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NATIONAL EVALUATION
OF THE
MAJOR WHITE COLLAR CRIME PROGRAM

VOLUME II

FINAL REPORT

April, 1981

IIR

INSTITUTE FOR INTERGOVERNMENTAL RESEARCH

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NATIONAL EVALUATION
OF THE
MAJOR WHITE COLLAR CRIME PROGRAM

VOLUME II

FINAL REPORT

Submitted to:

National Institute of Justice
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NCJRS

APR 23 1982

ACQUISITIONS

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PREFACE

This document is the final report of the national evaluation of the Law Enforcement Assistance Administration's Criminal Conspiracies Major White Collar Crime Program. The evaluation, supported by the National Institute of Justice, had as its primary goal 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 a background and discussion of the LEAA Major White Collar Crime Program, details of the research design and evaluation methodology, reports on the five projects selected for intensive evaluation (projects located in New Jersey, Massachusetts, Delaware, Florida, and Alabama), and a series of interjurisdictional comparisons among the five sites of, inter alia, project operations, case dispositions and outcomes, and project cost effectiveness issues. The various data collected are presented throughout the report, along with research findings and discussions of related issues.

This 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. This evaluation was conducted by the Institute for Intergovernmental Research.

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 the program managers at the National Institute of Justice and the Law Enforcement Assistance Administration and the leadership of each of the individual projects. IIR received complete cooperation and assistance from each of the sponsoring agency representatives and their staff:

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IIR was responsible for overall evaluation management. Primary
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William L. Reed, Project Director
Emory B. Williams, Site Evaluation Activities Team
Leader
E. Bruce Buckley, Site Data Collection Supervisor

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CHAPTER I. MAJOR WHITE COLLAR CRIME PROGRAM

A. BACKGROUND

Although a paucity of data exists, recognized authorities estimate that the economic cost of white collar crime equals or exceeds 40 billion dollars annually.¹ White collar crimes may, in fact, cost ten times the total cost of all crimes against property.² Further, the social consequences of economic crimes may, perhaps, be even more damaging than the monetary costs.³ In spite of these estimated dollar losses and social consequences, it has only been in the last decade that economic crimes have been recognized as crimes of major significance.

Although official reports described the general public as indifferent to white collar crimes in the late 1960's, more recent samplings of opinions indicate a change from public indifference to public concern.⁴ This increase in public concern over white collar crime parallels similar expressions of concern in related social trends such as consumerism. This public awareness also parallels the

¹Chamber of Commerce of the United States. A Handbook on White Collar Crime - Everyone's Problem, Everyone's Loss. Washington, D.C., 1974, pp. 4-6.

²Subcommittee 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. 10.

³Ibid., pp. 7-11.

⁴Ibid., pp.15-16.

efforts of government to increase its effectiveness and credibility to counter widespread public disenchantment with the criminal justice system⁵ and governmental institutions in general.⁶

Although this recognition of the seriousness of white collar crime has engendered a variety of governmental responses, these responses have often fallen far short of expectations, resulting in considerable criticism of many of these responses and the law enforcement system as well.⁷

Fragmentation of effort, antiquated enforcement capabilities, lack of white collar crime enforcement emphasis, and lack of valid statistical data upon which successful enforcement initiatives can be identified, are among the more commonly stated reasons for system failures.⁸

In spite of these criticisms, the last decade has not been devoid of serious efforts and progress in improving and enhancing white

⁵Whitcomb, Debra. Connecticut Economic Crime Unit. U.S. Department of Justice, Law Enforcement Assistance Administration, Washington, D. C., September, 1979, p. 1.

⁶Finn, Peter and Alan R. Hoffman. Prosecution of Economic Crime. Office of Technology Transfer, National Institute of Law Enforcement and Criminal Justice, Law Enforcement Assistance Administration, Washington, D. C., March, 1976, pp. 4-5.

⁷Op. cit. White Collar Crime: The Problem and the Federal Response, pp. 20-22.

⁸Ibid., pp. 12, 44-60; August Requai, White Collar Crime: A Twentieth Century Crisis. Lexington Books, D.C. Heath and Co., 1978, pp. 4, 9, 137-161.

collar crime enforcement capabilities.⁹ Although a broad array of initiatives, at all levels of government, has characterized the development of governmental responses to white collar crime, much of the recent reported enforcement progress, as well as the research and technical assistance underlying this progress, has been a direct result of the substantial support provided by the Law Enforcement Assistance Administration (LEAA). In accordance with its charter to assist state and local governments in strengthening and improving law enforcement and criminal justice, LEAA had, by 1974, assumed an important role in sponsoring white collar crime research and technical assistance support for state and local enforcement units. In addition, LEAA provided direct funding to state and local prosecutive/investigative agencies to support their development of white collar crime enforcement capabilities.¹⁰

One of the more important LEAA efforts which commenced in 1974 was the LEAA criminal conspiracies major white collar crime program. Until a formal and separate identity was obtained in October 1978, the major white collar crime program was one of the components of the LEAA Organized Crime Program. During this period of time, this program (component) was designed to foster the initial development of white collar crime enforcement units having the capability to investigate

⁹Op. cit. White Collar Crime: The Problem and the Federal Response, pp. 23-28; Larry Gibson. Report to the Attorney General of the National Economic Crime Project. U. S. Department of Justice, Washington, D. C., 1978, p.1; Herbert Edelhertz. The Investigation of White Collar Crime: A Manual for Law Enforcement Agencies. Law Enforcement Assistance Administration, Washington, D. C., 1977, p.3.

¹⁰Op. cit. White Collar Crime: The Problem and the Federal Response, p. 28.

and prosecute complex and sophisticated large scale frauds and their perpetrators.

B. MAJOR WHITE COLLAR CRIME PROGRAM (1974-1978)

By the fall of 1974, the major white collar crime program was discernible as a separate component of LEAA's organized crime program. From the fall of 1974 to October 1978, a somewhat divergent group of eight projects was funded under the program. Mirroring the general lack of knowledge and enforcement experience prevalent in the criminal justice community during this period of time, these major white collar crime enforcement projects varied considerably in terms of their basic legal authority and jurisdiction, governmental level of sponsoring agency, organizational placement and autonomy, staffing, leadership, and the degree of dependence upon other, external authorities and resources to accomplish fundamental investigative and criminal prosecutive missions.

Coupled with these variations, the projects, while maintaining major crime emphasis, also varied in terms of thrust. Some of the projects developed a general enforcement orientation, others a more specific focus on particular offenses and offenders. Variances also existed as to the projects' involvement with consumer level complaints in addition to a primary focus on large scale, conspiratorial white collar crime activities. In addition, one initial project solely involved the development of a white collar crime intelligence capability designed to service external investigative and prosecutive agencies.

The major white collar crime program in these initial years, 1974-78, can be viewed as a period in which a moderate degree of latitude was given in the selection and funding of projects, the commonality of which appears to include inter alia, the existence of sizable white collar crime activities and the identification of an appropriate grantee having an awareness, desire, and prima facie ability, at least, to mount a successful white collar crime enforcement effort.

The absence of a separately structured and defined major white collar crime program during the initial years 1974-78 is not considered unique in view of the then existing major voids in white collar crime enforcement experience, including the absence of a well defined body of literature.

Although initial program efforts were part of the ongoing LEAA Organized Crime Program, there is no indication that the organized crime program placed undue constraints on major white collar crime program or project development or direction, per se. For example, while infiltration of legitimate business by organized crime may have been envisioned as one of the prevalent kinds of activities which should have been addressed by the major white collar crime program, the 1974-78 projects do not reflect the existence of any operational constraints in developing a project thrust based upon individual project assessments of local economic crime activities. In fact, these early projects appear to have developed major white collar crime enforcement strategies and targets in much the same manner as was set out in the 1978 LEAA Decision Memorandum.

C. MAJOR WHITE COLLAR CRIME PROGRAM (1978 REVISIONS)

In October 1978, LEAA separated the major white collar crime component from the organized crime program, giving it separate identity and funding as an initiative of the Office of Criminal Justice Programs (OCJP).¹¹ The purpose of the program was stated as follows:

To initiate statewide and local investigative efforts designed to detect, investigate, and prepare for the prosecution of major white collar crime offenses which significantly impact upon the community. Coordinating with prosecutorial and investigative offices, funding support will be given to agencies to mount substantive and highly technical investigations against major white collar crime offenses which are not being addressed by existing agencies.

White collar crime was defined as follows:

The term "white collar crime," the removal of which is the ultimate objective of this program, is defined as an illegal act or series of illegal acts normally committed by non-physical means and by concealment or guile, to obtain money or property, to avoid payment or loss of money or property, or to obtain business or personal advantage.¹²

Classification of a white collar crime as major was stated to depend upon the following characteristics:

...the nature, size and seriousness of the offenses, but will reflect such offenses as arson for insurance fraud, forced bankruptcy, infiltration of legitimate business by criminal elements, procurement fraud, and investment frauds.

¹¹ Decision Memorandum to Implement the Enforcement Division's Major White Collar Crime Program, October 1978 (James O. Golden, et al to James H. Gregg).

¹² This definition differs from most commonly accepted white collar crime definitions only in the qualification of "committed by non-physical means" by the insertion of the word "normally." While a consensus exists among authorities that white collar crime may result in harm which is violent (physical), most authorities, including the Department of Justice, define the commission of such crimes as those committed by non-physical means.

The complexity of major white collar crime enforcement efforts were contrasted with traditional enforcement efforts as follows:

Unlike many of the more traditional crimes of burglary, robbery, assaults and other physical crimes normally associated with Part I offenses, white collar crimes are often so sophisticated and well concealed that many of them go undetected. These characteristics are even more significant when attached to major white collar crimes, whereby such offenses often reflect professionally constructed conspiracies relying on altered but legitimate records to disguise the offense.

The formal establishment of the major white collar crime program in 1978, by its very nature, resulted in certain revisions in program strategy.

While the classification of a white collar crime as "major" in the 1978 program retained the same latitude in funding and selection of projects as in earlier years, the perception of what constitutes major offenses has been revised upward at both the program and project levels as enforcement knowledge, experience, and capabilities increased.

The 1978 program differed substantially from the 1974-78 efforts in other respects. In the 1978 program there was an obvious shift away from supporting the basic development of white collar crime enforcement units (including initial staff acquisitions) to an exclusive focus on specific investigations. This specific investigative focus presumed the existence of an enforcement capability generally non-existent at the time of initial major white collar crime project funding. The rationale provided for this change was to better ensure that the project's thrust, strategies, and resources would not become diluted and dispersed in response to an excessive range and volume of

investigative matters and complaints. Instead, the specific investigations focus would better ensure a concentration of project resources on particular major offenses and offenders. This emphasis was also intended to prevent the dilution of enforcement staff expertise and resources experienced by projects which had initially undertaken broad gauged enforcement efforts. In addition, the program's focus on specific investigations ensured the continuation of prior programs' emphasis on formal investigative and prosecutive strategies, development of multijurisdictional working arrangements, and the availability of enforcement resources for sustained periods of investigations and prosecutions.

The likelihood that the severity of the cutback in the funding of project personnel after the 1978 program's adoption was in part attributable to the availability of program funds can only be surmised. Clearly, however, the shift of program focus to specific investigations implied an existing level of major white collar crime enforcement capabilities. After 1978, project funding requests were, therefore, based upon resource needs to conduct specific investigative thrusts. This did not necessarily exclude the funding of project staff, but did strongly suggest that justification for staff funding had to be specifically grounded upon and germane to the requirements of the particular investigative efforts. The ten projects funded by LEAA under the major white collar crime program before and after the 1978 adoption of a formal program are listed in Exhibit 1 in the order in which the projects were funded.

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

CHAPTER II. THE NATIONAL EVALUATION

A. THE EVALUATION GRANT AWARD

In May, 1979, the National Institute for Law Enforcement and Criminal Justice (NILECJ) announced a Solicitation for preliminary proposals for an evaluation of the LEAA Criminal Conspiracies Major White Collar Crime Program. The purpose of the evaluation as stated therein was to determine the operational impact of the Program and the causes for variation in that impact. In September, 1979, NILECJ awarded the major white collar crime program evaluation to the Institute for Intergovernmental Research (IIR). (The NILECJ subsequently was reorganized as the National Institute of Justice.)

B. EVALUATION GOAL, OBJECTIVES, AND RESEARCH DESIGN

The stated goal of the national evaluation of the major white collar crime program, as set forth in the Solicitation, was to identify and describe those significant factors affecting the operation and success of agencies having a major white collar crime focus.

The purpose of the IIR evaluation was to conduct both a process and impact evaluation of the five major white collar crime projects which were selected for intensive evaluation by the National Institute of Justice after consultation with the LEAA program managers. In keeping with the requirements of the Solicitation, this national evaluation is focused more upon the process aspects of the projects.

IIR's evaluation philosophy is that evaluation research can be a valuable source of information for federal program managers seeking to

introduce innovation into operational environments, and for state and local criminal justice professionals seeking to improve the way their agencies operate.

Two purposes of the evaluation were envisioned by IIR: to evaluate the technical aspects of a program, and to provide potential criminal justice users with information to support the adoption of a similar program in their jurisdictions and/or to enhance program effectiveness once the program was adopted.

Methodologically, six activities were planned and carried out in the IIR evaluation effort, as follows:

- 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.

The program suggested in the Solicitation was fundamentally designed to support the creation of major white collar crime enforcement capabilities. This program focus is significant in terms of establishing the "starting points" of projects funded under the program.

While the LEAA major white collar crime program represented an important criminal justice initiative and a pioneer federal level effort, a number of state and local agencies were already in the process of responding to major white collar crimes at the time federal funding efforts commenced. Further, many other state and local agencies had already established impressive records of performance in organized crime enforcement, including the penetration of equally complex conspiracies, and the prosecution and conviction of important organized crime figures. Many, if not most, of these other efforts had also been supported by LEAA discretionary funds and/or state block grants.

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.

The above mentioned six evaluation activities were designed to answer the following ten research questions. These research questions were developed following extensive interviews with project personnel during initial site visits, interviews with LEAA program monitors, from the examination of program documentation, and the examination of documents at all ten white collar crime projects:

- 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 the objectives of the evaluation. In addition, they also provided a framework for the evaluation effort which recognized the program's operational characteristics as well as the problems common to implementation in each project. Sufficient flexibility was also incorporated in the ten research questions to accommodate the diversities of the individual projects without adversely affecting either the conduct of the national evaluation, or the quality of research findings.

The research questions, as related to the findings of the evaluation, are addressed in the two succeeding chapters of this report. Those research questions that lent themselves to narrative descriptions of the various project activities are set out in Chapter III, entitled: Reports on the Projects Selected for Intensive Evaluation. Those research questions which could be addressed in terms of statistical data manipulations are also found in Chapter III and in Chapter IV, entitled: Interjurisdictional Comparisons.

C. EVALUATION METHODOLOGY

1. Introduction

Because of the magnitude and complexity of major white collar crime cases, only a comparatively small number can be handled effectively by a single agency, particularly if compared to normal investigative workloads. This is also true of the number of case dispositions in that a relatively small number of major white collar crime cases culminated in adjudication during the evaluation period of fifteen to eighteen months, due primarily to the length of time typically required for the investigation and prosecution of these cases.

In addition, there has been an historical lack of acceptable data upon which project performance can be measured. In commenting upon this problem at the federal level, a Congressional subcommittee observed:

There is no single, centralized compilation of white collar crime statistics similar to the statistics on street crime compiled by the FBI in its annual Uniform Crime Reports. Such statistics as are available are generally located in relatively inaccessible reports of the various regulatory agencies (e.g., the annual reports of the Internal Revenue Service or Securities and Exchange Commission). The report of the American Bar Association's Committee on Economic Offenses concludes that the federal government lacks both the necessary mechanisms to measure accurately its own efforts against white collar crime and to assess the impact of such offenses on the country as a whole. This report further concludes that the federal government has collected little data in this crime area, and the data which have been gathered are of "questionable validity" because there are "no uniform standards for collecting economic crime data as among the relevant agencies."

In a footnote to their observation, the subcommittee commented as follows:

The Uniform Crime Reports do include arrest data on forgery, embezzlement, and fraud but the most accurate data reported, in terms of reflecting the true incidences of crime, are "crimes known to the police" which only include the seven "indexed crimes" of murder, rape, assault, robbery, larceny-theft, burglary, and motor vehicle theft.¹³

The relatively small number of cases (only sixty at one site) which had been handled by the five projects (in comparison to other caseload activities of the sponsoring agencies), the extraordinary length of time between detection and adjudication (again, when compared with other typical case activities of the sponsoring agencies), the lack of acceptable historical data, and the uniqueness and consequent lack of representativeness of the individual sites, all tended to preclude sophisticated statistical analyses of data for the purposes of assessing either cross-sectional or longitudinal impacts. Consequently, the evaluation research questions concerning both process and impact were assessed primarily through reviews of program-related documents and interviews with key personnel. Certain inter-jurisdictional comparisons were made, however, using simple but appropriate statistical techniques. Each of these techniques is discussed in the ensuing sections.¹⁴

¹³ Op. cit. White Collar Crime: The Problem and the Federal Response, pp. 12-13.

¹⁴ This type of research design could be characterized as an ex-post-facto study or analysis. See Harris K. Goldstein. Research Standards and Methods For Social Workers. Whitehall Company, Wheeling, Illinois, 1969 Revised Edition, pp. 76-77. Or see John Van Maanen. The Process of Program Evaluation: A Guide For Managers. National Training & Development Service Press, Washington, D.C., 1973, p. 58.

2. Sources of Data

The general categories of information listed in Exhibit 2 were collected from various sources at each site. The case files were the primary source of data for the dependent variables. Most of the sources listed produced data for the independent variables, although there was some overlap.

EXHIBIT 2
TYPES OF INFORMATION COLLECTED

	Qualitative	Quantitative
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 first six categories were used as independent variables, while the others were the dependent variables shown in the research questions discussed previously in this chapter.

The evaluation team conducted reviews and examined documents and reports pertaining to project development and operational activities. These methods of data collection are explored further in the remainder of this chapter. In addition to project documentation and reports specifically relating to LEAA funding, other available written information was also reviewed. Included within the scope of these other reviews were project investigation and prosecution logs, case files, intelligence information files (as appropriate), special reports, assessments, and administrative documentation.

Investigative case files consisted usually of a case jacket, a case opening memorandum, and other case memoranda. Among the other contents of case files were arrest reports, surveillance reports, results of inquiries on subject individuals, organizations, vehicles and locations, arrest and search warrants, and case disposition information.

In addition, examination was conducted of correspondence relevant to project development, including multijurisdictional relationships/working arrangements, staff acquisition and training programs, annual reports, legal opinions, and such other documentation which directly related to project implementation and effectiveness.

The evaluation team conducted on-site interviews with key project personnel and representatives from external agencies participating in project activities. By reason of the legal, organizational, and operational diversities of the individual projects, interviews were appropriately tailored to each project.

Interviews were conducted with project managers, supervisors, investigative and prosecutive/legal staff members, and administrative

personnel as deemed appropriate. In addition, participating agency personnel were also interviewed where applicable. These interviews primarily focused upon representative personnel of agencies with whom the projects had a formal and continuous working relationship; for instance, prosecutive personnel who worked regularly with a project sponsored by a regulatory agency, or personnel assigned to the project on a permanent basis.

To a lesser extent, representative personnel of other agencies with whom the project may have had less formal relationships were also interviewed. Some of these interviews included representatives of agencies who provided offense information to a project, or who provided resources upon request, or agencies involved in project operational strategies to better ensure coordination of overall enforcement efforts. Included in this latter category of interviews were personnel of investigative or law enforcement agencies providing information or investigative resources, regulatory and licensing authorities, and other agencies possessing civil or criminal jurisdiction which overlapped or which could overlap into project enforcement areas, thus requiring mutually acceptable coordination mechanisms and/or agreements.

3. Site Selection

The data collection process took place over a thirteen month period and involved two rounds of site visits. The first round, in late 1979 and early 1980, involved visits to all ten white collar crime projects which were the candidates for intensive evaluation. Based

upon these initial site visits, an IIR report entitled Site Assessment Summaries¹⁵ was prepared and submitted to the National Institute of Justice and LEAA. The second round of site visits took place during the second half of 1980. A total of eighteen visits were made to the ten sites, with 143 staff days being spent on site trips. IIR staff spent an average of twenty-two days at each of the five intensive study sites, and approximately seven days at each of the other five sites.

The Site Assessment Summaries report was designed to be a comprehensive, descriptive assessment which could maximize the information available for site selection decisions. The report was prepared in draft form and subsequently furnished to each of the sites for review and comment. All ten of the sites responded either orally or in writing. These responses were reviewed and the draft report was revised as appropriate with revisions incorporated ultimately into the final evaluation report.

The five final sites were selected on the basis of project size, caseload, geographic location, representativeness, agency authority, and implementation experience (both successful and unsuccessful). The five sites selected for intensive evaluation, while differing in many of the noted selection factors, were not unrepresentative of the ten initial sites. The key selection criterion was whether the project's

¹⁵ Reed, William L., Emory B. Williams, E. Bruce Buckley, Robert G. Bowers, and Andrea G. Lange. Preliminary Major White Collar Crime Program Site Assessment Summaries. Institute for Intergovernmental Research, Tallahassee, Florida, 1980.

experiences could be generalized into descriptive information useful to the learning experiences of other agencies.

Because of the small number of sites, geographic balance and governmental levels could not be determining factors in site selection. Also, data availability proved to be a uniform problem area at most sites and could not be used as a major determinant in selecting the final sites. Two of the sites were eliminated because of their uniqueness: the Massachusetts Special Commission Concerning State and County Buildings, which did not significantly refer cases for prosecution until the close of the project, and the Texas Attorney General's White Collar Crime Unit, which dealt primarily with civil violations.

The five sites that were selected best represent the different kinds of projects in the program. They are comprised of both regulatory and criminal justice sponsoring agencies. New Jersey's project was located in an agency with a strong record of achievement and performance with regard to other programs. Delaware's project experienced serious initial difficulties but was successfully reorganized under a newly elected official. The Massachusetts project was located in a criminal justice agency with authority typical of similar agencies in many other states. Alabama's project was located in a regulatory agency which handled a broad white collar fraud caseload, while the Florida project addressed a comparatively narrow white collar fraud problem of considerable magnitude and local importance.

4. Method of Data Collection

A set of data collection instruments was developed to guide evaluation team interviews of key project personnel to elicit responses to the ten research questions (independent variables) posed in the Design.

In preparing these instruments, the evaluation team first prepared a lengthy list of over 100 questions pertaining to the ten research questions. Next, the team listed likely key staff positions in each of the projects to develop an array of potential interviewees. This list was then refined to ensure uniformity of interviewees among all sites selected for intensive evaluation. The initial set of interview questions was then refined and further consolidated for simplicity and clarity. Following this process, the team reviewed each of the questions and noted the logical interviewees for each. At least two interviewees were deemed necessary for a response to each question in order to improve reliability of the information gathered.

Following this listing, the potential interviewee list was reviewed to ensure that appropriate project personnel (in terms of authority, duties, etc.) were being selected and that both policy and line levels of personnel would be interviewed.

Finally, the team tested the approach by selecting certain sites, identifying key staff members, and selecting the appropriate questions for each individual in terms of project position, authority, and duties. In addition, the numbers of questions per individual were reviewed to ensure that no single position or staff member would be overburdened unnecessarily in the course of the site interviews.

On site, appropriate questions were assembled and packaged for interviews of key personnel. This flexibility allowed for the tailoring of the interview format to the particular organization and staffing which exists at each site. The interviews of key personnel together with the other data collection instruments also allowed for the maximum collection of cross-site data and information even though the projects are very diverse.

Three other data collection instruments were designed to capture variables such as funding information, organizational information, administrative data, and case activities for each grant period of the individual projects. The three separate instruments are as follows:

WCC Project Grant Summary, which focused upon the project's staffing and funding sources.

WCC Project Overview, which collected important information relating to the project's legal authority, jurisdiction (geographic), organizational structure, screening processes, and the criminal prosecution of cases.

WCC Project Case Activity Counts, which collected case activity information. This instrument specifically addressed data collection needs relating to sources of project investigations, case openings and closures, and case disposition and adjudicative data.

The broad diversity among the sites identified in the descriptions of project operational characteristics, jurisdiction, and authority contained in the Site Assessment Summaries was also found to exist in the reporting practices of the individual projects, and to some extent variances were found to exist in case documentation practices and content within the sites.

A case information worksheet was developed to capture individual case data at each of the sites. To ensure the reliability and validity of the case information collection device and the other collection instruments, emphasis was given in the construction of the instruments to field tests, analysis, revisions, and training of evaluation staff in their use. One evaluation team member supervised all data collection activities on and off site.

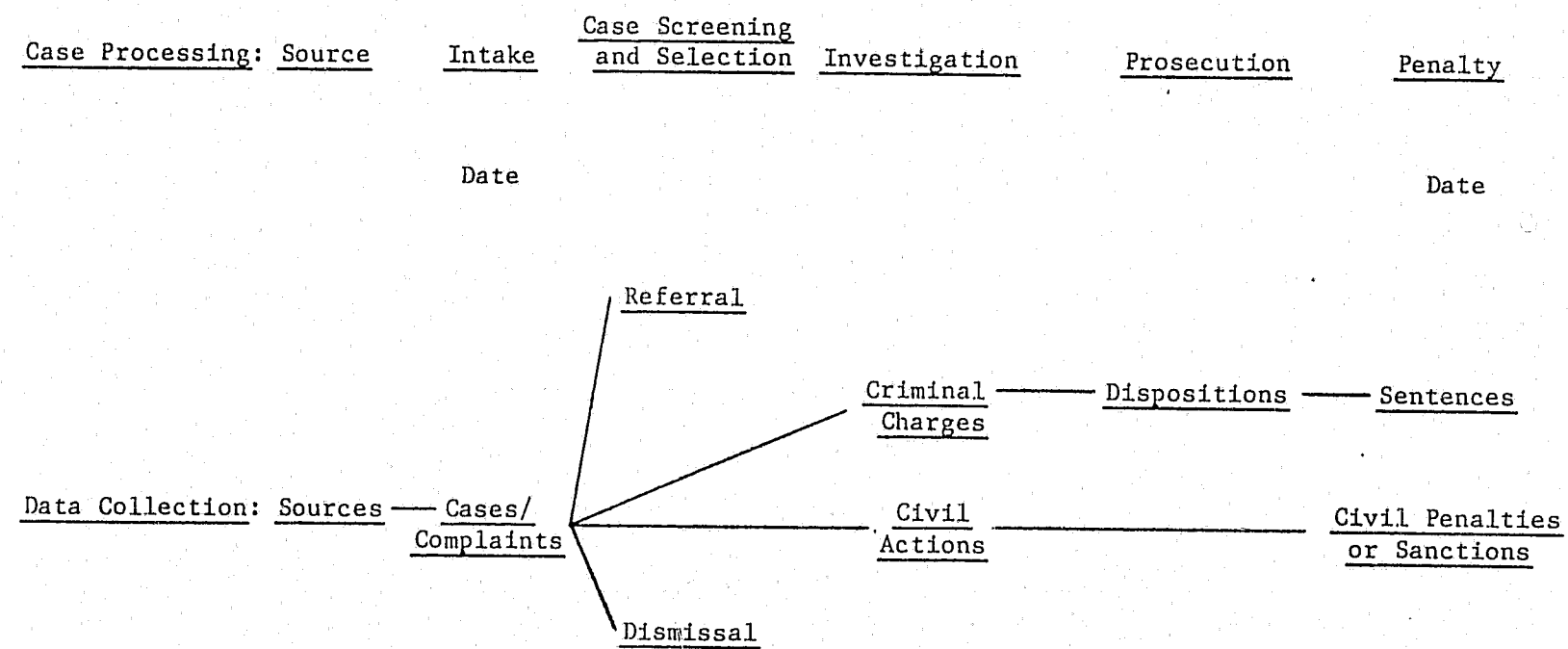
The case information worksheet was designed to collect quantitative data at several points in the white collar crime case processing. Exhibit 3 indicates the data collection points and the related case processing stages.

When more than one member of the evaluation data collection team was filling out the case form worksheets, the data collectors were physically located together. Thus, any interpretation decisions were immediately rendered and communicated. The IIR data collection supervisor reviewed each of the completed instruments on site for uniformity and clarity.

After the review of data sources the required information was entered on the instrument. Usually, one data source was exhausted and then another data source was used to complete information requirements. Site agency identification numbers were marked on data sheets to assure consistency between data sources. 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 each instance, a policy decision was made and data collectors were informed (for example, that suspended sentences were to be categorized

EXHIBIT 3
CASE INFORMATION WORKSHEET
DATA COLLECTION POINTS



as probation). Where data interpretation was consistently necessary, the data collection instrument was generally revised to aid the interpretation decision. Although some of the sites were in various stages of developing automated management information systems, none of the sites had an automated case information system which could be used in the collection of case data. Thus, all collections of case data were conducted manually. As available, project technical case data were supplemented by other sources such as complaint logs, arrest logs, court disposition and sentencing records, agency management records, grant management documentation, and by descriptive data such as interviews with key investigative, prosecutive, and management personnel. Although most of the data utilized were self-reported by project agencies, these existing aggregated data bases were maintained for internal management purposes, and not developed for purposes of this evaluation.

Agency staff at each site were extremely cooperative and helpful in directing data collectors to data, but were not involved in completing the primary data collection instruments.

Each of the data gatherers had relevant background and experience in the subject area of the project. The data gatherers were also experienced and educated in the fields of law enforcement and/or prosecution. Thus, their interpretations were made on an informed and uniform basis.

Some of the data at one site was not used for purposes of the computer analysis. In Delaware, two separate blocks of "backlogged cases" were not included in the processed data. These "cases," dealing with unemployment fraud and welfare fraud, were considered to

involve insufficient work volume per case when compared to the cases of other projects and to other Delaware project cases to warrant full "case" status. They are treated, therefore, in summary fashion as a group.

The technical case data collection device was a check-list type instrument that charted the legal and judicial steps through which each case proceeded. The technical data obtained covered the following eight variables, four of which have been further broken down into two categories for each case: "individuals" and "organizations."

For each case:

- o method by which complaints were received
- o source of referral
- o time elapsed between the case opening and disposal
- o method of closure

For individuals and organizations:

- o charging action taken
- o charges filed
- o dispositions
- o penalties

If a particular case involved more than one individual or organization, or multiple disposition actions, each was noted. Thus, the total number of individuals and organizations involved exceeds the total number of cases, and the total number of disposition actions (such as convictions) exceeds the number of cases in which they occurred.

5. Method of Data Analysis

Descriptive, narrative information was analyzed to focus upon the differences between planned and actual project operations. Where available, base line data and pre-project measures were utilized in this analysis. The evaluator made a conscious decision to examine every white collar crime case file in each of the projects to maximize the collection of a rich and potentially productive base of technical information and quantitative data.

Data provided by the technical data collection instrument described above have been 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 are 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 had 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 determined by relating the effects found by the foregoing methods to the data obtained by case studies of each site on the following independent variables:

- o pre-existing environmental conditions
- o types of white collar crime
- o legal authority
- o resources available
- o overall enforcement strategy
- o priorities of the enforcement agency
- o planning and carrying out investigations and prosecutions
- o cooperation with other criminal justice and regulatory agencies
- o application of intelligence techniques
- o costs in terms of arrests and convictions

The data on these latter variables are primarily qualitative rather than quantitative. Study of effectiveness is, therefore, based on a content analysis rather than statistical analysis of these

topics. In carrying out this content analysis, operationally defined terms and the careful training of data interpreters is considered to increase the reliability and validity of conclusions.

CHAPTER III. REPORTS ON THE PROJECTS SELECTED FOR INTENSIVE EVALUATION

A. OVERVIEW

The five project sites selected for intensive evaluation by the National Institute of Justice are described in detailed reports in this chapter.

These project reports have been drawn from investigative case data and narrative data obtained during site visits, interviews of both project and program personnel, and from reviews of program documentation.

All five of the projects were disparate in the manner in which each organized and implemented the major white collar crime program. While all of the projects addressed issues relating to legal authority, enforcement strategies, resource/skills needs, and criminal justice/civil sanctions, wide variances were found in the importance given to these issues. Equally wide variances were found in the manner in which they were addressed in project implementation. Divergent and unique circumstances were identified which led to the initiation of the individual projects. The more 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 was found to result from the extent to which each project was prioritized and incorporated into the regular enforcement structure of the sponsoring agency. Two of the projects 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 by the completion of their initial federal funding periods.

While multiagency cooperation was found to be a major factor, such cooperation most often existed in the detection and/or investigative stages serving either as the mechanism for the referral of cases to the project, or as a mechanism facilitating the referral of project cases to other agencies. Thus, in those projects wherein the sponsoring agency was a regulatory authority, interagency liaisons as well as case referral policies and processes were developed to obtain criminal prosecutions in project cases initially investigated under the authority of the regulatory agency sponsor. On the other hand, in those projects wherein the sponsor was a criminal justice agency, the utilization of regulatory, and other governmental agencies, as sources for complaints and investigative lead information was equally significant to those projects' operational activities and outcomes. No instances were found wherein case management responsibilities were shared, and there were few instances of sharing even on an individual case basis. The primary purpose, therefore, of multiagency agreements appeared not to extend project authority per se, but rather to ensure the coordination of enforcement efforts to expand the scope of project cases and referrals, and in some of the projects, to provide the project with expanded investigative capabilities.

Both the respective sponsoring agency's management and the project staff's extent of prior experience in conducting criminal conspiracy investigations and prosecutions, and the degree of formality of interagency agreements, were found to be important influences in successful project implementation and outcomes. Although the investigative procedures and processes utilized by the projects were not uniform, all of the investigative cases at each site were examined.

In the reports of the five project sites which follow, emphasis has been given to describing the backgrounds and the origins of the projects and the projects' implementation processes, including investigative and prosecutive policies and procedures. In addition, data analysis of case outcomes reflects the range of criminal adjudications, civil penalties or sanctions, and administrative actions utilized, as well as resultant impacts. For purposes of reader clarification, the term "report" is used instead of the evaluation term "case study" because of the common use of the word "case" in this report.

B. WHITE COLLAR CRIME/TOXIC WASTE PROJECT - NEW JERSEY DIVISION OF CRIMINAL JUSTICE

1. Project Initiation and Background

Pre-existing Conditions

During the mid to late 1960's, a series of New Jersey legislative initiatives, including the findings of a legislative investigations commission, 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 investigation and prosecution 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. Prior to the division's creation, state regulatory agencies had been solely dependent upon the willingness of local prosecutors to prosecute their cases. The referral of regulatory cases to the division was facilitated by the fact that the Attorney General had traditionally represented the regulatory agencies in civil litigation.

Once the prosecution of regulatory cases began, it became readily apparent to the division's staff that many of the referred cases suggested a wide range of complex fraudulent schemes beyond those violations initially detected and referred. Further, many of the referrals

were found investigatively deficient due to the regulatory agencies' lack of criminal investigative and prosecutive orientation. In response to these findings, two attorneys and three investigators were assigned by the division to process regulatory agency cases. It was soon realized, however, that the five-man unit could not handle the increasing volume of regulatory case referrals.

As the prosecutive capability to handle these cases increased, particularly in fraud areas, existing organized crime intelligence systems were found inadequate for most white collar crime enforcement needs. Although the state regulatory agencies did not possess the analytical ability to utilize intelligence data to support criminal investigations and prosecutions, most white collar crime intelligence and lead information was located in their files.

The division further recognized that not only was there a need for additional legal and investigative resources to handle the volume of regulatory agency cases, but that the complexity of cases also required an array of prosecutive and investigative skills in addition to those found by the division's organized crime and corruption enforcement experts.

Of particular importance was the identified need for an investigation and prosecution 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.

Based upon these resource needs deemed essential to an effective white collar crime enforcement effort, the division applied to LEAA for major white collar crime discretionary funding in 1976. Three

LEAA grants were awarded over a fifty month period totalling slightly over one million dollars. The first grant was awarded to create a major white collar crime 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.

Legal Authority

The initiation of the New Jersey Major White Collar Crime Program was primarily influenced by the development of the statewide prosecutive authority of the New Jersey Attorney General. The Criminal Justice Act of 1970 further strengthened this authority with the legislative creation of the Division of Criminal Justice, a division of the Attorney General's Office.

The 1970 legislation 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. The Attorney General and the county prosecutors are appointed by the Governor and not independently elected. The 1970 Act provided for the Attorney General, in response to the written request by county prosecutors, to render assistance in the conduct of any criminal investigation or proceeding. The legislation also provided for supersession authority upon the written request of the Governor, a grand jury, or the assignment judge of the Superior Court for any county.

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 (N.J. Rev. Stat. 2A:73A-1 et seq.), the first state statute of its kind in the United States. This legislation 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. In addition to the division, the Attorney General also has 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.

Institutionalization

The major white collar crime project enforcement capability, initially created with LEAA funding, has been fully institutionalized in the Economic Crime Section of the Division of Criminal Justice. In addition, prior to the conclusion of the initial grant, project funded prosecutive and investigative staff had been largely augmented by state funded investigative and prosecutive personnel. At the end of the second grant in 1979 all project staff positions had been designated as permanent positions in the division's state budget with the exception of federally funded positions in the toxic waste investigations and prosecutions unit. This unit had been separately funded under the second grant in 1978 and a third continuation grant (1979-1980). Upon the expiration of current federal funding, the project's

toxic waste unit will also be fully institutionalized and state funded.

2. Grant Overview

Three major white collar crime program grants have been awarded to the New Jersey Division of Criminal Justice. The first grant, in the amount of \$375,000 (76-DF-02-0022), covered the period October 1, 1976, to June 30, 1978. The second grant covering the period July 1, 1978, to June 30, 1979, was in the amount of \$449,970 (78-DF-AX-0097). The third grant award amounted to \$199,995 (79-DF-AX-0078) for the period July 1, 1979, to November 18, 1980. Total project funding amounted to \$1,024,965.

3. Project Goals and Objectives

Goals

The following sets of goals mirror the development of the project's major white collar crime enforcement capabilities from its inception (1976) through institutionalization (1979), and the development of the enforcement focus on toxic waste violations in 1978, including the continuation of funding of the toxic waste enforcement efforts in 1979.

In the first grant period (1976-78), the goal of the project was stated as follows:

- o To investigate and prosecute white collar criminals as part of the activities of the state enforcement bureau and to provide the technical expertise which is presently lacking within the Division of Criminal Justice to effectively penetrate deeply into the more complex and potentially sinister white collar offenses engaged in by the elements of organized crime, and by vigorous prosecution inhibit the

growth of organized crime involvement with legitimate business.

This goal was predicated upon four "findings" summarized as follows:

- o That organized crime involvement in legitimate business is on the increase in New Jersey.
- o That white collar crime has received relatively little attention in New Jersey.
- o That there is a need and a desire in New Jersey to mount an aggressive and determined drive against white collar criminals with a view to reducing the incidence of such crimes and organized crime's influence in legitimate business.
- o That the complexities of white collar crime requires the development of staff with special skills in this area.

In addition, specific performance and impact goals were established and stated in the second grant application. In terms of the continuation of original project efforts, these were stated as follows:

- o It is the goal of the WCCIU that during the next funding period five major indictments will be returned with one developed from the unit's proactive efforts. In addition, it is hopeful that two analysts will be retained during the first six months of the continued funding period and by the end of the period they will be fully trained and developing information; as it relates to organized crime's involvement with legitimate business.
- o It is hopeful that at the end of the project period New Jersey will have further developed and institutionalized sophisticated investigative techniques necessary for the investigation and prosecution of organized economic crime and that these techniques will be shared with other law enforcement agencies. It is the goal of the WCCIU to limit the danger to the public and economy by aggressive actions in the area of white collar crime and by the development of significant cases in select areas. Finally, it is hopeful that an adequate intelligence system will be established which will be capable of more fully defining organized crime's involvement with legitimate business.

In terms of the toxic waste enforcement effort, the performance and impact goals were stated as follows:

- o During the initial funding period the project will endeavor to enlist the resources available within the Division of Law of the New Jersey Attorney General's Office, State Police, the Department of Environmental Protection, Public Utilities Commission, county prosecutors, and local police and fire departments. The project will endeavor to enter into a formal agreement with the New Jersey United States Attorney's Office and relevant federal agencies as to the joint investigation and prosecution of those who are engaging in illegal disposal of toxic chemical waste.
- o It is also the goal of the project to develop at least one training course designed to educate participating agencies in successful investigation techniques. An additional goal of the project will be the development of an intelligence system designed to reveal true ownership and interest in both the corporations and land areas involved in the illegal disposal of toxic chemical waste.
- o It is hopeful that during the initial funding period at least two major prosecutions will be developed.
- o The major goal will be to increase the number of prosecutions for the illegal disposal of toxic chemical wastes. It is hopeful that with the development of an effective investigation and prosecution program the parties behind the corporate entities and business entities responsible for this problem will be identified. More particularly, most important is that the scope and potential for public harm be clearly defined. It is the goal of this project to increase the public awareness to this problem and enlist their cooperation.

In 1979, a third grant was sought to continue to fund the Toxic Waste (Unit) enforcement effort since the other elements of the project had been institutionalized and assumed under the division's state budget. A performance goal was stated in support of the continuation of the Toxic Waste Investigations/Prosecutions Unit:

- o It is the specific goal of the T.W.I.P. to develop during the next funding period five significant cases in which indictments will be returned by the State Grand Jury. In addition, it is anticipated

that the two Intelligence Analysts assigned to the program will continue to develop information as it relates to organized crime involvement in both legitimate business and conspiracies of an organized nature involving the dumping of toxic waste.

Objectives

Since the initial grant was designed to create a major white collar crime enforcement capability as a new endeavor, specific measurable objectives were not established. Rather, it was determined that one of the major tasks resulting from the project's creation would be the development of a base of information from which specific objectives could be derived in later phases of the project.

In 1978, a second grant was awarded to continue the enforcement efforts begun under the first grant. The continuation grant objectives were stated as follows:

- o It is the objective of the WCCIU to continue its efforts in assuring that sophisticated organized economic crime is investigated to the degree necessary by an experienced and trained investigative unit. Also, it is the WCCIU objective to continue and further refine its liaison with the various state law enforcement agencies and state agencies so that there is a full sharing of information as to potential white collar crime.
- o However, the prime objective is the expeditious and effective development of cases presently under investigation by the WCCIU accompanied by aggressive activity in areas outlined for proactive investigation. Closely connected to this prime objective will be the development of intelligence information to the degree where a proper analysis can be made as to organized crime's activity in the area of legitimate business.

In addition, specific funding for toxic waste investigations was also requested in the second grant application. Five specific objectives were stated in support of toxic waste enforcement efforts as follows:

- o Establish a statewide system to detect and apprehend violators who illegally dispose of chemical waste.
- o Concentrate this effort in the most densely populated areas of the state.
- o Create legislation to more effectively penalize those who illegally dispose of toxic chemical waste.
- o Adequately staff, equip, and train personnel responsible for the investigation and prosecution of offenders.
- o Create a public awareness of the problem in order to enlist their assistance in keeping these toxic wastes out of the environment.

Three specific objectives were stated in support of the 1979 continuation grant for the Toxic Waste (Unit) enforcement effort:

- o Continued expansion of a statewide system to detect and apprehend violators who illegally dispose of chemical waste.
- o To maintain an adequately staffed, equipped, and trained unit responsible for the investigation and prosecution of offenders.
- o To continue to create a public awareness of the problem in order to enlist the public's assistance in keeping toxic waste out of the environment.

4. Project Organization, Structure, and Staffing

The New Jersey project was initially designated the White Collar Crime Investigation Unit (WCCIU) and was organizationally placed within the Enforcement Bureau of the division. In addition to the WCCIU, four other units also existed within the bureau which had specific responsibilities for cases involving medicaid and employment fraud, and drug enforcement. In addition, the division also maintained bureau level organizational elements with responsibility for organized crime and corruption enforcement.

The division had recognized in its pre-project experiences that investigative accounting was a necessary ingredient to the successful prosecution of fraud cases and that the emphasis upon evidence obtained from subpoenaed records required investigators oriented towards financial and record analysis and review. Furthermore, the division's prior experience with organized crime and other major criminal conspiracies clearly demonstrated that joint prosecutive/ investigative teams afforded the best opportunity for efficient and effective investigative case management and successful prosecution. Therefore, when staffing the project, experienced prosecutive staff, investigative accountants, and criminal investigators were combined to establish white collar crime enforcement teams under the management of prosecutors.

The LEAA funded white collar crime unit created in 1976 was comprised of three attorneys, all of whom had prosecutive experience, and five investigators having investigative accounting and/or auditing experience. This unit also had one field investigator and two secretarial support personnel. All of these positions were LEAA funded. This was the first time the division had the capability to assign investigative accountants to conduct white collar crime investigations other than in medicaid fraud losses.

During the first grant period (1976-78), the volume of cases referred to the unit was larger than anticipated, and overwhelmed the unit's intended capability to carefully screen cases and conduct extensive investigations. As a result, an additional four attorneys and five investigators, all state funded, were assigned to the project.

By the time of the third grant application to continue the toxic waste unit, the Economic Crime Section was comprised of a section chief (attorney), a supervising investigator, and three separate units as follows:

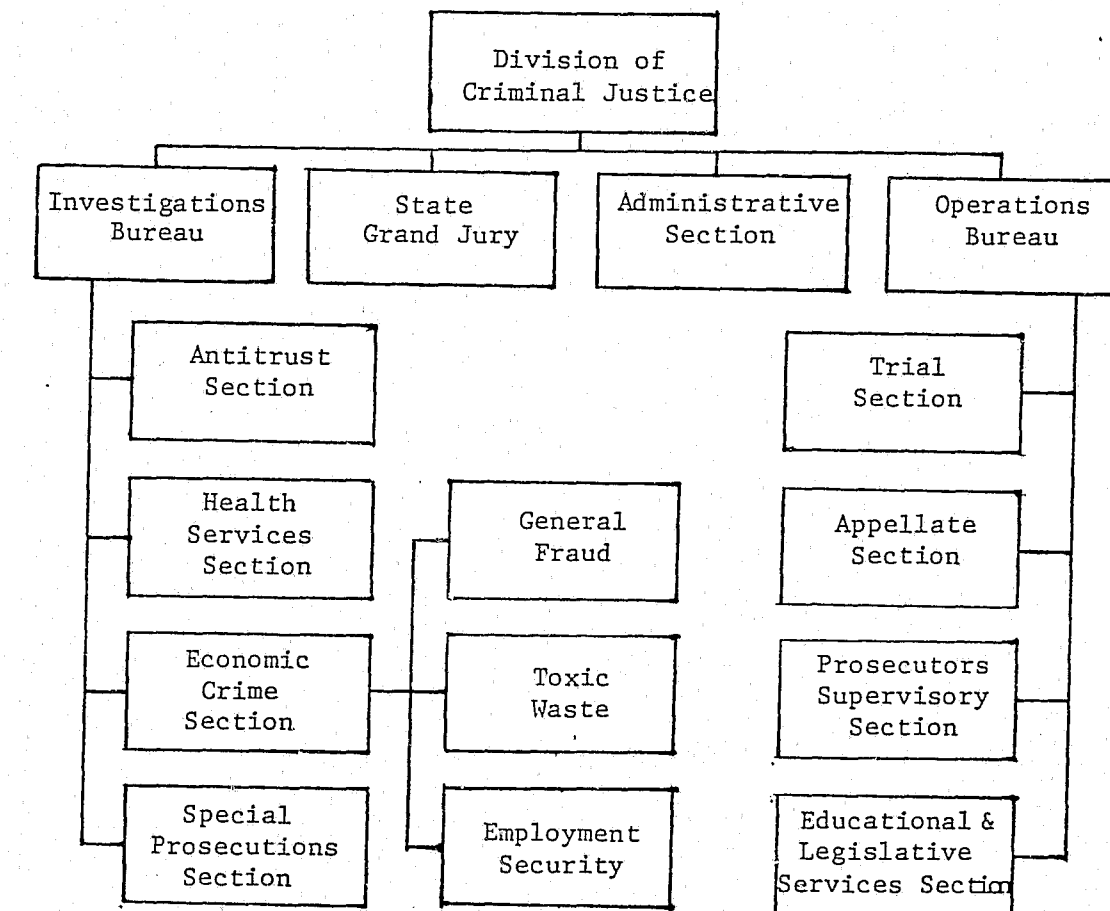
- o General Fraud Unit - 7 attorneys and 14 investigators (8 of which are investigative accountants).
- o Unemployment Fraud Unit - 1 attorney and 2 investigators (major fraud cases), and 3 attorneys who handle municipal court (primarily restitution) cases for employment security violations.
- o Toxic Waste Unit - 2 attorneys, 1 investigator, 1 accountant, and 1 intelligence analyst assigned to the New Jersey State Police.

These staff complements did not originally reflect trial staff since most project trial activities were separately performed by attorneys assigned to the division's trial section. However, following the reorganization in 1980, cases were assigned on a vertical prosecution basis and, presently, the Economic Crime Section fully prosecutes its own cases with the originally assigned attorney handling the case from investigation through trial.

In the 1978 continuation grant, two project funded intelligence analysts were assigned to the state police, with one analyst physically located within the project. The purpose of this latter analyst was to provide strategic and tactical information to the project regarding toxic waste investigations. The analyst located at state police headquarters was assigned to enhance state police organized crime intelligence support on organized white collar crime activities, including the infiltration of legitimate business.

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

EXHIBIT 4
NEW JERSEY PROJECT ORGANIZATIONAL STRUCTURE



The project is managed by the director and deputy director of the division. The chief of the Economic Crime Section is 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. Administrative support is provided to all sections from the separate Administrative Section which reports to the division director.

Project staff was drawn from a variety of backgrounds and experience levels. Prosecutors averaged five years experience with the division or local prosecutive offices. Investigative personnel were recruited from federal agencies, local prosecutors, and state law enforcement agencies. The New Jersey Department of Law and Public Safety has competitive compensation programs which have enabled it to develop a career professional staff and to achieve a high degree of retention among its employees.

Beginning in 1976 with initial funding, the project emphasized staff development utilizing structured on the job training as well as internal and external training programs. Project personnel received training at the national and regional level from the National District Attorneys Association via various economic crime seminars. In addition, personnel received specialized white collar crime training from the Federal Bureau of Investigation, Internal Revenue Service, Battelle Institute, and the Cornell Institute on Organized Crime.

Primary training support was provided by the Department of Law and Public Safety through the division's prosecutors supervisory section and by the New Jersey State Police. In this regard, it should be noted that in-service professional development and training, including economic crime courses, were regular activities of the division and its parent Department of Law and Public Safety. Team assignments were made based upon the needs of particular cases and expertise of available staff. The volume, diversity, and authority of the project allowed for assignment of personnel in a manner designed to increase the experience and competence of the staff, commensurate with sound case management and criminal prosecution. The division currently

consists of approximately 110 prosecutors and ninety investigators which allows for career development within the division. The assignment of approximately thirty-three attorneys and investigators to the Economic Crime Section allows for considerable exposure and experience within the section itself on a wide variety of white collar crime and toxic waste case assignments.

5. Project Operations

In response to the volume of project cases and the number of agencies referring cases to the project during its first twenty months of operation, the Attorney General established formal procedures governing the referral of all cases to the Enforcement Bureau.

Initially, written procedures were developed for banking, securities, and real estate regulatory agency referrals. These written procedures formalized referral mechanisms, provided legal interpretations to guide the referring agency, provided for expedited referrals, and established feedback policies and procedures on case status and disposition. The formalizing of interagency case referrals has evolved to include all other agencies (including specific policies governing environmental agencies regulating toxic waste). More recently, written agreements have also been developed to formalize case management and complaint referral procedures between the United States Attorney and other federal agencies and the division (described in the Case Investigation and Management section of this report).

Case Types

A review of the 613 project cases indicated the following major types of white collar crime activity:

- 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.

Case Origins

The New Jersey project, by reason of its organizational placement within the Division of Criminal Justice, receives the bulk of its complaints and investigative referrals from other state agencies, particularly state regulatory agencies. To a lesser degree, cases are also received, or developed, through liaisons with private businesses and associations, including the Insurance Crime Prevention Institute, Public Service Electric and Gas Company, the New Jersey Bankers Association, and the New York Stock Exchange.

In addition, federal agencies, notably the United States Attorney and the Securities and Exchange Commission (SEC), have also been sources of project cases. Citizen complaints are also received by the project. Investigative matters are routinely referred by other agencies of the Department of Law and Public Safety, including the New Jersey State Police, Division of Consumer Affairs, and from law enforcement authorities of other states. Project initiated cases and

referrals from other sections within the Investigations Bureau account for a part of the project's case load.

Table 1 displays the primary sources for New Jersey's 613 project cases. The table indicates that regulatory agencies referred nearly five out of ten of the cases. Private individuals and organizations, other executive branch agencies (those with no regulatory functions), and criminal justice agencies contributed nearly five out of ten of the cases. Consumer agencies and the state legislature did not refer a significant number of the investigations to the project.

Table 1

New Jersey
(N=573)

Primary Sources of Project Cases ¹⁶	
Sources	% of Cases
Regulatory agency	49
Private individual	18
Other executive agency	12
Criminal justice agency	9
Private organization	8
Project initiated	3
Consumer agency	1
State legislature	0
TOTAL	100

¹⁶ 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. On some of the variables, unknown or "other" ranged from five per cent to twenty-two per cent of the total data. In addition, table totals sometimes add to less or more than 100 per cent due to the rounding off of percentages to whole numbers.

Case Receipt Methods

Of the project's 613 cases, approximately eight out of ten were received in written form, the bulk of which were formal memoranda from state agencies, and one out of ten were from telephone contacts. Table 2 displays these results.

Table 2
New Jersey
(N=590)
Case Receipt Methods

Methods	% of Cases
Letter or written form	81
Telephone	14
Project initiated	3
In person	2
TOTAL	100

Case Screening and Selection Priorities/Assignment

All complaints, including white collar crime complaints, were channeled to the deputy director of the division for initial screening to determine merit. This single point of referral was specifically provided for in the case referral policies promulgated by the Attorney General.

If deemed to have merit, additional factors such as whether the complaint is an intercounty or intracounty matter, whether prosecutive capabilities were available locally to effectively handle the case, and current workload were considered. This initial bureau level screening resulted in one of the following dispositions:

- o Return to the agency of origin for additional information or for that agency's handling as an administrative matter.
- o Referral to a county prosecutor, after determining local capability and local jurisdiction. Project technical support to be furnished as necessary.
- o Determination of lack of merit or an unfounded status.
- o Referral to the Economic Crime Section, or another section, for further screening and review.

Unless the incoming matter revealed a sufficiency of documented information upon which the complaint could be given an immediate screening disposition, the matter was forwarded to a section chief for in-depth screening and review.

Upon receipt, the section chief either personally reviewed the complaint/case or referred it to a section prosecutor for review. In all instances, a supervising investigator conducted file/record checks on general fraud cases (largest volume of cases) and conducted any preliminary investigation activities deemed necessary for section screening. In matters involving toxic waste violations or employment security related allegations, the section chief usually referred them directly to the respective units for screening after a cursory review.

After screening and review assessment by the section, a general fraud complaint could be returned to the deputy director for referral to a local prosecutor for handling if the case was deemed minor in nature or if the local prosecutive jurisdiction had sufficient investigative and prosecutive capabilities. Cases referred for local prosecution were not directed for specific action. Rather they were referred for appropriate action within the sole discretion of the local prosecutor.

Cases wherein criminal prosecution were not deemed warranted could be referred back to state regulatory agencies for civil administrative enforcement which includes injunctive remedies, fines, and license suspension or revocation. Consumer complaints were referred to the Division of Consumer Affairs unless criminal prosecution was warranted. Project officials reported that in most instances where cases were referred back to originating agencies or to other agencies deemed more appropriate, an administrative sanction was imposed or other remedies were obtained. However, actions by other agencies were not recorded by the project, therefore, this disposition data was not available.

Cases retained by the section after screening were then assigned for full investigation.

In addition to the screening of complaints, other criteria were applied which affected case selection and priorities. Case selection was influenced to a degree by the availability of prosecutive and investigative resources within the section. From its inception, the project received a large case volume which severely taxed the resources of the section throughout its existence. In determining case selection, the following factors were also used as guidelines:

- o Amount of money involved in the offense or fraud. Based upon the project's experience, the greater the amount of money involved, the more complicated the investigation, and the greater the social harm.
- o Scope and complexity. Many of the cases referred to the project/section are intercounty or statewide in scope. This requires the project to investigate since it possesses statewide authority as opposed to the county jurisdictional limits of the local prosecutors. In addition, project expertise, including investigative accounting, is required in analyzing

financial records and activities in these more complex and sophisticated schemes.

- o Nature of the offense. Based upon the screening and analysis of complaints, certain offenses such as toxic waste reflect a greater degree of social harm than potential monetary losses alone. These cases most often also require the assignment of experienced and sophisticated investigative personnel and multijurisdictional investigation.
- o Targets involved. The investigative targets in project cases often are operating on a statewide or national basis and may further involve linkage to organized crime elements. Thus, the experience and expertise of project staff possessing statewide jurisdiction are most appropriate in these cases.
- o Deterrent value. Investigations may involve crimes previously undetected and unprosecuted. Thus, certain cases may be selected because they will contribute to public awareness as well as serve as a deterrent to prospective offense schemes of a similar nature.
- o Travel. Investigations may require extensive statewide or national investigative travel; thus requiring not only statewide jurisdiction but also monetary and staff resources to conduct necessary travel.
- o Resources/expertise. The majority of project cases involve financial transactions and business record evidence obtained by subpoena. Most local prosecutors do not possess investigative accountants and those who do have very limited staffs.

Case Investigation and Management

Once a case was assigned for full investigation, a deputy attorney general was assigned to thoroughly review the facts initially provided. The attorney assigned prepared an investigative request outlining potential offenses and investigative targets in preparation for grand jury presentation. This request served as the prosecutive plan for the case and included investigative needs (such as accounting

requirements). The attorney then consulted with the section supervising investigator to determine investigative assignments. Depending upon the case requirements, an investigator, or an investigative accountant, or both could be assigned to the case.

The use of prosecutor/investigative teams was considered to be the critical ingredient in division case processes and success both in the earlier stages of organized crime and corruption enforcement, and more recently in the prosecution of economic crimes. The assigned attorney was responsible for direction and strategy of the case and for monitoring its progress. Investigators assigned to the cases had the additional responsibility to assist the assigned attorney in the preparation of the case for presentation to a statewide grand jury. All decisions and changes were reviewed at the section chief level.

While attorneys were initially assigned to all cases under investigation, the day-to-day conduct of the investigation was clearly the responsibility of the supervising investigator and the investigative staff. The assigned attorneys were responsible for supporting the investigation, maintaining the momentum of the case, and using prosecutive processes to ensure that any advantages of the timing of witnesses (including hostile) were not lost through delay. Thus, the prosecutive strategy of the case was the attorney's responsibility while investigative planning was the responsibility of the assigned investigator. Oversight of the case strategies was, however, the responsibility of the assigned deputy attorney general. This oversight insured that the investigative plan was designed to support the prosecutive requirements of the case. The experience and knowledge of

the section's investigative staff allowed for considerable independence in the conduct of the investigation; however, the assigned attorney supervised all case development for grand jury presentation.

The division and the project (by division delegation) possessed both criminal investigative and prosecutive authority. Subpoena power of the Attorney General was limited to those investigations presented to the grand jury. By policy, statewide grand juries were used by the division and it was not unusual for four statewide grand juries to be in session at one time to hear various division cases. All cases (including high misdemeanors) were presented to the grand jury. Indictments were almost always issued. The prosecutive analysis served as the overall strategy for investigative planning and personnel assignments. The prosecutor was, therefore, responsible for the overall management, direction, and monitoring for progress of all cases from inception through grand jury proceedings. Once an indictment was obtained, trial of the case was handled by the section itself. The aforementioned 1980 reorganization of the Trial Section shifted trial responsibility to the various sections, including shifting white collar crime cases back to the Economic Crime Section. The Trial Section currently handles supersession matters and less complex cases and investigations.

The division already had an excellent relationship with the New Jersey State Police, which is a highly regarded organization nationally in organized crime and corruption enforcement. With the advent of the statewide grand jury and the division's authority to handle state agency criminal cases, the division immediately began the development of productive relationships with other state agencies.

By reason of the division's achievement of national recognition in successfully investigating and prosecuting organized crime and corruption cases, it continued to enjoy the support of the state judiciary and legislature. This record of performance also provided a strong foundation for interstate and federal agency working relationships in support of the project enforcement efforts. In addition, the supervisory responsibility for the twenty-one county prosecutors in New Jersey and the support services provided by the division to local prosecutors facilitated the development of productive working relationships with these local chief law enforcement officers and encouraged their active involvement in project case referrals.

Cooperative arrangements with other agencies to apply additional sanctions in project cases were primarily of an intrastate nature, and most often of an intradepartmental nature. These liaisons served to prevent duplications of effort, facilitate case referrals, and prevent interference resulting from a lack of coordination. Although the division possessed the authority and resources to pursue the majority of project cases to a maximum justifiable conclusion, formal agreements with federal authorities were established under the aegis of the New Jersey Federal/State Law Enforcement Committee to better serve and coordinate the interests of both levels of government.

In terms of relevance to project cases, three agreements have resulted in formal joint enforcement efforts as follows:

- o Federal/State Bank Fraud Program. This formal agreement is designed to coordinate banking, regulatory and investigative efforts and increase the effectiveness of the allocation of prosecutive resources in commercial banking (and savings and loan institutions) investigations which are governed by both federal and state authorities.

In addition, the program provides for increased pursuit of civil recovery and prevention of frauds through remedial legislative and administrative action. The program provides for increased exchange of information pertaining to banking frauds on a regular basis with the United States Attorney and the Division of Criminal Justice, serving as the clearinghouse for relevant federal and state agencies and authorities. Included within the purview of the division's clearinghouse responsibilities is the liaison and coordination with local New Jersey prosecutors.

- o Referral of Criminal Matters From State Agencies to the Division of Criminal Justice. This memorandum dated June 22, 1978 reiterates and updates the existing procedures governing the referring of criminal matters from state agencies to the Division of Criminal Justice, initially promulgated July 19, 1974. The deputy director for investigations was designated to be the appropriate authority to review all matters involving possible criminal violations which may develop during the normal activities of state government. The purpose of this update was to centralize intake of all cases and to reduce delay in resolving the possible criminal violation.
- o Memorandum Concerning State/Federal Law Enforcement Coordination. This agreement was formalized in November, 1980. Its purpose is to facilitate comprehensive enforcement efforts among federal, state, and local agencies on all criminal matters wherein an overlap of jurisdiction is present, to better insure coordination of enforcement efforts, minimize duplication of effort, and maximize the enforcement effort given to all criminal cases based on priority seriousness, and appropriateness in terms of federal, state, or local jurisdiction.

This agreement also addressed the standard for exchange of information for purposes of prosecution and sets out mutual priorities including organized crime offenses, nonviolent offenses such as indictable frauds and illegal disposition of hazardous waste, narcotic offenses, corruption offenses, and violent offenses.

In response to the existing voids in white collar crime intelligence information, project personnel commenced extensive liaison and contact with the various state regulatory agencies. Conferences were held with the regulatory agencies to discuss mutually beneficial

enforcement procedures, and to establish effective, uniform detection mechanisms within the various agencies. Following these conferences, continuous working liaisons were established and feedback mechanisms were developed so that the referring agencies would be apprised of the status of their cases and complaints, including those cases referred by the division to local prosecutors.

The project also developed its own set of information files and intelligence indices. These files were comprised of all matters and information referred to the project, or developed by it through liaison or investigative activities.

Case Activity Analysis

Nearly one-fourth of the project's 613 cases resulted in selection for criminal prosecution or civil penalty or sanction actions, approximately one-fourth were referred to other agencies for action (e.g., to other states for criminal prosecution or civil penalty or sanctions), and nearly one-fourth of the cases received were dismissed for lack of merit. Approximately one-fourth of the cases were pending at the time of evaluation data collection. (See Table 3.)

Table 3

New Jersey
(N=613)

Project Case Closures

Case Closed by	% of Cases
Referral for criminal prosecution	14
Civil penalty or sanction	10
Referral to other agency	26
Official administrative dismissal	24
Pending	27
TOTAL	101

Table 4 displays the time duration of cases from project opening to project closure. The table indicates that nearly two out of ten cases were closed in two months or less, nearly three out of ten in six months or less, nearly four out of ten in a year or less, and more than five out of ten in two years or less.

Table 4

New Jersey
(N=613)

Case Time Duration Project Opening to Project Closing

Months Duration	% of Cases
0-2	18
2-6	8
6-12	10
12-24	18
Over 24	15
Pending	32
TOTAL	101

Table 5 indicates the length of time from project case opening to final prosecution or civil penalty or sanction disposition. The data show that nearly four out of ten cases took longer than two years to reach disposition.

Table 5

New Jersey
(N=50)

Case Time Duration Project Opening to Final Disposition	
Months Duration	% of Cases
0-2	7
2-6	2
6-12	18
12-24	35
Over 24	38
TOTAL	100

6. Project Case Dispositions/Outcomes

In terms of enforcement thrust, the project's focus was on criminal penalties in accordance with the division's criminal prosecution authority. In addition, civil and administrative authorities of the department and other regulatory agencies were pursued and utilized as appropriate in individual cases. Once a case was accepted for criminal prosecution, the division directed and coordinated collateral remedies so as not to obstruct or interfere with the criminal prosecution. Fines and restitution were frequently included in prosecutive strategies and, as the trial of project cases was a responsibility of the division, the pursuit of maximum sanctions and remedies was closely coordinated and aggressively pursued.

Criminal Charging Actions

During the project period, forty-six cases where individuals and/or organizations were charged with crimes were presented for prosecution. More than seventy criminal charges were filed. Of these, ninety-one per cent were felonies and nine per cent misdemeanors.

Criminal Disposition Actions

Table 6 indicates that in nearly ninety per cent of the cases where a judicial disposition of a criminal case occurred, at least one individual was found guilty. Over half of the cases involving organizations resulted in guilty findings.

Table 6

New Jersey

Criminal Disposition Actions

Type of Disposition	Actions against individuals		Actions against organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Charges dropped by prosecutor	2	2	2	0
Dismissed prior to trial	2	2	3	1
Guilty plea to original charge	31	5	5	2
Guilty plea to lesser charge	2	0	1	0
Conviction on all counts	8	2	2	0
Conviction on some counts	4	3	0	0
Acquittal on all counts	3	1	2	0

Criminal Case Sentences

In eleven of the cases, a total of twelve individuals were sentenced to terms in jail or prison, no term being in excess of ten years. Fifty-four individuals were sentenced to probation or received

suspended jail or prison sentences in thirty-six cases. All sentences were in the six to twenty year range for any one case.

Twenty-four cases resulted in fines being assessed against more than thirty-five individuals and eleven cases resulted in fines against fourteen organizations. The fines were generally in the \$1,000 - \$50,000 range although two were for more than \$50,000. Fines totalled \$394,500. In addition, restitution was ordered by the court in seventeen cases against nineteen individuals and three cases against nine organizations, in the total amount of \$380,180. (See Table 7.)

Table 7

New Jersey

Criminal Case Sentences

Case Result	No. of cases	No. of individuals	No. of cases	No. of organizations
Jail sentence	11	12		
Probation/suspended sentence	36	54		
Fines	24	35	11	14
Court ordered restitution	17	19	3	9

Civil Penalties or Sanctions

Table 8 displays the various civil penalties or sanctions assessed in the cases handled by this method. All of the listed penalties or sanctions were used on a fairly uniform basis.

Table 8

New Jersey

Civil Penalties or Sanctions

Type of Disposition	No. of individuals		No. of organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Injunctions	1	1	1	1
Orders to cease & desist	1	1	1	1
License suspension	1	1	1	1
License revocation	2	1	1	1
Consent agreement	2	1	2	1
Other	2	1	1	1

Voluntary Restitution

There were two cases involving voluntary restitution by six individuals under investigation, in the amount of \$17,568 .

Other Outcomes

In addition to the above described case activities and outcomes, the division achieved other relevant accomplishments. The division pioneered state enforcement in medicaid and other public assistance frauds, and in 1975 created a medicaid fraud section to investigate and prosecute medicaid provider frauds. This effort became the model for subsequent efforts among the states in addressing those frauds

involving physicians, pharmacists, nursing homes, and other health care organizations and entities. Following the development of this program, the federal Department of Health, Education, and Welfare instituted a funding assistance program to encourage replication in other states.

The division received separate LEAA funding to establish a training and educational services function. A manual on investigating economic crime and official corruption was developed and disseminated at several statewide training programs. The section held numerous training programs tailored for specific state regulatory agencies regarding white collar crime enforcement.

Other, more current efforts of the division, have been to prevent recurring program fraud, waste, and abuse by aiding state agencies in establishing effective controls. Division and project investigations have revealed inadequate policies or administrative controls as opposed to criminal conduct. Reports of systemic deficiencies are also provided to the state budget director and state treasurer.

As an extension of the division's efforts in addressing these systemic deficiencies, a program is presently under consideration that would examine and review all proposed state programs in order to detect deficiencies in management and control systems prior to implementation.

In a related divisional initiative, a uniform state purchasing manual was developed for various procurement authorities and officials in the state. In addition, the division was instrumental in developing formal state procedures wherein private suppliers and contractors are prohibited from doing business with the state based upon criminal conduct or past unsatisfactory performance.

Legislative and administrative regulations have been proposed by the division as an integral part of its formal enforcement programs and activities. As new or revised legislative needs or additional regulatory controls are detected, they are documented and remedies are developed in conjunction with the department's Division of Law and the affected agencies for submission to the legislature, or administrative authorities, as appropriate. Primary examples of pursuing such remedies include the current submission of racketeering (RICO) legislation, new laws promoting restitution, and the development of new administrative controls on the disposal of toxic wastes.

In addition, the division established a joint advisory commission of fire, police, and private sector authorities and interests to coordinate the detection, investigation, and prosecution of suspected arson cases. This cooperation model is utilized as the framework for obtaining the active support and appropriate involvement of the private sector in other division enforcement programs.

As an example of the division's pursuit of other remedial actions and detection of systemic voids is the recent formal involvement of the state medical examiner in the toxic waste program. This involvement included a separately funded study of toxic waste and cancer. Prior to division initiatives, no effort to conduct specific scientific research in toxic waste had been provided in existing environmental efforts and programs.

In summary, for the first time in New Jersey, the project provided the resources and expertise necessary to investigate major white collar crime cases including toxic waste violations.

Another benefit is that the project has provided a "laboratory" to test new enforcement concepts and processes to deal with major criminal conspiracies. One such process has been an increased awareness about program integrity. The department has exhibited leadership in making other agencies aware of their responsibilities to monitor their own activities and to oversee their constituencies and remove any corrupt and fraudulent influences.

C. MASSACHUSETTS ORGANIZED CRIME PROJECT - OFFICE OF THE ATTORNEY GENERAL

1. Project Initiation and Background

Pre-existing Conditions

The Massachusetts project 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. Traditionally, the Attorney General's organized crime focus had been to support local organized crime enforcement and the Massachusetts State Police. 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 assessing the need for the grant in Massachusetts, several organized crime problems were cited in the initial 1976 application for LEAA funding:

- o Systemized illegal gambling was a visible illegal activity.
- o Loan sharking continued to be a profitable activity.

- o New organized crime leaders were emerging.
- o Cash from illegal enterprises was being used to finance other, more violent, illegal activities.
- o Fencing of stolen goods had reached serious proportions.
- o Transportation theft was a frequent occurrence and was well organized.
- o The state was plagued with the illegal importation and sale of untaxed cigarettes.

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 which were assigned to the Criminal Bureau wherein criminal prosecution responsibilities were assigned.

During the 1970's, the Attorney General's Office in Massachusetts underwent important organizational changes and restructuring. Organizational units, sections, divisions, and bureaus were assigned and re-assigned the various operational functions of the office as priorities and requirements evolved. 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 1976 LEAA project was specifically designed to support organized crime enforcement efforts and to aid the office's intention to become more self-sufficient and, for the first time, operational. Therefore, the grant supported the development and/or expansion of

intelligence activities, criminal investigations, and state-level prosecutions by the Attorney General's Criminal Bureau. The initial emphasis upon organized crime support services and the subsequent transition to an operational capability to investigate/prosecute major conspiratorial crimes 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 1976 grant request included the funding of six positions (out of twenty-five positions to be devoted to the project), the payment of overtime pay for state police personnel assigned to the project, travel expenses for investigations and the training of project personnel, communications, recording, photographic and other technical equipment, and other investigative expenses.

The project was comprised of four primary components: investigation, prosecution, intelligence, and technical assistance. The Attorney General had previously received LEAA state block funds to purchase electronic surveillance equipment, a voiceprint machine, and undercover photography equipment for loan to other agencies. The 1976 grant provided for additional technical assistance and equipment which for the first time would also be used to support the Attorney General's own organized crime investigations and prosecutions. The intelligence component was primarily designed to enhance existing capabilities. In addition, the intelligence function as enhanced would allow for the development of investigative leads for the division's own enforcement activities. The dissemination of intelligence information support to other agencies was also continued on an expanded basis.

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, including those of the revenue, regulatory, and other administrative agencies.

The Attorney General also has the authority to initiate or supersede local prosecutions and seek indictments in any county in the state. By established policy, however, the Attorney General's superintendency authority in local prosecutions is rarely used and has only been exercised half a dozen times (approximately) during the last decade. Massachusetts case law has also established the right of the Attorney General to be present at the deliberations of grand juries and to request the establishment of special grand juries in any county with the approval of the Chief Justice of the Superior Court. 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.

Institutionalization

The Attorney General proposed to the 1980 session of the Massachusetts Legislature that state funds be appropriated to continue the

organized crime unit. State funding was requested to replace project funds which had provided for overtime pay for state police, additional equipment, protective custody funds for witness protection, and other investigative expenses. The legislature did not approve the overtime funding, but did approve witness protection money and limited investigative funds. Institutionalization of a team relationship between trial attorneys and investigators with investigators under the direct supervision of a prosecutor, has also occurred. After the grant's expiration on December 31, 1979, the personnel positions assigned to the project were continued with state funds. Other than the aforementioned lack of appropriations for overtime, state police investigators continue to be assigned to the project.

2. Grant Overview

On July 15, 1976, the Massachusetts Attorney General received a major white collar crime program grant award to support an organized crime section within his office. Grant activities commenced in October of 1976. A continuation grant was awarded in July of 1978, and ended December 31, 1979. The original federal award was \$394,795 (76-DF-01-0019) and the continuation funding was in the amount of \$213,900 (78-DF-AX-0104).

There was some initial concern from LEAA officials and the Suffolk County District Attorney regarding overlap and duplication of state investigative efforts within the Suffolk County (Boston) area where an existing LEAA prosecution grant was located in the District Attorney's Office. An arrangement was worked out prior to project implementation whereby all Suffolk County investigations conducted by

the Attorney General's project would be coordinated with the District Attorney. Facilitating this arrangement was the Attorney General's reaffirmation that his purpose was to concentrate on statewide investigations and cases that would set a legal precedent and a model for local prosecutors to utilize.

3. Project Goal and Objectives

Goal

The basic goal of the Massachusetts project was to provide the Office of the Attorney General with the necessary resources to support an active, operational role in the control of organized crime activities, and to enable the Attorney General to exert leadership and achieve statewide coordination of such efforts.

Objectives

The following objectives were set forth in the 1976 LEAA grant application:

- o Update and analyze intelligence files.
- o Review intelligence analysis and establish investigative targets and priorities.
- o Establish multijurisdictional investigations utilizing coordinated multiagency resources, and provide daily legal assistance to investigative efforts.
- o Initiate investigations into hijacking and theft of merchandise from vehicles and freight terminals.
- o Establish liaison, coordination, and the free flow of information with the state police, and utilize field intelligence from the state police.
- o Request and encourage district attorneys and local police to furnish the Attorney General with organized crime intelligence and information, especially in multijurisdictional or regulatory violations.

- o Process and analyze intelligence information from local police and district attorneys.
- o Establish methods of informant development and efficiently use funds set aside for development of information and evidence, primarily through training programs and establishment of proper accounting procedures.

4. Project Organization, Structure, and Staffing

The Department of the Attorney General consists of four bureaus: Civil, Government, Public Protection, and Criminal. The Criminal Bureau consists of five divisions or units: Employment Security, Appellate, Trial, Medicaid Fraud Control, and Organized Crime. Other department elements include the Nursing Home Task Force, the Violent Crime Unit, the Drug Abuse Division, and the Consumer Protection Division.

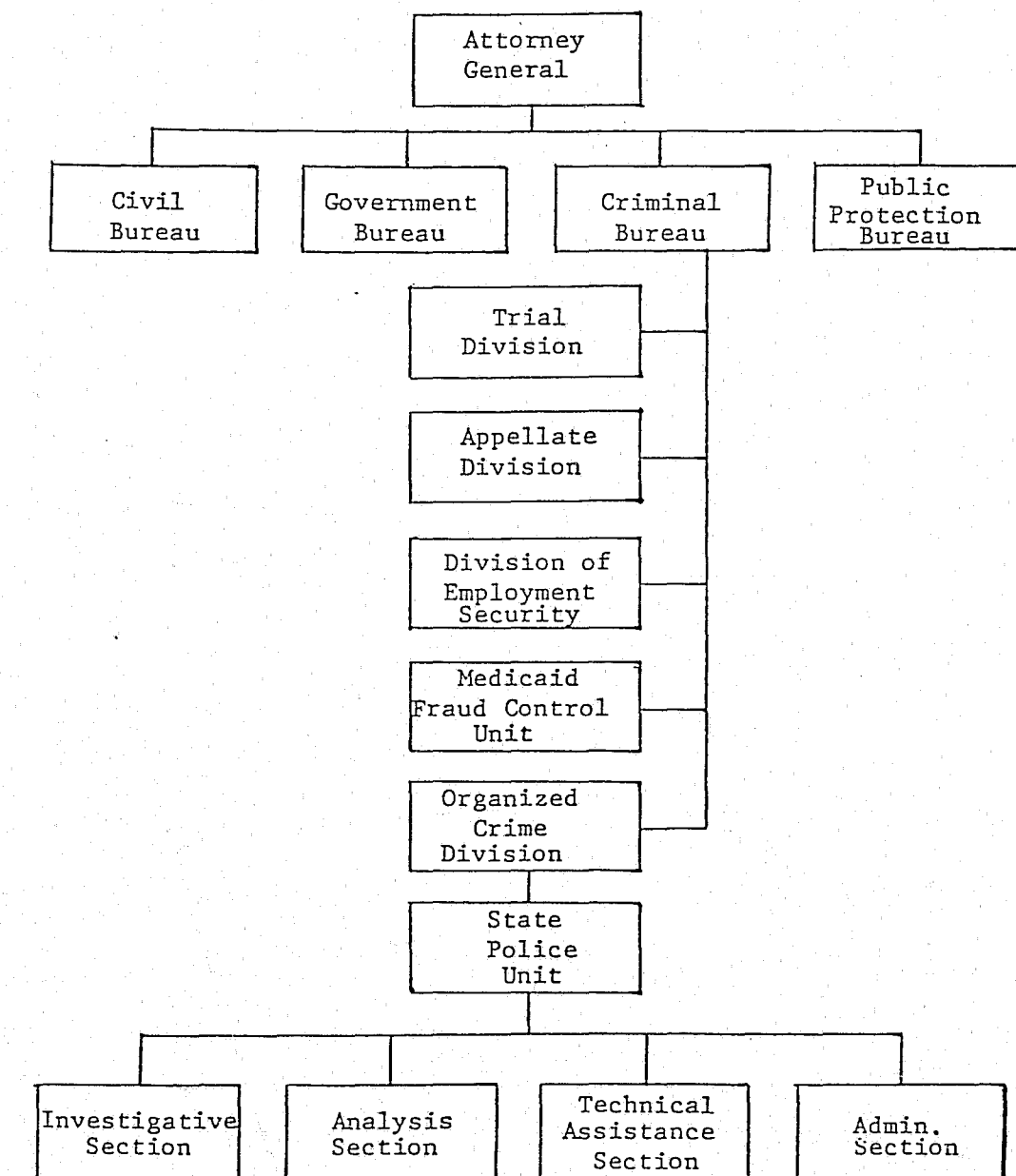
The Organized Crime Division of the Attorney General's Office was established as a sub-element to the Criminal Bureau prior to the 1976 grant application. Its original objective was to provide intelligence information and support services to other law enforcement agencies engaged in organized crime control. Services provided included photographic and technical support, intelligence information collation and dissemination, and training in organized crime control techniques for state law enforcement agencies. The project is organizationally placed in the Criminal Bureau.

The assignment of the State Police Unit to the Attorney General's Office occurred several years prior to the 1976 LEAA grant award and this unit was incorporated as an integral element of the project.

The unit traditionally was supervised by a state police lieutenant. The unit consists of four sections: administrative, investigative, analysis, and technical assistance. A state police sergeant

provides day-to-day supervision of unit investigators. There is also a lead analyst (intelligence) and an office manager assigned to the unit. The organizational structure is shown in Exhibit 5.

EXHIBIT 5
MASSACHUSETTS PROJECT ORGANIZATIONAL STRUCTURE



The chief of the Criminal Bureau was responsible for project management, project personnel, and investigative and administrative decision making during most of the funding period. In late 1979, an assistant attorney general was designated chief of criminal investigations and was delegated the responsibilities for directing all criminal investigations. Included within this delegation of responsibilities was management oversight of the traditional functions and activities of the State Police Unit. This change was made to provide continuous prosecution oversight, enhance complaint screening and case selection processes, increase coordination between legal and investigative staffs, monitor investigative cases more closely, and to provide for early closure on those cases found to lack merit. Although administratively responsible to the state police headquarters command, and under the line supervision of a state police commander, all investigative activities of the state troopers assigned to the Attorney General's Office are directed by the aforementioned assistant attorney general.

The project staff initially was planned to consist of twenty-seven individuals: project director, deputy director, fifteen state police, three analysts, four accountants, one attorney, and two secretaries. However, only six of these positions were grant funded. This planned staffing was subsequently revised to eliminate one analyst, one state trooper, and one accountant, and an office manager was added.

During the initial months of the project, personnel attended training programs on voiceprint analysis, tax collection procedures

and techniques, organized crime investigation, intelligence utilization, and surveillance photography. Training in the investigation of organized crime, political corruption, and white collar crime continues as ongoing programs conducted for investigators. Other training subjects provided include courtroom testimony and techniques, and proactive investigation techniques. This training for the state police officers is of particular importance due to the fact that some of the officers had only traffic enforcement experience at the time of their assignment to the Attorney General's Office. The technical assistance unit also provides training to local agencies in the use of loaned equipment.

In the initial grant stages the intelligence staff received analytical training at ANACAPA Sciences in California with an emphasis on target selection and case prioritization.

5. Project Operations

Case Types

An analysis of the project's 177 cases indicated that twenty-one different categories of cases were opened. Two profiles of the major types of project cases were developed by the evaluation team, one based upon numbers of cases, the other upon level of effort expended.

Major Types Ranked by Number of Cases

Tax Violation
Larceny
Arson
Fraud
Narcotics
Bribery
Gaming
Extortion

Major Types Ranked by Level of Effort

Arson
Tax Violation
Extortion
Narcotics
Larceny
Bribery
Fraud
Gaming

Case Origins

Investigative matters are referred to the project from the Criminal Bureau or direct from a variety of sources, including the Massachusetts Banking Commission, Massachusetts Department of Revenue, state police, district attorneys, local police agencies, and other state and federal agencies. Cases are routinely initiated which are based upon complaints from private sources such as insurance companies. Although few initial complaints are made directly to the agency, the majority of complaints first come to the attention of other agencies and are then referred to the Attorney General's Office. The project also self-initiates cases.

Table 9 displays the primary sources of Massachusetts' 177 project cases. The table indicates that private individuals referred nearly three out of ten cases, with criminal justice agencies contributing nearly another three out of ten cases. Consumer agencies and the state legislature did not refer a significant number of investigations to the project.

Table 9
Massachusetts
(N=147)
Primary Sources of Project Cases

Sources	% of Cases
Private individual	29
Criminal justice agency	27
Project initiated	19
Regulatory agency	16
Other executive agency	5
Private organization	3
Consumer agency	1
State legislature	1
TOTAL	101

Case Receipt Methods

Of the project's total caseload, nearly five out of ten cases were received through person to person meetings, nearly three out of ten from telephone contacts, two out of ten were initiated by the project staff, and less than one out of ten were received by letter or written form. Table 10 displays these results.

Table 10
Massachusetts
(N=137)
Case Receipt Methods

Methods	% of Cases
In person	46
Telephone	27
Project initiated	20
Letter or written form	6
TOTAL	99

Case Screening and Selection Priorities/Assignment

Several procedures were utilized in the processing and development of criminal cases by the project. Project generated, internal referrals were recorded on criminal intelligence and information report forms. These forms contain unprocessed information in narrative form and assigned file numbers. External complaints were recorded on a complaint sheet form containing an office case number, a State Police Unit complaint number, information about the complaint, investigative action taken, current status, and investigative recommendations. All case referrals and complaints were initially reviewed and screened by the chief of criminal investigations and/or the commander of the State Police Unit.

The following criteria were used by the chief of the Criminal Bureau to establish investigative priorities, select project cases, and screen complaints:

- o Cases involving organized crime or corruption.
- o Cases of major significance or involving substantial public interest.
- o Cases serving to establish a model for future local law enforcement action.
- o Cases of statewide importance.
- o The impact the elimination of the target would have on the community.
- o The probability of success.
- o The availability of necessary personnel and resources.

Upon receipt of a referred case or complaint, the chief of criminal investigations in consultation with the criminal bureau chief makes an initial review and decides to either refer the matter to another agency, to take no further action, or prepare the case for assignment as an open investigation. A case authorization and assignment record is prepared for each case opened. Specific investigative assignments to state police officers are made by the State Police Unit commander with the concurrence of the chief of criminal investigations. The State Police Unit assigned to the Attorney General's Office does not automatically respond to incoming complaints, rather, in conjunction with and at the direction of the chief of criminal investigations, unit casework is selected in accordance with the established priorities and existing workloads.

Case Investigation and Management

The project director (chief of the Criminal Bureau) actively participated in investigative and prosecutive planning. He assigned attorneys to cases as required, teamed prosecutors with investigators, and personally monitored the progress of all investigations. Prosecutive planning was jointly accomplished by the project director and the case prosecutor with prosecutive management being the responsibility of the assigned prosecutors. Investigative planning was jointly accomplished by the project director and the State Police Unit commander with investigative management the responsibility of the assigned investigator. Strategy meetings were held frequently to determine the status of each case and to plan for future action. The case prosecutor was the team leader. With the subsequent establishment and assignment of a chief of criminal investigations, direct participation in all stages of case development have been largely delegated by the criminal bureau chief. Frequent communications between team members and investigative and prosecutive supervisors negated the need for any form of periodic case reports. Each investigator, however, completed a daily activity report form which, inter alia, included case activity data for the day.

Project analysts were responsible for supporting project case selection and in the initial stages of the project, preparing data collection plans for specific kinds of investigations, and a data base was established for information and record searches.

CONTINUED

1 OF 4

Case Activity Analysis

Table 11 indicates that three out of ten project cases resulted in prosecution or civil penalty or sanction actions. Nearly two out of ten cases were dismissed for lack of merit, nearly one out of ten cases was referred to other agencies for action (e.g., to other states for sanction or prosecution), and nearly three out of ten were referred for criminal prosecution. Nearly five out of ten cases were still pending disposition at the time of data collection.

Table 11

Massachusetts
(N=177)
Project Case Closures

Case Closed by	% of Cases
Referral for criminal prosecution	27
Civil penalty or sanction	3
Referral to other agency	8
Official administrative dismissal	18
Pending	45
TOTAL	101

Table 12 displays the time duration of cases from project opening to project closure. Analysis indicates that two out of ten cases were closed in two months or less, three out of ten in twelve months or less, and nearly four out of ten in two years or less. Over six out of ten cases were still pending.

Table 12

Massachusetts
(N=177)

Case Time Duration

Project Opening to Project Closing

Months Duration	% of Cases
0-2	21
2-6	4
6-12	6
12-24	7
Over 24	0
Pending	62
TOTAL	100

Table 13 indicates the length of time from project case opening to final disposition. The data show that over four out of ten cases took longer than one year to reach disposition.

Table 13

Massachusetts
(N=39)

Case Time Duration

Project Opening to Final Disposition

Months Duration	% of Cases
0-2	18
2-6	15
6-12	23
12-24	36
Over 24	8
TOTAL	100

6. Project Case Dispositions/Outcomes

Criminal Charging Actions

The project filed more than 117 criminal charges against individuals and organizations; slightly over half of the charges were felonies, and the rest were for misdemeanor violations. Of fifty-two cases where individuals and organizations were charged with crimes, half dealt with more than one defendant.

Criminal Disposition Actions

Table 14 indicates that in over eight of ten cases where a judicial disposition of a criminal case occurred, at least one individual was found guilty.

Table 14

Massachusetts

Criminal Disposition Actions

Type of Disposition	No. of cases where action occurred	No. of cases involving more than one individual
Charges dropped by prosecutor	0	0
Dismissed prior to trial	2	1
Guilty plea to original charge	24	8
Guilty plea to lesser charge	1	0
Conviction on all counts	7	3
Conviction on some counts	1	0
Acquittal on all counts	4	1

Criminal Case Sentences

Table 15 indicates that in eight cases, a total of twenty-one individuals were sentenced to terms in jail or prison. Most terms were less than five years; only three were more than five years. In twenty-two cases there were sixty-three individuals sentenced to

probation or suspended jail or prison sentences. Most sentences were for less than five years; only four were for more than five years.

Twenty-six cases resulted in fines being assessed against thirty-four individuals. The fines were generally in the \$1,000 - \$10,000 range and totalled \$154,150. Restitution was ordered by the court in four cases involving twenty individuals totalling \$469,000.

Table 15

Massachusetts

Criminal Case Sentences

Case Result	No. of cases	No. of individual
Jail sentence	8	21
Probation/ suspended sentence	22	63
Fines	26	34
Court ordered restitution	4	20

Civil Penalties or Sanctions

Table 16 displays the various civil penalties or sanctions assessed in the cases handled by this method. Few Massachusetts cases reportedly occurred requiring civil penalties or sanctions.

Table 16

Massachusetts

Civil Penalties or Sanctions

Type of Disposition	No. of cases where action occurred	No. of cases involving more than one individual
Injunctions	0	0
Orders to cease & desist	0	0
License suspension	0	0
License revocation	1	0
Consent agreement	0	0
Other	3	0

Voluntary Restitution

One case, involving an individual under investigation, resulted in voluntary restitution in the amount of \$2,000.

Other Outcomes

Although arson was a major problem in Massachusetts in the mid-1970's, successful prosecutions were rare. Private insurance companies and the Attorney General teamed to launch an intensive investigation into arson activity under the expanded project definition of organized crime.

The arson intelligence probe began in 1977. The arson problem was researched and prior arson activities detailed. Fire marshals and

fire departments pinpointed current fire and suspected arson activities; current urban redevelopment projects were identified; insurance company and building repair data were collected; and property, tax, and business records were researched to identify true ownership of real property. Localities most susceptible to the arson scheme were identified and the typical arson scheme used in urban Massachusetts areas was profiled.

A central crime figure in a large Boston arson ring was identified by the project and persuaded to assist in the investigation. This crime figure, who was the "torch" who actually set the fires, led the investigators to an arson "broker" who was the middleman between the "torch" and the property owner. The "broker" was also persuaded to cooperate in return for immunity from prosecution.

As a result, thirty-three indictments were issued. Of the thirty-three indictments, three are fugitives, three await trial, twelve were convicted at trial, two were acquitted, and thirteen pleaded guilty. Of those convicted (several of whom were sentenced to state prison), six were attorneys, one was a state police arson investigator, and one was a Boston Police Department arson unit captain. Others convicted included realtors, insurance company employees, and organized crime figures.

These arson cases helped to develop a model for replication in other state and federal programs and the Massachusetts project provided technical assistance to other cities experiencing arson problems.

As a result of the project's arson convictions, payouts from the Massachusetts FAIR Plan (the federally-insured fire insurance assigned

risk pool for urban areas) dropped from \$15 million before the indictments to \$9 million after the indictments. The FAIR Plan provided over \$150,000 to the project for witness protection expenses. Over the 1977-79 period, Boston arson incidents decreased by fifty percent. The Attorney General also sponsored arson reform legislation regarding collection of local government taxes owed on property damaged by arson. Furthermore, as a result of project investigations and reports, several public officials resigned from office. These included three sheriffs and one district attorney.

The project was responsible for developing several other actions to help remedy violations of the law. With the cooperation of the Attorney General, the 1978 sessions of the Massachusetts legislature amended several laws which regulated fire insurance contracts to provide for increased cooperation between insurance companies and law enforcement agencies in the investigation of losses due to arson.

Project officials believe the project was cost effective in terms of the training and development of permanent capabilities to handle major criminal conspiracies. Even more important than the actual dollar value which could be attributed to the cases, these officials believe that the project gave the Attorney General's Office invaluable experience in setting major case priorities and developing case strategies.

D. WHITE COLLAR CRIME AND OFFICIAL CORRUPTION PROJECT - DELAWARE
ATTORNEY GENERAL

1. Project Initiation and Background

Pre-existing Conditions

The Delaware White Collar Crime and Official Corruption Unit 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.

The investigation had been initiated in 1976 by the Wilmington Bureau of Police after information was received alleging 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 and reportedly, massive quantities of financial records seized. It was at the time of the preparation of the search warrants that the Attorney General first entered the investigation. Shortly thereafter the Attorney General assumed management control of the investigation. Although two deputy attorneys general had been assigned to the investigation, and investigative support was being provided by the City of Wilmington, New Castle County, and the Delaware State Police, the then Attorney General applied for federal funds to obtain additional resources to conduct 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 Major White Collar Crime Program funding, the then Attorney General stated that the State of Delaware did not have an existing white collar crime or corruption enforcement capability. The Attorney General also stated that serious inadequacies existed in the state's conflict of interest statutes and that governmental procurement practices and procedures were nonuniform and inadequate.

Specifically, funding was requested for an investigative accountant to analyze the voluminous business records that had already been seized since the continuation of the temporarily assigned county auditor was uncertain. In addition, overtime monies were requested to reimburse the other departments for loaned personnel.

While the stated purpose of the intended project was to develop and institutionalize a white collar crime and enforcement capability in the Delaware Department of Justice, the focus of the initial request was clearly to support the ongoing investigation into the corruption allegations involving the Board of Education and its supplier.

The initial federal grant was awarded in August 1977. In the first phase of the project, the Delaware Department of Justice support of the project involved continuing the assignment of the two deputy attorneys general to the project and continuing the state and local investigators already assigned and involved in conducting the investigation.

The thrust of the initial project was essentially a corruption enforcement effort. 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. In addition to the lack of investigative progress and failure to develop the capabilities envisioned in the grant application, large case backlogs were accumulated during the first year of the project. These kinds of problems, which had plagued the project almost from its inception, had a substantial impact on the November 1978 state election and in fact contributed to the defeat of the incumbent Attorney General.

The newly elected Attorney General assumed office in January 1979, and shortly thereafter reassessed the need for the project. This reassessment resulted in a determination that the project was in fact needed. Further, the newly elected Attorney General determined that most of the earlier project problems could be overcome through reorganization, reorientation, and the establishment of new policies governing project activities.

Pre-existing impediments to interagency cooperation were initially addressed by the establishment of a formal liaison with the U.S. Attorney, and also by creating an Attorney General's Supervisory Committee comprised of the Attorney General (or his chief deputy), the heads of the three, aforementioned, major Delaware police agencies, and the director of investigations for the Delaware Department of Justice. The latter post was newly created by the Attorney General to provide continuous supervision over all investigations of the department, including white collar crime, organized crime, and corruption.

Of equal importance was the selection by the newly elected Attorney General of a chief deputy attorney general and director of

investigations who were both highly respected and proven criminal justice managers. As a result, 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.

Under the newly elected Attorney General, 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.

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 other prosecutive authority in the state other than the Attorney General. Thus, the impediments to the aforementioned investigation were due to causes other than a lack of legal authority or jurisdiction. By reason of this exclusive criminal and civil prosecutive authority (including appellate), and the Attorney General's express statutory authority to conduct state investigations, a lack of interagency working agreements, other than on a case to case basis, was not detrimental to achieving success in project cases.

Institutionalization

Although the original funding request in 1976 by the former Attorney General was to support an ongoing investigation into local government procurement irregularities, it was expressly stated that a capability to investigate major white collar crimes and public corruption did not exist in the state. Thus, the ultimate purpose of the federal funding support was to develop a permanent white collar crime enforcement capability. The newly elected (and present) Attorney General, in 1979, having independently assessed the need for the project, concluded that this purpose of the project was valid and that such a capability was needed. The restructuring of the project within a centralized special investigation section under the direct management authority of the chief deputy attorney general and the immediate supervision of the departmental director of investigations constituted a major step towards institutionalization of the project. Previous project management problems involving a lack of accountability and credibility, and lack of investigative progress were specifically addressed and overcome.

At the time of the national evaluation data collection activities, the project funded the services of an investigative accountant and one of three investigative positions in the section. A primary support to project cases is provided through grant funding of the overtime for investigators who are furnished by the participating agencies at the state and local level, and by grant funding of the project's clerical and paralegal support. Investigative equipment acquired under the initial grant was placed in an equipment pool for the use of participating law enforcement agencies.

Legal staff assigned to project cases, drawn from either the civil or criminal divisions of the department, are state funded. A major stated objective of the Attorney General was to develop a permanent prosecution capability in white collar crime and corruption cases within the career positions of the department. This enhancement effort was but a part of an overall effort to upgrade departmental services and a meaningful career service for employees.

Considerable institutionalization of the major white collar crime enforcement capability under state funding was accomplished 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.

2. Grant Overview

In 1977, the Delaware Attorney General and the Delaware Department of Justice (the Executive Branch agency under the Attorney General), were awarded \$350,496 (78-HC-AX-0011) in major white collar crime funds to establish and operate the Delaware White Collar Crime and Official Corruption Unit. The original grant period was from August 1, 1977, to January 31, 1979. After being terminated in late 1978 during the former Attorney General's administration, the grant was extended three times under the subsequent (current) Attorney General. As extended, the original grant expired on April 30, 1980. Upon expiration of the original grant, a continuation award of \$200,000 (80-CJ-AX-0044) was provided for the period May 1, 1980, to October 31, 1981.

3. Project Goal and Objectives

Goal

In the initial phase of the project grant, prior to project reorganization, the goal of the project was stated as follows:

To establish for the first time in the State of Delaware a concerted and confidential law enforcement investigation involving white collar crimes such as procurement fraud, bid fixing, bid rigging, illegal payoffs, bribery (paying and receiving), state tax evasion, and many other such crimes falling within that category. Never before has the State of Delaware been involved in such an effort, and it is planned that this can be the springboard for the establishment of a permanent white collar crime unit.

At the time of project reorganization under the new Attorney General in 1979, the original project goal (purpose) was revised more in accordance with a broader white collar crime enforcement focus, as follows:

The purpose of this grant is to provide the State of Delaware with the capability to identify, investigate, and prosecute those involved in white collar crime and official corruption in the following areas:

- Welfare Fraud
- Arson Fraud
- Securities Fraud
- Unemployment Compensation Fraud
- Government and Official Corruption
- Procurement Fraud
- Energy Fraud

Under the direction of the Delaware Department of Justice, the State of Delaware will be involved in multi-jurisdictional investigations involving federal, state, and local law enforcement agencies to combat white collar crime and official corruption.

Objectives

Ten specific objectives were also set forth in the reorganized grant. These were as follows:

- o Conduct approximately 15 energy fraud investigations specifically in the area of heating and motor fuels.
- o Coordinate 7 multijurisdictional arson fraud investigations involving cross disciplines (police, prosecution, fire marshal's office).
- o Conduct approximately 20 security and insurance fraud investigations and other economic crime investigations.
- o Conduct approximately 25 investigations into government and official corruption with an emphasis in the area of procurement.
- o Conduct approximately 125 welfare fraud investigations.
- o Conduct approximately 25 unemployment compensation fraud investigations.
- o Return to the state approximately \$300,000 in fines, restitutions, and civil damages as a result of these investigations.
- o Recommend new procedures, rules, and regulations involving government procurement.
- o Meet with the Federal-State Law Enforcement Committee and the Attorney General's Supervisory Committee monthly and as needed.
- o Gather criminal information related to the activities of white collar crime and government corruption and share it with federal, state, and local law enforcement agencies.

4. Project Organization, Structure, and Staffing

In the initial phase of the project (under the prior Attorney General), project staffing included one investigative accountant and four support personnel, one of whom was a paralegal. Investigative supervision during the first six months of the initial phase was provided by personnel on loan from local and state law enforcement agencies. Project management, by reason of the lack of formal management alignment and the ad hoc placement of the project in the Attorney

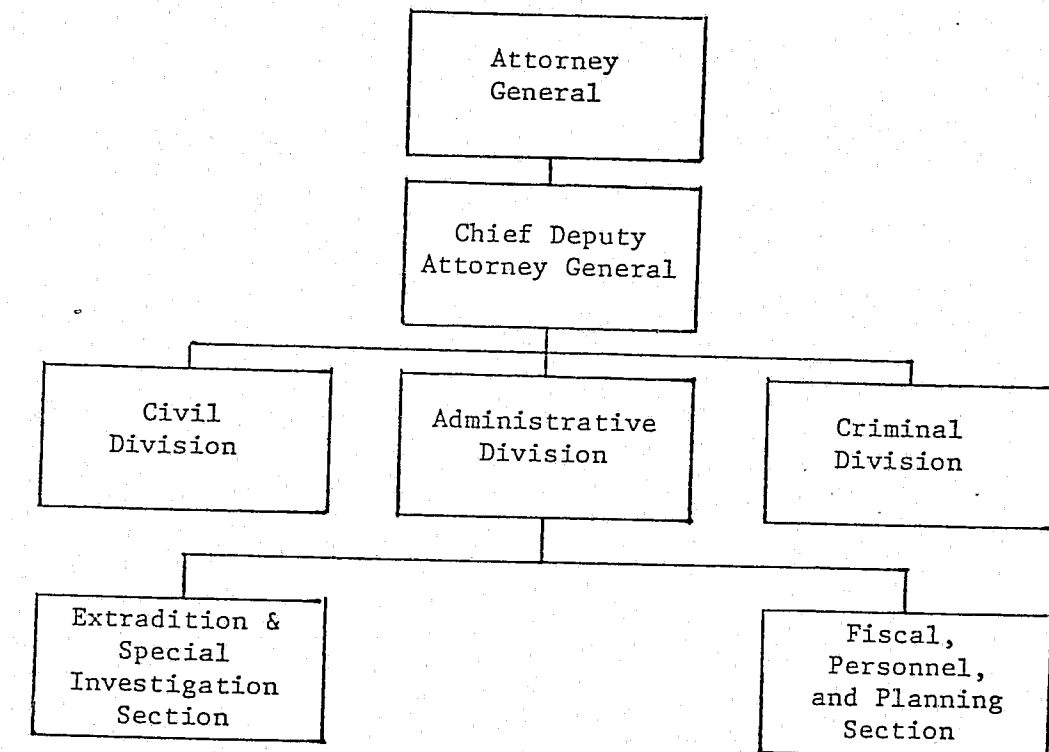
General's office during the initial phase of the project (1977-78), was assumed by the two assigned deputy attorneys general.

Following the 1979 reorganization, the Delaware White Collar Crime and Official Corruption Unit was organizationally placed within the Extradition and Special Investigation Section of the Administration Division of the Department of Justice. This organizational setting placed the project under the direct supervision of the chief deputy attorney general.

As a part of the project's reorganization, organized crime as well as white collar crime and corruption investigations were assigned to the special investigation section. In addition to the project and the special investigation section, the civil, criminal, and administrative divisions also report to the chief deputy attorney general. Project cases are assigned to either the civil or criminal division for litigation.

There is only one chief deputy attorney general in the department and this position has the responsibility for the management of all departmental activities including overall project management. The management of project staff and project investigations is the responsibility of the director of investigations. General administrative and personnel support are provided by the department's fiscal, personnel, and planning section. Grant monitoring and reporting is the responsibility of the director of investigations, subject to the review/approval of the chief deputy attorney general. The investigative accountant, as an additional duty, maintains the grant financial records for the project. The department's organizational structure is shown in Exhibit 6.

EXHIBIT 6
DELAWARE PROJECT ORGANIZATIONAL STRUCTURE



In addition to the director of investigations, a senior criminal investigator, two special investigators, one investigative accountant (contractual as in the initial phase), one legal assistant, and one legal stenographer are assigned to the project. Investigative accounting is recognized as a major need, but the current state salary structure inhibits retaining experienced investigative accounting personnel at competitive salaries. One of the special investigators, the legal assistant (paralegal), the legal stenographer, and the investigative accountant are grant funded. The addition of the fourth special investigator position in the continuation grant represents the only increase in grant positions from those funded in the original

grant. One of the four support positions funded in the initial grant was deleted in the second grant.

Current project staff are experienced investigative personnel. National white collar crime training programs have been utilized seven times for project staff development. Also, emphasis has been given to the training of regular investigative staff in investigative accounting procedures.

5. Project Operations

Case Types

At the time of evaluation data collection activities, Delaware reported a total of 156 project cases. This total does not include approximately 1,000 public assistance and employment security actions which were backlogged at the time of project reorganization. The backlogged cases were subsequently handled by a special "task force." 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

Case Origins

Cases referred to the project originate primarily from citizen complaints, local law enforcement agencies, or from other state agencies. Referrals to date have resulted from the initial specific fraud enforcement policies of the Attorney General (e.g., addressing public assistance frauds), from the proactive efforts of the special investigation section (arson), or as extensions of initial project investigations (taxation, employment security, corruption).

Table 17 displays the primary sources for Delaware's 156 project cases. The table indicates that private individuals and private organizations referred over five out of ten cases, with criminal justice agencies and other executive branch agencies (those with no regulatory functions) contributing another three out of ten cases. Consumer agencies, regulatory agencies, and the state legislature did not refer any significant number of investigations to the project.

Table 17
Delaware
(N=141)
Primary Sources of Project Cases

Sources	% of Cases
Private individual	45
Criminal justice agency	18
Other executive agency	16
Project initiated	13
Private organization	7
Consumer agency	1
Regulatory agency	0
State legislature	0
TOTAL	100

Case Receipt Methods

Of the project's total caseload, approximately four out of ten were received in written or letter form, nearly three out of ten resulted from telephone contacts, and two out of ten through person to person meetings. Nearly two out of ten were initiated by project staff. (See Table 18.)

Table 18

Delaware
(N=127)

Case Receipt Methods

Methods	% of Cases
Letter or written form	39
Telephone	26
In person	21
Project initiated	15
TOTAL	101

Case Screening and Selection Priorities/Assignment

By reason of the authority and stature of the Attorney General as the state's chief law enforcement officer, citizen complaints (including anonymous complaints), are routinely received by the department and referred to the project for assessment.

All complaints or other investigative matters received by the department are initially screened by the chief deputy attorney general. Corruption, fraud, or organized crime matters are directly referred to the special investigation section for preliminary investigation. Matters determined to have merit or potential merit are referred to the criminal or civil divisions, or to the special investigation section (project) for additional investigation. Depending upon the

source of referral and the facts presented, the chief deputy attorney general may directly assign cases to a litigation division, or refer them to another state agency as appropriate. Because of the broad authority of the Attorney General, investigators and prosecutors exhibit a greater attention to case strategy and potential remedies in the screening and case selection processes.

Essentially, screening is focused upon determining first whether a given complaint has merit or is unfounded, and once such determination has been made, whether the complaint should be handled initially by another state agency, including consumer affairs. Since all matters resulting in litigation will ultimately be referred back to the Department of Justice for civil or criminal prosecution, considerable latitude in initial investigative or regulatory agency referrals is exercised.

During the screening of complaints for potential assignment to the project, the chief deputy attorney general relies primarily upon the following criteria:

- o complexity
- o seriousness of the offenses or victimizations
- o the principals involved in the offenses
- o the scope of the illegal conduct
- o social and monetary impacts
- o the extent of investigation and resources required, including expertise

The development of overall case selection priorities have paralleled the development of the project's enforcement capabilities and the necessity to address the large volume of backlogged cases. For instance, in welfare frauds, detection and collection mechanisms have been instituted in the Delaware Division of Social Services, enabling the project to concentrate on more serious public assistance frauds.

After reorganization, the project began to develop more complex cases than it had previously. This ability to develop more complex investigations has been substantially assisted by the reported excellent relationships developed with the U. S. Attorney and the active involvement of the three major law enforcement agencies in the state.

Although not in written form, project case selection and assignment criteria are utilized. These criteria primarily involve the determination of whether the investigation required in a given case can best be handled by the project investigative staff or should be delegated to another investigative agency. As previously stated, since all cases ultimately will be returned to the Delaware Department of Justice for civil or criminal prosecution, considerable latitude exists in delegating case investigation responsibilities to other agencies.

Cases are assigned to the project in accordance with established priorities, including corruption cases (with an emphasis on procurement related offenses), welfare, medicaid, energy, tax evasion, unemployment compensation, and securities frauds. Arson continues as a project priority but investigative management is assigned to a special task force headed by the state fire marshal.

Case Investigation and Management

Critical to facilitating investigative referrals is the aforementioned supervisory committee consisting of the Attorney General and/or the chief deputy attorney general, the director of investigations, and the chief administrators of the Delaware State Police, the New Castle County Police, and Wilmington City Police. Since the 1979

reorganization, the committee had met twelve times in the following fifteen month period. The committee recommends action on investigations with project resource allocations included in committee deliberations.

Other than court ordered electronic surveillances limiting dissemination of evidence or restrictions imposed by reason of a grand jury investigation into a matter, project investigative planning is a responsibility delegated to the supervisory committee. If the committee does not participate in a given investigation, investigative planning is the responsibility of the chief investigator with approval authority vested in the chief deputy attorney general. Planning is somewhat less formal in these cases due to the small size of the project (section) and the high level of involvement of the chief deputy attorney general in the project.

Depending upon the requirements of each formal investigation, the director of investigations assigns specific investigative personnel, including the investigative accountant. These assignments are made after consultation with the chief deputy attorney general, who assigns civil, criminal, or research legal staff as needed to aid the investigation.

In cases assigned to other agencies, the project essentially assumes only a coordinating and monitoring function. In cases wherein a long term effort is deemed necessary and/or the complexity and seriousness requires closer monitoring and continuing prosecutive involvement, the case management is generally retained by the project.

Project case selection was viewed by the chief deputy attorney general as developmental in that the project, as reorganized, was

heavily involved in implementation. Increasing emphasis on more serious crimes and criminal conspiracies is anticipated once staff experience and expertise are obtained, existing case backlogs exhausted, and processes are formally instituted within referring agencies to submit cases of a lesser nature directly to departmental prosecutors.

It is contemplated that with the upgrading and redirection of the project to more complex white collar crime cases in the future, adjustments and refinements in case assignment and referral policies will be required. However, the use and role of the assigned participating agency personnel and their role with departmental staff in supervising and coordinating project activities is deemed operationally sound and a desirable alternative to a large departmental investigative staff.

All litigation in project cases is assigned by the chief deputy attorney general to either the state solicitor who heads the civil division or to the state prosecutor who heads the criminal division.

As a significant part of the project reorganization, legal research and counsel are now routinely provided to the project on an individual case basis by direction of the chief deputy attorney general.

Prosecutive strategies are developed by the chief deputy attorney general and staff attorneys are assigned early in the initiation of formal investigations. Strategies and plans are tailored to the needs of individual case requirements and the formality of such plans is determined by the seriousness, complexity, and multiagency/multijurisdictional character of cases. The extent of prosecutive planning

varies based on the requirements of the prosecutor assigned to present the case to the grand jury. In many respects, project investigations into frauds and corruption are without legal precedent in Delaware and some investigations are planned for civil prosecution because experience in pursuing criminal remedies is undergoing development.

Case Activity Analysis

Table 19 indicates that nearly four out of ten project cases were administratively dismissed by the department for lack of merit, two out of ten were referred to other agencies for action (e.g., to other agencies, federal authorities, or other states), nearly two out of ten were referred within the department for criminal prosecution, less than one out of ten was referred for civil penalty or sanction by other agencies or the department, and nearly two out of ten cases were still pending disposition at the time of data collection.

Table 19

Delaware
(N=156)
Project Case Closures

Case Closed by	% of Cases
Referral for criminal prosecution	16
Civil penalty or sanction	5
Referral to other agency	21
Official administrative dismissal	39
Pending	19
TOTAL	100

Table 20 displays the time duration of cases from project opening to project closure. This table indicates that, of those cases closed, nearly four out of ten were closed in two months or less, over five out of ten in six months or less, over six out of ten in a year or less, and nearly eight out of ten were closed in two years or less. Only two cases took over two years to close. The fact that four out of ten cases were closed in two months or less is an indicator of the screening capability of the project.

Table 20

Delaware (N=156) Case Time Duration Project Opening to Project Closing	
Months Duration	% of Cases
0-2	37
2-6	15
6-12	12
12-24	12
Over 24	1
Pending	23
TOTAL	100

Table 21 indicates the length of time from case opening to final prosecutive or civil penalty or sanction disposition. The data show that nearly half of the cases were disposed of within six months, and all reached final disposition within two years.

Table 21

Delaware (N=20) Case Time Duration Project Opening to Final Disposition	
Months Duration	% of Cases
0-2	25
2-6	25
6-12	25
12-24	25
Over 24	0
TOTAL	100

6. Project Case Dispositions/Outcomes

During the first fourteen months of operation since reorganization, the project utilized both criminal and civil penalties or sanctions. As noted previously, there were also more than 1,000 cases backlogged in welfare and employment security frauds which were processed as special "task force" efforts under project auspices.

Based upon the project case activities and the intensive processing of welfare and unemployment backlogs, 744 total investigations were claimed by the project in the initial grant with 256 convictions, \$108,427 in assessed fines, and over \$1,143,000 in court ordered restitutions (of which \$891,566 was the direct result of the special "task force" case dispositions). The increased use of civil remedies in addition to criminal prosecutions is considered a positive accomplishment of the project.

Criminal Charging Actions

More than seventy-seven criminal charges were filed against individuals and organizations. There were twelve cases prosecuted involving felony charges against eighteen individuals, and twenty-two cases involving misdemeanor charges against forty-eight individuals. In addition, there were five cases involving misdemeanor charges against organizations and one case involving a felony charge against an organization. One-third of these cases involved charges against more than one person. These cases do not include the 1,000 case backlog handled by the special task force.

Criminal Disposition Actions

Table 22 indicates that in nearly eighty per cent of the cases where a judicial disposition of a criminal case occurred, at least one individual was found guilty. Over seven out of ten cases involving organizations resulted in findings of guilty.

Table 22

Delaware

Criminal Disposition Actions

Type of Disposition	<u>Actions against individuals</u>		<u>Actions against organizations</u>	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Charges dropped by prosecutor	5	2	2	0
Dismissed prior to trial	1	0	0	0
Guilty plea to original charge	17	5	4	0
Guilty plea to lesser charge	5	0	1	0
Conviction on all counts	1	0	0	0
Conviction on some counts	0	0	0	0
Acquittal on all counts	0	0	0	0

Criminal Case Sentences

In nine of the cases, a total of twenty-two individuals were sentenced to terms in jail or prison, no term being in excess of ten years. In eight cases, nine individuals were sentenced to probation

or received suspended jail or prison sentences. All sentences were for less than five years.¹⁷

Nine cases resulted in fines being assessed against thirteen individuals and six cases resulted in fines against seven organizations. The fines totalled \$138,622. Restitution was ordered by the court in seven cases involving seven individuals and one case involving two organizations, in the total amount of \$232,462.¹⁸ (See Table 23.)

Table 23

Delaware

Criminal Case Sentences

Case Result	No. of cases	No. of individuals	No. of cases	No. of organizations
Jail sentence	9	22		
Probation/ suspended sentence	8	9		
Fines	9	13	6	7
Court ordered restitution	7	7	1	2

¹⁷ Delaware also reported probation or suspended sentences in sixty-two additional task force actions, nearly all of which were for one to two years. This included forty-four welfare fraud actions and eighteen unemployment fraud actions, none of which are included in the data reflecting project "case" activity.

¹⁸ Delaware required additional restitution (either through court order or by agreement) in the amount of \$1,102,034 as a result of the backlog task force action. This amount includes \$891,566 from 320 welfare fraud actions and \$210,468 from 150 unemployment fraud actions. None of these amounts is included in data reflecting project "case" activity.

Civil Penalties or Sanctions

Table 24 displays the various civil penalties or sanctions assessed in project cases. Consent agreements and license revocations were the primary penalties or sanctions utilized.

Table 24

Delaware

Civil Penalties or Sanctions

Type of Disposition	No. of individuals		No. of organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Injunctions	0	0	0	0
Orders to cease & desist	0	0	0	0
License suspension	0	0	0	0
License revocation	2	0	0	0
Consent agreement	1	0	5	1
Other	1	0	0	0

Voluntary Restitution

There was one case of voluntary restitution reported by the Delaware project, in the amount of \$2,000.

Other Outcomes

The project has been developing fundamental organizational capabilities since its restructuring in February 1979. Initial emphasis was given to addressing major case backlogs and investigating new cases utilizing the investigative personnel assigned by the participating law enforcement agencies. As a result of project investigative activities, the department has aided in instituting various other remedial actions. One investigation, which led to the conviction of a county tax assessor, resulted in new procedures being developed and institutionalized in the tax assessor's office providing for the rotation of tax assessment staff as a prevention against favoritism in property assessments. These new procedures resulted in assessments which added an additional \$12 million to the county property tax rolls.

Further, as a result of the continuing emphasis on procurement irregularities, the department in 1979 began developing a uniform contract manual for state agencies. The lack of uniformity in contracting and procurement policies had been cited as a serious problem in the initial grant application for the project in 1977.

In addition, as a part of the processing of welfare and unemployment case backlogs, attention has been given to addressing systemic inadequacies and developing improved internal auditing capabilities in the referral agencies.

E. FLORIDA SECURITIES FRAUD IDENTIFICATION AND ENFORCEMENT PROJECT - FLORIDA COMPTROLLER/DEPARTMENT OF BANKING AND FINANCE

1. Project Initiation and Background

Pre-existing Conditions

The Florida Securities Fraud Investigation and Enforcement Unit 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, primarily to Florida residents. The investments purportedly were secured by accounts receivable or by 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.

When these defaults occurred in 1974, investors were located in over half of Florida's sixty-seven counties. Local state attorneys commenced investigations in several areas of the state in response to the complaints of land sales victims and, in 1975, the first prosecution of these land sales fraud cases occurred in Palm Beach County.

In May of 1976, the Florida House of Representatives Select Committee on Fraudulent Mortgage Sales conducted hearings which resulted in a staff report relating to fraudulent investments. The report stated 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. Two key officials with the

Division of Land Sales were demoted or fired as a result of the legislative investigation. The Division of Securities of the Comptroller's Office was criticized for failure to maintain diligent watch over suspect investment corporations, failure to regulate investment offerings, and for failing to adequately staff the securities regulatory function in the Comptroller's Office.

Prior to the publication of the legislative report, the Comptroller's Office had received a discretionary grant of \$99,000 in 1974 to create a securities fraud section in that office. There had never been a dedicated securities enforcement effort in Florida prior to the award of the 1974 grant. 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 civil charges in three land sales fraud cases. One of these three cases involved the same defendants as the aforementioned Palm Beach County criminal prosecution. Project staff assisted the Palm Beach State Attorney in the filing of these 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.

The 1975 Florida legislative session failed to provide funds which had been requested by local state attorneys to support land sales prosecutions. Instead, the legislature requested the Florida Organized Crime Control Council to seek federal funding.

In 1975, three separate grant applications were submitted to LEAA totalling \$900,000 to support land sales prosecutions. 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 of the state. The Florida Attorney General has broad civil authority; however, his criminal jurisdiction is limited to appellate authority. In response, LEAA recommended that instead of three separate efforts, one coordinated interdisciplinary, multijurisdictional enforcement approach be developed to coordinate all land fraud investigative and prosecutive efforts. Such an approach would allow for all LEAA funding supports to be consolidated under one "umbrella" grant.

One important factor underlying LEAA's recommendation involved the amount of discretionary funding which could be awarded to support these investigations. Thus, LEAA hoped to reduce the total amount of the required funds through anticipated economies resulting from a coordinated effort.

In addition to the grant funding issue, LEAA program managers, among others, had expressed concerns about the potential fragmentation and overlap of separate investigative/prosecutive efforts. Many of these concerns were generated by the multijurisdictional nature of the cases themselves. Often, the land promoters and developers were based in one local Florida jurisdiction, while the land used as collateral was located in other jurisdictions. Sales offices were often located in different jurisdictions than the primary developer, and sales were made to victims throughout the state. It was difficult therefore for

local state attorneys to obtain necessary evidence and documentation, outside of their own jurisdictions.

In addition, there were only a few expert witnesses available in the state and these were located in the larger urban metropolitan areas. State regulatory authorities were located in Tallahassee, nearly 500 miles from Miami. As a further complication, local prosecutors were reluctant to deplete local prosecutive resources on land sales cases which they perceived to be a statewide, not a local problem. Lastly, these cases involved securities and brokerage law violations which were not traditional criminal violations familiar to most state attorneys.

In response to LEAA's recommendation, and after much deliberation and negotiation, a revised grant request was submitted which provided for a multijurisdictional project policy board comprised of the Florida Comptroller, three state attorneys, a federal prosecutor, and the commissioner of the Florida Department of Law Enforcement. The grant proposed administration by the Comptroller's Office and expansion of the securities fraud section, created under the prior LEAA grant, to conduct land fraud investigations. Land fraud criminal prosecutions would remain the responsibility of the local state attorneys and the policy board would determine on a case to case basis which state attorney was in the most advantageous position to prosecute.

Not all of the state attorneys agreed that the comptroller was an appropriate choice to be the coordinating authority. In fact, some state attorneys felt that the land fraud cases could be investigated and prosecuted without a central coordinating authority.

Although there are twenty separate state attorney jurisdictions, Florida state attorneys had successfully conducted a variety of major multijurisdictional investigations in prior years. Coordination issues in these investigations had either been resolved among the state attorneys themselves, or through the intervention of the Governor who possesses broad authority over state attorney assignments. The particular difficulty posed by the land fraud cases was that land fraud involved violations of laws which were enforced by a state regulatory agency under the authority of the Comptroller (another statewide elective officer), not the Governor. Thus the traditional state level coordination mechanisms were not wholly applicable to the land sales case violations. A further complication resulted from the preliminary status of the land fraud investigations and the lack of specificity upon which intervention by the Governor could be logically based.

Even though 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. The selection of the Comptroller's Office to administer the grant and investigate the fraud cases was, under the circumstances, logical. The Comptroller's Office possessed statewide legal authority to investigate civil and criminal securities violations, securities regulation authority, and the authority to obtain civil injunctions to halt violations both of the State Sale of Securities Law and the State Mortgage Brokerage Act. Under the "umbrella" grant concept, the project staff would conduct investigations of land sales frauds, and criminal prosecution would be

conducted by local state attorneys, who would be supported throughout the prosecution. In addition, the policy board could ensure that the cases would be more evenly distributed among the twenty judicial circuits of the state.

Once the grant was awarded, however, the project was faced with a number of serious organizational issues. The most significant of these involved issues between the comptroller and the policy board pertaining to the project management authority, including the authority to hire project staff, and the location of project field offices and staff. Another important initial policy consideration involved the development of policies governing the funding support of local prosecutions.

As originally envisioned, the project policy board was responsible for establishing investigative priorities, and determining investigative and prosecutive resource allocations. 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. Although the policy board initially intended to hold monthly meetings, both the frequency of the meetings and member attendance dropped considerably after the first few months of operation. In fact, only two meetings of the board were held in 1977 and two in 1978. Some of the policy board members publicly expressed frustration with the "umbrella" grant process and indicated a preference for an award granted directly to the affected state attorneys.

The Division of Land Sales never participated in the project, and the Florida Department of Law Enforcement's (the state's criminal

investigative authority) participation also declined markedly after the initial months of the project's creation. An exchange of intelligence information, however, did continue between the project and the department.

Most initial policy issues were subsequently resolved and the state attorney members on the policy board agreed to the comptroller's management of the project and investigative activities. Serious administrative start-up problems were experienced including the acquisition of qualified staff to fill positions within the state salary structure, as well as difficulties in locating office space, and delays in ordering and receiving equipment.

In 1977, the policy board agreed to authorize the state attorney involved in particular investigations to negotiate offers for restitution. Subsequently, however, the board did not remain actively involved, or play an important role in the management of the project.

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 and the United States Postal Service. The Securities and Exchange Commission, while very cooperative in terms of information exchange, viewed the Florida land frauds strictly as an intrastate problem. The Federal Trade Commission reportedly expressed interest only in those land frauds which were nationally publicized.

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 unit/project director who had previously supervised the project's Palm Beach field office. In part, however, contention diminished due to the passage of time and a preoccupation with the land fraud caseloads.

Legal Authority

The project's investigative authority was derived from the state comptroller's civil authority to regulate the securities industry in Florida, including the authority to investigate, issue subpoenas, issue 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.

In 1978, as a direct result of recommendations based upon the project's activities, the Florida Securities Act was revised to codify case law definitions of investment offerings as securities, expand the comptroller's authority to seek civil restitution, and provide for the confidentiality of investigative processes during the course of investigations. Other project initiated legislative recommendations incorporated in the revised Act were the elimination of the intent

requirements for criminal prosecution for fraudulent sales and the clarification of exempt securities classifications.

Institutionalization

In 1979, the project as an organizational entity was disbanded; however, 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.

2. Grant Overview

The Office of the Florida Comptroller received an LEAA Major White Collar Crime Program discretionary grant award of \$99,000 (75-DF-04-0007) to create a securities fraud section, later designated as the Florida Securities Fraud Identification and Enforcement Unit. The initial grant period was from September 1, 1974, through January 31, 1976. Upon expiration of the initial grant, the project was continued and greatly expanded under a second award ("umbrella" grant) of \$600,797 (76-DF-04-0016) in LEAA discretionary funds for the period February 1, 1976, through July 4, 1978. The expanded project provided funds for the establishment and staffing of a securities fraud unit with statewide field offices. The project was awarded an additional \$271,086 (78-DF-AX-0110) in LEAA funds to continue its activities from July 5, 1978, through July 4, 1979. During the 1974-79 period of the three LEAA grants, a total of \$970,883 in federal funds was awarded to the project.

3. Project Goals and Objectives

Goals

The Florida Attorney General set forth two broad project goals to be accomplished during the initial grant period:

- o Establish a securities fraud section within the Enforcement Bureau of the Division of Securities.
- o Assess the securities fraud problem within the state.

This effort was greatly expanded with the award of the 1976 "umbrella" grant which set forth the following goal:

- o The proposed project is grounded in the belief that the citizenry of the State of Florida is entitled to certain protections from financial loss due to the illegitimate and fraudulent use of securities by organized criminals, who use a seemingly legal business venture to obtain their illegal ends. Thus, it shall be the goal of this project to structure and test a new approach to securities regulation which demonstrates the ability to control securities fraud in the State of Florida.

Objectives

The 1976 grant set forth the following objectives:

- o To measure the extent of the problem: To fully understand the problem of securities fraud in the State of Florida, it is essential that it be accurately measured. In this case, the Division of Securities will begin a period of extensive data collection designed to determine the nature and extent of securities fraud, the people involved, and the approximate financial loss. The Florida Department of Law Enforcement, under a different federal project, is maintaining an intelligence file on white collar crime activity in Florida. To avoid duplication of effort, this project will accomplish the following subordinate objectives:
 - To contribute 50 items of intelligence information to the FDLE intelligence file as pertains to the nature and extent of securities fraud and the people involved.
 - To make 20 evaluations of the potential or actual financial loss due to securities fraud.
- o To determine the methods utilized to perpetrate securities fraud in at least one type of securities fraud: To accomplish this objective, the Division of Securities will isolate at least one major type of securities fraud, and detail in report form the complete method of operation as compared to a legitimate transaction.
- o To determine the authority and responsibility relationships for enforcement of the fraudulent practices provisions of the Act: To accomplish this objective the Division of Securities will survey existing legislation to produce an analytical report to be forwarded to the Comptroller, the Organized Crime Control Council, and the Task Force on Organized Crime of the Governor's Commission on Criminal Justice Standards and Goals.

- o To develop and demonstrate a successful investigative technique for one type of securities fraud: To accomplish this objective, the Division of Securities will research and develop the investigative technique required for at least one type of securities fraud. This technique will be demonstrated and tested during an actual investigation. If successful, the technique will be documented for appropriate dissemination.
- o To develop and demonstrate a successful prosecution technique for one type of securities fraud: To accomplish this objective the Division of Securities, working in close coordination with the appropriate state attorney's office, will assist in the research and development of the prosecutorial technique required for at least one type of securities fraud. This technique will be demonstrated and tested during an actual prosecution. If successful, the technique will be documented for appropriate dissemination.
- o To sponsor 10 conferences with other criminal justice agencies responsible for enforcement of the fraudulent practices provisions of the Act, to foster a coordinated attack upon the problem: To accomplish this objective the Division of Securities will sponsor all such conferences required for successful completion of at least one case in one type of securities fraud.
- o To sponsor five conferences with representatives of the securities industry to foster their cooperation and participation in the enforcement of the Act.
- o To research and develop a "legislative package" designed to strengthen the Florida Securities Law, and create a model securities regulation program: To accomplish this objective the Division of Securities will forward the resulting document to the Comptroller for his review and approval, following which a "legislative program" will be designed around the document.
- o To provide for wide dissemination of the technology developed by this project: To attain this objective the Division of Securities will accomplish the following subordinate objectives:
 - To disseminate the final version of the report on prosecutorial technique to 20 state attorneys.

- To disseminate the final version of the report on method of operation and the report on investigation technique to 50 selected law enforcement/regulatory agencies.
- To disseminate the final version of the "legislative program" to three other states, the Task Force on Organized Crime, the Organized Crime Control Council, and Appropriate Committees of the Florida Legislature.
- To provide on-site technical assistance to five law enforcement agencies in the area of securities fraud investigation.
- To provide on-site technical assistance to three state attorneys in the area of securities fraud prosecution.
- o To increase the number of securities fraud cases filed in the State of Florida by 50%: This final objective is the primary focus of the project, and will be utilized as the major theme of the evaluation of the project's impact on Florida's criminal justice system.

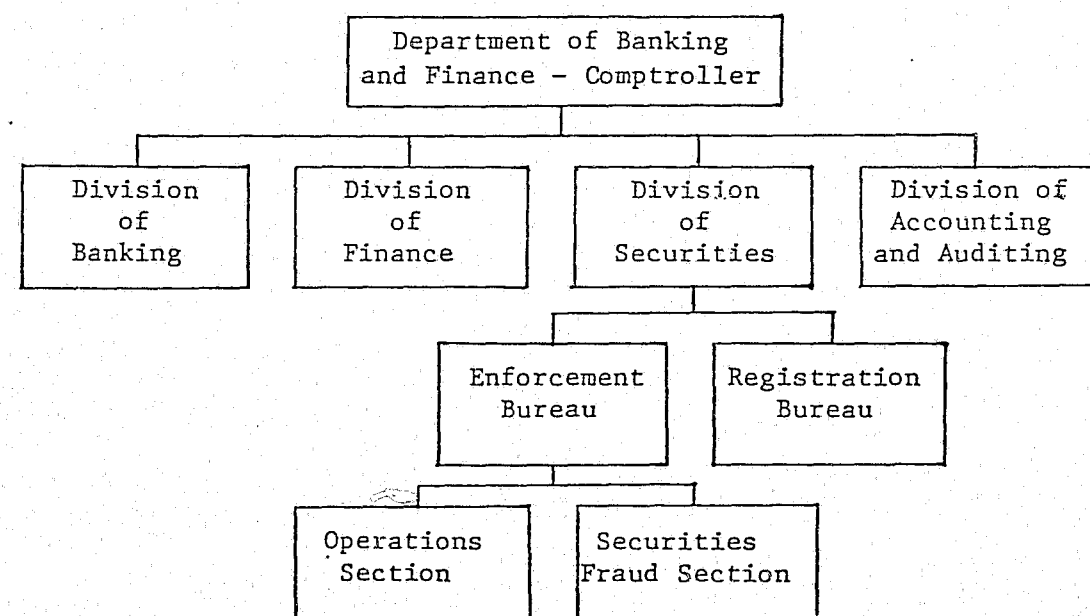
4. Project Organization, Structure, and Staffing

The project was located in the Enforcement Bureau of the Division of Securities of the Department of Banking and Finance; however, due to the great level of criminal justice response activity to land sales frauds occurring in the southern part of Florida, the bulk of project activity occurred in Palm Beach County during the initial grant period (1974-76). During this phase, project staffing consisted of an attorney who supervised the project, one securities registration analyst, three investigators, (one serving as an investigative supervisor), and a secretary.

Following the first grant period during which the project filed three civil actions and assisted in the first prosecution of a land fraud case, the project was continued on a greatly expanded basis with the award of the "umbrella" grant in 1976.

The 1976 grant was obtained by the newly elected state comptroller who established a Tallahassee based project headquarters and field offices in five separate state locations. Each field office was staffed with an attorney, two investigators, and a secretary. The original project organizational structure is shown in Exhibit 7.

EXHIBIT 7
FLORIDA PROJECT ORGANIZATIONAL STRUCTURE



The 1976 grant provided for six attorneys, eight investigators, two accountant/investigators, five secretaries, and one fiscal assistant. Funds were also provided for consultant/expert witness services

(accounting, tax, appraisal, court reporting, and securities analysis), travel, office equipment and furniture, telephone and copying service, information and evidence expenses, and office rentals.

The project never staffed all twenty-two grant funded positions during the period of the first grant. The Tampa field office was never staffed because of problems in finding qualified personnel and also because land fraud cases were already being prosecuted by an aggressive state attorney in a neighboring district. In May of 1977, the policy board recommended the closing of other project offices in Orlando and Jacksonville. Thus, by the end of the second grant period, there were only eight project staff members remaining. The West Palm Beach office remained as the primary field office during the project. The maximum number of employees on the grant payroll at any one time was seventeen, with twenty-six separate individuals having worked on the project during the twenty-nine month period. Some of the staff turnover was due to promotions of project personnel to positions of greater responsibility within the Comptroller's Office. By 1977, the Division of Securities had assigned thirty-nine state funded positions to the project in addition to the twenty-two positions authorized in the grant.

Midway in the second grant period, the project's management began to stabilize and within the first ninety days of the third grant period, (1978-1979), field offices were established and fully staffed in Fort Lauderdale, Palm Beach, Orlando, Tampa, and Tallahassee. Upon the expiration of the third grant, however, the project field offices were again substantially reduced. In the 1978 continuation grant, the focus of the project shifted from investigation to enforcement and

prosecution. The continuation grant funded six attorneys, three investigators, two secretaries, and one accountant. The same types of support services, equipment, and expenses provided for in the first grant were also provided for in the continuation grant.

Project staff were recruited from law schools, state personnel applicant registers, and as a result of intra-agency promotions. The securities investigators and registration analysts employed under the 1976 grant had various backgrounds, including an involvement with the initial securities fraud grant, banking investigations, military investigations, private investigations, land title searches, and legislative analysis. Project attorneys came from various backgrounds including prosecution, corporate law, land corporations, and private law practice.

5. Project Operations

Case Types

Florida reported a total of sixty project cases, the bulk of which involved land sales frauds during all three grant periods.

During the later stages of the project when land fraud investigations were either completed or in the process of completion, the project broadened its investigative focus to include other large scale frauds. These frauds had come to the project's attention through regular securities enforcement channels of the Comptroller's Office or self initiated by the project staff.

During the time span of the project the following types of frauds were investigated, civilly or criminally, by the project.

- 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

Case Origins

Complaints were received by the project from victims, law enforcement agencies, state attorneys, federal agencies, and consumer protection groups. Three investigations were project initiated.

Although the bulk of the project's sixty cases resulted from complaints from individual victims, at the time of the second grant award, over fifty companies and fifty mortgage brokers had already been identified as project targets from the Division of Securities own complaint and investigative files, or from prosecutive filings and documentation, or reports of other state and federal agencies.

Table 25 displays the primary sources of Florida's sixty project cases. The table indicates that private individuals referred nearly eight out of ten cases, with criminal justice agencies contributing one out of ten cases. Consumer agencies, regulatory agencies, and the state legislature did not make any significant number of referrals to the project.

Table 25

Florida
(N=50)

Primary Sources of Project Cases

Sources	% of Cases
Private individual	76
Criminal justice agency	14
Other executive agency	4
Project initiated	6
Private organization	0
Consumer agency	0
Regulatory agency	0
State legislature	0
TOTAL	100

Case Receipt Methods

Table 26 indicates that of the project's sixty cases, approximately six out of ten came in written or letter form, and nearly two out of ten through person to person meetings.

Table 26

Florida
(N=51)

Case Receipt Methods

Methods	% of Cases
Letter or written form	61
In person	19
Telephone	14
Project initiated	6
TOTAL	100

Case Screening and Selection Priorities/Assignment

The rationale and methodology used in complaint screening and case selection/prioritization/assignment can be generally divided into two distinct stages of the project based upon the project's stated purpose and evolutionary progress. During the first stage of the project, the vast preponderance of complaints were received at either the project's headquarters in Tallahassee or a field office pertaining to targeted land frauds. Victim complaints and case referrals were screened to determine their relevance to an ongoing investigation or identified land sales target. Once this determination was made, the complaint was forwarded to whichever field office was most appropriate for substantive review and assessment. Since these complaints were generally more akin to leads relevant to ongoing investigations, a decision was seldom, if ever, required to initiate a new land fraud case investigation. These complaints, while not necessarily a source of new cases, were nevertheless vital to the project's activities in that they identified potential victims, witnesses, and provided additional documentary evidence of frauds which could then be investigated by project staff. Land fraud sales case selection had, to a considerable degree, been pre-determined at the project's initiation since potential case targets had already been identified.

Case assignment during the main land fraud investigation stage was primarily determined by the logical sites of prosecution and ongoing investigative activity. Since all case work was under the ultimate management control of the project's headquarters in Tallahassee, case assignments could be shifted if the prosecution site changed from the jurisdiction of one field office to another; however, the majority

of cases were managed locally by the Palm Beach field office. All field personnel assisted in investigating leads and conducting other case activities as required.

As the project completed its primary investigations of land frauds, the project director selected other securities frauds for project investigation. While these cases were developed by the project, they either had been identified by the project staff or were matters which had been received through regular securities fraud enforcement channels in the Comptroller's Office and were in some stage of screening or preliminary investigation. In the latter cases, the project director generally reviewed them more in the manner of case referrals than a screening of initial complaints. The project director selected those, which by reason of their magnitude and complexity, were best suited to the project's enhanced investigative capabilities and expertise.

The criteria used by the project to select cases were as follows:

- o A large volume of complaints
- o A pattern of alleged fraud
- o A large number of victims
- o Significance and notoriety

These criteria were utilized exclusively in the selection of cases other than land frauds. In the primary project investigations involving land frauds, these criteria, while applicable, were not rigidly applied because major prosecutive targets had to a large degree already been identified. Thus, the aforementioned case selection criteria, while reflecting the characteristics of the land fraud targets which were in fact investigated, did not necessarily govern case

selection. While they did serve as selection criteria in other fraud cases in the later stages of the project, their main purpose in the first stage of the project was to guide land fraud investigation and prosecution resource allocations. In the later stages when cases other than land frauds were investigated, case assignments were made by the project director. These cases were either assigned to project staff located in Tallahassee or to staff located in the one remaining field office in Palm Beach County.

Case Investigation and Management

In 1974, the initial grant application set forth over fifty land companies and fifty mortgage brokers as potential targets. Preliminary investigations reduced the target list to twenty companies. Victims in the major land fraud case were identified throughout Florida, in thirty-five other states, and in five foreign countries. During the approximate fifty-eight months of project operations (1974-79) case management policies were developed and revised in accordance with the purposes of each grant which reflected essentially the evolution and status of the land fraud prosecutions.

During the first grant, the project provided direct support to land fraud prosecutions in Palm Beach County. Due to the turnover of project personnel during the grant period, case management processes could not be documented. Other project activities were conducted primarily in support of the Palm Beach County State Attorney. The project's sole field office in Palm Beach County was essentially the project's base of operations.

Formal management processes were introduced in the second grant period as a direct result of the promotion of the Palm Beach field office supervising attorney to project director. Guidelines were formulated in an attempt to standardize coordination and criminal investigative activities among all the field offices; however, these were later abandoned due to the complexity and dissimilarities of the cases. Instead, the project director personally monitored progress through the review of field office communications and reports, copies of which were routinely routed through the project's headquarters. Workload adjustments and case priorities were set by the project director, and specific guidance and advice was given to field staff members as a result of these reviews. Each field office, including the office in Tallahassee, had a supervising attorney who managed the activities of the field office investigative staff and who maintained liaison with state attorneys to whom specific investigative or other supports were being provided. Field supervisors were delegated considerable latitude in the conduct of investigative activities including the authority to assess complaints, including those relating to identified targets, and in assigning interviews of victims, and witnesses, and in assessing evidence.

Incoming complaints were preliminarily investigated, and if deemed meritorious, a request for a full investigation would be made. The Deputy Comptroller and/or the Director of the Division of Securities would issue an "order of investigation" authorizing a full investigation. Since both criminal prosecution and the administrative/civil authority of the Comptroller's Office could be potentially involved, initial case planning involved considerations ranging from

determining the restitution potential for victims to criminal prosecution potential.

The project's investigations were tailored to the needs of land sales fraud prosecutions in the first grant and to other land fraud cases which were only in the investigative stage in the beginning of the second grant. While the latter cases were clearly destined for prosecution, investigation had not proceeded to the point of prosecutor involvement. As a result, cases were essentially investigated, evaluated, and criminal charges drawn by the project before submission to a prosecutive jurisdiction for action. This practice of criminal case development solely within the project, without prosecutive guidance, drew criticism from local state attorneys and was aggravated by the lack of project staff experience. As a result, in the later stages of the second grant, following the aforementioned appointment, cases having criminal prosecution potential were coordinated with the appropriate prosecutor and with prosecutive strategies.

Subpoenas were obtained under the Comptroller's authority and project personnel were responsible for the evaluation of evidence obtained. Upon completion of an investigation, an investigator's prosecution report was prepared containing the results of the investigation, an outline of the criminal violations involved, and setting forth exhibits evidencing such violations.

Case management and support continued through prosecution in that the project provided technical experts, investigative support, and in numerous cases, project attorneys were sworn in as assistant state attorneys to aid in the preparation and trial of project cases.

While the civil authority of the comptroller was used to obtain injunctions and other remedies, restitution to victims could not always be obtained. Since the fraudulent activity could not be effectively stopped through civil enforcement, and since the criminal conduct was often so aggravated, the project's thrust was primarily to support criminal prosecution.

Case Activity Analysis

Nearly four out of ten of the project's sixty cases were referred for criminal prosecution, nearly four out of ten were retained for civil penalty or sanction, and less than one out of ten was referred to other agencies for action (e.g. to other states for prosecution or sanction). Two out of ten cases were in a pending status at the time of data collection. In less than one out of ten of the project's cases, prosecution and/or other sanctions were not deemed warranted and these cases were administratively dismissed. (See Table 27.)

Table 27

Florida
(N=60)

Project Case Closures

Case Closed by	% of Cases
Referral for criminal prosecution	35
Civil penalty or sanction	35
Referral to other agency	3
Pending	23
Official administrative dismissal	3
TOTAL	99

Table 28 displays the time duration of cases from project opening to project closure. One out of ten cases was closed in two months or less, two out of ten in six months or less, nearly four out of ten in a year or less, and nearly three out of ten cases took longer than one year to close.

Table 28

Florida
(N=60)

Case Time Duration

Project Opening to Project Closing

Months Duration	% of Cases
0-2	10
2-6	10
6-12	17
12-24	13
Over 24	12
Pending	39
TOTAL	101

Table 29 indicates the length of time from project case opening to final prosecutive or civil penalty or sanction disposition. The data show that two out of ten cases took longer than two years to reach disposition. This table shows only cases referred for prosecution or sanction, and does not include cases in pending status at the time of data collection.

Table 29

Florida
(N=34)

Case Time Duration Project Opening to Final Disposition	
Months Duration	% of Cases
0-2	9
2-6	18
6-12	29
12-24	21
Over 24	23
TOTAL	100

6. Project Case Dispositions/Outcomes

The primary focus of the project was criminal and civil prosecution of the land fraud cases. The department's civil authority was fully utilized in these cases, including injunctions, fines, and, in the latter stages of the project, restitution. Prosecution of criminal cases was closely coordinated with various state attorney offices and these cases were supported by project investigative and legal expertise through trial. A large percentage (70%) of project cases was prosecuted or civilly sanctioned.

Criminal Charging Actions

All of the charges filed in Florida were for felony violations. There were a total of forty-three cases involving 104 individuals and organizations charged with crimes. Over seven out of ten cases involved two or more individuals or organizations.

Criminal Disposition Actions

Table 30 indicates that in nearly eight out ten cases where a judicial disposition of a criminal case occurred, at least one individual was found guilty. Over three out of ten cases involving organizations resulted in convictions.

Table 30

Florida

Criminal Disposition Actions				
Type of Disposition	Actions against individuals		Actions against organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Charges dropped by prosecutor	5	2	6	4
Dismissed prior to trial	1	1	3	3
Guilty plea to original charge	19	10	3	2
Guilty plea to lesser charge	1	1	0	0
Conviction on all counts	4	4	2	1
Conviction on some counts	0	0	0	0
Acquittal on all counts	2	0	0	0

Criminal Case Sentences

In eight cases, a total of thirteen individuals were sentenced to terms in jail or prison, with three of these cases resulting in terms in excess of twenty years. In eighteen cases, thirty-five individuals were sentenced to probation or received suspended jail or prison sentences. Seven of these sentences exceeded ten years. Fourteen cases resulted in fines totalling \$397,300 being assessed against sixteen individuals and two organizations. Restitution was ordered by the court in eleven cases involving fourteen individuals and one organization, totalling \$2,380,447. (See Table 31.)

Table 31

Florida

Criminal Case Sentences

Case Result	No. of cases	No. of individuals	No. of cases	No. of organizations
Jail sentence	8	13		
Probation/ suspended sentence	18	35		
Fines	12	16	2	2
Court ordered restitution	10	14	1	1

Civil Penalties and Sanctions

Table 32 displays the various civil penalties or sanctions assessed in the cases handled by this method. The most common sanction was an injunction (thirty-one cases), with an order to cease and desist a prescribed form of conduct occurring in three cases.

Table 32

Florida

Civil Penalties or Sanctions

Type of Disposition	No. of individuals		No. of organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Injunctions	18	12	13	2
Orders to cease & desist	1	1	2	1
License suspension	0	0	0	0
License revocation	0	0	1	1
Consent agreement	2	1	0	0
Other	0	0	0	0

Voluntary Restitution

There were no reported cases of voluntary restitution in Florida.

Other Outcomes

At an early stage of the grant, project attorneys attempted to use the equity powers of the courts to compel restitution; however, an appellate court decision held that the Comptroller was without authority to seek such a remedy. Project attorneys then began trying to secure court appointed receivers to recover funds on behalf of victims in conjunction with actions for injunctive relief. In 1978,

the Comptroller successfully requested the state legislature to amend the state law and allow the Comptroller to seek restitution. It was the project staff's belief that the recovery of some of the investments through restitution was far more effective than injunctive relief.

Appropriate investigative and prosecutive techniques were formulated and tested during the initial grant period. As a result, the project developed a securities investigations manual containing sources of information, priorities, case opening procedures, interviews and documentary examination techniques, preservation of evidence, news media policies, and procedures governing specialized investigations. In addition, various trial techniques which proved successful were made available to other prosecutors upon request.

A subjective, as well as an objective analysis of the overall effort, indicated that the project, in conjunction with local state attorneys, did in fact have a major deterrent effect on land sales/mortgage fraud schemes within the State of Florida. This effect is based upon the very minimal number of land fraud victim complaints received following the prosecution of project land fraud cases.

F. SECURITIES FRAUD DETECTION, IDENTIFICATION, AND ENFORCEMENT PROJECT - ALABAMA SECURITIES COMMISSION

1. Project Initiation and Background

Pre-existing Conditions

During the 1963-67 term of a former Alabama Attorney General, at which time the Attorney General also served as the State Securities Commissioner, a variety of serious abuses in securities transactions occurred. There had been a great increase in public securities offerings within the state during this period, and a large number of victimizations resulted from fraudulent practices involved in these offerings. Among the documented abusive practices which occurred in the regulation of securities during this period were the following:

- o lack of detail in prospectus information
- o lengthy stock subscription periods
- o exorbitant price escalations
- o high offering expenses
- o favoritism to particular lawyers

In addition, it was revealed that the Attorney General's Office had received certain investigation fees and had used these fees for questionable purposes.

A state legislative committee investigated these reported irregularities and found that an estimated two-thirds of the \$100 million in securities sold intrastate during the period 1960-67 were worthless by 1968. In 1968, the aforementioned former Attorney General was convicted of extortion in a securities related transaction.

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. It was estimated that nearly \$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 by removing securities regulation as an exclusive authority of the Attorney General's Office and vested the authority in a newly created Alabama Securities Commission.

In the early 1970's, due to the lack of activity of the commission staff, the commission gradually abdicated some of its independent investigative and enforcement authority back to the Attorney General's Office.

In 1975, the commission appointed a new director. The new director began concerted efforts to reassert the independent regulatory and enforcement authority of the commission. In addition, staffing changes and policy revisions occurred in an effort to increase the effectiveness of the commission's regulatory activities. Within a relatively short time after the commission commenced a more aggressive, independent enforcement posture, fraudulent schemes in oil and gas leases and other schemes involving insurance companies were detected by commission investigators.

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. One of the reported results of this reassessment was that numerous professional and 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 in carrying out the Act was the increasing volume of complaints. Complaints received by the commission doubled between 1975 and 1976 and resulted in major problems in processing and investigating this large volume. The commission lacked sufficient resources to investigate the increasing caseloads. As a result, the commission applied for an LEAA Major White Collar Crime Program grant.

This grant was awarded in July 1977. The primary purpose of the grant was to establish 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 prosecuting violators of state criminal laws. The Alabama District Attorney's Association unanimously endorsed the proposed project and the strike force concept. In addition, a securities fraud strike force advisory council was established to assist the commission in administering the project. The advisory council was composed of commission members, the Attorney General, the Alabama Department of Public Safety, local district attorneys, and local law enforcement agencies. The council was designed to provide necessary policy and direction to the project, to ensure that additional investigative resources would be available, and to provide a working liaison for the referral of project cases for criminal prosecution.

Legal Authority

The Alabama Securities Commission is the state agency which enforces the Alabama Securities Act.

In 1968, the State of Alabama enacted the Alabama Securities Act as additional legislation to protect investors from fraud and to preserve legitimate capital markets. The 1968 legislation required registration of securities, dealers and salespersons, and provided civil, administrative, and criminal remedies for violations. The act expanded the commission to five members: the Attorney General, the Superintendent of Banks, the Commissioner of Insurance, an attorney, and a certified public accountant. The latter two members are appointed to the commission by the Governor. The commission members serve to buffer the commission staff from political or vested interests. During the 1975 Session of the Alabama Legislature, the securities laws were codified into the 1975 Securities Act of Alabama.

Alabama law protects each of the commissioners from civil liability to investors, applicants, or others for their actions, absent proof of corruption. The commission appoints a director under the merit system who can be discharged only for just cause. The director is required to be a member of the Alabama Bar Association. The commission also promulgates rules and regulations which further delineate its statutory authority.

The Act granted the Alabama Securities Commission the authority to conduct both examinations and investigations, including the authority to self-initiate investigations. The commission also possesses the power to require sworn statements and issue subpoenas, and search warrants may be applied for through either local district attorneys or directly to a judge. The act also authorizes the commission director to make application for arrest warrants.

The commission is also responsible under the act for the registration of securities offerings, registration of securities dealers and salespersons, and enforcement of antifraud provisions and statutory requirements relating to securities transactions.

Institutionalization

The Alabama Securities Fraud Detection, Identification, and Enforcement project was effectively integrated into the existing staff of the Alabama Securities Commission in 1979 upon the completion of the grant period. The project is now funded entirely out of state appropriations.

The commission has experienced considerable growth during the last five years. In 1975, its state budget was \$95,000; in 1980, its state budget increased to \$500,000. To a large extent, the Commission's growth is attributed to the enforcement activities of the project.

2. Grant Overview

The Alabama Securities Commission was initially awarded \$200,000 in LEAA Major White Collar Crime Program funds (77-DF-04-0011) for the period July 1, 1977, through December 31, 1978, to establish a statewide securities fraud enforcement effort. The project was entitled, "Securities Fraud Detection, Identification, and Enforcement Project." This grant was subsequently extended with no additional grant funding to March 31, 1979. A supplemental award in the amount of \$80,593 to continue the project began April 1, 1979, and ended December 31, 1979. Total grant funding of the Alabama project amounted to \$280,593.

In addition to providing funds to establish a "strike force" capability within the commission, the grant also provided funding for general office expenses including rental of office space, telephones, reproduction, automobile maintenance, court reporter transcripts, and staff travel. In addition, funds were provided to develop training manuals and other aids, and to conduct statewide training programs.

3. Project Goal and Objectives

One broad goal and seven specific objectives were stated in the project's original grant application, as follows:

Goal

- o The broad goal of the strike force is to rid the State of Alabama of its substantial and entrenched organized crime connected securities swindlers by criminal prosecution.

Objectives

- o Increase substantially and measurably by appropriate liaison and cooperation the criminal prosecution of swindlers.
- o Coordinate by cooperation the efforts of all agencies with responsibilities for detection, identification, apprehension, and prosecution of securities fraud criminals.
- o Add substantial contribution to consumer protection efforts in education of public investors in avoiding securities fraud schemes and white collar crimes, through the publicizing of prosecuted violations.
- o Intensify and increase criminal filings against securities violators; develop a high volume of such quality cases that successful prosecutions cannot be denied; this to be accomplished by development of technically acceptable evidence to provide support and assistance for prosecution at all levels.
- o Reduce the population of professional "superfraud," syndicated crime connected thieves.

- o Maintain a reliable central information file on securities violators, schemes, etc.
- o As a result of increased securities enforcement and regulation, assist the State of Alabama to obtain a triple A bond rating for its municipal and state bonds.

In 1979, the continuation grant request listed the following objectives, in addition to those set forth in the original grant:

- o Existing personnel from the commission's original grant will be carried forward and continued on this project. Other specialized experts will be retained on an as-needed basis from grant resources.
- o Project personnel and resources will be assigned to investigate the case and prepare it for prosecution. However, it will be the sole responsibility of the affected district attorney to exercise his discretion as to what matters are prosecuted within his jurisdiction. District attorneys will inform the project director of all criminal actions filed and all convictions resulting directly from grant assistance.
- o At least once per month during the grant period, project staff will meet with appropriate federal, state, and local law enforcement officials to communicate and share data and strategy. Intelligence will be shared, tactics discussed, and progress reports exchanged.
- o In order to identify victims, lists of corporate investors will be secured from subpoenaed corporate records. Also, a formalized procedure will be established between project personnel and consumer protection agencies who routinely receive complaints appropriate for project consideration.
- o A trial manual and training program for prosecutors will be developed. The manual will be disseminated via the State District Attorney's Association.

Included in the manual will be:

- Suggested patterns for questioning of expert witnesses.
- Suggested opening and closing arguments setting forth the elements of proof and the impact of this type of white collar crime on the victims and the economy of the State.

The emphasis of the manual will be on aspects of civil law which impact on the criminal prosecution of securities fraud laws.

- o The legitimate securities industry will be kept informed of developments in fraudulent securities practices. Meetings will be held with representatives of the securities industry and they will be encouraged to alert customers to the most current schemes.
- o Following or concurrent with civil or criminal proceedings, the project attorney will move for disgorgement of fraudulently procured investments. No accurate figure can be calculated for the total amounts that may be returned to investor victims. However, it is believed that a conscientious effort on the part of project personnel could realize a significant return to victimized citizens.
- o The Investigations and Enforcement Unit will sponsor one seminar relating to state prosecution of securities frauds.

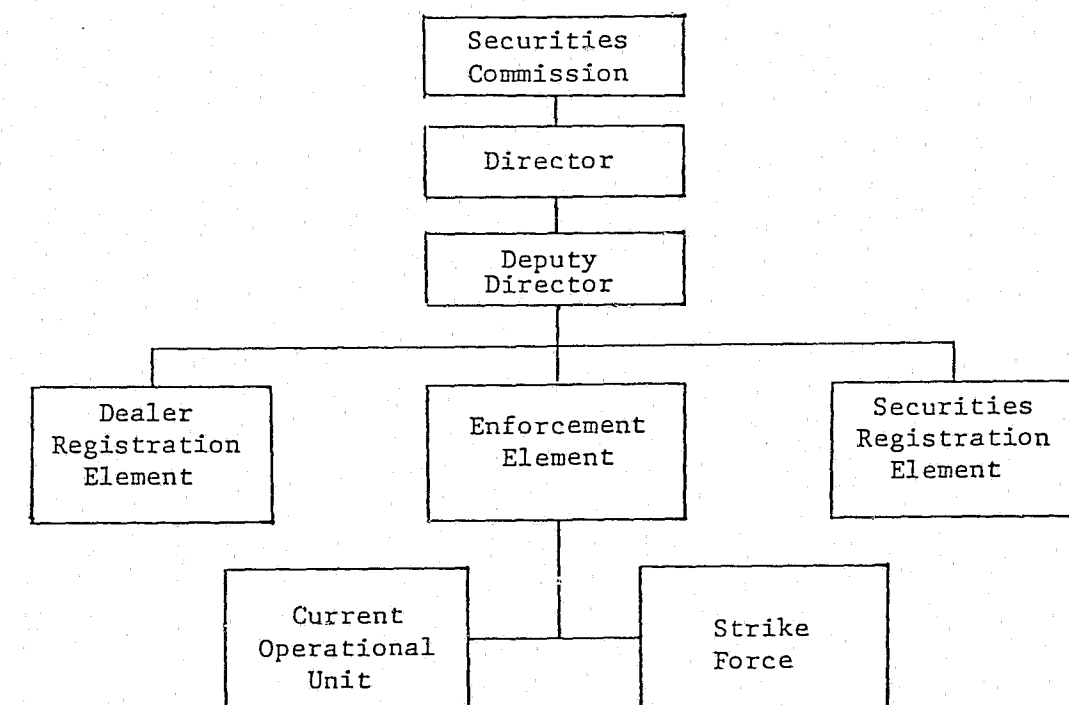
In addition to enhancing interagency cooperation, the commission pledged also to continue the coordination of administrative actions, civil litigations, and public awareness programs as well as to developing criminal prosecutions.

4. Project Organization, Structure, and Staffing

The appointed 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. The deputy director 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 the completion of the grant, project staff and commission staff were combined into one staff and assigned as needed to either the strike force or the operational units in order to allow for a more efficient and expeditious handling of complaints. The organizational structure evolved during the grant period to the configuration shown in Exhibit 8.

EXHIBIT 8
ALABAMA PROJECT ORGANIZATIONAL STRUCTURE



Project grant funded positions were as follows: one supervisor, one attorney, one securities accounts examiner (auditor), one securities examiner (investigator), and two secretarial support positions. The state funded unit was comprised of two securities accounts examiners, one securities examiner, and secretarial support.

The duties of the project attorney included providing advice on securities laws, initiating and litigating administrative and civil actions, and providing legal assistance to district attorneys, the Attorney General, and other prosecutors in criminal trials. Securities accounts examiners primarily examined and conducted audits of books and accounts of persons and entities under investigation. Securities examiners prepared investigative reports, gathered evidence, interviewed witnesses, and prepared exhibits.

Project staff primarily consisted of individuals experienced in securities registration and enforcement in other states, or individuals having federal or military investigative backgrounds. Some staff members had accounting and fiscal backgrounds and experience. All project staff were selected through the state merit system applicant registers.

The project experienced some difficulty in the acquisition and retention of the staff attorney, thus complicating the prosecution support task. Nearly a year passed before the project attorney position was filled, and then only through the assignment of an assistant attorney general. Another difficulty stemmed from the large number of complaints received by the project. The volume caused investigators to spend an inordinate amount of time on casework, and fewer liaisons with other agencies were effected than expected in the early stages of

the project. When a local agency referred a case to the commission, the local agency generally worked with the commission staff on the case.

5. Project Operations

Case Types

Review of the sixty-two project cases in Alabama indicated the following types of fraud investigations by the project:

Worm farm investments	13
General investments	8
Energy related (oil, gas, coal)	7
Stock	6
Advance fees	6
Franchises	6
Insurance	2
Limited partnerships	2
Church bonds	2
Others (money orders, corporate notes, bankruptcy, etc.)	10

Case Origins

Complaints were referred to the commission from citizens, state regulatory agencies (revenue, insurance, banking), law enforcement agencies, other state agencies, and private groups, such as the Better Business Bureau. Table 33 displays the primary sources of Alabama's sixty-two project cases. The table indicates that private individuals referred nearly four of ten cases, with project initiated

investigations contributing another three out of ten cases. Consumer agencies and the state legislature did not make any significant number of referrals to the project.

Table 33

Alabama
(N=58)

Primary Sources of Project Cases

Sources	% of Cases
Private individual	38
Project initiated	34
Regulatory agency	12
Criminal justice agency	9
Other executive agency	5
Private organization	2
Consumer agency	0
State legislature	0
TOTAL	100

Case Receipt Methods

Complaint reports were prepared on all allegations of violations whether derived from telephone calls, personal contacts, written documents, file reviews, or other sources and forwarded to the deputy director within five days of receipt. Of the commission's total project caseload of sixty-two cases, over three out of ten came in written or letter form, and over three out of ten were initiated by project staff. (See Table 34.)

Table 34

Alabama
(N=56)

Case Receipt Methods

Methods	% of Cases
Letter or written form	34
Project initiated	34
Telephone	24
In person	8
TOTAL	100

One technique utilized by the commission to self-initiate investigations was the regular monitoring of financial advertisements in major newspapers in Alabama for potential securities violations. Questionable advertisements were handled in two ways. In some cases, the investigator wrote a letter advising the advertiser of possible violations of law. Since the commission policy is that most violations are unintentional, it prefers to handle them in this manner. In other cases, however, an investigator covertly responded to an advertisement as a potential private investor. This approach was used in cases where the investigator believed a willful fraud was being perpetrated.

Case Screening and Selection Priorities/Assignment

The project's philosophy was to initially process all complaints as potential criminal cases, giving priority to criminal cases once identified. The commission deputy director screened complaints to

determine potential violations and to determine whether the commission was the appropriate investigating agency. The following screening criteria were utilized by the deputy director to determine whether to open a case investigation:

- o Is the complaint credible?
- o Does the commission have investigative responsibility?
- o Is there a culpable suspect?

Complaints were either filed for future reference or opened as cases for investigation. When a case was opened, it was immediately assigned for preliminary investigation to determine merit.

In general, cases were selected based upon their potential for correcting, preventing, or deterring significant violations. Among the more important considerations underlying the commission's priorities for project case selection were the following:

- o Will the case be a good test case to help resolve any existing issues in regard to Alabama securities case law?
- o Does the case involve a known recidivist?
- o Is the case indicative of a new trend in investment fraud?
- o Is the offer particularly flagrant?

Case Investigation and Management

Securities fraud cases generally require extensive case management and control. One investigative difficulty encountered by the project was the large number of companies soliciting investors who were headquartered out-of-state and therefore beyond the subpoena authority of the commission. Another complexity was the difficulty in

establishing whether securities violations had in fact occurred in the initial stages of new investment schemes.

The commission deputy director assigned all investigations to one of the two investigative units by means of written memorandum which included the elements for an investigative plan as required. The deputy director also assigned priorities to assigned cases. All open cases were reviewed by the deputy director with the case investigator and the investigative supervisor.

Case investigators prepared interim and final reports for all investigations which were submitted to the deputy director for review and approval. As appropriate, reports were forwarded to other agencies for independent action. In addition, and at any stage of commission investigation, project investigators and attorneys held frequent meetings to discuss current investigations. Reports of investigations summarized violations, and included a narration of the investigation, including the individuals and organizations involved, known facts, expected witness testimony, evidence, anticipated defenses, and investigative recommendations. When an investigation was completed, it was presented to the staff counsel for review and concurrence. Following legal review and approval, the case was presented to the director for prosecutive decision and action.

The commission worked closely with the U. S. Attorney and other federal agencies in matters of common interest. However, local Alabama district attorneys exhibited the greatest interest in prosecuting project cases. The commission director reviewed available jurisdictions and selected the most appropriate prosecutor based upon case complexity and local capabilities. It is the sole responsibility of

the various Alabama district attorneys to determine whether referred cases will be prosecuted by their office. Commission attorneys and investigators spent considerable time in assisting local prosecutors with project cases accepted for prosecution.

In 1979, the Alabama legislature granted additional authority to the commission to prosecute cases if local district attorneys, or even the Attorney General, refuse to prosecute. By the beginning of the second year of the grant, however, the unit project was working so closely with local district attorneys that this authority was never utilized. As many as six separate district attorneys have been assisted in the prosecution of referred cases at the same time. In addition, the project reported that additional investigative assistance was provided to district attorneys in eighteen of twenty cases referred for prosecution.

The commission's investigative case files supported the project's investigative processes, including case screening. Commission (and project) files are designated as investigative files or information files. In addition, a grant funded, manual indices of relevant intelligence data was created. Project investigative case files contain all documentation pertaining to formal commission investigative activities. Information files are comprised of all complaints, inquiries, or lead data received by the commission/project which are not a part of any formal investigation of the commission. The manual indices serve as a "central clearinghouse" of criminal intelligence relating to the securities industry and contain nationwide data on illegal activities or suspected illegal activities and their perpetrators.

Case Activity Analysis

Nearly two out of ten of the project's sixty-two cases were referred for criminal prosecution, nearly three out of ten were retained for civil penalty or sanction, and less than one out of ten was referred to other agencies for their appropriate action (e.g. to other states for prosecution or sanction). One out of ten cases was in a pending status. In three out of ten of the project's cases, prosecution or other sanction were not deemed warranted and they were administratively dismissed. (See Table 35.)

Table 35

Alabama
(N=62)

Project Case Closures

Case Closed by	% of Cases
Referral for criminal prosecution	19
Civil penalty or sanction	29
Referral to other agency	8
Official administrative dismissal	34
Pending	10
TOTAL	100

Table 36 displays the time duration of cases from project opening to project closure. Nearly two out of ten cases were closed in two months or less, nearly four out of ten in six months or less, and six out of ten in a year or less. Only one case took longer than two years to close.

Table 36

Alabama
(N=62)

Case Time Duration Project Opening to Project Closing	
Months Duration	% of Cases
0-2	19
2-6	18
6-12	26
12-24	18
Over 24	2
Pending	18
TOTAL	101

Table 37 indicates the length of time from case opening to final prosecutive or civil penalty or sanction disposition. The data show that only one out of ten cases took longer than two years to reach disposition. This table shows only cases referred for prosecution or sanction, and does not include pending cases.

Table 37

Alabama
(N=20)

Case Time Duration Project Opening to Final Disposition	
Months Duration	% of Cases
0-2	25
2-6	10
6-12	30
12-24	25
Over 24	10
TOTAL	100

6. Project Case Dispositions/Outcomes

Project case results can be categorized in terms of administrative, civil, or criminal sanctions. Project administrative actions included temporary or permanent cease and desist orders, consent orders, stop orders, or recession orders. Civil actions included temporary restraining orders, permanent injunctions, or the appointment of receivers. Criminal actions included grand jury indictments, arrests, extraditions, trials, incarcerations, probations, fines, or restitutions. Criminal sanctions were given first priority by the project and the commission.

According to U.S. Securities and Exchange Commission records, the Alabama Securities Commission, during federal fiscal year 1977-78, issued twenty-three cease and desist orders, three administrative orders, and was involved in thirty criminal actions. The commission's cease and desist activity was the nation's eighth highest, while the commission's criminal prosecution of securities crimes was ranked third most active in the United States.

Criminal Charging Actions

During the eighteen month grant period, the project presented sixteen completed investigations to local and federal prosecutors. Action taken on these cases resulted in sixty-eight indictments, twenty-four arrests, and eleven convictions. There were eight cases prosecuted involving felony charges against individuals, and one case involving a misdemeanor charge. Half of these cases involved charges against more than one person.

Criminal Disposition Actions

Table 38 indicates that in over seventy per cent of the cases where a judicial disposition of a criminal case occurred, at least one individual was found guilty.

Table 38

Alabama

Criminal Disposition Actions

Type of Disposition	No. of cases where action occurred	No. of cases involving more than one individual
Charges dropped by prosecutor	3	3
Dismissed prior to trial	0	0
Guilty plea to original charge	4	2
Guilty plea to lesser charge	0	0
Conviction on all counts	2	0
Conviction on some counts	2	0
Acquittal on all counts	0	0

Criminal Case Sentences

Table 39 shows that in three cases, a total of four individuals were sentenced to terms in jail or prison, no term being in excess of ten years. In three cases twelve individuals were sentenced to probation or received suspended jail or prison sentences. Again, no sentence exceeded ten years for any one individual.

Three cases resulted in fines being assessed against four individuals. The fines totalled \$10,000. Restitution was ordered by the court in three cases involving six individuals in the total amount of \$93,800.

Table 39

Alabama

Criminal Case Sentences

Case Result	No. of cases	No. of individuals
Jail sentence	3	4
Probation/suspended sentence	3	12
Fines	3	4
Court ordered restitution	3	6

Civil Penalties or Sanctions

Table 40 displays the various civil penalties or sanctions assessed in the cases handled by this method. The most common sanction was an order to cease and desist a prescribed form of conduct.

Table 40

Alabama

Civil Penalties or Sanctions

Type of Disposition	No. of individuals		No. of organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Injunctions	3	3	2	0
Orders to cease & desist	11	7	10	1
License suspension	1	1	0	0
License revocation	1	0	0	0
Consent agreement	2	1	3	0
Other	1	0	1	0

Voluntary Restitution

No voluntary restitution was reported by the Alabama project.

Other Outcomes

One important objective of the project was to improve the rating for Alabama bond issues. Although this was not fully achieved, a much more favorable financial atmosphere was reported to have resulted in the state.

Project cases led to the development of basic Alabama case law in the area of prosecution of securities violations and other white

collar frauds. An Alabama Supreme Court case, recently decided on appeal, broadened the statutory definition of "securities" in accordance with the definitions existing in most other states.

In the area of prosecutor training and assistance, the project developed a trial assistance manual to aid local district attorneys in prosecuting securities violations. The manual was developed jointly with the North American Security Administrators Association. District attorneys and their assistants constituted an average of thirty per cent of project training seminar attendees. Also, a legal brief file is maintained and available for use by local and state prosecutors.

The commission also developed, printed, and disseminated a comprehensive white collar crime enforcement manual for the use of Alabama law enforcement agencies.

CHAPTER IV. 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 II. 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. As detailed later in this chapter, 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.

<u>SITE</u>	<u>PROJECT CASES OPENED</u>
New Jersey	613
Massachusetts	177
Delaware	156
Florida	60
Alabama	62
<hr/>	
TOTAL	1,068

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

1. Case Origins

Private individuals were the greatest source of 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 41 displays these case sources.

Table 41

Source of Case	Primary Sources of Project Cases				
	Regulatory Agencies		Criminal Justice 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 suggest 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 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, ranging from three in ten to eight in ten at the other sites. The Massachusetts project received most of its complaints in person (nearly half), and the Alabama site had a high rate of project initiated cases (over three in ten), as compared to the other sites. Table 42 displays these methods in which cases were received.

Table 42

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 to maintain a dedicated complainant interview capability. Rather than utilizing a complaint intake function as a "buffer" to supervisory or operational functions, written and telephone receipts are more amenable to processing of complaints through routine channels. 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 who serve as case detection and referral sources.

3. Case Activity Analysis

Project Case Closures

Each of the projects referred over one out of ten cases for criminal prosecution, with one project (Florida) referring over three out of ten. The two regulatory agency projects, Alabama and Florida, retained about three in ten cases for civil penalty or sanction.

The number of pending cases ranged from one out of ten to nearly half of the cases at any site. These cases presumably were still in some stage of preliminary activity at the time of the evaluation's collection of case data.

Alabama and Delaware administratively dismissed cases to a greater degree than other projects: about four out of ten for Delaware and over three out of ten for Alabama, compared to about two out of ten for New Jersey and Massachusetts, and less than one out of ten for Florida. New Jersey and Delaware each referred over two out of ten cases to other agencies, with the other sites referring less than one out of ten. (The dispositions of these referrals were not recorded by the projects.) The regulatory agency projects referred fewer cases to other agencies than did criminal justice agency projects as a group. Project case closures are displayed in Table 43.

Table 43

Case Closed By	Project Case Closures 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
Pending	10	23	19	45	27
Official administrative dismissal	34	3	39	18	24
TOTAL	100	99	100	101	101

As project case closures are dependent upon project policies governing case screening, selection, and referral, interpretation of site data for interjurisdictional comparison is subject to severe limitations. Rather, these data are of value only in viewing case closure activity in individual sites.

Case selection criteria and referral mechanisms were used in all projects. One other inference drawn from closure data is that regulatory projects routinely exercised their administrative and civil penalty or sanction authority on cases wherein criminal prosecutions were not obtained. Due to the lack of outcome data on the majority of criminal justice project case referrals, no inferences were drawn regarding disposition or lack thereof in these sets of cases. The sizeable volume of pending cases is suggestive of the long duration of the cases from opening to closure.

Case Time Duration - Project Opening to Project
Closing to Final Disposition

The term "screening" refers to the processing of cases upon receipt to determine appropriateness for investigation for ultimate criminal prosecution or civil penalty or sanction. In this regard, the five sites closed from one out of ten to nearly four out of ten cases within two months of case opening. New Jersey tended to have cases open for the longest period, with three cases in ten lasting more than one year.

The number of pending cases ranged from about two out of ten to six out of ten of the cases opened at each site. Table 44 displays these results. A further analysis of data not displayed in Table 44 indicated that of those cases closed by the projects (excluding pending cases), from one-third to two-thirds were closed within six months of opening.

Table 44

Months Duration	Project Opening to Project Closing 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

CONTINUED

2 OF 3

Indicative of the application of both screening and selection criteria to project cases are the temporal durations involved. While interjurisdictional comparisons of these data are not considered valid, the comparatively large percentage of closures within sixty days of receipt at individual sites is indicative of project screening processes and application of case selection criteria. The sizeable number of cases closed after six months and those closed after one year, reflect the complexity of those cases selected for investigation and prosecution. Due to speedy trial rules, much of the case longevity can be attributed to investigation, although data pertaining to the length of investigations was not uniformly available from project files.

Final disposition dates were given when a case resulted in a judicial disposition or civil penalty or sanction. For this group of approximately 162 cases, final disposition actions took more than one year for over two out of ten cases at each site, with the length of time necessary for final disposition varying from site to site. (See Table 45.)

Table 45

Months Duration	Case Time Duration Project Opening to Final Disposition				
	Regulatory Agencies		Criminal Justice Agencies		
	Alabama (N=20) %	Florida (N=34) %	Delaware (N=20) %	Massachusetts (N=39) %	New Jersey (N=50) %
0-2	25	9	25	18	7
2-6	10	18	25	15	2
6-12	30	29	25	23	18
12-24	25	21	25	36	35
Over 24	10	23	0	8	38
TOTAL	100	100	100	100	100

Comparison of Case Time Duration for Special Categories of Cases

Cases closed by agency administrative dismissal were compared to all cases closed as a group. All sites (except Florida) had from nearly two out of ten cases to nearly four out of ten cases closed by administrative dismissal (Florida only closed a total of two cases in this manner). In an extended analysis (not displayed in tabular form), the duration from case opening to the project case closure was measured. The New Jersey site took about four months longer to administratively close cases than it took to close all cases in general; the Alabama, Delaware, and Massachusetts sites showed no appreciable differences in handling; and the Florida site only closed two cases in this manner.

With regard to cases closed by a referral to other agencies, only the Delaware, Massachusetts, and New Jersey sites had more than five cases which were closed in this manner. The Massachusetts site took about two months longer to close cases by referral to other agencies, while the Delaware and New Jersey sites closed cases by referral to other agencies about two months sooner than they closed all cases in general.

Cases closed by civil penalty or sanction tended to close two to three months quicker than all cases in general in the Alabama and Florida sites (the two regulatory agency projects). The three criminal justice agency sites reported mixed results (although a smaller percentage of cases were reported to have been referred for civil penalty or sanction at these sites). Delaware closed cases by referring them for civil penalty or sanction action more quickly than all cases in general. Massachusetts showed no difference; and New Jersey took slightly longer to close cases in this manner.

C. PROJECT CASE DISPOSITIONS/OUTCOMES

1. Initial Charging Action

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. (See Exhibit 9.)

EXHIBIT 9

Project	Charging Action	
	Indictment	Formal Accusation
New Jersey	Primary	Secondary
Massachusetts	Primary	
Delaware	Primary	Secondary
Florida		Primary
Alabama	Primary	

2. Criminal Charging Actions

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. (All of the following comparisons in this section use the number of cases charged as a base, with Table 46 summarizing project charging actions.) 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 around 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.

Table 46

Charge	Criminal Charging Actions			
	Individuals		Organizations	
	No. of cases	Per cent of cases	No. of cases	Per cent of cases
Felony	106	67	26	81
Misdemeanor	52	33	6	19

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. At the time of data collection, the project had only been in existence fourteen months after a total reorganization (the project had been first initiated by a prior attorney general and was virtually non-operational at the time of reorganization). 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. In addition, the percentage of cases involving two or more individuals is inferential of the criminal conspiracies involved in major white collar crimes.

3. Criminal Disposition Actions

Aggregate criminal disposition actions are presented in the tables in this section. 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).

Criminal penalties and civil sanctions, including fines and restitution, are set forth in the following sections. 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).

When all five sites are compared together, an average of eight out of ten cases where criminal dispositions occurred involved individuals who were found guilty of criminal acts (all references in this section have as a base the number of cases where criminal disposition actions occurred). Nearly one out of ten cases included an individual against whom the prosecutor dropped all charges, and nearly one out of ten cases resulted in an individual being acquitted or having charges dismissed by a court. Findings of guilty resulted from pleas around four times as often as from trials by judge or jury. When a case did go to trial, findings of guilty resulted in over seven out of ten cases.

Every site had at least seven out of ten cases involving individuals resulting in a finding of guilty. Also, all sites reached guilty verdicts in at least two out of three cases going to trial (only one trial resulted in the Delaware project, and this trial ended in a conviction). Table 47 displays criminal disposition actions in cases involving individuals.

In an extended analysis not contained in Table 47, data indicated that cases involving two or more individuals resulted in slightly fewer findings of guilty than cases involving single individuals (seven out of ten versus nearly nine out of ten). As previously stated, cases involving two or more individuals are suggestive of more complex, criminal conspiracy cases.

Table 47

All Sites

Criminal Disposition Actions

Type of disposition	Actions against individuals		Actions against organizations	
	No. of cases where action occurred	No. of cases involving more than one individual	No. of cases where action occurred	No. of cases involving more than one organization
Charges dropped by prosecutor	15	9	10	4
Dismissed prior to trial	6	4	6	4
Guilty plea to original charge	95	30	12	4
Guilty plea to lesser charge	9	1	2	0
Conviction on all counts	22	9	4	1
Conviction on some counts	7	3	0	0
Acquittal on all counts	9	2	2	0

When all five sites are compared together, an average of five out of ten cases involved organizations that were found guilty of criminal acts. As white collar crime cases most often involve schemes and business entities specifically designed to perpetrate the crimes, the guilty dispositions of organizations suggest the projects targeted

both the offenders and the organizational mechanisms integral to the commission of the white collar crime offenses.

The guilty rate for organizations ranged from three out of ten cases in Florida to seven out of ten cases in Delaware (the Massachusetts and Alabama projects did not report any dispositions for organizations). At all three projects, over four out of ten of the cases with charges against organizations resulted in the charges being dropped or dismissed. (See Table 47.)

In another extended analysis, criminal disposition actions were examined with regard to whether there was overlap between cases involving individuals and organizations. In over nine out of ten cases where a case involving an organization received a criminal disposition action, an individual also received a criminal disposition action in the same case. Thus, there was considerable overlap.

4. Criminal Case Sentences

Cases Resulting in Sentences to Incarceration

Nearly three out of ten cases resulting in convictions had at least one individual sentenced to incarceration in jail or prison. Seventy-two individuals were sentenced to incarceration at the five sites.

Table 48 indicates that only one out of four cases where incarceration was sentenced resulted in individuals being sentenced to more than five years incarceration. Individuals were sentenced to over 150 total years in jail or prison at the five sites.

Table 48

Criminal Case Sentences Number of Years Sentenced to Incarceration						
Sentence	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
Less than 6 years	2	4	8	5	10	29
6-10 years	1	1	1	1	1	5
11-20 years	0	0	0	1	0	1
Over 20 years	0	3	0	1	0	4
TOTAL CASES	3	8	9	8	11	39

Cases Resulting in Suspended Sentences or Probation

Over six out of ten cases (a total of eighty-seven cases) resulting in convictions had at least one individual convicted who was sentenced to probation or had a sentence to incarceration suspended. Table 49 displays these results at the five sites. A total of 173 individuals were sentenced in this manner.

Table 49

Criminal Case Sentences Suspended Sentence or Probation						
	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
Number of Cases	3	18	8	22	36	87

Over four out of ten cases resulted in individuals being sentenced to more than five years of probation or receiving suspended

sentences of more than five years. Table 50 displays these results (actual sentence information was only available on forty-seven cases). Individuals had suspended sentences or probation totalling over 240 years at the five sites.

Table 50

Criminal Case Sentences Number of Years: Probation/Suspended Sentence						
Probation/ suspended sentence	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
Less than 6 years	1	9	3	13	0	26
6-10 years	1	2	0	1	5	9
11-20 years	0	5	0	2	2	9
Over 20 years	0	2	0	1	0	3
TOTAL CASES	2	18	3	17	7	47

Additional analysis indicated that in six out of ten cases where individuals were sentenced to probation or received suspended sentences they also were assessed fines.

As previously stated, the primary thrust of the program was to support criminal actions in major white collar crime offenses which had traditionally not been a focus of the criminal justice system. As few of these offenders were reported to have had any involvement in traditional criminal activities, few had any prior records of either arrest or conviction of a criminal offense. Thus, their eligibility for probation or a suspended sentence as a first offender was enhanced.

Cases Resulting in Fines

Of those cases resulting in criminal prosecution or civil penalty or sanction, seventy-four also resulted in fines against individuals and in nineteen cases fines were levied against organizations (see Table 51). There were 102 individuals and twenty-three organizations fined.

Table 51

Fines						
No. of cases/ Amount of fine	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
<u>Individuals</u>						
Cases	3	12	9	26	24	74
Amount	\$10,000	355,200	33,077	154,150	142,650	\$695,077
<u>Organizations</u>						
Cases	0	2	6	0	11	19
Amount	\$ 0	42,100	105,545	0	251,850	\$399,495

The most frequent level of fines levied was in the \$1,000 - \$10,000 range. A total of \$1,094,572 in fines was reported at all five sites. Tables 51, 52, and 53 exhibit this information.

Table 52

Amount of Fines - Individuals						
Dollar amount of fines	Cases					
	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
Less than \$1,000	0	0	3	10	2	15
1,000-9,999	3	5	5	12	16	41
10,000-50,999	0	4	1	4	6	15
51,000-100,999	0	2	0	0	0	2
101,000-250,999	0	1	0	0	0	1
251,000 & Over	0	0	0	0	0	0
TOTAL	3	12	9	26	24	74

Table 53

Amount of Fines - Organizations						
Dollar amount of fines	Cases					
	Regulatory agencies		Criminal justice agencies			Total
	. Ala.	Fla.	Del.	Mass.	NJ	
1,000-9,999	0	1	2	0	5	8
10,000-25,999	0	0	3	0	2	5
26,000-50,999	0	1	1	0	2	4
51,000-100,999	0	0	0	0	2	2
101,000 & Over	0	0	0	0	0	0
TOTAL	0	2	6	0	11	19

Court Ordered Restitution

In a total of forty-one cases, restitution was ordered against individuals, and in five cases restitution action against organizations was reported. Every site reported court ordered restitution (see Table 54). An extended analysis of data (not included in Table 54) indicated that eight out of ten restitution cases involved only a

single individual. There were sixty-six individuals and twelve organizations involved in these cases.

Table 54

Court Ordered Restitution						
No. of cases/ Amount of restitution	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
<u>Individuals</u>						
Cases	3	10	7	4	17	41
Amount	\$93,800	2,239,694	152,462	469,000	256,624	\$3,211,580
<u>Organizations</u>						
Cases	0	1	1	0	3	5
Amount	\$ 0	140,753	80,000	0	123,556	\$ 344,309

A total of \$3,577,457 was ordered to be, or volunteered to be, repaid to victims at all five sites. Of this amount, \$3,555,889 was court ordered restitution. The most typical level of restitution was in the \$1,000 - \$10,000 range. (See Tables 55 and 56.)

Table 55

Total Dollar Amount of Restitution
Court Ordered & Voluntary

Dollar amount of restitution	Cases involving individuals					
	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
Less than \$1,000	1	0	1	0	2	4
1,000-9,999	1	5	3	1	9	19
10,000-25,999	0	1	1	1	5	8
26,000-50,999	0	0	2	1	1	4
51,000-100,999	1	0	1	0	2	4
101,000-250,999	0	3	0	1	0	4
251,000-500,999	0	0	0	1	0	1
501,000 & Over	0	1	0	0	0	1
TOTAL	3	10	8	5	19	45

Table 56

Total Dollar Amount of Restitution
Court Ordered & Voluntary

Dollar amount of restitution	Cases involving organizations					
	Regulatory agencies		Criminal justice agencies			Total
	Ala.	Fla.	Del.	Mass.	NJ	
1,000-9,999	0	0	0	0	1	1
10,000-25,999	0	0	0	0	1	1
26,000-50,999	0	0	0	0	0	0
51,000-100,999	0	0	1	0	0	1
101,000 & Over	0	1	0	0	1	2
TOTAL	0	1	1	0	3	5

5. Voluntary Restitution

Only four cases of voluntary restitution to victims by individual defendants were reported. The Delaware, Massachusetts, and New Jersey sites reported cases in this category (see Table 57). A total of \$21,568 was reported as being voluntarily repaid to victims at the three sites.

Table 57

	Voluntary Restitution				
	Regulatory agencies		Criminal justice agencies		
	Ala.	Fla.	Del.	Mass.	NJ
Number of cases	0	0	1	1	2

6. Civil Penalties or Sanctions

Civil penalties or sanctions were reported against individuals in fifty-seven separate cases; forty-four cases involved civil penalties or sanctions against organizations. Table 58 displays these results and the wide array of administrative and judicial remedies comprising civil penalties or sanctions. There were one hundred thirty-four individuals and sixty-five organizations involved in these cases.

Table 58

All Sites Civil Penalties or Sanctions

Result	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

An analysis was also performed on cases involving both individuals and organizations. In eight out of ten cases involving civil penalties or sanctions to organizations, an individual also was referred for a civil penalty or sanction in the same case. Thus, considerable overlap was demonstrated between cases involving individuals and cases involving organizations.

The most common civil penalty or sanction at all five sites was an injunction: nearly four out of ten cases involved this action. Cease and desist orders and consent agreements were the next most frequently utilized. The use of the civil penalties or sanctions varied among sites: the two regulatory agency sites accounted for seven out of ten reported uses of civil penalties or sanctions.

7. Overlap of Criminal Prosecutions and Civil Actions

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.

8. Project Initiated Cases as a Group

Project initiated cases are cases developed by project staff and are not cases predicated upon a complaint or case referral. All of the sites except Florida had at least eighteen project initiated cases (see Table 59). An extended analysis of data indicated that the Alabama, Delaware, and New Jersey sites reported fewer administrative dismissals of project initiated cases than of all cases in general. These same sites reported more civil penalty or sanction and prosecution referrals for project initiated cases than with all cases in general. Four sites (Florida not included) reported fewer referrals to other agencies for project initiated cases.

Table 59

Project Initiated Cases	Cases Developed Through Project Initiated Efforts				
	Regulatory agencies		Criminal justice agencies		
	Ala.	Fla.	Del.	Mass.	NJ
Number of cases	20	3	19	28	18
Per cent of identified project cases	34%	6%	15%	20%	3%

Regarding the time duration between the project case openings and project closures of all types, no consistent differences were observed with regard to project initiated cases. Alabama project initiated cases were closed slightly quicker than all Alabama cases as a group. New Jersey's project initiated cases took longer, and in the Delaware and Massachusetts sites no differences in closures were found.

Investigative and prosecutive skills required in major white collar crimes are in numerous respects different from those necessary in the successful enforcement of traditional crimes. Project initiated cases were selected for separate analysis in that they indicate the project's development of desirable staff investigative/prosecutive capabilities and specialized knowledge. In addition, the project initiation of cases is an indicator of an enforcement thrust which is more of a "proactive" as opposed to reactive enforcement posture.

D. PROJECT PERSONNEL, BUDGETS, AND COST EFFECTIVENESS

1. Project Personnel

A complement of 124 positions constituted the total combined project staffing at all five sites during the grant periods. This total reflects the peak numbers of staff positions filled at any one time at each site. Investigators were the most common project staff position (forty-seven per cent), followed by attorneys (twenty-eight per cent), and secretarial (nineteen per cent). Analysts, paralegals, and technical positions comprised the remaining six per cent of the combined total. Grant funded positions accounted for forty-one per cent of the combined total project staff positions, with agency funded positions accounting for the balance of fifty-nine per cent. Table 60 displays project staffing.

Table 60
Project Personnel - Peak Numbers by Category

Project Personnel	Alabama		Florida		Delaware		Massachusetts		New Jersey		TOTAL GRANT & AGENCY FUNDED
	Grant funded	Agency funded	Grant funded	Agency funded	Grant funded	Agency funded	Grant funded	Agency funded	Grant funded	Agency funded	
Attorneys	1	0	6	0	0	2	1	6	3	16	35
Investigators	2	0	6	0	1	3	0	14	8	17	51
Investigator-accountants	1	0	1	0	1	0	3	1	0	0	7
Secretarial	2	0	5	0	1	0	1	2	3	10	24
Analysts, paralegals, technical personnel	0	0	0	0	1	0	2	0	2	2	7

2. Project Budgets and Grant Periods

Over \$6.7 million was expended on the five white collar crime projects. Half of this amount (\$3,435,632) consisted of LEAA major white collar crime program funds. Individual site project budgets varied from \$316,261 to \$3,846,939. Individual projects ranged in terms of the duration of grants from thirty months to fifty-eight months, with an average grant period of forty-six months. Table 61 displays project funding and the duration of grant periods.

Table 61

Project Budgets and Grant Periods

Budget Grant Period	Alabama	Florida	Delaware	Massachusetts	New Jersey	TOTAL
	07/01/77 12/31/79	09/01/74 07/04/79	08/01/77 10/31/81	07/15/76 12/31/79	10/01/76 11/18/80	
LEAA major white collar crime program grants	\$ 280,593	\$ 970,883	\$ 550,496 [#]	\$ 608,695	\$1,024,965	\$3,435,632
State block grant funds				93,867	435,685	529,552
State appropriations	35,668	141,777	38,944		1,094,600	1,310,989
Other funding sources				154,092 ^{##}	1,291,689 ^{###}	1,445,781
TOTAL PROJECT BUDGET	\$ 316,261	\$1,112,660	\$ 589,440	\$ 856,654	\$3,846,939	\$6,721,954

[#] The first Delaware project grant ended 04/30/80, and a total of \$350,496 was awarded. The second grant was underway at the time of the evaluation.
^{##} Arson Insurance Fund
^{###} Environmental Protection (federal) and Unemployment Security Funds (state).

3. Cost Effectiveness

In the Solicitation, the specific cost effectiveness 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. In fact, the program has specifically encouraged the development of cooperative, multiagency working arrangements to provide projects with an expanded array of civil penalties and sanctions appropriate to individual project cases, as well as criminal penalties.

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. Further, as stated in the Introduction of this report, informed authorities estimate that the costs of economic crime exceed the costs of all other property crimes by a factor of ten to one.

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:

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

TOTAL	\$6,721,954
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Indirect and/or hidden costs were not assessed. For example, many projects utilized existing office space, telephone, and various other support services of the sponsoring agencies without paying rental costs or fees. In addition, projects utilized the prosecutive or regulatory resources of other agencies to prosecute and/or sanction cases, the cost of which was not within the scope of this evaluation to measure.

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
- 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 62 indicates the number of criminal charges and convictions at each project.

Table 62

Criminal Charges and Convictions					
	Regulatory agencies		Criminal justice agencies		
	Alabama	Florida	Delaware	Massachusetts	New Jersey
<u>Number of individuals</u>					
Misdemeanor charge	1	0	48	53	4
Felony charge	20	74	18	59	52
Conviction or guilty plea	11	52	33	62	64
<u>Number of organizations</u>					
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. This reduction in arsons also resulted in reductions in fire insurance premiums in the Boston area.

Numerous intangible financial benefits were also derived from the five projects, such as the prevention of future economic losses, prevention of harm, and 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.

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 had already completed their final period of grant funding during the period of the national evaluation had their project grant funded 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.

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