, Structure, and Staffing

The Massachusetts project was organizationally placed in the Criminal Bureau of the Attorney General's Office with the Bureau Chief responsible for project management, project personnel, and administrative/ investigative decision making during most of the funding period. In late 1979, an assistant attorney general was designated chief of criminal investigations, including management oversight of the traditional functions and activities of the State Police Unit which was incorporated as an integral element of the project. A state police sergeant exercises day-to-day supervision of unit investigators. Exhibit 5 displays the organizational structure of the Attorney General's Office which encompassed the project.

EXHIBIT 5

Massachusetts Project Organizational Structure



6. Project Operations

An analysis of the project's 177 cases indicated that twenty-one different categories of cases were opened. The major types of project cases are listed below:

- o Arson
- o Tax Violations
- o Extortion
- o Narcotics
- o Larceny
- o Bribery
- o Fraud
- o Gaming

7. Project Outcomes

At the time of data collection, nearly half of Massachusetts' project cases were still pending disposition and less than one out of ten had resulted in civil penalty or sanction. Of those cases referred for criminal prosecution, eight cases resulted in sentences of incarceration for twenty-one individuals, twenty-two cases resulted in sentences of probation or suspended sentences for sixty-three individuals, twenty-six cases resulted in fines against thirty-four individuals totalling \$154,150, and four cases resulted in court ordered restitution against twenty individuals amounting to \$469,000. One case resulted in voluntary restitution of \$2,000.

D. DELAWARE

1. Pre-existing Conditions

The Delaware project was specifically established in 1977 to support an ongoing investigation by a former Attorney General into a company providing janitorial supplies to the now defunct Wilmington Board of Education.

In 1976, the Wilmington Bureau of Police initiated an investigation into allegations of corruption and bribery in the company's dealings with the Board of Education. The investigation did not substantially progress until May 26, 1977, at which time search warrants were served upon the supplier company. Shortly thereafter the Attorney General assumed management control of the investigation.

Based upon the progress of the investigation at the time of the federal funding request, the Attorney General preliminarily determined that the case involved a wide range of criminal violations including theft, forgery, bribery, tax violations, falsification of business records, and official misconduct.

In the application for LEAA funding, the then Attorney General stated that the State of Delaware did not have an existing white collar crime or corruption enforcement capability; however, the focus of the initial request was clearly to support the ongoing investigation. In the first phase of the project, the Delaware Department of Justice support of the project involved continuing the assignment of two deputy attorneys general and the state and local investigators already assigned and involved in conducting the investigation. Considerable emphasis was given to covert investigative techniques which

were believed necessary if the ongoing and future corruption investigations were to be successful. However, due to a variety of serious personnel, administrative, operational, and management problems, the project had almost ceased to function by the fall of 1978; this led to termination of the initial grant by LEAA. In addition, large case backlogs were accumulated during the first year of the project. These problems, which plagued the project from its inception, contributed to the defeat of the incumbent Attorney General in the November 1978 state election.

The newly elected Attorney General assumed office in January 1979, and shortly thereafter determined that most of the earlier project problems could be overcome through reorganization, reorientation, and the establishment of new policies governing project activities. The project was reorganized and for the first time incorporated into the regular organizational and management structure of the Department of Justice. The prior dominant emphasis on confidential, undercover investigative techniques was abandoned. Senior departmental officials and local law enforcement officials were formally involved in project casework, and experienced managers were selected to direct the prosecutive and investigative activities of the project. The majority of the prior personnel, administrative, operational, and management problems were quickly eliminated and the LEAA program managers approved continuation of the first grant to support the project as reorganized and reconstituted.

2. Grant Overview

The Delaware project was federally funded for a fifty-one month period, August 1, 1977 to October 31, 1981, in the total amount of

\$550,496 for the purpose of establishing and operating the Delaware White Collar Crime and Official Corruption Unit.

3. Legal Authority

Unique to the Delaware project is the Attorney General's exclusive, broad criminal and civil enforcement authority at both the local and state prosecutive levels. There is no prosecutive authority in the state other than the Attorney General.

4. Institutionalization

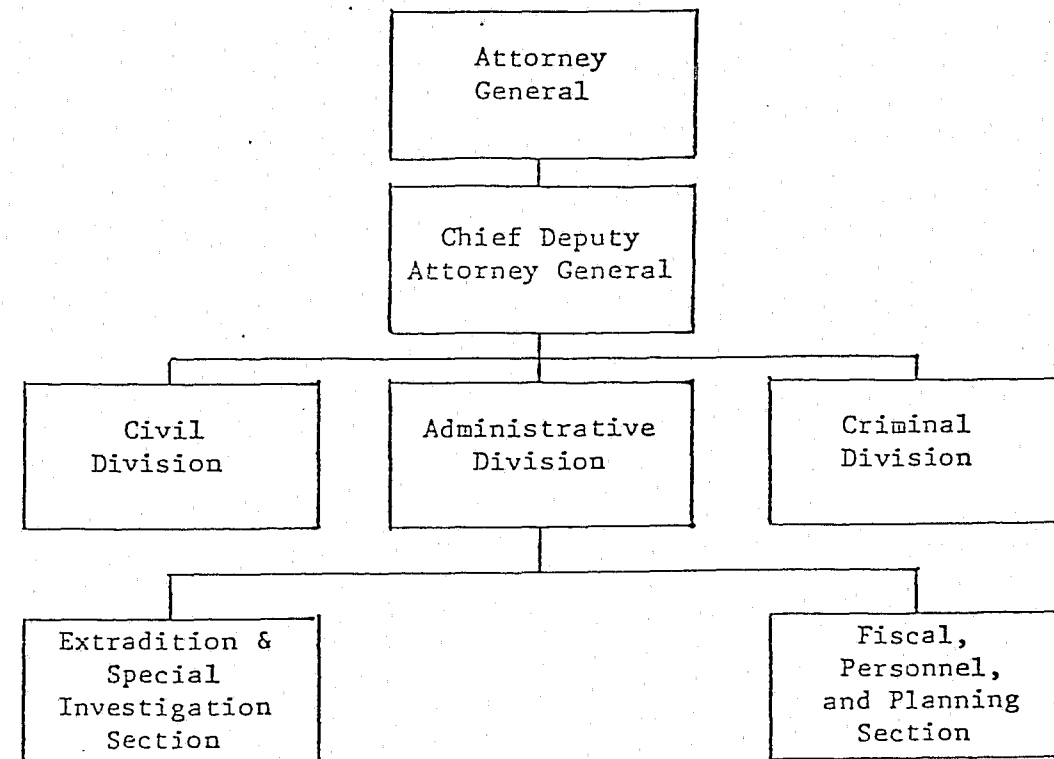
Considerable institutionalization of the major white collar crime enforcement capability, under state funding, was accomplished by the current Attorney General during the first grant period, as extended. By the conclusion of funding in October 1981, state funding will be sought to continue all positions, overtime monies, and other investigative support furnished under the major white collar crime grant.

5. Project Organization, Structure, and Staffing

Following the 1979 reorganization, the Delaware project was placed within the Extradition and Special Investigation Section of the Administrative Division of the Department of Justice, under the direct supervision of the chief deputy attorney general. Organized crime, as well as white collar crime and corruption investigations, were assigned to the special investigation section. Project cases are assigned to either the civil or criminal division for litigation. Management of project staff and project investigations is the responsibility of the director of investigations. The department's organizational structure is shown in Exhibit 6.

EXHIBIT 6

Delaware Project Organizational Structure



6. Project Operations

At the time of data collection, Delaware reported a total of 156 project cases. This total does not include approximately 1,000 welfare and unemployment cases which were backlogged at the time of project reorganization and subsequently handled by a special "task force." None of these backlogged cases are included in Delaware project case activity counts. The following major types of project cases were identified:

- o Welfare and medicaid fraud
- o Unemployment compensation fraud

- o Official corruption, including bribery of government officials
- o Investment schemes such as worm farms, embezzlement, price-fixing, and other related matters
- o Energy related fraudulent investments, operations, and programs
- o Arson violations and related frauds, including insurance fraud
- o Securities fraud
- o Tax evasion

7. Project Outcomes

At the time of data collection, nine project cases resulted in sentences of incarceration for twenty-two individuals, eight cases resulted in sentences of probation or suspended sentences for nine individuals, fifteen cases resulted in fines against thirteen individuals and seven organizations totalling \$138,622, and eight cases resulted in court ordered restitution against seven individuals and two organizations totalling \$232,462. Additionally, restitution in the amount of \$1,102,034 was ordered in 470 of the 1,000 backlogged cases handled by the special task force. There was also one case of voluntary restitution in the amount of \$2,000.

E. FLORIDA

1. Pre-existing Conditions

The Florida project was the direct result of widespread fraudulent land development sales. In the early 1970's two large land sales corporations were involved in the sale of Florida land development investments amounting to over \$13 million, purportedly secured by

accounts receivable or first mortgages on real property. In 1974, the corporations defaulted on promised interest payments, and it was discovered that the collateral for the investments was fraudulent and neither assets nor income could be located to meet obligations to investors. Victims were located in over half of Florida's sixty-seven counties. Local state attorneys commenced investigations in several counties and, in 1975, the first prosecution occurred in Palm Beach County.

In May 1976, the Florida House of Representatives conducted hearings which resulted in findings that two separate state regulatory agencies, the Florida Division of Land Sales, and the Division of Securities in the State Comptroller's Office, had been notified of the fraudulent mortgage sales as early as 1970, but had failed to take action. Both agencies were criticized for claiming that the sales were exempt from state securities laws and regulatory authority.

In 1974, the Comptroller's Office received a discretionary grant of \$99,000 to create a securities fraud section in that office. The project's development, however, was frustrated due to the defeat of the incumbent comptroller in the 1974 state elections. In 1975, under the newly elected comptroller, the project did file charges in three land sales fraud cases, one of which involved the same defendants as the aforementioned Palm Beach County criminal prosecution. Project staff assisted the Palm Beach State Attorney in the filing of criminal charges and supported the prosecution of the case throughout trial. This single case involved 2,000 victims with losses of \$20 million, 300 individual and 35 corporate defendants and its prosecution was estimated to have cost the state \$250,000. By the expiration of the

first grant in January, 1976, a variety of federal and state enforcement agencies were actively engaged in investigating fraudulent land sales.

In 1975, three separate grant applications were submitted to LEAA totalling \$900,000; one was for continuation of the project in the Comptroller's Office, the other two were applications by different state attorneys. In Florida, criminal prosecutive authority is vested solely in the twenty locally elected state attorneys whose districts encompass one or more counties. LEAA recommended one interdisciplinary, multijurisdictional enforcement approach to coordinate all land fraud investigative and prosecutive efforts under one "umbrella" grant to minimize the potential for fragmentation and overlap.

After much deliberation and negotiation, a revised grant request was submitted which provided for a multijurisdictional project policy board, project administration by the Comptroller's Office and expansion of the securities fraud section. Land fraud criminal prosecutions remained the responsibility of the local state attorneys and the policy board was to determine on a case-to-case basis which state attorney was in the most advantageous position to prosecute.

Even through a consensus of the participants was never achieved to support the "umbrella" grant concept and the award of the grant to the Comptroller's Office, the securities enforcement project was generally accepted once the grant was awarded. However, once the grant was awarded, the project was faced with a number of serious organizational issues. The most significant was between the comptroller and the policy board pertaining to project management authority.

Another involved the development of policies governing the funding support of local prosecutions. The board initially retained the authority for coordinating overall project activities and operations, but delegated day-to-day management responsibilities to the comptroller's designee. However, the policy board's participation in project management declined markedly after the initial months of operation.

After the initial policy issues were resolved, the project experienced administrative start-up problems including the acquisition of qualified staff to fill positions within the state salary structure, difficulties in locating office space, and delays in ordering and receiving equipment.

Separate coordination issues arose with federal prosecutors over project investigations which were being concurrently investigated by federal authorities. These conflicts with the U. S. Department of Justice reportedly were never resolved during the life of the project; however, cooperation was obtained from other federal agencies, including the Department of Housing and Urban Development, the United States Postal Service, and the Securities and Exchange Commission.

Although all of the interagency problems were never entirely resolved and the policy board concept did not prove viable, a working partnership between the project and the participating state attorneys did evolve in later project stages. This was attributed to changes in project staffing and to the personal efforts of a new project director who had previously supervised the project's Palm Beach field office.

2. Grant Overview

The Florida project was federally funded for a fifty-eight month period, September 1, 1974 to July 4, 1979, in the total amount of

\$970,883 for the purpose of establishing a securities fraud section in the Office of the Florida Comptroller.

3. Legal Authority

The project's investigative authority was derived from the comptroller's civil authority to regulate the securities industry in Florida, including the authority to investigate, issue subpoenas and administrative orders, examine witnesses under oath, and seek civil sanctions. In addition, the comptroller's investigative authority provided for the investigation of securities violations under Florida criminal statutes. The project's enforcement authority was extended beyond civil sanctions by the referral of cases to local state attorneys for prosecution.

4. Institutionalization

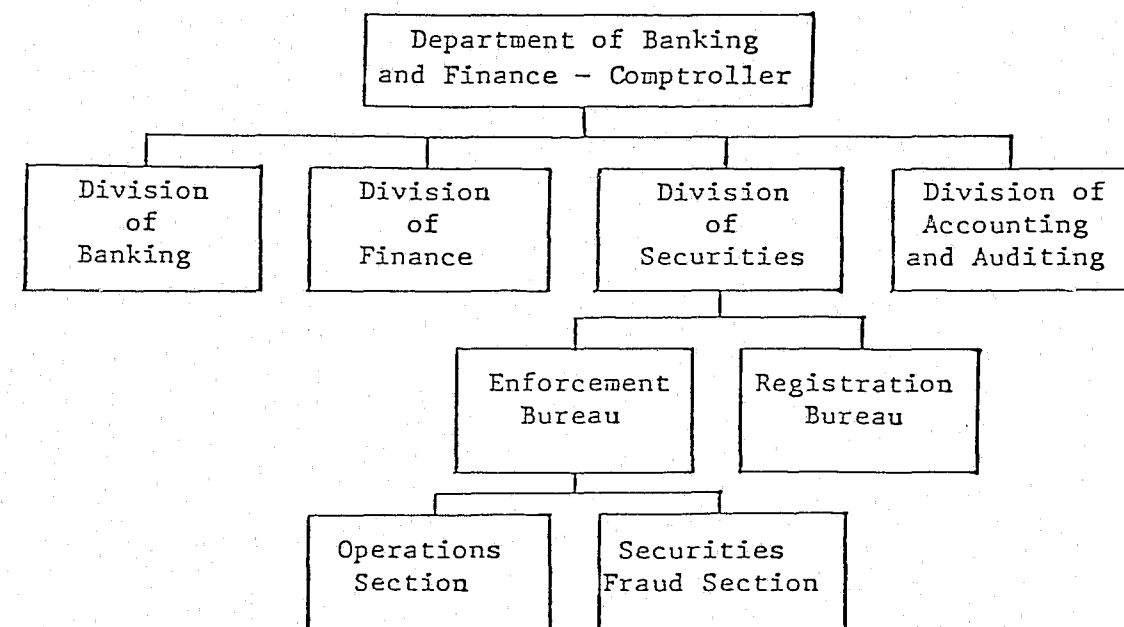
In 1979, the project as an organizational entity was decentralized and the project's personnel and functions were incorporated within established organizational elements of the Comptroller's Division of Securities. The cost of these project funded personnel positions was concurrently assumed as state budgeted positions at that time.

5. Project Organization, Structure, and Staffing

The project was located in the Enforcement Bureau of the Division of Securities of the Department of Banking and Finance; however, the bulk of project activity occurred in Palm Beach County during the initial grant period (1974-76). The project was greatly expanded under the "umbrella" grant of 1976. The original project organizational structure is displayed in Exhibit 7.

EXHIBIT 7

Florida Project Organizational Structure



6. Project Operations

The bulk of Florida's sixty project cases involved land sales frauds; however, when land sales investigations were either completed or nearing completion, the project broadened its focus to include other large-scale frauds. The sixty Florida project cases involved the following types of frauds:

- o Land fraud/mortgage fraud
- o General securities law violations

- o Worm farm investment fraud
- o Industrial bond fraud
- o Church bond fraud
- o Coal/energy related fraud

7. Project Outcomes

Of the project cases referred for criminal prosecution, eight resulted in sentences of incarceration for thirteen individuals, eighteen resulted in sentences of probation or suspended sentences for thirty-five individuals, fourteen resulted in fines against sixteen individuals and two organizations totalling \$397,300, and eleven resulted in court ordered restitution against fourteen individuals and one organization amounting to \$2,380,447.

Of the project cases resulting in civil action, there were twenty-one separate sanctions or penalties against individuals and sixteen sanctions or penalties against organizations.

F. ALABAMA

1. Pre-existing Conditions

The Alabama project was the direct result of widespread fraudulent securities practices. During the 1960's, a variety of serious abuses in securities transactions occurred which resulted in a large number of victimizations from these fraudulent practices.

A state legislative committee investigated these reported irregularities and estimated that two-thirds of the \$100 million in securities sold intrastate during the period 1960-67 were worthless by 1968. During this same period, numerous industrial revenue bond projects failed as a result of fraudulent promotion activities which adversely

affected the legitimate industrial revenue bond market in Alabama. An estimated \$30,000,000 was lost as a result of these activities, although only one criminal conviction resulted from the bond swindles.

As a result of these events, the 1968 Alabama legislature amended the Alabama Securities Act removing securities regulation from the exclusive authority of the Attorney General's Office and vesting it in the newly created Alabama Securities Commission. In the early 1970's, due to a lack of activity by the commission staff, some of the commission's independent investigative and enforcement authority gradually returned to the Attorney General's Office. However, in 1975, the commission appointed a new director who reasserted the independent regulatory and enforcement authority of the commission and revitalized its effectiveness through staffing changes and policy revisions.

In 1976, the commission commenced a total reassessment of its enforcement actions and case activities; files were reviewed and screened, closed investigations were reopened for additional investigation, and numerous additional complaints were received. This reassessment revealed that numerous professional, organized swindlers, who had been involved in fraudulent activities in other states, had become entrenched in the Alabama financial community.

Complicating the efforts of the commission to establish an effective enforcement role was the increasing volume of complaints which doubled between 1975 and 1976. The commission lacked sufficient resources to investigate the increasing case loads and, as a result, applied for an LEAA Major White Collar Crime Program grant.

2. Grant Overview

The Alabama project was federally funded for a thirty-month period, July 1, 1977 to December 31, 1979, in the total amount of \$280,593 for the primary purpose of establishing a "strike force" capability within the commission to detect and investigate major securities frauds, and to provide investigative and legal support to Alabama district attorneys for the express purpose of assisting in the prosecution of violators of state criminal laws.

3. Legal Authority

The 1968 Alabama Securities Act granted the Alabama Securities Commission the authority to conduct both examinations and investigations, including the authority to self-initiate investigations; require sworn statements; issue subpoenas; and apply for search warrants through either local district attorneys or directly to a judge. The Act also required the registration of securities, dealers, and salespersons, and provided civil, administrative, and criminal remedies for violations.

4. Institutionalization

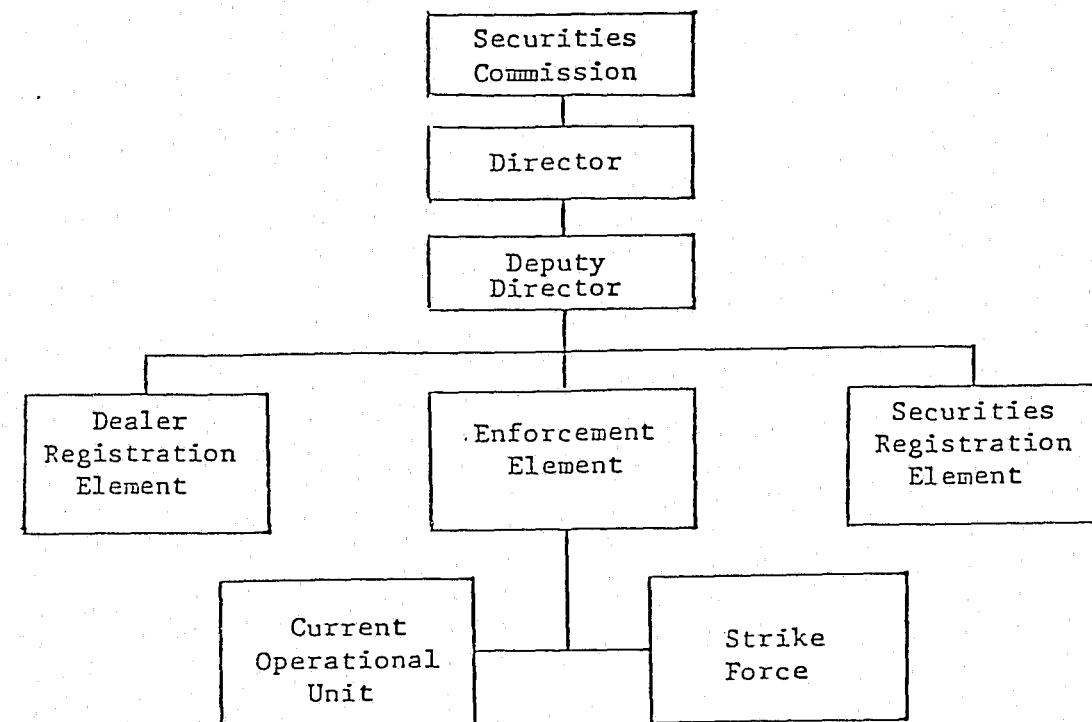
The project was effectively institutionalized and is now funded entirely out of state appropriations.

5. Project Organization, Structure, and Staffing

The organizational structure which evolved during the grant period is displayed in Exhibit 8.

EXHIBIT 8

Alabama Project Organizational Structure



The Director of the Alabama Securities Commission exercised oversight over all functions and activities of the project. The project was administratively assigned to the Enforcement Element of the commission. Day-to-day management and control of the project was delegated to the deputy director who also commanded the Enforcement Element and served as project director. Originally, grant funded project staff were assigned to the Strike Force (unit), while state funded commission staff were separately assigned to the Current Operational Unit. In late 1979, upon expiration of the grant, project and commission staff were combined into one staff and assigned as needed

to either the Strike Force or the Operational Unit in order to allow for a more efficient and expeditious handling of complaints.

6. Project Operations

The sixty-two Alabama project cases involved the following types of fraud:

- o Worm farm investments
- o General investments
- o Energy related (oil, gas, coal)
- o Stock
- o Advance fees
- o Franchises
- o Insurance
- o Limited partnerships
- o Church bonds
- o Others (money orders, corporate notes, bankruptcy, etc.)

7. Project Outcomes

Of the project cases referred for criminal prosecution, three resulted in sentences of incarceration for four individuals, three resulted in sentences of probation or suspended sentences for twelve individuals, three resulted in fines against four individuals totalling \$10,000 and three resulted in court ordered restitution of \$93,800 against six individuals.

Of the project cases resulting in civil action, there were nineteen separate sanctions or penalties against individuals and sixteen sanctions or penalties against organizations.

CHAPTER III. INTERJURISDICTIONAL COMPARISONS

A. INTRODUCTION

This chapter describes the five projects selected for intensive evaluation in terms of certain uniform characteristics generally applicable to all five sites.

The five projects which were the subject of the intensive evaluation were selected from the ten original sites through the site selection process described in Chapter I. The projects were sponsored by single criminal justice or regulatory agencies. All of the agency sponsors were state-level agencies, and each project was comprised of investigative and prosecutive/legal personnel, as well as management, supervisory, and administrative staff. Three of the five sponsor agencies (New Jersey, Massachusetts, and Delaware) were criminal justice/prosecution agencies and two (Florida and Alabama) were regulatory.

Staffing varied among projects depending upon the project's organizational status and placement within the structure of the sponsoring agency. Each project was comprised of thirteen or less grant funded professional staff members and the project budgets ranged from a total of \$316,261 for the Alabama project to \$3,846,939 for the New Jersey project.

In the criminal justice sponsored projects, activities were conducted much in the same manner as special prosecutive units, having a focus on specific offenses and offenders.

Regulatory agency sponsored projects possessed similar characteristics although generally the projects comprised a comparatively larger portion of the sponsoring agency's total organization. Operationally, however, as is the case with criminal justice sponsors, the regulatory based projects operated as special enforcement organizational elements due to their focus on a particular set of major offenses and offenders.

In either case of sponsorship, the projects and their personnel were discernible by their operational focus and organizational separation from other, more routine and traditional, enforcement activities.

The many differences among the sites precluded sophisticated statistical analyses of data for the purposes of assessing cross-sectional or longitudinal impacts. It did not appear reasonable to assume a hypothetical population of which these sites were samples. Interjurisdictional comparisons were made, however, using simple but appropriate statistics from each of the five projects. All interjurisdictional comparisons were based on the various data collected.

One evaluation activity consisted of examining the intelligence collection and analysis capabilities of the projects. No interjurisdictional comparisons of intelligence capabilities were made because it was determined that intelligence activities did not exist as separately identifiable activities at the project sites. Rather, the intelligence activities were integrated into the project investigative and prosecutive processes.

In attempting to develop data classifications with a satisfactory reliability, which would mirror the program's expected operational characteristics, theoretic conceptualizations of data made prior to data collection were not found to fit the data as well as expected. As an alternative, the following list of five comparable features that best fitted the data and permitted response to the ten research questions posed in the design, was prepared, with each feature being addressed in subsequent sections of this chapter:

- o Case Origins - the sources of information which led to the opening of project cases, including government agencies and private sources.
- o Case Receipt Methods - the methods of communication by which case information reached the project, including written, telephonic, and personal.
- o Case Activity Analysis - information on the closing of cases, by referral for criminal or civil action, dismissal, or other action, and the time duration involved in closing and disposing of cases.
- o Project Case Dispositions/Outcomes - the initial case felony or misdemeanor charging actions, the disposition results of criminal actions, criminal sentence data, and civil penalties or sanctions.
- o Cost Effectiveness - a description of the cost effectiveness of each project in terms of arrests

and convictions of white collar crime offenders, project costs, fines and restitution, and other results and outcomes.

Data relating to screening, referrals, and other case activities were numerical and derived solely from the examination of all 1,068 project cases, which ranged from as low as 60 cases at one site to as high as 613 at another.

The bulk of the case data analyses reinforced the known disparities existing between sites. Other analyses, however, were determined to have inferential value as indicators of desired operational characteristics, or in understanding the particular project's organizational and operational configurations and the processes involved.

B. PROJECT OPERATIONS

In keeping with the requirements of the Solicitation, the national evaluation is focused more upon the process aspects of the projects. Since LEAA funding of most of the projects had expired or was about to expire at the time of data collection, this type of research could be characterized as an ex-post-facto analysis. Process data were intensively collected at each site in order to analyze the type, referral source, receipt method, and disposition of project cases (synonymous with project investigations). Other internal processes examined pertained to case screening, selection, and prioritization, as well as determination of investigative and prosecutive strategies.

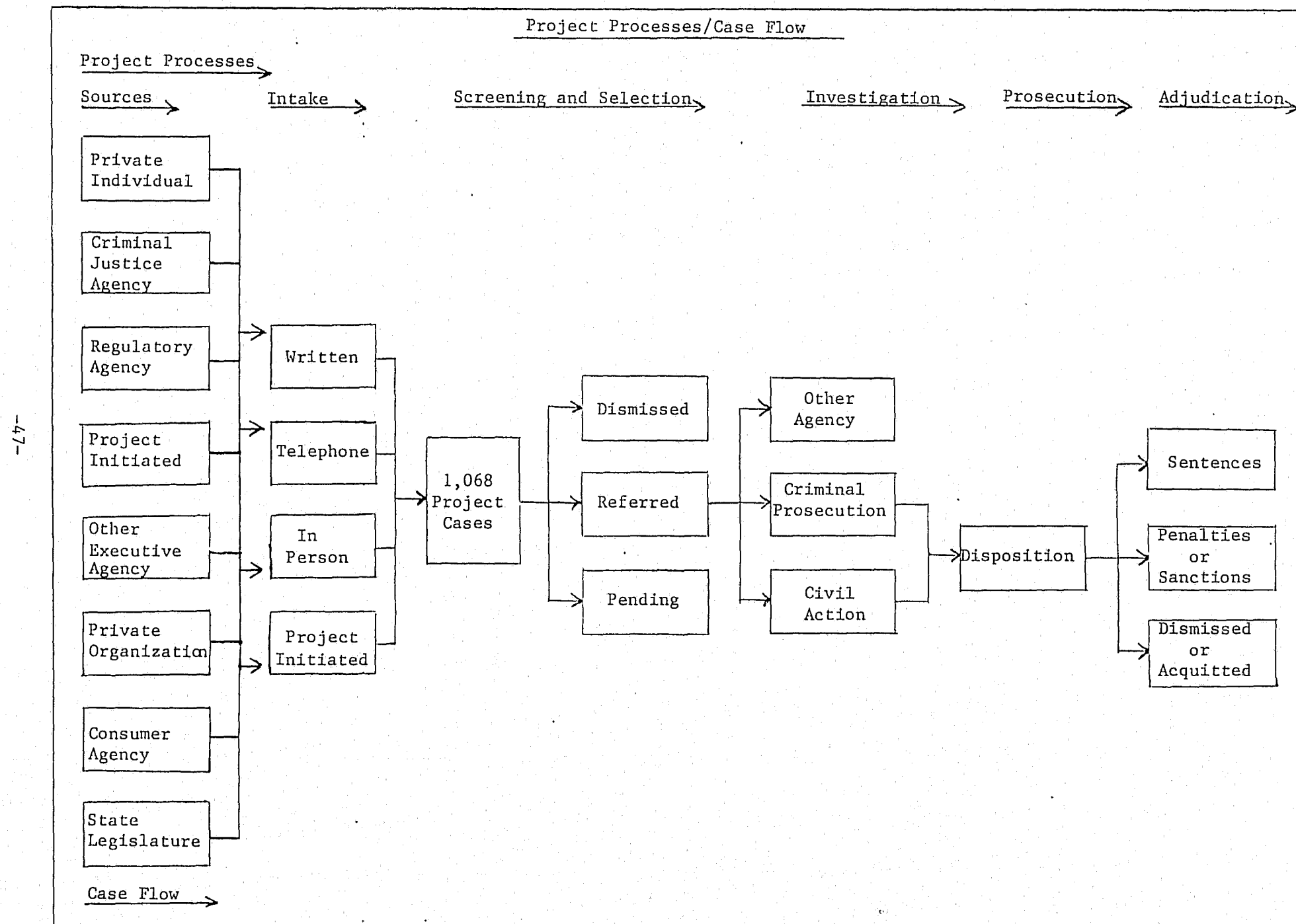
In spite of the numerous dissimilarities among the five evaluation projects and the variations in their operational approach to

white collar crime enforcement, they each employed similar processes in case development. Pre-existing conditions at each project site determined the scope and focus of initial project white collar crime enforcement activity. Once determined and made known, various sources at each site referred white collar crime complaints to the project for appropriate action. Complaint receipt methods, while similar, varied in level of usage. Once received, complaints were subjected to screening, selection, and prioritization processes at all sites. These processes interfaced with the investigative process including preliminary investigations which were usually conducted to determine the merits of incoming complaints/cases and initial referral or dismissal actions.

In addition, although varying in degree, the projects exhibited certain common characteristics including, inter alia, prosecutive legal management of overall project activities, including investigations; prosecutive/legal involvement with investigative staffs throughout case development; formal and informal intergovernmental participation between federal, state, and local agencies at least on a case-to-case basis; formal and informal investigative/prosecutive planning and strategies (depending upon case complexity); major reliance upon documentary evidence; extensive use of investigative accounting techniques; and the development of effective, interdisciplinary working relationships between regulatory and criminal justice agencies primarily to expand the sources of project cases and to maximize the array of criminal, civil, and administrative remedies available in adjudicating project cases.

Exhibit 9 displays the flow of cases through major project processes. Tables 1 through 7 display statistical data associated with these processes. In Table 1 and all following tables, data in some of the cases were of unknown origin or derived from "other" sources, or source information was missing. Per cents shown are of cases for which data was available. In addition, table totals sometimes add to less or more than 100 per cent due to rounding off percentages to whole numbers.

EXHIBIT 9



1. Case Origins

Private individuals were the greatest source of project cases at all sites except New Jersey, where regulatory agencies referred nearly half of the project cases. State legislatures and consumer agencies were not important referral sources, and accounted for two per cent or less of the referred cases at any site. Table 1 displays these case sources.

Table 1

Source of Case	Primary Sources of Project Cases		Criminal Justice Agencies		
	Regulatory Agencies				
	Alabama (N=58) %	Florida (N=50) %	Delaware (N=141) %	Massachusetts (N=147) %	New Jersey (N=573) %
Private individual	38	76	45	29	18
Criminal justice agency	9	14	18	27	9
Regulatory agency	12	0	0	16	49
Project initiated	34	6	13	19	3
Other executive agency	5	4	16	5	12
Private organization	2	0	7	3	8
Consumer agency	0	0	1	1	1
State Legislature	0	0	0	1	0
TOTAL	100	100	100	101	100

The findings indicate that individual complaints are an important source of major white collar crime cases, just as individual complaints are an important source of traditional law enforcement case

generation. The number of cases referred from other agencies suggests that these kinds of projects can expect to receive a sizeable number of cases that (by inference) will have been subjected to at least threshold screening and review by another agency. More importantly, projects can rely upon other agencies to refer cases which potentially are germane to the project's stated purpose. The New Jersey source data reflects the effectiveness of the formal referral mechanisms existing between the sponsor agency/project and state regulatory agencies as well as the effectiveness of using regulatory agencies as project case detection referral mechanisms.

The lack of any measurable quantity of case referrals from consumer agencies suggests that the types of complaints and services involved in consumer agencies are clearly distinguishable from the more serious offenses handled by the major white collar crime projects, both in terms of consumer agency and victim understanding of the nature of the respective roles of both efforts.

2. Case Receipt Methods

Except for the Massachusetts site, the highest proportion of cases were received by letter or in written form. The Massachusetts project received most of its complaints in person, while the Alabama site had a high rate of project initiated cases. Table 2 displays the methods in which project cases were received.

Table 2

Methods	Case Receipt Methods				
	Regulatory Agencies		Criminal Justice Agencies		
	Alabama (N=56) %	Florida (N=51) %	Delaware (N=127) %	Massachusetts (N=137) %	New Jersey (N=590) %
Letter or written form	34	61	39	6	81
Telephone	24	14	26	27	14
In person	8	19	21	46	2
Project initiated	34	6	15	20	3
TOTAL	100	100	101	99	100

Since most cases were initially received in writing or by telephone, allowing for review and assessment before initial follow-up action, projects do not appear to need a dedicated complainant interview capability or complaint intake function to serve as a "buffer" to supervisory or operational functions. Further, the comparatively small number of complaints received in person suggests that no undue burden is created by these complaints which should allow available personnel to handle interviews as required. Again, the New Jersey data reflects the formal referral agreements existing with other agencies.

3. Case Activity Analysis

All projects used screening and selection processes as well as referral mechanisms. Complaints were initially screened at a pre-determined project or sponsor agency level to determine merit or potential merit. Each project used its own criteria, either written

or unwritten. Once determined to have merit, case files were initiated and the cases were subjected to another level of screening or preliminary investigation to determine appropriateness for further investigation for ultimate criminal prosecution or civil action. Upon completion of this secondary screening, cases were either retained by the project for further investigation/prosecution or referred to another agency for appropriate action. Cases retained by a project were selected based upon established criteria which derived from the project's goals, objectives, focus, authority, and capabilities. Referral mechanisms varied from the unique arrangements in Delaware which were based on the broad criminal and civil enforcement authority of the Attorney General at both the local and state prosecutive levels, to the formal, written interagency agreements which exist in New Jersey between the project and the state regulatory agencies.

Prioritization varied with each project. Projects exercising a vertical prosecution capability selected cases based upon complexity; others selected cases to establish precedents for similar prosecutions at the local level; while others determined priorities based upon case severity and victimizations. For evaluation purposes, project cases were considered closed when referred for criminal prosecution, civil action, to another agency, or dismissed. Table 3 displays the time duration of project cases from opening to closure (the data base for this table includes only those cases for which an actual closure date was available). The comparatively large percentage of cases closed within two months is indicative of the effectiveness of the projects' screening capability. The sizeable percentage of cases closed after six months and after one year is indicative of the complexity of those cases selected for investigation and prosecution.

Table 3

Case Time Duration
Project Opening to Project Closing

Months Duration	Regulatory Agencies		Criminal Justice Agencies		
	Alabama (N=62) %	Florida (N=60) %	Delaware (N=156) %	Massachusetts (N=177) %	New Jersey (N=613) %
0-2	19	10	37	21	18
2-6	18	10	15	4	8
6-12	26	17	12	6	10
12-24	18	13	12	7	18
Over 24	2	12	1	0	15
Pending	18	39	23	62	32
TOTAL	101	101	100	100	101

Table 4 displays the manner in which project cases were closed (the data base for this table includes all project cases). The sizeable percentage of pending cases is another indicator of the complexity of project cases.

Table 4

Project Case Closures

Case Closed By	Regulatory Agencies		Criminal Justice Agencies		
	Alabama (N=62) %	Florida (N=60) %	Delaware (N=156) %	Massachusetts (N=177) %	New Jersey (N=613) %
Referral for criminal prosecution	19	35	16	27	14
Civil penalty or sanction	29	35	5	3	10
Referral to other agency	8	3	21	8	26
Official administrative dismissal	34	3	39	18	24
Pending	10	23	19	45	27
TOTAL	100	99	100	101	101

4. Dispositions and Outcomes

Each site's legal authority dictated the method of charging individuals and organizations for criminal violations. Indictment by a grand jury and formal accusation (or the filing of an information) by the prosecutor were the two methods of charging.

Across all five sites, nearly seven out of ten cases where individuals were charged and eight out of ten cases where organizations were charged involved felony violations. At all sites there was a total of 158 cases involving charges against individuals and thirty-two cases involving charges against organizations. The New Jersey, Florida, and Alabama sites all had approximately nine out of ten cases which involved felony charges. Two-thirds of Delaware's forty cases with charging actions involved misdemeanors, and Massachusetts' fifty-two cases with charging actions were evenly divided between felonies and misdemeanors.

The types of criminal activities targeted by a major white collar crime enforcement effort should reflect a considerable level of felony charges, in keeping with the seriousness and magnitude of major white collar crimes. The Massachusetts project, however, involved the first-time development of an aggressive state level prosecution and enforcement effort, as opposed to a more traditional support role to local prosecutors. Delaware's comparatively lower percentage of felonies (one-third) is attributed to the large backlog of less serious unemployment and welfare frauds inherited by the project from a prior administration, as well as the comparative infancy of the project. In addition, the Delaware project was the first attempt ever

in the state to develop an enforcement effort directed at major criminal conspiracies, including organized crime and public corruption, as well as major criminal frauds.

Although considerable overlap exists between cases involving individuals and organizations, aggregate data is indicative of project thrust in prosecuting culpable organizations as well as individuals in major frauds and other serious, large scale economic crimes. The primary thrust of the major white collar crime program was to support the use of criminal penalties against major white collar crime offenders. By reason of the investigative and prosecutive complexities involved in these cases, serious offenders generally had only received administrative or civil penalties for prior offenses. Therefore, even though the offenders in many of the cases represented in these case statistics were characterized as professional swindlers or serious offenders, few were reported to have prior criminal records. As a result, probation was obtained in a number of cases involving major frauds (eighty-seven cases involved at least one individual who received a suspended sentence or probation).

Seventy-two individuals were sentenced to over 150 total years of incarceration and 173 individuals were sentenced to probation or had their sentence to incarceration suspended totalling over 240 years at all five sites (actual sentence information was only available on forty-seven cases). A total of \$1,094,572 in fines was reported at all five sites. In forty-one cases, restitution was ordered against sixty-six individuals, and in five cases restitution was ordered against twelve organizations totalling \$3,555,889 at all five sites, with the most typical level of restitution being in the \$1,000-\$10,000

range. Every site reported court ordered restitution. At three sites, there were four cases of voluntary restitution totalling \$21,568. Criminal sentences are shown in Table 5.

Table 5

Sentence	Criminal Case Sentences				
	Regulatory Agencies		Criminal Justice Agencies		
	Ala.	Fla.	Del.	Mass.	NJ
Incarceration Cases	3	8	9	8	11
Probation/Suspended Sentence Cases	3	18	8	22	36
Fines					
Individuals					
Cases	3	12	9	26	24
Amount (\$)	10,000	355,200	33,077	154,150	142,650
Organizations					
Cases	0	2	6	0	11
Amount (\$)	0	42,100	105,545	0	251,850
Court Ordered Restitution					
Individuals					
Cases	3	10	7	4	17
Amount (\$)	93,800	2,239,694	152,462	469,000	256,624
Organizations					
Cases	0	1	1	0	3
Amount (\$)	0	140,753	80,000	0	123,556
Voluntary Restitution					
Cases	0	0	1	1	2
Amount (\$)	0	0	2,000	2,000	17,568

Although criminal enforcement was the program's primary thrust, an array of other sanctions was used in project cases, particularly where the more rigorous requirements for criminal conviction could not be proven (e.g., proof beyond a reasonable doubt).

Civil penalties or sanctions were reported against individuals in fifty-seven separate cases; forty-four cases involved civil penalties or sanctions against organizations. There were 134 individuals and 65 organizations involved in these cases. These results are displayed in Table 6.

Table 6

All Sites Civil Penalties or Sanctions		
Penalty/Sanction	No. of cases	
	Individuals	Organizations
Injunctions	22	16
Orders to cease and desist	13	13
License suspension	2	1
License revocation	6	2
Consent agreement	7	10
Other	7	2

There was an overlap of civil actions and criminal prosecutions in some cases. An examination of the data disclosed that three out of ten cases where a civil penalty or sanction occurred against individuals were cases wherein crimes were also charged. The overlap in the instance of organizations was somewhat less.

5. Cost Effectiveness

In the Solicitation, a specific objective was stated to describe the cost effectiveness of each project in terms of arrests and convictions of white collar crime offenders.

Although the primary emphasis of the major white collar crime program is the criminal conviction of offenders, this has not been an exclusive emphasis to the extent that other appropriate sanctions and remedies were not also intended and applied. The seriousness of the offenses falling within the enforcement scope of a major white collar crime project require prosecutive strategies designed to maximize criminal penalties and all other available appropriate remedies. Thus, the program not only provided a major focus upon criminal justice processes and adjudications, but in addition emphasized the utilization of other appropriate civil penalties or administrative sanctions.

Determination of the cost effectiveness of major criminal conspiracy enforcement efforts in general, and major white collar crime projects in particular, when attempted, must be accomplished without the benefit of proven guidelines and methodologies. In addition, and with specific reference to the major white collar crime projects in this evaluation, no comparative or historical measures of cost effectiveness exist. Further, the extension of project capabilities and authorities through cooperative working arrangements with other agencies necessitates determinations of external impacts and expenditures in support of the project. These far exceed the data available for such purposes and far exceed, also, the scope of the analyses reasonably within the purview of this evaluation. Nevertheless, by focusing on project cost data and case outcomes and other impacts, project cost effectiveness was examined in the five projects selected for intensive evaluation.

In determining a project's cost effectiveness, cognizance was taken of the fact that enforcement efforts associated with major white collar crime conspiracies require the expenditure of large amounts of resources which are not usually experienced in the investigation and prosecution of even the most serious of traditional crimes. While this suggests a comparatively high cost of white collar crime enforcement in contrast to traditional crime enforcement, it must also be recognized that white collar crimes generally involve schemes which have been specifically and "professionally" designed to avoid detection.

As a starting point in determining cost effectiveness of white collar crime enforcement, the total amount of federal grant funding, plus the amount of state or other non-federal project funding, was first determined. These dollar costs were then compared to relevant, available project case outcomes and other impact data. The following is a summary of direct costs associated with the five sites selected for intensive evaluation. Indirect and/or hidden costs were not assessed.

LEAA White Collar Crime Program Grants	\$3,435,632
State Block Grant Funds	529,552
State Appropriations	1,310,989
Other Funding Sources	
(federal, state, and private)	1,445,781
<hr/>	
TOTAL	\$6,721,954

The following is a summary of the results and outcomes of the 1,068 cases opened by the five selected projects:

- o 223 individuals were charged with felony violations
- o 106 individuals were charged with misdemeanor violations
- o 48 organizations were charged with felony violations
- o 12 organizations were charged with misdemeanor violations
- o At least 2 out of 10 cases were referred for criminal prosecution at each project (excluding cases in a pending status)
- o In an average of 8 of 10 cases where criminal dispositions occurred, individuals were found guilty of criminal acts as charged
- o 72 individuals were sentenced to incarceration
- o 173 individuals were sentenced to probation or had sentences suspended
- o 102 individuals were fined a total of \$695,077
- o 23 organizations were fined a total of \$399,495
- o 66 individuals were ordered to pay restitution amounting to \$3,211,580 (plus \$21,568 in voluntary restitution)
- o 12 organizations were ordered to pay restitution totalling \$344,309
- o A special group of project unemployment and welfare fraud cases in Delaware led to court ordered restitution of \$1,102,034

Thus, a total of \$6.72 million in federal, state, and other sources of project funding resulted in \$5.77 million in court ordered fines and restitution directly attributable to project case activities. While all of these judicially ordered payments were probably not subsequently paid by the defendants as ordered, estimates in one project site (Florida) indicated that at least three-fourths of the court ordered restitution in that state had already been repaid to victims shortly after expiration of the project.

Table 7 displays the number of criminal charges, by types, and convictions at each project site.

Table 7

Criminal Charges and Convictions					
	Regulatory Agencies		Criminal Justice Agencies		
	Alabama	Florida	Delaware	Massachusetts	New Jersey
Number of individuals					
Misdemeanor charge	1	0	48	53	4
Felony charge	20	74	18	59	52
Conviction or guilty plea	11	52	33	62	64
Number of organizations					
Misdemeanor charge	0	0	10	0	2
Felony charge	0	30	1	5	12
Conviction or guilty plea	0	11	5	0	13

It should be noted that many of these prosecutions would not have occurred in the absence of the projects, their specialized expertise, and their resources. In addition, at the time of data collection for the national evaluation, many cases at each of the sites were in a pending status. The number of pending cases ranged from one in ten at the Alabama project site, to over four out of ten of all cases opened at the Massachusetts project site.

The Massachusetts project evaluated in this report exemplifies the interrelated direct and indirect monetary benefits attributable to project activity. During a 1977-79 period of project arson investigations, Boston area arson incidents reportedly were cut in half, resulting in documented annual savings of \$6,000,000 in fire casualty loss payments.

Numerous intangible financial benefits were also derived from the five projects, such as the prevention of future economic losses, harm, or victimizations resulting from the termination of known schemes

and/or the interruption or discouragement of planned white collar crime offenses. Documented land sales of companies which terminated business operations as a direct result of criminal and civil sanctions initiated by the Florida project were estimated to total over \$55,000,000. During the 1977-78 period of project activity in Alabama, project investigations reportedly interdicted fraudulent investment offerings estimated at over \$8,000,000. The Delaware project conducted an investigation which led to the conviction of a county tax assessor and the development of new property tax assessment procedures, which resulted in the addition of \$12,000,000 in reassessed property to the county property tax rolls. During the New Jersey project's second grant period, twenty-three convictions were obtained in project cases in which 15 million dollars in frauds were charged in the indictments.

Certain of the projects selected for intensive evaluation have also been instrumental in developing national prototype enforcement programs for replication in other jurisdictions, including Alabama-Coal Fraud/Leviticus Project (a seven state consortium); Massachusetts - arson; and New Jersey - medicaid provider fraud (H.E.W. model), toxic waste, addressing governmental system deficiencies, and state uniform purchasing/procurement policies and procedures including the prohibition of private suppliers from doing business with the state based upon criminal conduct or past unsatisfactory performance.

The institutionalization of a project, its expertise, and resources is also considered to be an important indicator of cost effectiveness. All four of the projects which completed their final federal

grant funding during the period of the national evaluation had their grant funded project staff positions and project functions assumed by the sponsoring state agencies and project costs provided for out of state appropriations.

In addition, examining the dollar costs associated with project outcomes, cognizance was also taken of the fact that a separate, though major, dimension of remedial action resulting from these cases pertained to private civil redress by victims. Unfortunately, these important private remedies did not directly involve project processes and, therefore, were not available in project data bases.

CHAPTER IV. EVALUATION RECOMMENDATIONS

A. INTRODUCTION

Listed in this chapter is a set of selected recommendations which are based upon the evaluation team's experience, observations, and insights gained from the conduct of the national evaluation. These recommendations (in some cases in an expanded version), plus others considered pertinent to the design and monitoring of the LEAA Major White Collar Crime Program, have been provided to the National Institute of Justice and the LEAA Program Manager separately.

B. GENERAL COMMENT AND RECOMMENDATIONS

In that the major white collar crime program evaluation research has demonstrated that state and local agencies can develop cost effective interdisciplinary major white collar crime enforcement capabilities which result in both criminal and civil remedies, it is recommended that the program be expanded through federal discretionary and block funding to develop similar capabilities in additional jurisdictions. Further, it is recommended that federal, state, and local governments support the operational activities and continued development of the existing major white collar crime enforcement projects.

C. SPECIFIC COMMENTS AND RECOMMENDATIONS

In addition, the following specific comments and recommendations are submitted for the express purpose of enhancing and improving the LEAA Criminal Conspiracies Major White Collar Crime Program:

1. Comment and Recommendation

Comment

During the course of the evaluation, it became evident that considerable advantage could be obtained if a mechanism existed whereby the projects could exchange information and experiences relating to their individual organizational and operational activities. Although the projects possessed diverse characteristics, the experiences of individual projects would be of tremendous benefit to other projects if shared. This is particularly true in pursuing specific violations (e.g., arson, toxic waste, and security frauds), in developing effective working arrangements between criminal justice and regulatory agencies, and in implementing operational processes.

Recommendation

It is recommended that a formal mechanism be developed (e.g., conferences, newsletters) for information exchange between and among the white collar crime projects and that informational topics include how the projects can best be organized, managed, and operated in accordance with the program goals and objectives.

2. Comment and Recommendation

Comment

In examining the regulatory and criminal justice projects in the program, the legal authority of the sponsoring agency was found to directly affect the project's ability to initiate major white collar crime investigations and to develop effective working relationships with other relevant agencies to obtain criminal and civil sanctions. Therefore, the legal authority of a project, as derived from the sponsoring agency, is considered to be a vital factor in achieving ultimate enforcement success.

Recommendation

It is recommended that in the future, the extent of the legal authority and geographic jurisdiction of prospective grantees be carefully reviewed to ensure that sufficient authority exists to investigate and prosecute major white collar crime violations.

3. Comment and Recommendation

Comment

In two of the ten projects considered as candidates for intensive evaluation, serious problems were initially experienced because of a major emphasis on covert investigations and techniques. Both of these projects were designed to address public corruption and neither agency had any prior experience in public corruption enforcement or in criminal conspiracy investigations. Certain of the projects sponsored by agencies having a record of proven success in criminal conspiracy investigations utilized one or more covert techniques in specific investigations. Where observed during the evaluation effort, these were successfully used. However, these uses were confined to specific cases as opposed to comprising an overall project strategy.

Recommendation

It is recommended that major white collar crime grant applications be carefully reviewed to determine if they are substantially grounded upon covert enforcement activities or techniques. Funding restrictions should apply to any such prospective projects where a proven record of experience in criminal conspiracy investigations, and need, cannot be documented.

4. Comment and Recommendation

Comment

While consumer fraud activities being conducted by either a criminal justice or regulatory agency are a dimension of economic crime enforcement, no identifiable linkage was found between consumer activities and the operational activities and cases of the projects. The only linkage evidenced between consumer fraud projects and the major white collar crime projects was that consumer fraud programs were a possible source of project cases or point of referral of complaints that were initially screened out by the major white collar crime project; however, these cases/referrals were found to be few in number.

Recommendation

It is recommended that, in the future, consumer enforcement activities be clearly recognized as separate and distinct from the criminal prosecution and related civil activities of the major white collar crime projects.

5. Comment and Recommendation

Comment

From an evaluation perspective, one important difference existing between projects sponsored by law enforcement/police agencies and those sponsored by civil or criminal prosecution agencies relates to the documentation of processing time frames and decision points. Generally, in law enforcement sponsored projects, investigative time frames and case processing decisions (initial complaint receipt through threshold screening) are documented. In these projects, the

data constraints most often exist in the tracking of cases and capturing data in the prosecutive and adjudicative stages, over which the law enforcement sponsor has no control. On the other hand, in projects sponsored by prosecutive agencies, initial complaint processing and investigative decision points often are not documented as the sponsor's focus and control encompasses the post-investigative stages of cases, commencing with the screening and prosecutive reviews. In the major white collar crime projects, many, if not most, interim investigative decision points were not documented in that they were not considered germane to existing prosecutive case management practices. The "teaming" of prosecutors and investigators under overall prosecutive (or legal) management was a common characteristic of the projects and acknowledged to be an important factor in successful enforcement; however, the management of investigations was seldom afforded the priority given to the management of cases in the prosecutive stages even though multiple, large-scale investigations were being routinely conducted. Clearly a need exists for investigations management training and orientation designed for those prosecutor offices which employ (or direct) sizeable investigative staffs and major investigations such as is currently being provided in other LEAA sponsored police programs (e.g., I.C.A.P., Criminal Investigations Management).

Recommendation

It is recommended that investigations management technical assistance be developed and provided to prosecutors (in addition to police agencies) to enhance their direction and control over their own investigative activities and staffs.

6. Comment and Recommendation

Comment

There is a definite need for a quarterly reporting format designed to capture the kinds of criminal justice prosecution and civil sanction outcomes occurring in the major white collar crime projects. The existing quarterly reporting format lacks specificity both in terms of project activities and outcomes and in the quality of reporting, due to the lack of uniform interpretation and appropriateness of the called-for information.

Recommendation

It is recommended that the program managers develop a quarterly reporting format which captures important data pertaining to the origins of the cases, screening functions, investigative activities of the projects, referrals, and dispositions; and which provides for the reporting of both criminal justice and civil outcomes. Reported outcomes should include cease and desist orders, fines, restitution (both court-ordered and voluntary), injunctions, and, in addition to the criminal justice charges filed, the resulting pleas, verdicts, and sentences.

END