

U.S. Department of Justice  
Office of the Attorney General



# Toward a Safer America: The Justice Department's Record of Accomplishment in the First Two Years of the Bush Administration

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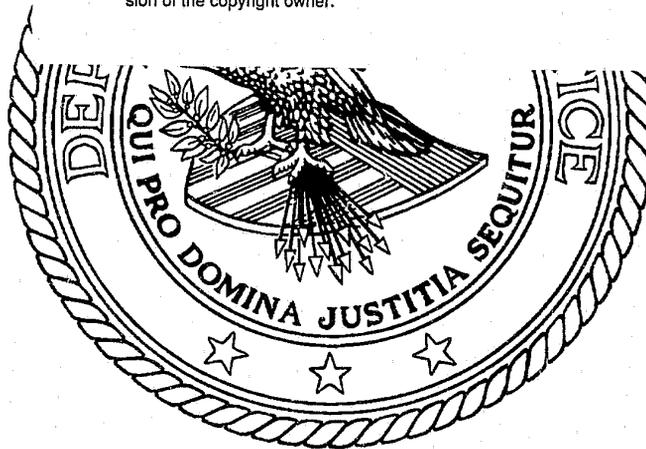
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IN THE FIRST TWO YEARS OF THE BUSH ADMINISTRATION**

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MARCH 1991

**TOWARD A SAFER AMERICA:  
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**I: INTRODUCTION AND SUMMARY**

As the Department of Justice has stepped up its law enforcement efforts during the past two years, life has gotten rougher and tougher on those who would violate the laws of the United States:

- From the violence prone corner drug dealer to the smooth Wall Street operator.
- From the midnight dumper of toxic wastes to the corrupt labor union leader.
- From the international terrorist to the defense industry executive cutting corners on weapons systems.
- From the racist Skinhead to the high flying S&L looter.
- From the La Cosa Nostra capo to the corporate price fixer.
- From the Colombian drug kingpin to the politician on the take.

With a renewed professionalism, the Department has moved vigorously against the law breakers. Our efforts have been guided by the following set of law enforcement priorities established by President Bush and Attorney General Dick Thornburgh:

- \* Cracking down on drug trafficking and the money laundering that is an integral part of the international drug trade.
- \* Combating the explosion of deadly street crime, much of it resulting from illegal drugs, through cooperative efforts with state and local police and prosecutors.
- \* Restoring public trust in our nation's governmental and economic institutions through unrelenting enforcement of federal laws against "white collar" crime.
- \* Protecting America's military capability and personnel through aggressive prosecution of defense procurement fraud.
- \* Rooting out organized crime through tough action against La Cosa Nostra and emerging criminal organizations.

- \* Fighting terrorism by bringing terrorists to justice in the United States and cooperating actively in international efforts to combat terrorism.
- \* Promoting equal opportunity through the adoption of new legislation, including the expansion of civil rights protection to 43 million Americans with disabilities, and vigorous action against discrimination in housing, voting, employment, and education.
- \* Significantly toughening enforcement of the nation's environmental laws, including Superfund.

The Justice Department is proud of the significant strides made in meeting its goals. The record of action puts the Department in the forefront of efforts to make our nation safer and to improve the quality of life for all of our citizens.

Highlights of Department activities over the past two years include:

- \* The successful prosecution of 19,500 defendants in drug cases in 1989 alone. These cases involve many drug traffickers who have terrorized neighborhoods and committed murder. The Department made a significant dent in the illegal drug trade through tough enforcement actions against key figures in Latin American and Southeast Asian drug trafficking.
- \* Significantly increased forfeitures of cash and property of drug traffickers, money launderers, and racketeers collecting more than \$1 billion since the start of 1989.
- \* More than 400 convictions for major financial institution fraud, including 134 executives or directors of savings and loans. The Department has filed cases against another 160 persons who are awaiting trial.
- \* Seventy-one convictions so far and several hundred million in criminal fines, civil recoveries, and contract savings as a result of "Operation Illwind" and other defense procurement probes.
- \* The conviction of 2,216 corrupt public officials and their associates, a record number over a two-year period.
- \* The establishment of Securities and Commodities Fraud Task Forces in eight U.S. Attorneys offices. More than 200 cases are currently under investigation.

- \* The successful completion of major securities fraud cases against junk bond king Michael Milken and Drexel-Burnham Lambert Inc., the securities firm of which he was a key member. Milken and Drexel-Burnham pleaded guilty to securities fraud charges and agreed to pay more than \$1.2 billion in fines and penalties. Milken also received a ten-year prison term.
- \* Initiating a major undercover investigation into illegal trading activity at the Chicago Board of Trade and Chicago Mercantile Exchange that has resulted in 48 indictments and 41 convictions so far.
- \* Securing the first conviction under United States law of an international terrorist for acts committed outside the United States.
- \* Working closely with Congress to secure the passage of the landmark Americans with Disabilities Act and creating a new office in the Civil Rights Division responsible for enforcing the new law and helping those subject to it comply with its requirements.
- \* The conviction of more than 100 defendants in 20 states for hate crimes. One-third of the cases involved acts by members of organized hate groups. Twice as many juveniles were charged than in the preceding 12-year period.
- \* A record 134 indictments for environmental crimes with a 95 percent conviction rate. Almost \$30 million in criminal fines and restitution were imposed.
- \* Recovering more than \$1 billion annually for two consecutive years for environmental law violations. The Department also filed 151 civil Superfund cases during FY 1990, the highest number in the history of the Act.

The following report details the Department of Justice's record of which its officials and the American public can be justly proud.

## II: INCREASED RESOURCES

Over the past two years, the Justice Department has received more of the resources needed to fulfill the Bush Administration's commitment to vigorous law enforcement. During this period, the Department:

- \* Saw its budget increase by 39 percent -- to \$9.271 billion in FY 1991 from \$6.690 billion in FY 1989.
- \* Added almost 11,000 new personnel. This has increased the number of persons involved in investigating and prosecuting S&L fraud, drug trafficking, organized crime, public corruption, and environmental crimes. These include new Drug Enforcement Administration (DEA) and Federal Bureau of Investigation (FBI) agents, Border Patrol officers, Deputy U.S. Marshals, and correctional officers.
- \* The Department will have hired 1,250 new Assistant United States Attorneys by the end of 1991, in addition to the 440 hired in 1989 as a result of the Anti-Drug Abuse Act of 1988. Overall, this represents a 50 percent increase in the number of federal prosecutors since 1988 and a major addition to the government's ability to fight crime.
- \* Initiated the addition of approximately 30,000 new prison beds, nearly doubling the federal prison capacity.
- \* Sharply expanded Law Enforcement Coordinating Committees, directed by each United States Attorney, as a tool for bringing together federal, state, and local law enforcement personnel to tackle major crime cases in joint investigations and to reduce "turf battles."
- \* Won congressional support for needed pay raises for federal law enforcement agents.

### III: COMBATING THE DRUG SCOURGE

The Justice Department is on the front line in the fight against drug trafficking and drug abuse. The Department has committed major resources to the effort and continues to work closely with the Office of National Drug Control Policy (ONDCP) to develop and implement the President's National Drug Control Strategy.

As a result of the Department's actions over the past two years, major international and domestic drug kingpins have been put out of business, forfeitures of drug-related profits and proceeds have increased significantly, and international cooperation has been strengthened.

Attorney General Thornburgh led efforts to win ratification by the United States and more than 20 other nations of the United Nations Drug Law Enforcement Convention which became effective in November 1990. He has also forged cooperative relationships with heads of state and his law enforcement counterparts around the world. This has resulted in the increased international cooperation critical to the Department's investigative successes.

As part of this effort, the Attorney General addressed the United Nations in November 1990, led the U.S. delegation to the Organization of American States Ministerial Meeting on Drugs in Ixtapa, Mexico, in April 1990, and met with officials of more than 50 nations.

Two figures highlight the Department's critical role: One-third of the federal anti-drug budget for FY 1991 goes to the Justice Department, and the Department accounts for one-half of the federal personnel involved in the drug war.

The Department's own commitment is demonstrated by the fact that, in FY 1991, 45 percent of its budget is allocated to fighting drug traffickers, and 37 percent of its personnel are involved in anti-drug activities.

The following actions highlight the Department's drug-fighting record since 1989:

#### A. MAJOR CASES

- \* Twenty-five Colombian drug cartel members were extradited to the United States to stand trial on drug trafficking and money laundering charges. Virgilio Barco, then-President of Colombia, agreed to the extraditions in August 1989 as a means of combating drug trafficking.

- \* Eduardo Martinez Romero, a member of the Medellin Cartel, was the first Colombian citizen extradited to the United States since Carlos Lehder, another Cartel member. Martinez pleaded guilty in August 1990 to drug and money laundering charges involving his Cartel activities.
- \* Luis Alfonso (Pompo) Sanchez, a major Colombian drug trafficker, was extradited to the United States to face Continuing Criminal Enterprise, conspiracy, and drug trafficking charges. Sanchez's trial is scheduled to begin in January 1991.

The conspiracy alleged in the indictment indicates that Sanchez was the leader of a smuggling operation which, since the mid-1970s, has been responsible for the shipment of thousands of pounds of marijuana and cocaine to the United States and Canada.

- \* Jose Rafael Abello Silva, a major figure in the Medellin Cartel, was convicted in federal court in Oklahoma and sentenced in May 1990 to 30 years in prison on each of two counts of cocaine trafficking and was fined \$2.5 million. He is currently in prison.
- \* Continued success has generally been experienced with United States treaty partners around the world in extradition cases involving narcotics traffickers and others accused of drug-related crimes. Increased cooperation has been demonstrated by extraditions to the United States from Pakistan, Luxembourg, and Japan.
- \* "Operation Leyenda" capped one of the most significant investigations in DEA history when it led to the conviction, in August 1990, of four defendants on various charges relating to the kidnapping, torture, and murder of DEA Special Agent Enrique Camarena and the murder of two American tourists in Guadalajara, Mexico, in 1985.

The investigation revealed a multi-billion dollar cocaine trafficking organization in Mexico. Most important, the investigation demonstrated, for the first time, that key officials in the previous Mexican government not only facilitated and participated in these activities, but that some of the then highest ranking Mexican law enforcement officials joined in the planning of Camarena's kidnapping and the subsequent cover up.

Among those convicted were Ruben Zuno-Arce, a former high-ranking Mexican official and brother-in-law of former Mexican President Luis Echeverria; and Honduran drug kingpin Juan Ramon Matta Ballesteros. [In January 1991, Matta Ballesteros was convicted on 11 additional charges, including running a Continuing Criminal Enterprise, and of selling millions of dollars worth of cocaine in California and Arizona.]

"Operation Leyenda" also resulted in the indictment of 22 persons, including the former Director of the Mexican Federal Judicial Police, Manuel Ibarra; the former head of Interpol in Mexico, Manuel Aldana; and the Mexican commandante responsible for investigating the Camarena abduction. Seven persons have been convicted to date in two trials. Fourteen remain fugitives. The investigation is continuing.

- \* Manuel Noriega, former leader of Panama, was brought to the United States to face trial in Miami on a variety of cocaine smuggling charges that are alleged to have occurred between 1982 and 1986. In Tampa, Noriega was indicted for conspiracy to import and distribute more than one million pounds of marijuana in the United States between 1982 and 1984. He awaits trial in both cities.
- \* In November 1990, five former Bank of Credit and Commerce International (BCCI) employees were sentenced in Tampa (Middle District of Florida) in connection with laundering \$14 million in cocaine profits for the Medellin Cartel. Amjad Awan, former head marketing officer for the Latin American and Caribbean division of BCCI, was sentenced to 12 years in prison and fined \$100,000.

In January 1990, BCCI Overseas and BCCI International were convicted for their part in laundering the \$14 million. The two entities forfeited approximately \$15.3 million as a criminal penalty.

- \* Enrique A. Pretelt, a major Noriega co-conspirator, pleaded guilty in June 1990, to conspiracy to commit drug smuggling charges brought under "Operation Starbank." He was sentenced to a ten-year prison term.
- \* A two-year undercover operation aimed at the Bolivian cocaine cartel and Mexican law enforcement authorities resulted in the 1989 conviction of seven foreign nationals on multiple drug trafficking and other felony charges.
- \* Jorge Roca-Suarez and his sister, Beatriz Roca, the nephew and niece of Roberto Gomez-Suarez, the one-time cocaine king of Bolivia, were arrested and indicted in December 1990 in San Diego and Los Angeles on drug trafficking and money laundering charges. Roca-Suarez is a major member, leader, and decision maker of the Bolivian cocaine cartel known as "La Corporacion" or the "Santa Ana Cartel."

In addition to Roca-Suarez and his sister, various other relatives and long time associates were named in the 20-defendant indictment. Extradition requests are now being prepared for Roca-Suarez's key lieutenants and co-conspirators.

- \* In January 1991, former Bolivian Army Colonel Luis Arce Gomez, nicknamed the "Minister of Cocaine," was convicted in Miami (Southern District of Florida) of conspiracy to smuggle drugs into the United States.
- \* Robert J. Miskinis and two of his companies, RJM Laboratories, Inc. and Safe Lab, Inc., were convicted in late 1989 in San Diego (Southern District of California) of being involved in the manufacture and sale of methamphetamine. Miskinis was sentenced to a non-parolable 40-year prison term. In addition to a \$250,000 fine, Miskinis and his corporation forfeited more than \$400,000 in cash, 19 patents, a pension plan worth \$103,555, a luxury residence, and a tax refund valued at between \$150,000 and \$400,000.
- \* In a major multi-agency operation, dubbed "Operation Crankcase," agents in San Diego worked with the owner of a chemical supply store to arrest individuals involved in the manufacture of methamphetamine. The operation led to 29 indictments in March 1989 charging more than 100 defendants with conspiracy to manufacture methamphetamine in addition to a variety of other offenses. A majority of the cases resulted in convictions or guilty pleas.
- \* In March 1990, Southeast Asian opium warlord Chang Chi Fu, also known as "Khun Sa," was indicted on ten federal drug trafficking counts. These encompassed the largest heroin seizure ever made -- 2,390 pounds in Bangkok, Thailand, in February 1988. The heroin was destined for New York, as was another 1,100 pounds that was imported or attempted to be imported between 1986 and 1988.
- \* The Department conducted "Operation White Mare," a major multi-year undercover investigation targeting several Asian heroin and cocaine importing organizations operating in the United States, Canada, Hong Kong, Singapore, and Thailand. The operation resulted in the arrests of 55 individuals, and the seizure of \$4.5 million in cash, about 900 pounds of high-grade Southeast Asian heroin, and more than 50 pounds of cocaine. More than 40 of the traffickers have been convicted.
- \* The successful conclusion of portions of "Operation Polar Cap" inflicted major damage on the Medellin Cartel. The operation not only targeted the traffickers and their drugs, but also their lifeblood -- the money.

Conducted by the DEA, FBI, the U.S. Customs Service, and the Internal Revenue Service, the investigation resulted in the indictment of 127 persons and the confiscation of more than one ton of cocaine, 19,000 pounds of marijuana, and \$105 million in cash, jewelry, and real estate. Ultimately, the government seized an additional \$7 million in cash, \$4 million in jewels and other assets, and two businesses in California. The investigation is continuing.

In December 1990, five leaders of the ring, including mastermind Raul Vivas, were convicted on multiple money laundering counts. They await sentencing.

- \* In August 1989, as a result of charges brought in Atlanta as part of "Operation Polar Cap," a Panamanian bank pleaded guilty to aiding the Medellin Cartel in using Los Angeles-based money launderers to "wash" \$1.2 billion. The bank forfeited \$5 million.
- \* The record seizure by federal agents in Los Angeles of \$12 million in cash and 20 tons of cocaine in September 1989 resulted in the conviction of three individuals whose sentencing is expected in January 1991.
- \* In July 1990, Australian authorities arrested and extradited to the United States the founder and chief operator of one of the world's largest marijuana seed distribution organizations. Nevil Martin Schoenmakers, a Dutch-Australian national, supplied high-grade, hybrid seeds for many of the indoor marijuana growing operations in the United States and Canada. He will be prosecuted in the Eastern District of Louisiana for conducting a Continuing Criminal Enterprise, conspiracy, and other charges.
- \* The Rayful Edmond III organization, which distributed more than one ton of cocaine annually in the Washington, D.C. area for several years, was completely shut down in 1990 as a result of a lengthy investigation. A 45-count indictment charged Edmond and 29 co-defendants with a variety of federal drug offenses. Edmond was convicted of conducting a Continuing Criminal Enterprise and sentenced to a mandatory term of life in prison without parole.
- \* A federal jury convicted Howard (Pappy) Mason in December 1989 of ordering the execution-style slaying in February 1988 of Edward Byrne, a rookie policeman in New York City. Byrne was shot as he sat in a patrol car guarding the home of a drug witness. Mason, a feared Queens, N.Y. crack kingpin, ordered the murder from his New York City jail cell.

The killing led to a sweeping federal investigation of two of the most powerful and violent drug gangs in New York City, Mason's and a gang headed by Lorenzo (Fat Cat) Nichols. In addition to Mason's conviction in the Eastern District of New York, the investigation led to the federal convictions of 19 other members of Nichols' and Mason's gangs on narcotics, racketeering or murder charges. Nichols himself was convicted of two drug-related murders.

- \* Federal indictments and convictions over the past two years have broken up the "Shower Posse," a group of violent narcotics dealers headed by Delroy Edwards. The organization sold crack and powder cocaine in

Brooklyn, Baltimore, and Washington, D.C. Edwards specialized in recruiting young immigrants from Jamaica to shoot competitors and wayward employees.

In all, the investigation resulted in three trials, with a fourth scheduled for January 1991. Thus far, 28 members of the posse who have been charged have been convicted. Edwards himself was convicted of six murders, 19 other shootings, and a variety of firearms, narcotics, and false passport charges. He was sentenced in December 1989 to seven consecutive life terms and concurrent sentences totalling 480 years.

- \* Eleven members of the Jacky Ronald Pace organization, a major interstate drug ring that manufactured and distributed speed, were convicted in Fort Worth, Texas, (Northern District of Texas) after a year-long trial. Seven other defendants pleaded guilty and two others were found not guilty after trial. Among those convicted were Pace, the organization's accountant, its attorney, and a bank president. The group had used a holding company and an offshore corporation to launder its drug profits.
- \* In possibly the third-largest domestic drug distribution ring ever investigated by the Department, heroin kingpin Johnny Lee Sanders was found guilty in November 1989 in Oklahoma City of distributing heroin and running a Continuing Criminal Enterprise from 1983 to 1988.
- \* Members of the Brothers of Struggle (BOS) were convicted of, or pleaded guilty to, federal firearms and other charges following their indictment in February 1990. BOS is a street gang and narcotics organization formed by inmates at the Joliet, Illinois, prison and has operated as an offshoot of the Black Gangster Disciple, a national gang. It is believed that BOS is responsible for up to 20 unsolved homicides, drive-by shootings, illegal firearms operations, and widespread cocaine trafficking.
- \* Mario Lloyd was sentenced to life imprisonment without parole and fined \$26 million in November 1990 after his conviction on drug distribution and money laundering charges. Seven of the other eight defendants were convicted or pleaded guilty. Lloyd operated a wholesale cocaine distribution network that handled more than 1,500 kilograms of cocaine between August 1987 and May 1989.

During the investigation, the government collected more than \$2 million in forfeited cash, and other assets. Furthermore, \$90,000 of the \$235,000 paid by Lloyd to his attorney, F. Lee Bailey, was forfeited after the government demonstrated that everything Lloyd owned, including the attorneys fees, could be seized since it resulted from narcotics transactions.

- \* William F. LaMorte, a long-time subject of DEA's marijuana smuggling investigations, was convicted in December 1990, in the Southern District of New York for operating a Continuing Criminal Enterprise and conspiracy to distribute marijuana and hashish. LaMorte was convicted of smuggling approximately 200,000 pounds of marijuana and hashish into the New York area. As a result of criminal forfeiture actions, six pieces of real estate valued at almost \$9 million, a 100-foot yacht valued at more than \$1 million, and almost \$25 million in cash were forfeited.
- \* The Department's Violent Traffickers Project in eastern Pennsylvania brought a 72-count indictment that resulted in the break up of a Jamaican drug organization. The nine defendants who went to trial were found guilty in August 1989 on all counts; 11 others pleaded guilty. Two of the leaders were sentenced to life in prison without parole.
- \* A special Organized Crime Drug Enforcement Task Force (OCDETF) in the Northern District of Ohio broke up a widespread crack/cocaine distribution ring operated by members of the Los Angeles-based Crips gang. Thirty-eight conspirators were indicted in June 1989 and one remains a fugitive. A three-week trial resulted in the conviction of seven defendants; the remaining 29 pleaded guilty. The top leaders received prison terms ranging from 16 to 25 years.
- \* On January 4, 1991, an OCDETF investigation targeting the Benefiel organization in Ranger, Texas, concluded with the arrest of 13 of the organization's members. The Benefiel organization is documented as having operated a methamphetamine trafficking organization for more than ten years. The defendants have been charged with conducting a Continuing Criminal Enterprise and federal firearm and tax violations.

Eastland County Sheriff Dee Hogan pleaded guilty to obstruction of justice in the Benefiel investigation and has resigned. Hogan faces a maximum punishment of five years in prison and a \$250,000 fine.

- \* Former Washington, D.C. Mayor Marion Barry was sentenced in October 1990 to six months in prison following his conviction in August of illegal narcotics possession after an eight-week trial on narcotics and perjury charges. Barry was arrested in January 1990 at the Vista Hotel in Washington, D.C. by FBI agents and Washington, D.C. Metropolitan Police officers. He is free pending the outcome of his appeal.

## **B. ASSET FORFEITURE**

In the past two years (FY 1989 - FY 1990), more than \$1 billion in cash and property has been added to the Department's Assets Forfeiture Fund from drug, money laundering, racketeering and other cases. Of that amount, \$353 million has been shared with state and local law enforcement agencies. In one significant case, the New York State Police and the New York City Police each received more than \$6 million from an \$18 million forfeiture.

The Fund also provides key support to the Department's anti-drug program, with \$396 million being used in 1989-90 to build additional federal prison facilities, and \$30 million earmarked in 1989 for the hiring of new Assistant U.S. Attorneys to prosecute drug cases.

#### IV: FIGHTING FRAUD AND PUBLIC CORRUPTION

The Justice Department has shouldered the primary responsibility for prosecuting the perpetrators of crimes that threaten to undermine public confidence in the nation's financial institutions, the defense industry, the Department of Housing and Urban Development, the pharmaceutical industry, and government itself.

The Department considers white collar crime to be a major threat to the nation's well-being and health that must be dealt with firmly and swiftly. As with the fight against drug trafficking, manpower has been allocated and special offices and task forces established to investigate and prosecute these cases.

The following actions have been taken and results achieved:

- \* In June 1990, the Attorney General appointed a Special Counsel for Financial Institutions with the sole responsibility of coordinating investigations and prosecutions in this area. The Department also created 26 task forces modeled after the highly successful Dallas Bank Fraud Task Force. In addition, 323 new prosecutors and FBI agents were hired in 1989 and 1990 to handle S&L fraud.

Significant results have followed. Since October 1988, 403 convictions have been secured in major financial institution fraud cases, including at least 134 executives or directors. Another 160 persons await trial. Moreover, the Department's conviction rate in S&L fraud cases has exceeded 96 percent. And 79 percent of those sentenced have gone to jail.

- \* To combat fraud in the nation's securities and commodities markets, the Department established Securities and Commodities Fraud Task Forces in United States Attorney offices. Currently, more than 200 cases are under investigation. Task Forces currently are at work in Chicago, Los Angeles, San Francisco, Kansas City, Denver, New York (Manhattan), Philadelphia, and Salt Lake City. A ninth task force is being established in Newark. Major successes have been scored by the Department against traders and their firms as well as individuals engaging in illegal trading and market manipulation.
- \* To prosecute fraud in the Department of Housing and Urban Development, the Attorney General directed all 93 United States Attorneys to "give HUD fraud cases a top priority." In addition, a HUD Fraud and Corruption Coordinating Group was created in the Criminal Division. In the past two fiscal years, 234 convictions were obtained and almost \$20 million in fines, recoveries and restitution has been ordered.
- \* The Department's firm action against defense procurement fraud, which results in substandard military equipment that could possibly endanger our servicemen and women as well as causing overspending on defense projects,

has led to convictions of 71 defense contractors and their employees, settlements with several other major firms, and the recovery by the government of several hundred million dollars.

- \* The Department moved against a serious scandal involving the Food and Drug Administration's oversight of the generic drug industry.

What follows are key Department cases in each of the fraud areas:

## **A. SAVINGS AND LOAN FRAUD**

### **Vernon Savings and Loan**

To date, the three and a half year investigation of Vernon Savings and Loan has led to the convictions of eight of the institution's top officers and four borrowers/consultants. Seven of these persons received prison sentences, including former chief executive officer Woody Lemons who was given a 30-year term.

In addition, Don R. Dixon, formerly Vernon's majority shareholder, was convicted in December 1990 on 23 counts of misapplying five loans of more than \$41 million, and diverting loan proceeds to make rental payments on a California beach house in which he had a personal interest.

### **Sunbelt Savings Association**

Edwin T. McBirney III, former majority shareholder, chief executive officer and president of Sunbelt Savings Association, pleaded guilty in December 1990 to a series of violations arising from a Sunbelt attempt to finance the purchase of \$700 million worth of Southern California real estate by Sun Cal, Inc., a Sunbelt subsidiary. McBirney's plea culminated a two and a half year probe into Sunbelt, which has resulted in the convictions of a former Sunbelt president, two former Sunbelt vice presidents, and ten individuals doing business with Sunbelt or one of its subsidiaries.

### **Western Savings Association**

Jarrett E. Woods, former owner, chief executive officer and chairman of the board of directors of Western, was indicted October 25, 1990. A trial date has not yet been scheduled. In a 37-count indictment, Woods was charged with conspiring to divert \$16 million in Western loan proceeds to make payments on loans to a major Western borrower having financial problems. Woods allegedly diverted the funds to hide Western's true financial condition from regulators. Woods was also charged with using Western to generate \$558,000 for his personal use, including repayment of a gambling debt.

### **Western Savings Bank**

Patrick W. Emmott, former president of Western Savings Bank of Denton, Texas, was charged in a 44-count indictment, and convicted in April 1989 on all 44 counts. Emmott had been charged with defrauding his bank of \$2.5 million in connection with a gold mine project in Liberia in which he had an interest. He was sentenced to 12 years in prison.

### **Commodore Savings Association**

Robert Hopkins, chairman of the board of directors of Commodore Savings Bank of Dallas, Texas; Morton Hopkins, vice chairman and chief executive officer of Commodore; and John Harrell, president of Commodore were all convicted in May 1989 of illegally using the institution's funds for political campaign contributions. Robert Hopkins initially received a 15-year prison sentence that was later reduced to five years.

### **Lincoln Savings & Loan**

Ernest Garcia, chairman and chief executive officer of E.C. Garcia Co., a real estate development firm, pleaded guilty to fraud charges in October 1990 involving the granting of a \$30 million line of credit to him by Lincoln. He became the first defendant to be convicted in connection with the now infamous Lincoln Savings & Loan scandal. Garcia faces the possibility of five years imprisonment and a fine of more than \$250,000 or twice the gross gain or loss resulting from his crime.

### **Other Significant Cases**

- \* Janet McKinzie, executive assistant to the chairman of the board of North American Savings & Loan of Santa Ana, California, was convicted in March 1990 and sentenced to 20 years in prison for her role in a scheme that resulted in losses of \$16 million. She was also ordered to pay \$13.4 million in restitution.
- \* David Feldman, who controlled National Mortgage Equity Corp., was convicted in Los Angeles for his involvement in the fraudulent sale of \$144 million worth of California mortgage loans to 20 financial institutions in the East, South, and Midwest. On August 20, 1990, he received a 15-year sentence and, along with two other defendants, was ordered to pay \$70.7 million in restitution.
- \* Sunbelt Federal Savings & Loan of Baton Rouge, Louisiana, lost more than \$12 million to George Bonfanti and Gerald Fackrell as a result of false representations they made relating to Louisiana construction projects. In June 1989, Bonfanti was sentenced to a five-year prison term, Fackrell to six years. Both were ordered to pay \$12.9 million in restitution.

- \* Paul S. Cheng and Simon E. Heath, co-owners and co-chairmen of Guaranty Federal Savings and Loan Association of Dallas, were sentenced in January 1991 to 30 years and 20 years imprisonment, respectively, after having been convicted on bank fraud charges. They were also ordered to pay restitution of \$7.8 million.
- \* George Shipman, a 25 percent stockholder in Victor Federal, of Muskogee, Oklahoma, dodged limits on loans to major stockholders by misrepresenting his stock ownership and by giving money to his friends to represent his interests. Shipman was convicted in November 1989, received a ten-year sentence, and was ordered to pay \$2.5 million in restitution.
- \* Donald Snede, the chief financial officer of Midwest Federal Savings & Loan in Minneapolis, and four other Midwest officials, were indicted in June 1990 in connection with a major scheme to defraud the institution. Snede pleaded guilty and awaits sentencing. The other officials now face RICO charges in connection with the operation of Midwest. The government is seeking the forfeiture of more than \$7 million in assets.
- \* Bruce C. Wright, president of SISCORP, a loan brokering institution formed by 20 savings and loan institutions in Oklahoma, was convicted of accepting more than \$1 million in bribes in return for placing substandard loans with SISCORP member institutions. The Resolution Trust Corp. estimated the loss caused by Wright's actions exceeds \$10 million. Wright was sentenced in July 1990 to a five-year prison term and fined \$2.3 million.
- \* Three executives and seven major borrowers of Peoples Heritage Federal Savings and Loan Association of Salina, Kansas, were charged in January 1991 in two separate indictments with defrauding the institution of more than \$105 million. Peoples Heritage failed in May 1989 at an estimated cost to the taxpayers of up to \$900 million. The first indictment charged former Peoples Heritage officers Thomas D. Dunn, Jr., chairman of the board of directors; James R. Cruce, president; and Thomas A. Burger, chief lending officer and member of the board of directors, with 23 counts of bank fraud, and one count each of conspiracy and making false statements. The second indictment charged Dunn, Cruce, and Burger, along with four developers, with nine counts of bank fraud, one count of conspiracy, and three counts of making false statements.

## B. SECURITIES AND COMMODITIES FRAUD

- \* In addition to the Department's successful prosecution of the massive Milken-Drexel-Burnham securities fraud, a major Department undercover investigation into illegal floor trading at the Chicago Board of Trade and the Chicago Mercantile Exchange resulted in 48 indictments returned on August 3, 1989; 41 convictions have been obtained to date. A number of those convicted were found guilty of RICO violations, securities fraud, and other felonies.
- \* Paul Bilzerian, former chairman of the Singer Co., was sentenced in September 1989 to four years imprisonment and fined \$1.5 million for securities fraud.
- \* Robert M. Freeman of Goldman, Sachs & Co., the New York investment firm, pleaded guilty in September 1989 to mail fraud in an insider trading scheme. He is awaiting sentencing.
- \* Martin A. Siegal, former investment banker with Kidder, Peabody & Co. and Drexel-Burnham Lambert, was sentenced in June 1990 to two months in prison and five years of probation for insider trading and tax evasion. Siegal's guilty plea arose from two insider trading schemes. The first involved his relationship with financier Ivan Boesky in which Siegal provided non-public information in exchange for \$365,000 in cash. Siegal did not disclose this income, leading to the tax evasion charge.

Siegal also pleaded guilty to participating in a two-year conspiracy with Robert M. Freeman. The two exchanged non-public information involving clients of their two firms.

- \* Boyd Jefferies, former chairman of the board of Jefferies & Co., was sentenced in July 1989 to five years probation and fined \$250,000. Jefferies pleaded guilty to one count of aiding and abetting the Seemala Corp. in violating the laws requiring broker-dealers to keep accurate books and records, and to one count of violating the margin rule.
- \* Salim B. Lewis, head of S.B. Lewis & Co., was sentenced in December 1989 to three years of probation on each of three counts, community service, and fined \$250,000. Lewis pleaded guilty to three felony counts, including stock manipulation involving a May 1986 offering of Fireman's Fund stock, aiding an abetting the company in keeping false books and records, and a margin violation.

The company -- which also pleaded guilty to two felony counts of keeping false books and records and a margin violation -- was fined \$200,000 on each of the two counts.

- \* Six individuals were indicted in December 1989 on conspiracy and fraud charges in Wyoming in a case that broke up a major telemarketing scam. Of the six, five were convicted or pleaded guilty. The sixth is scheduled to be tried in February 1991. The scheme involved the sale of gold ore to several hundred investors who lost several billion dollars.
- \* Penny stock broker Meyer Blinder and four others in Las Vegas were charged in February 1990 under the RICO statute with 66 separate incidents of wire and securities fraud and money laundering.
- \* Three separate investigations in Dallas, Phoenix, and Las Vegas into the manipulation of penny stocks have led to 11 convictions. [In January 1991, four of these defendants, who defrauded investors of \$3.5 million, were sentenced -- Sam Merit to eight years in prison and payment of \$1 million in restitutions; Oded Benery to five years and payment of \$500,000 in restitution; and J. F. Spann and Yvonne Wilson to suspended five year terms and house arrest for four and six months, respectively. These individuals are stockholders, stock promoters, transfer agents, attorneys, and accountants who formed a loose-knit group to carry out stock fraud. Investigations are continuing that were developed from the initial probe.]
- \* The hierarchy of F.D. Roberts, a leading New Jersey underwriting firm, was convicted of engaging in widespread securities fraud and insider trading that victimized thousands of investors between 1985 and 1989. The profits earned from the fraud exceeded \$67 million. To date, 30 individuals have been convicted on securities fraud charges, including the entire ownership of the firm, two former chairmen of its board, a former Securities and Exchange Commission Compliance Officer, and two attorneys employed by Roberts.
- \* Five top officials of Princeton/Newport Partners and a former stock trader at Drexel-Burnham Lambert were found guilty in July 1989 of racketeering, conspiracy, securities fraud, tax fraud, mail fraud, and wire fraud. Most of the charges arose out of the defendant's fraudulent tax schemes, in which they engaged in sham securities trading for the purpose of generating fraudulent and illegal tax deductions.

Such trading, which the defendants called "securities parking" involved the purported sale of high-yield convertible bonds by Princeton/Newport to Drexel, coupled with secret agreements whereby Drexel resold the same securities back to Princeton/Newport after an agreed period at no economic risk to either party.

On November 6, 1989 the defendants were sentenced to terms of imprisonment ranging from three to six months, and fines of up to \$275,000. The defendants have also collectively agreed to forfeit \$3 million if their convictions are affirmed on appeal.

### C. DEFENSE PROCUREMENT FRAUD

The Department has vigorously and successfully prosecuted a wide range of procurement fraud cases, many of which involved some of the nation's largest and most prominent defense contractors. The following achievements represent the efforts of the offices of the United States Attorneys, the Fraud Section's Defense Procurement Fraud Unit, and others.

- \* Major defense contractors and their employees successfully prosecuted in 1989 and 1990 in the "Operation Illwind" probe include: ,
  - Hazeltine Corp. for conversion of government property, making false statements, wire fraud, and conspiracy to defraud the government;
  - Teledyne Industries, Inc. for wire fraud, filing false statements, conspiracy to defraud the government, and conspiracy to bribe a public official;
  - Loral Corp. for conspiracy to defraud the government, conversion of government property, and filing false statements;
  - Officials of Unisys Corp. for conspiracy to commit bribery, filing false statements, filing false claims, income tax evasion, conspiracy to defraud the Federal Election Commission, theft, and conversion of government property;
  - Officials of Norden Systems for conspiracy to defraud the government, and conversion of government property;
  - Whittaker Command and Control Systems for conspiracy to defraud the government, bribery, and interstate travel in aid of racketeering;
  - Cubic Defense Systems, Inc., of San Diego, for conspiracy, theft of government property, and filing false statements as part of the company's efforts to obtain lucrative Air Force contracts. The company agreed to pay \$4.65 million in fines and penalties.

Colvin Clay "Sam" Wellborn, 58, Cubic's former chief executive, pleaded guilty to conspiracy to bribe Pentagon official Victor Cohen and theft of government property. He faces up to 15 years in prison and \$500,000 in fines for the two convictions.

Other significant defense cases include:

- \* As a result of an exhaustive investigation, Boeing Corp. agreed to an \$11 million civil settlement in October 1989 to resolve allegations of overcharging by Boeing Military Airplanes, a subsidiary of Boeing.

- \* The Department negotiated a settlement package valued at \$44.5 million as part of the August 1990 plea agreement with E-Systems, Inc. involving defective Army field radios. E-Systems was ordered to pay a \$1 million fine and \$1.8 million in restitution. The civil settlement resulted in the payment of \$4.7 million and the withdrawal of \$39.3 million in claims against the government by the company.
- \* "Operation Uncover" led to five major defense contractors -- Raytheon, Hughes Aircraft, Grumman, Boeing and RCA -- pleading guilty to charges involving the illegal trafficking of sensitive Defense Department documents and agreeing to pay \$15 million in civil claims.
- \* General Electric Co. was found guilty in September 1990 of price violations in major defense contracts and was fined \$10 million. A \$20 million civil settlement was also negotiated.
- \* Northrop Corp. was convicted of submitting false test results for the Air Launched Cruise Missile and the Navy's Harrier jet. The company was fined \$17 million.
- \* McHaffie, Inc., its president, and two managers were convicted in April 1990 of engaging in a ten-year conspiracy to submit false test results on engine bolts used in strategic military aircraft. The corporation and its president were fined \$1.5 million. The president received a three-year sentence, and the two managers received sentences of 18 and 12 months.
- \* Calprotech, Inc., and seven of its officials, were convicted in September 1990 of falsifying test results on circuit boards destined for military and aerospace applications, including the Space Shuttle. The company was fined \$1 million and its president was sentenced to three years in prison.
- \* Robert Rawlings, owner of R&R Precision Manufacturing of Macon, Georgia, pleaded guilty in July 1989 to making false statements regarding the manufacture of a critical nut that holds helicopter blades to the body of U.S. Air Force helicopters. Failure of the nut would cause a fatal crash. He was sentenced to a two-year prison term and fined \$20,000.

- \* Emerson Electric Co., of St. Louis, pleaded guilty in May 1990 to overcharging the government for electronic equipment for the military by making false statements in connection with cost estimates. The company paid \$14 million as part of a civil settlement agreement.
- \* Ametek Inc., headquartered in Paoli, Pennsylvania, pleaded guilty in July 1990 to making false statements while negotiating with the government on the sale of sophisticated submarine sonar systems. The company also paid \$110,000 in criminal fines and a \$5.1 million civil settlement.

#### **D. HUD FRAUD**

- \* Former HUD Deputy Assistant Secretary DuBois Gilliam pleaded guilty in Washington, D.C. in 1989 to receiving illegal gratuities in connection with HUD grants he approved. He also pleaded guilty in the Southern District of Mississippi to one count of conspiracy. He received an 18-month sentence.
- \* In one of the most significant HUD cases to date, Marilyn L. Harrell of Waldorf, Maryland, nicknamed "Robin HUD", was convicted in June 1990 of embezzling more than \$6 million from the sale of HUD-owned properties. This case may represent the largest single theft of government funds ever charged against an individual.
- \* Reba Louise Lovell, a HUD contract closing agent in Texas, pleaded guilty in December 1989 to embezzling \$2.5 million from the sale of HUD-owned residential properties.
- \* In Oklahoma City, a HUD task force established in October 1988 to investigate HUD fraud secured 32 convictions and more than \$6.4 million in fines and court-ordered restitution.

#### **E. FDA FRAUD**

- \* Five former staff members of the Food and Drug Administration were among 14 individuals and three corporations convicted in Baltimore in 1989 and 1990 in a widening scandal in the generic drug industry. The five, in the agency's Division of Generic Drugs, including the former division director, were found guilty of illegally accepting large sums of cash, furniture, travel, meals, and entertainment paid for by the drug companies they regulated. The drug companies and their executives were convicted of similar charges.
- \* In addition, generic drug firms have been implicated in schemes to substitute drug production records and obstruct congressional and grand jury investigations. Additional charges are expected.

## F. PUBLIC CORRUPTION

The Justice Department moved aggressively over the past two years to root out corruption at all levels of government. The Department's Public Integrity Section and the 93 United States Attorneys have been vigilant in investigating and prosecuting elected and appointed public officials and their associates who violate the public trust. Of the 10,944 convictions of public officials secured by the Department since the creation 14 years ago of the Public Integrity Section, 20 percent -- or 2,216 -- were secured since 1989.

Following are key public corruption cases:

- \* New York Congressman Robert Garcia and his wife, Jane, were convicted in October 1989 for taking bribes, disguised as consulting fees, to help Wedtech Corp., a defense contractor located in New York City's South Bronx. Garcia awaits retrial following a reversal on technical grounds.

In August 1989, San Francisco lawyer E. Robert Wallach and Rusty Kent London, Wedtech consultants; and Franklyn Chinn, a Wedtech board member and company consultant, were convicted on racketeering and fraud charges for their role in the Wedtech defense contracting scandal. In the Wallach case, a federal jury found that he had received illegal payments from Wedtech for lobbying in an effort to win federal defense contracts for the company.

- \* Georgia Congressman Patrick L. Swindall was convicted in May 1989 on nine counts of perjury and sentenced to a one-year prison term for lying before a federal grand jury about a money-laundering case.
- \* New York Congressman Floyd Flake and his wife were indicted in December 1990 on tax evasion and embezzlement charges stemming from their involvement with a non-profit senior citizens housing complex associated with the Congressman's church.
- \* U.S. District Court Judge Robert P. Aguilar, of the Northern District of California, was convicted in August 1990 on charges of obstruction of justice and unlawful disclosure of wiretap information in connection with his role in influencing another federal district court judge to help an organized crime figure.
- \* Former three-term West Virginia Governor Arch Moore pleaded guilty in May 1990 to five counts of mail fraud, extortion, filing false tax returns, tax evasion, and obstruction of justice. He was sentenced to five years and ten months in prison and fined \$170,000.

- \* Douglas Green, the Louisiana Insurance Commissioner, awaits trial on charges that he accepted an illegal \$2 million campaign contribution from the insolvent Champion Insurance Co. in return for allowing it to do business in the state. Champion's collapse generated \$80 million in losses to policy holders and claimants.
- \* Gordon W. Taylor, the Wyoming Insurance Commissioner, was charged in July 1990 with accepting bribes and allowing two Texas insurance companies to conduct fraudulent operations in Wyoming. Taylor's actions resulted in unpaid insurance claims of about \$16 million. He pleaded guilty in September 1990.
- \* A former deputy Texas Agriculture Commissioner and four other state agriculture officials and consultants were indicted in January 1991 on fraud charges involving the alleged award of contracts and salary increases to political campaign contributors.
- \* Six public officials, including two former state senators, were convicted from December 1988 through September 1990 following an extensive investigation of corruption in the California legislature.
- \* An 18-month FBI undercover operation dubbed "Operation Lost Trust" involving the purchase of votes of legislators on legislation pending in the South Carolina legislature led to the conviction in 1990 of six state representatives, a state senator and a lobbyist. Four other state representatives, including the speaker pro tem, and a state highway commissioner await trial. The investigation is continuing.
- \* An investigation in Tennessee into illegal and fraudulent "charity" bingo, dubbed "Operation Rocky Top," led to the indictment of more than 50 people between 1988 and 1990. Among those convicted to date are the former head of the Tennessee Alcoholic Beverage Commission, the Majority Leader of the Tennessee House, the Chief State Bingo Regulator, the State Election Commission chairman, and a county Democratic party chairman. The Tennessee Secretary of State and an influential state legislator both committed suicide after learning that they would most likely be indicted.
- \* Alabama state legislator Patricia Davis was convicted in December 1989 of extorting money from a United Mine Workers local in connection with the legislature's handling of a "Buy Alabama Coal Bill." The legislation established a preference for the use of Alabama-mined coal in state facilities and placed restrictions on the use of foreign-mined coal.

- \* An owner of a greyhound race track in West Virginia was convicted in May 1990 of racketeering for bribing two presidents of the state senate to insure the passage of favorable legislation. The former officials had previously been convicted of extortion.
- \* In Cleveland, an Ohio lobbyist and three state government employees were convicted of paying out and receiving bribes that resulted in the award of more than \$7 million in no-bid telephone leases by state agencies to the lobbyist's client, a telecommunications company.
- \* New York State Assembly Speaker Mel Miller and a top aide were charged in a 19-count indictment in late 1990 with mail fraud involving their activities as private attorneys representing clients in the purchase or sale of cooperative apartments. According to the indictment, the two defrauded their clients and others of more than \$300,000.
- \* In a major crackdown on corruption in Chicago, a former Cook County Circuit Court judge, a Chicago alderman, a local Democratic party official, a state senator, and a lawyer were charged in three separate indictments in December 1990 with taking bribes to fix several cases and introduce legislation in the Illinois legislature.
- \* An Indiana State Superior Court judge was found guilty in 1989 on 25 counts, including racketeering, for extorting more than \$200,000 from receivers and other court appointees.
- \* A ten-year corruption probe within the Philadelphia Police Department ended in the November 1989 conviction of the commander, his deputy, and two officers in the city's elite undercover narcotics squad for stealing money and drugs as well as accepting bribes from the city's largest drug dealers.
- \* In the worst corruption scandal in the history of the Los Angeles Sheriff's Department, seven experienced deputies from the Department's elite narcotics units were convicted in December 1990 of stealing \$1.4 million in cash seized in drug raids during 1988 and 1989. To date, 12 other deputies have been suspended as the investigation continues.
- \* "Operation Walking Short," an FBI drug sting operation, resulted in the indictment of four sheriffs, a deputy sheriff, and a police chief from four counties in eastern Kentucky. Trial is tentatively scheduled for February 1991.
- \* Six former officials of the Passaic, New Jersey, Housing Authority pleaded guilty in 1990 to fraud and income tax evasion charges resulting from their activities on the Housing Authority.

## G. OTHER WHITE COLLAR CRIME

- \* Pete Rose, former Cincinnati Reds player, manager, and baseball batting champion, pleaded guilty in April 1990 to two counts of filing false tax returns for 1985 and 1987 in connection with failure to report approximately \$364,000 in income from the sale of his autograph and baseball memorabilia. A portion of this income was used to support gambling on sports. [Rose was released from federal prison on January 7, 1991 after serving five months in prison.]
- \* On August 29, 1989, New York City hotel and real estate magnate Leona Helmsley was convicted of 33 counts of conspiracy, tax evasion, filing false tax returns, and mail fraud arising from her scheme to evade more than \$1.2 million in personal federal income taxes owed by her and her husband Harry. Mrs. Helmsley created phony tax deductions for their companies by disguising personal expenses as business expenses. She was sentenced on December 12, 1989 to four years in prison and fined more than \$7 million. She was also ordered to make restitution to the federal, state, and city governments for unpaid taxes.
- \* Former television evangelist Jim Bakker was convicted in October 1989 on 24 counts of mail fraud, wire fraud, and conspiracy in the sale of lifetime partnerships in Heritage Village, South Carolina and sentenced to 45 years in prison. [His case was remanded for sentencing in February, 1991.]
- \* General Development Corp. (GDC), a major Florida real estate development company, was charged in a 16-count indictment in March 1990 with engaging in massive real estate fraud. The firm agreed to provide restitution of up to \$160 million to 10,000 GDC homebuyers. Two former GDC executives are scheduled to stand trial in January 1991.
- \* In January 1990, Robert Tappan Morris was convicted of violating the Computer Fraud and Abuse Act as a result of his launching a computer virus which affected tens of thousands of computers around the world. He was put on probation and fined \$10,000.
- \* "Operation Welcheat," a federal/state task force formed by the U.S. Attorney in the Central District of Illinois to investigate criminal welfare fraud, brought charges beginning in April 1989 against 106 individuals involving a loss to the government of more than \$800,000. To date, 93 people have been convicted, one remains a fugitive, four await trial, and eight cases have been dismissed.
- \* Two officials of a stainless steel processing plant were convicted in Cleveland of bankruptcy fraud after they siphoned \$1.7 million for personal expenditures from the plant before it filed for bankruptcy. Their action resulted in the plant's closure and the laying off of more than 700

employees. The two were sentenced in April 1990 to five and 20 year prison terms, and ordered to pay \$1.7 million in restitution to the bankruptcy trustee.

- \* Eastern Air Lines, Inc. and ten of its managers were charged in July 1990 with failing, between 1985 and 1989, to perform mandatory maintenance on Eastern aircraft. They were also charged with falsifying maintenance records to make it appear that the work had been done as required by the Federal Aviation Administration.
- \* More than \$1 million in assets were forfeited to the government by Joseph J. Brinkley and Gary Lee Brinkley, a father and son team convicted of tax fraud. The Brinkleys earned huge profits from illegal slot machines they owned and operated at four El Reno, Oklahoma, fraternal lodges.
- \* David and Annette Hagen, who used the alias name of DeFusco, pleaded guilty in October 1989 to bankruptcy fraud and money laundering in one of the nation's leading direct mail schemes.
- \* Chrysler Corp. entered a nolo contendere plea and was fined \$7.5 million in August 1990 after it was charged with odometer fraud for rolling back odometers in more than 60,000 vehicles sold as new. According to the indictment, Chrysler permitted company officials to drive the cars. Prior to being sold to dealers, the company rolled back the odometers to hide the true mileage. In addition, Chrysler agreed to pay more than \$25 million to those who bought the cars.

## V: PROTECTING THE STREETS

The Justice Department stepped up its efforts to combat the rise in violent crime and to increase arrests of fugitives. The FBI added Crimes of Violence to its list of national priorities and established the Violent Crimes and Major Offenders Program. In addition, it expanded its use of task forces to investigate these crimes.

The Department's actions have achieved the following results:

- \* FBI task forces now operate in many major metropolitan areas and have achieved major successes. In the Washington, D.C. area alone, the Bureau's Field Office, in conjunction with local police agencies, has established several task forces. These have been responsible for more than 900 arrests, including 160 for homicide, leading to 200 convictions and the recovery of more than \$6 million worth of stolen property.
- \* An unrelenting federal investigation led to the arrest and indictment, in November 1990, of Walter Lee Moody, Jr. for the mail bomb murders of U.S. Circuit Court of Appeals Judge Robert S. Vance and Savannah, Georgia, alderman and NAACP leader Robert E. Robinson. The investigation began within hours after Judge Vance's death and included interviews with more than 5,000 persons, the execution of 14 search warrants, and FBI laboratory analysis of 1,253 pieces of evidence.
- \* Working closely with state and local law enforcement officials in the summer and fall of 1990, U.S. Marshals picked up 3,743 fugitives -- including convicted murders, rapists, and drug traffickers -- and seized more than \$5 million in cash and property in Florida, Texas, and California. The arrests were part of "Operation Southern Star."
- \* Four individuals were arrested and charged with murder as a result of an FBI investigation in the Richmond, Virginia, area begun in September 1989. The FBI probe focused on three groups that used males in their late teens, armed with automatic weapons and grenade launchers, to carry out contract murders.
- \* The Department made significant gains in fugitive arrests. Arrests in 1990 were ten percent higher than in 1989, and 37 percent higher than in 1988. Among the more than 10,000 fugitives apprehended were Wardell Davis Ford, a Ten Most Wanted Fugitive, who was being sought for Unlawful Interstate Flight-Murder; and Jose Dionisio Suarez Y Esquivel, who was sought for the murder of Orlando Letelier, former Chilean Ambassador to the United States.

## **VI: ROOTING OUT ORGANIZED CRIME**

The Department aggressively pursued its battle against organized crime through both criminal and civil actions. La Cosa Nostra (LCN) family bosses in New York, New Jersey, New England, Philadelphia, Pittsburgh, Chicago, St. Louis, and Cleveland were indicted and/or convicted during this two year period, one of the most active in the Department's history against organized crime.

At the same time, a major reorganization of the Organized Crime program was accomplished. This revamping has strengthened the Department's ability to combat not only the traditional LCN crime families, but also new criminal organizations such as the Jamaican Posses and Asian gangs that pose a growing threat.

Under the reorganization, an Organized Crime Council has been created and the Organized Crime Strike Forces have been merged into the United States Attorneys' Offices. A comprehensive strategy to direct the war against all facets of organized crime is being finalized.

Following are major actions over the last two years that struck a blow at traditional organized crime throughout the country:

- \* In March 1989, the Department successfully capped a three decade effort to root out organized crime influence from the leadership of the Teamsters Union. As part of a settlement of civil RICO charges brought against the union, court appointed officers have been named to administer the union, to oversee union elections, and to investigate corruption charges. More than 40 disciplinary charges against Teamsters officials have been filed, leading to the removal of a number of high-ranking officials.
- \* Separately, Teamsters Vice President Harold Friedman and business agent Anthony Hughes were convicted in January 1989 in Cleveland of racketeering and embezzlement. Former Teamsters President Jackie Presser, a co-defendant, died before his trial.
- \* In June 1990, Michael Rudy Tham, former Secretary/Treasurer of Teamsters Union Local 856, was convicted in the Northern District of California of conspiracy and obstruction of justice for his attempt to use U.S. District Court Judge Robert P. Aguilar to influence another federal judge.
- \* In possibly the largest RICO action filed by the Justice Department, a Teamsters' local, a trade organization, 44 corporations, and 64 individuals, including various members and associates of the Luchese and Gambino LCN families, were charged in an effort to break organized crime control of the solid waste carting industry on Long Island.

- \* The Justice Department moved in 1990 to impose trusteeships on two Teamsters locals at New York City's Kennedy International Airport. The Department charged that organized crime used their domination of the locals to control air cargo at the airport through a pattern of extortion and other racketeering acts.
- \* The leadership of the Gambino LCN family, including boss John Gotti, underboss Frank Locascio, consigliere Salvatore Garvano, and captain Thomas Gambino, a son of former boss Carlo Gambino, were indicted in December 1990.

The indictment charged Gotti with racketeering, including four murders, conspiracy to murder a fifth person, gambling, loansharking, obstruction of justice, and tax evasion. Garvano was charged with two of the murders, conspiracy to commit murder, solicitation to murder another person, gambling, loansharking, and obstruction of justice. Locascio was charged with conspiracy to murder, gambling, loansharking, obstruction of justice, and aiding and abetting Gotti's tax evasion. Gambino was charged with gambling and loansharking.

- \* The Department wrapped up, in September 1990, a major case against Genovese LCN members, officials of Teamsters Union Local 560, and a trucking business official when remaining defendants pleaded guilty to numerous violations of federal law.

The case, which was spelled out in March 1988 indictment, involved a classic labor racketeering scheme -- "sweetheart contracts." One of the defendants, Genovese family member Vincent "Fish" Cafaro, subsequently became an FBI cooperating witness. Asset forfeitures in this case exceeded \$1 million.

- \* The Department scored major victories against organized crime leaders in the Philadelphia area with the conviction of LCN boss Nicodemo Scarfo and 16 LCN co-defendants on RICO charges, including drug trafficking, extortion, gambling, and murder. In May 1989, Scarfo was sentenced to 55 years in prison.
- \* New Jersey and Pennsylvania based members and associates of the Scarfo family were charged in two Maryland indictments in October 1990 with loansharking and money laundering activities.
- \* Civil racketeering charges were filed in December 1990 against the president of the Hotel and Restaurant Employees International Union and the leadership of the Union's Local 54, based in Atlantic City. According to the indictment, the leadership of the International Union and the local worked with the Scarfo LCN family to dominate the union's affairs through a two-decade pattern of murder, extortion, and other crimes.

- \* The Pittsburgh LCN was dealt a blow in October 1990 when nine defendants were convicted in a federal racketeering trial of acting together to operate the Pittsburgh organized crime family. Two defendants had earlier pleaded guilty and are awaiting sentence.
- \* Gene Gotti, brother of Gambino family boss John Gotti, and John Carneglia, a high-ranking and trusted member of the Gambino LCN family, were convicted in May 1989 as the behind-the-scenes operators of a major drug trafficking network that distributed heroin in metropolitan New York.
- \* Genovese family consigliere Louis Manna and five LCN associates were convicted in Newark, New Jersey, in July 1989 under the RICO statute of multiple counts of murder, gambling, labor racketeering, and extortion.
- \* An intensive seven-year FBI investigation resulted in the July 1990 conviction of DeCavalcante LCN members, including the acting boss and their corrupt labor union associates, for their illegal control over the New Jersey construction trades industry.
- \* In one of the largest environmental crimes ever prosecuted in federal court, Anthony Vulpis, Angelo Paccione, together with six related companies, were convicted in June 1990 under the RICO statute of operating an illegal landfill of more than 70 acres on New York's Staten Island.
- \* The entire hierarchy of the Patriarca LCN family, including the boss, underboss and numerous capos, were charged in March 1990 in two Boston and one New Haven RICO indictments with racketeering, including murder, over a 15-year period.

A new indictment filed in New Haven in August 1990 expanded the charges to include an allegation that Raymond Patriarca, Jr., head of the family since July 1984, presided over a meeting of 21 members of the Patriarca LCN hierarchy when four new members were formally inducted into the family.

- \* Twenty alleged mobsters were indicted in Chicago in February 1990 on murder, extortion, and racketeering charges, following an eight-year probe.
- \* Chicago "Outfit" and Luchese LCN family members were charged in October 1990 in a Baltimore indictment with racketeering and money laundering violations in Illinois and Maryland through the investment of illicit LCN funds in legitimate businesses.
- \* A major undercover investigation into LCN control over several St. Louis area labor unions led to the arrests in June 1990 of seven people including Matthew Trupiano, boss of the St. Louis LCN family.

- \* Thomas Pitera, a soldier in the Bonnano LCN family who is also known as Tommy Karate, was arrested and indicted in June 1990 along with 15 members of his "crew." Pitera was charged in a 42-count indictment with RICO violations, drug trafficking, and using firearms to commit violent crimes. Specifically, Pitera was accused of nine murders, including that of Wilfred (Willie Boy) Johnson, a former FBI informant. Pitera allegedly killed Johnson as a favor to John Gotti, boss of the Gambino family.
- \* Concluding a four-year investigation in upstate New York, three officers of Laborer's Union Local 7 were charged in September 1990 with using bribery and extortion to run the local for over 30 years. The indictment specifically charged them with using their affiliation with Bufalino family members Anthony F. Guarnieri and Anthony J. Mosco, Sr. to facilitate their criminal activity.

Five months earlier, a federal court jury convicted Guarnieri, Bufalino soldier Anthony "Big Tony" Mosco, and Laborer's Union steward James Converse of racketeering, conspiracy, extortion, embezzlement, bribery, mail fraud, and tax evasion.

- \* In May 1990, virtually the entire active hierarchy of the Colombo, Gambino, Genovese, and Luchese LCN families were named in a Manhattan indictment alleging organized crime control over the New York City window replacement industry.

The charges were an outgrowth of a major FBI investigation, code-named "Flash Act," which identified the extent of criminal control of this labor intensive industry and the deeply entrenched pattern of racketeering activity. Moreover, it identified more than 100 LCN members and corrupt union and public officials and businessmen, all of whom were operating under a veil of legitimacy.

- \* A massive civil racketeering lawsuit was filed in February 1990 against top officers of the International Longshoremen's Association, several dockworker employers, and dozens of alleged organized crime figures for an alleged takeover of the New York and New Jersey waterfronts.
- \* In September 1990, the New York City District Council of the United Brotherhood of Carpenters, the largest construction workers union in the city, and its officers were charged with aiding and abetting organized crime.

Specifically, union officers and organized crime figures were alleged to have used the union and its benefit funds to conduct and profit from a pattern of labor racketeering, including labor and benefit fund payoffs and extortion. The District Council and its officers agreed in December 1990 to the appointment of an Independent Counsel to investigate and try union officers and members for disciplinary violations.

- \* In a case involving money laundering and organized crime, Richard Silberman, a prominent public and political figure in Southern California and former chief of staff for Governor Jerry Brown; and Chris Petti, a long-time associate of the Chicago organized crime family, were arrested in April 1989. The arrest followed the completion of two money laundering deals totaling \$300,000 with an undercover FBI agent who claimed to be a money man for Colombian drug traffickers. Both were subsequently convicted.

### ASIAN ORGANIZED CRIME

- \* The On Leong Chinese Merchants Association, a national organization, and its affiliated chapters in Chicago, Houston, and New York, and 29 individuals, were charged under the RICO statute in August 1990 in Chicago with running a nationwide racketeering enterprise. Potential forfeitures resulting from this case are estimated at between \$15 and \$20 million.
- \* A three-year Boston FBI investigation, code-named "Operation Shadow Wall," led to the indictment in August 1990 of seven members and associates of a Hong Kong Triad for engaging in racketeering activities in Massachusetts, New York, and Hong Kong. The case is important because it represents the first major initiative in the FBI's Asian Organized Crime Subprogram.

## VII: OTHER SIGNIFICANT CRIMINAL CASES

In addition to its violent and organized crime programs, the Department remained active in fighting crime in other areas that threatened jobs, legitimate business, and consumers.

Highlights include:

- \* USX Corp. and two labor union officials were indicted in November 1989 and subsequently convicted of conspiring to pay unearned company pensions to six union officials for the purpose of gaining concessions during labor negotiations. As a result of this action, more than 1,700 jobs were jeopardized at the USX plant in Birmingham, Alabama. Fines, restitution, and special assessments against USX exceeded \$4 million. The two labor union officials were sentenced to imprisonment for 30 and 36 months, respectively, and fined \$6,000 each.
- \* Five former members of the cult headed by the late Bhagwan Shree Rajneesh were arrested abroad beginning in September 1990 and charged with conspiracy to murder Charles H. Turner, the United States Attorney for the District of Oregon. Extradition efforts are underway.
- \* Young & Rubicam, Inc., one of the world's largest international advertising agencies, pleaded guilty in February 1990 to conspiring to violate the Foreign Corrupt Practices Act in connection with its successful bid for a Jamaican advertising contract. The firm, headquartered in New York City, was fined \$500,000.
- \* Eighteen people from South Korea, Chile, Mexico, Puerto Rico, San Diego, and Cincinnati were indicted in December 1989 and October 1990 in Phoenix on charges of conducting an international counterfeit athletic shoe ring. Nearly two million pairs of imitation shoes bearing the trademark names of Reebok, Converse, Avia, and Puma were suspected to have been sold.
- \* In New Jersey, three former owners of a Camden County meatpacking firm paid \$1 million in fines in October 1989 for their role in a scheme to increase the weight of packaged hams by injecting them with excess water. Six United States Department of Agriculture inspectors were also indicted in the case.
- \* The National Mortgage Bank of Greece and 13 of its employees in the United States were charged in a 31-count indictment handed up in Brooklyn in March 1990 with accepting hundreds of millions of dollars of illegal deposits as part of a money laundering effort.

## VIII: PROSECUTING POLLUTERS

Tough and consistent enforcement of the nation's environmental laws, coupled with a major strengthening of the Clean Air Act, were top Departmental priorities in the first two years of the Bush Administration.

With the strong support of the Department, Congressional passage was won for bringing Clean Air Act's enforcement provisions into line with other environmental laws. The result was the addition of felony violations, an increase in civil penalties, and providing imprisonment for those who knowingly and negligently release dangerous air toxins.

In the enforcement area, several firsts were registered in FY 1990:

- \* 151 civil Superfund cases were filed, the highest number in the history of the Act.
- \* A record 134 indictments were returned.
- \* A record \$29,977,508 in criminal fines, restitutions, and forfeitures arising out of environmental wrongdoing were assessed.
- \* For the second consecutive year, more than \$1 billion in civil environmental recoveries were recorded.

In addition, the 95 percent conviction rate and jail terms for 58 percent of individual defendants represent significant increases over prior years. Almost half the jail time imposed for environmental crimes has been handed down since 1989.

Key cases include:

- \* In the cleanup of dioxin contamination at Times Beach, Missouri, and 27 other sites in eastern Missouri, Syntex Corp., and its subsidiaries, agreed to undertake corrective action costing up to \$100 million, and to pay \$10 million into the Superfund program over the next five years.
- \* Settlement in the fall of 1990 with three of five defendants in a New Bedford, Massachusetts, Harbor Superfund site will provide \$78 million for cleanup and restoration.
- \* A ten-count indictment against Exxon Corp. and Exxon Shipping was brought in February 1990 stemming from the Valdez oil spill in Alaska. This case exposes the companies to up to \$600 million in potential criminal fines.
- \* In the largest single settlement ever obtained by the government against one entity for violation of a federal environmental statute, Texas Eastern

Transmission Corp. agreed, in June 1989, to clean up 89 compressor station sites in 14 states at an estimated cost of \$450 million. The company also paid a \$15 million civil penalty.

- \* A joint United States-Mexican investigation led to the indictment of the Laminating Co. of America, Los Angeles, and two individuals in May 1990 for violating the Resource Conservation Recovery Act (RCRA). Specifically, they were charged with illegally transporting 80 drums, of 55 gallons each, that contained hazardous waste to Mexico from the United States.
- \* In a major action involving the Clean Water Act, the former plant manager of a wastewater treatment plant in Greenville, South Carolina was found guilty in July 1990 of discharging millions of gallons of virtually untreated sewage into a public drinking water source and falsifying test data and reports on the treatment plant. He was sentenced to a 33-month prison term.
- \* The first government employees to be convicted of RCRA violations were three of the highest ranking civilian managers of the U.S. Army's chemical weapons research and development program. They were found guilty in February 1989 of the illegal storage and disposal of very exotic and dangerous wastes at the Aberdeen, Maryland, Proving Grounds over a three-year period.
- \* The Superintendent of the U.S. Army's Fort Meade waste water treatment plant was charged in a ten-count indictment in October 1990. He was only the fifth federal government employee ever charged with violating environmental laws.
- \* A corporation and its vice president await trial in January 1991 in New York on criminal charges of dumping blood vials into the Hudson River and New York Bay in violation of the Clean Water Act. Some of the recovered vials contained blood infected with the hepatitis virus.
- \* In the first conviction in the nation under the Clean Water Act's "Knowing Endangerment" provision, Borjohn Optical Technology, Inc. and its president, John Borowski, were found guilty in Boston in May 1990 of illegally dumping toxic nickel plating solution and nitric acid down a sewer and seriously endangering their employees. Borowski received a 26-month prison sentence, the longest jail term for an environmental conviction in Massachusetts to date; the company was fined \$50,000.

- \* Five major environmental companies operating in Western New York were charged in February 1990 with violating the RCRA section which prohibits the disposal of certain solid hazardous wastes in landfills. The indictment was the first of its kind under the RCRA Landfill Ban provision.
- \* In October 1989, 61 cities were named in judicial and administrative enforcement actions for failing to control industrial discharges into their sewage treatment systems. Many of these "pre-treatment" cases have been settled -- including three of the largest against El Paso, Phoenix, and San Antonio -- and substantial penalties have resulted.

## **IX: INSURING EQUAL OPPORTUNITY**

The major achievement of the Justice Department's effort to expand civil rights protection for all Americans was the enactment of the Americans with Disabilities Act (ADA) in July 1990. The Department, which took the lead for the Administration in working with Congress to secure passage, is now actively implementing the landmark law.

Over the past two years, the Department has also moved aggressively to fight hate crimes; combat discrimination in housing, voting, employment, and education.

Key actions include:

### **A. DISABLED AMERICANS**

- \* Attorney General Thornburgh created a new office in the Civil Rights Division to implement the ADA. That office is currently drafting regulations -- due out in February 1991 -- for state and local governments and more than four million places of public accommodation. It will also advise them on compliance with the statute. The ADA provides comprehensive protection for persons with disabilities in the context of employment, access to buildings, and access to transportation.

The Division is also working to inform the general public, including persons with disabilities, about the new law.

- \* On behalf of the severely disabled -- those confined in institutions -- the Division has forced the correction of dangerous unconstitutional conditions in state institutions in California, Louisiana, Kansas, and Oregon. Efforts are also underway to correct dangerous conditions in state institutions in Connecticut, Colorado and the District of Columbia.

### **B. HATE CRIMES**

The Department significantly increased its efforts to identify and prosecute perpetrators of hate crimes -- acts of violence or intimidation motivated by racial, ethnic, or religious hatred -- and to improve the reporting of such crimes with the following results:

- \* In 1989, more than twice as many cases and almost twice as many defendants were prosecuted on federal charges for hate crimes than in any previous year.
- \* In 1990, the Department had a 100 percent success rate in prosecuting hate crimes.

- \* To date, 38 Skinheads in Nashville, Dallas, and Tulsa have been prosecuted on federal charges for interfering with the civil rights of minorities and Jewish individuals. Their crimes included the desecration of two synagogues with swastikas and anti-semitic slogans, and the intimidation and assaults of Black, Hispanic, and other minority citizens. The Department is also investigating racist Skinhead gangs in a number of other cities.
- \* Three white supremacists associated with the Aryan Nation's organization were convicted in October 1990 of conspiring to explode bombs outside a Seattle nightclub frequented by homosexuals.
- \* The Department has also prosecuted individuals not associated with any organized group for committing hate crimes. Recently, four men were convicted of firebombing the home of a Black family in a white neighborhood in Baltimore; a Los Angeles man was convicted of shooting into the home of his Black neighbors, wounding an elderly woman; a New Jersey television reporter and his mother pleaded guilty to threatening a young Chinese woman who sought to purchase a house they wanted to buy; and five California men pleaded guilty to threatening a Jewish pawn shop owner whom they had harassed and threatened to kill in several hundred phone calls to him.
- \* The Department worked closely with the White House and the Congress to win passage of the Hate Crimes Statistics Act, signed into law in April 1990, which provides for the nationwide collection of hate crime statistics. The availability of this new data will help increase public awareness of racial, ethnic, sexual preference, and religious intolerance and will encourage greater efforts to combat hate crimes at the state and local level, complementing similar efforts under federal civil rights laws.
- \* The Department's Community Relations Service (CRS) has increased its efforts to monitor and defuse hate violence and conflicts involving minorities. In April 1990, a toll-free hotline (800-347-HATE) was established to record incidents of harassment and hate violence.

In addition, active tracking by CRS has recorded a disturbing increase in racial conflicts between minority groups. For example, during FY 1989, CRS recorded 75 incidents of racial/ethnic conflict between Blacks and Hispanics, up from 61 in FY 1988. During the first half of FY 1990, CRS recorded 56 incidents, up 37 percent from the first half of FY 1989.

This trend was dramatically displayed through a series of serious Black-Hispanic clashes in Miami. The same trend is being repeated throughout the Southwest where Hispanics have gained political power, and in various parts of the Southeast and Northeast where Blacks have made political gains. Other conflicts have occurred between Asians and Blacks in New York City and other areas.

In an effort to better understand this situation, and develop ways to avoid these confrontations in the future, CRS sponsored two dialogues in 1990: An Asian-Black Dialogue in Washington, D.C., and a Black-Hispanic Dialogue at Harvard University.

A primary goal of the 1990 dialogues, and of a planned national dialogue scheduled to take place in 1991 or 1992, is to facilitate the establishment of minority coalitions throughout the country and to develop new ways of peacefully resolving disputes between minority groups at the local level.

### C. HOUSING

The Civil Rights Division has more than doubled its filing of housing discrimination lawsuits and has obtained more than \$800,000 in compensatory and punitive damages and civil penalties under a toughened Fair Housing Act that took effect in March 1989. The Act's amendments also protect families with children and the handicapped against housing discrimination.

The Department's actions include:

- \* 23 new cases alleging housing discrimination against racial minorities.
- \* 50 cases challenging housing discrimination against families with children.
- \* 14 cases alleging housing discrimination against the handicapped.

Successes include:

- \* Cases brought in Illinois and Pennsylvania against local zoning provisions which blocked group housing for developmentally disabled persons who were capable of living successfully in group settings.
- \* Cases against three Virginia landlords for refusing to rent apartments to a drug treatment program for use by persons who had been in a closely supervised treatment program for a year without using any drugs or alcohol.

### D. VOTING

- \* The Division successfully challenged the 1981 redistricting of the Los Angeles County Board of Supervisors that discriminated against Hispanic voters. The Supreme Court in January 1991 let stand the lower court's ruling in this case, the largest and most extensive civil rights case ever litigated by the Department.

- \* In the fall of 1990, the Civil Rights Division challenged Georgia's requirement for a runoff election whenever no candidate gains a majority of the votes cast in an election. This is part of the Division's effort to eliminate runoff elections in areas where they discriminate against minority candidates.
- \* Voting rights cases have recently been filed in Alabama, Louisiana, and Texas as part of the Division's effort to end discrimination in the election of judges at the state and local levels.
- \* The Division has obtained agreements with Arizona and New Mexico requiring them to provide election information to Native Americans whose language is unwritten.

### E. EMPLOYMENT

- \* Within the past year, the Department made significant progress in getting the New York State Police, the Nassau County Police Department, the State of New Jersey Personnel Department, and the Buffalo, N.Y., Police and Fire Departments to eliminate discriminatory personnel selection policies and practices.
- \* Efforts are also underway to attain lawful selection procedures for positions in public service in San Francisco; Jackson, Mississippi; and Birmingham and Montgomery, Alabama.
- \* Since January 1989, the Department has successfully achieved back pay awards of more than \$13 million for job discrimination.  
Highlights include:
  - A \$9 million award to more than 600 Black, Hispanic, and female police officers whose careers were hurt by a discriminatory promotion system in the Chicago Police Department in the 1970s.
  - \$3 million to about 800 Black applicants who were denied employment with the Mississippi Public Welfare Department in the 1970s.
  - \$500,000 to about 200 Black employees of the North Carolina Agricultural Extension Service who were paid lower salaries than their white counterparts until the early 1980s.
  - More than \$100,000 for a female employee of the California Corrections Department who was denied transfer to a medical technical position at a male inmate facility because of her gender.

- \* The Department recently stopped Allentown, Pennsylvania, from using dual lists and a quota system for selecting entry-level police officers. It also barred West Haven, Connecticut, from making laborer positions available only to male applicants and clerical positions available only to female applicants.
- \* In the first use of the RICO law in the civil rights field, a California flower grower, Mitchell Ives, his wife Dolly, their company, and nine others were indicted in January 1991 for racketeering, slavery, and immigration law violations relating to the alleged exploitation of 60 workers who they held captive.

## F. EDUCATION

- \* As part of its program to expand equal educational opportunity and eliminate remaining vestiges of segregation in state university systems, the Division has litigation pending against Mississippi and Alabama focused on ensuring that Black students have full access to medical and professional schools.
- \* On March 1, 1990, the Department sued the state of Virginia and the Virginia Military Institute to challenge the exclusion of female students from the state-supported college.
- \* The Department is also focusing on redressing situations in public schools where curricular programs in schools that have a high percentage of white students are superior to those in schools that have a high percentage of minority students.

## **X: EXPANDING INTERNATIONAL COOPERATION**

The Department pursued steps to strengthen its relationships abroad and work more closely with foreign law enforcement officials. These include the following actions:

- \* The Attorney General and other Departmental officials have participated in the semi-annual meetings of the Trevi Group, representing law enforcement heads of European Community nations dealing with terrorism, organized crime, and drug trafficking.
- \* Representing the President, the Attorney General traveled to the Soviet Union in October 1989, and to Hungary and Bulgaria in the fall of 1990 to open a dialogue on the rule of law and human rights with officials of those countries. Discussions were also held on cooperation in combating terrorism and drug trafficking.
- \* In the fall of 1990, Attorney General Thornburgh met in Korea with his law enforcement counterparts from Pacific Rim nations.
- \* The Justice Department, in conjunction with the State Department, has provided police training and technical assistance to foreign governments through its International Criminal Investigative Assistance Program (ICITAP). After consultations with Colombian officials, the Attorney General authorized ICITAP training for Colombian court security personnel following that nation's declaration of war on its drug cartels.
- \* The Department helped achieve Senate ratification in 1989 of Mutual Legal Assistance Treaties with Mexico, the Bahamas, Belgium, Canada, Thailand, and the United Kingdom for the Cayman Islands. These treaties will greatly facilitate the exchange of evidence, including access to foreign bank records.

Mutual Legal Assistant Treaties with the United Kingdom for the Turks and Caicos Islands, the British Virgin Islands and Anguilla entered in to force in late 1990. In 1989 and 1990, the Department also actively participated in the negotiation of similar treaties with Nigeria, Jamaica, Spain, and Argentina, all of which have been signed and now await ratification by the Senate.

## **XI: TERRORISM**

The Department has steadily expanded its role in combating international terrorism and assuring that terrorists will not escape punishment by the United States.

In the first case brought under U.S. law against an international terrorist for acts committed outside of the country, Fawaz Yunis was convicted in March 1989 for aircraft hijacking and hostage taking involving a Royal Jordanian aircraft in Beirut, Lebanon, with three Americans aboard. Yunis was the first terrorist arrested overseas by U.S. law enforcement officials under the "long-arm statute," designed to fight international terrorists. He is serving a 30-year prison term.

The Department provided the bulk of the evidence and assisted West German prosecutors in the successful conviction in May 1989 of Mohammed Ali Hamadei. He received a life prison sentence for murder, air piracy, and other crimes stemming from his participation in the June 1985 hijacking of TWA Flight 847 and the killing of United States Navy diver Robert Stetham.

The Department also managed and coordinated significant international requests for assistance concerning the Pan Am 103 investigation.

The Department provided invaluable assistance in two Irish counterterrorism investigations. In the first, it successfully prosecuted in June 1990 four individuals for their involvement in the development and production of remote-controlled electronic devices which were to be used against British targets. In the second, four other individuals were indicted in January 1990 on charges of attempting to obtain weapons, including a surface-to-air missile, to use against British helicopters. Three were convicted in December 1990 and are scheduled to be sentenced in February 1991. Charges against the fourth person were dismissed.

## **XII: ESPIONAGE**

Since 1989, the Department has vigorously investigated and successfully prosecuted ten cases of espionage. These cases demonstrate the continued vigilance of the FBI's Counter-intelligence program and the results it has achieved. Following are key cases during the past two years:

- \* FBI investigations led to the identification and arrest of four U.S. citizens before they could compromise classified information they had access to.
- \* FBI arrests of several Americans on charges of providing classified information to foreign powers have resulted in convictions or guilty pleas. These include:
  - Thomas Joseph Dolce for providing classified information to the South African intelligence services.
  - Frank Arnold Nesbitt for committing espionage for the Soviet Union.
  - James William Hall, III, a U.S. Army Warrant Officer, for giving Top Secret information to East German intelligence.
  - Huseyin Yildirim, Hall's East German courier, for conspiracy to commit espionage.
- \* An FBI investigation of Roderick James Ramsay led to his being charged in June 1990 with committing espionage for Hungarian intelligence.
- \* Clyde Lee Conrad, a retired U.S. Army non-commissioned officer formerly assigned as a document custodian at V Corps, 8th Infantry Division, in West Germany, was found guilty in June 1990 of treason by a West German court. He was sentenced to life in prison after a five-month trial on charges that he worked as a spy for Hungarian and Czechoslovak intelligence services. Conrad is appealing his conviction.
- \* As a result of an FBI investigation, former FBI Special Agent Richard Miller was convicted in September 1990 of passing classified information to the Soviet Union.

### **XIII: IMMIGRATION AND NATURALIZATION**

The Justice Department placed a major emphasis on reordering the country's immigration priorities and tightening efforts to stem the tide of illegal immigration.

Its principal accomplishments are:

- \* Congressional passage, with the Department's strong support, of provisions of the Immigration Act of 1990 that would expedite the removal of criminal aliens, encourage the migration of skilled aliens, and preserve the family emphasis of United States immigration policy.
- \* Continued action against illegal immigrants through increased investigation and compliance inspection activity. In 1989 and 1990, the Immigration and Naturalization Service (INS) conducted 12,876 investigations and made 8,237 compliance inspections. The INS issued 2,568 warnings and assessed \$24.2 million in fines for violations.
- \* Heightened border patrol activity by additional agents. As a result, 1.1 million apprehensions were made along the border during 1990.
- \* A dramatic increase in apprehensions of illegal aliens within the United States. INS special agents arrested 64,104 illegal aliens in 1990, almost twice the number apprehended in 1988. In 1989 and 1990, the INS completed 70,245 investigations involving criminal aliens and 85 investigations involving criminal organizations. These investigations led to the conviction of 104 individuals and deportation of 30,027 criminal aliens from the United States. Overall, one million aliens were removed from the United States by the INS in 1989 and 1990.
- \* A major expansion of INS anti-fraud initiatives, concentrating on providers of false documents and individuals involved in large-scale false documents schemes which threatened to undermine the 1986 immigration act programs. In addition, the INS Anti-Smuggling Unit focused on criminal conspiracy investigations of alien smuggling cartels, completing 4,702 criminal investigations in 1989 and 1990.
- \* A new program to assist the emigration of Soviet refugees to the United States. The raising of allocation ceilings resulted in the admission of more than 100,000 Soviet refugees to the United States in 1989 and 1990. Following a visit to the Soviet Union by Attorney General Thornburgh, INS established a presence in Moscow to help process the applications, and now has completed the establishment of a permanent suboffice there to handle all Soviet applications. In a related development, the Attorney General extended his parole authority to include an offer of entry to all Soviet applicants found ineligible for admission as refugees.

- \* Movement toward a consistent standard and adjudication process for reviewing all refugee and asylum claims.
- \* Deferred enforcement of departure and employment authorization to January 1, 1994 for Chinese nationals who were present in the United States on April 11, 1990. Advance parole is granted to People's Republic of China nationals under protection to facilitate their travel outside the U.S., and enhanced consideration is given for asylum or refugee status for those who express a fear of persecution due to the policy of forced family planning.
- \* In September 1990, the Department recommended a number of measures to deter widespread hiring discrimination related to the employer sanction provisions contained in the Immigration Reform and Control Act (IRCA) of 1986. The report recommends, among other things, that the Department's enforcement authority be strengthened, a broader compliance role for the Department of Labor be established, and suggestions on enhancing outreach and education efforts be continued.

#### **XIV: EXPORT CONTROL VIOLATIONS**

Two cases brought by the Department in 1990 demonstrate its commitment to stopping the illegal export of weapons and weapons technology, including nuclear technology, to the Middle East.

- \* In one case in June 1990, German and Spanish nationals were charged with conspiring to export TOW anti-tank missiles and other munitions to various Arab countries in violation of the Arms Export Control Act.
- \* In a second case, four Iraqis, two British companies, and the export manager of a London-based company, were charged in March 1990 with violating the Arms Export Control Act, and with money laundering for attempting to export 40 nuclear missile warhead detonation capacitors from the United States to Iraq.

A 1989 case involved the conviction of a noted missile propulsion engineer and a Teledyne marketing representative for conspiring to export to Egypt crucial materials for the construction of that country's Condor II intermediate range missile. A government wiretap showed that the two were acting in conjunction with the head of the Egyptian Procurement Office in Washington and Egyptian military officials in Europe and Egypt.

## **XV: PROMOTING COMPETITION AND PROTECTING CONSUMERS**

To protect American consumers, the Department moved aggressively against price-fixing and bid-rigging practices. At the same time, the Department took a close look at merger and acquisition transactions to determine their effect on competition. Justice also took an active role in helping eliminate conditions that may hinder U.S. companies from competing effectively in world markets.

In the legislative arena, the Department strongly supported Congress' 1990 enactment of legislation increasing criminal fines under the Sherman Antitrust Act, including the rise for corporate violators, from \$1 million to \$10 million. Justice also proposed ways of eliminating antitrust uncertainty for joint production ventures by extending the requirements and safeguards of the National Cooperative Research Act.

### **A. PRICE FIXING AND BID RIGGING**

Overall, the Antitrust Division filed 161 criminal antitrust cases in 1989 and 1990 and collected almost \$70 million in criminal fines and related civil damages. Many nationally known companies and industries were charged with price fixing or bid rigging, including Stanley Works, the Borden Co., Southland Corp., and Pet, Inc. The Division also targeted waste haulers and industrial manufacturers.

Key actions include:

- \* In U.S. v. Pepsi-Cola Bottling Company of Walla Walla and two related cases, Pepsi-Cola and 7-Up bottlers and two individuals were convicted of conspiracies to fix the price of soft drinks in Washington and Oregon. All defendants were sentenced to pay fines totaling \$2 million.
- \* In two 1990 cases, Borden Co. and Southland Corp. pleaded guilty to rigging bids to supply milk to federally subsidized school milk programs and to U.S. military installations. The companies agreed to pay \$4 million each in criminal fines and to enter into separate civil settlements with the government totaling \$3.5 million.

### **B. MERGER ENFORCEMENT**

In 1989-1990, the Division opened 160 investigations of mergers that appeared likely to lessen domestic competition. Suits were filed to block 17 of those mergers, and another 15 proposed transactions were restructured or abandoned in response to antitrust concerns.

These include:

- \* In major 1989 merger and acquisition cases, the Department sued to block two proposed joint ventures between Westinghouse and Asea Brown Boveri, a Swiss company, alleging that they would lessen competition in the U.S. markets for electrical power equipment. Justice opposed and blocked a joint venture between American Airlines' and Delta Airlines' computer reservation systems.
- \* A Division suit in August 1990 led Proctor & Gamble Co., which manufactures Pepto-Bismol, to abandon its bid to acquire exclusive marketing and distribution rights to Maalox from Rhone-Poulenc Rorer, Inc. Pepto-Bismol and Maalox are the nation's first and second-place sellers of over-the-counter upset stomach remedies.
- \* In January 1990, the Division successfully blocked Gillette Co.'s acquisition of the non-European Economic Community shaving razor blade business of Wilkinson Sword. Gillette is the leading seller of wet razor blades in the United States and Wilkinson holds fourth and fifth place in sales. The move, the Division said, would eliminate one of only four other suppliers of blades in the United States.

### **C. GOVERNMENT PROCUREMENT**

The detection of fraud in defense procurement is a high priority of the Antitrust Division. Major Department actions include:

- \* The investigation of bid rigging by Japanese contractors at the U.S. naval base in Yokosuka, Japan, resulted in civil settlements in 1989 and 1990 of more than \$34 million in damages.
- \* As of the end of 1990, the Antitrust Division had brought 87 defense procurement cases. During the past two years, the Division brought charges against 37 corporate and 35 government contractors. In addition, 24 federal grand juries currently are investigating possible bid-rigging and other illegal activities affecting the government's procurement of off-the-shelf products and services.

### **D. OTHER ANTITRUST ENFORCEMENT ACTIVITIES**

The Division initiated major civil investigations in aviation, higher education, health care, and other "white collar" industries.

In a major victory, the Division sued the American Institute of Architects to end its prohibition on AIA members from engaging in competitive bidding,

discounting fees, or providing free services. Under a consent decree, AIA was required to establish a comprehensive antitrust compliance program for its 280 chapters and 54,000 members, and to pay the U.S. government \$50,000 for the cost of the investigation.

### E. DEREGULATION

The Department helped further the President's goal of eliminating unnecessary federal regulation through the following actions:

- \* In comments filed with the Department of Agriculture in 1990, the Antitrust Division called for the elimination or substantial revision of the Depression-born federal milk marketing program. Under the program, the USDA sets minimum prices for various grades of milk, thus creating significant distortions in the market. According to the Division, the regulations cost consumers from \$400 million to \$1 billion a year. Similar comments were submitted to USDA on other obsolete and anticompetitive agricultural marketing order regimes.
- \* The Antitrust Division advocated, in comments filed in the summer of 1990 with the Department of Transportation, the curtailment of the antitrust exemption allowing the International Air Transportation Association (IATA) to fix fares for international air travel paid by Americans. The Division charged that the agreements of IATA, allowed by the Federal Aviation Act, raised the price of international air travel for consumers.
- \* The Division's investigation of regulatory abuse by the Rocky Mountain Motor Tariff Bureau revealed that members had manipulated ratemaking procedures and effectively escaped Interstate Commerce Commission (ICC) regulation of their collective rate increases several times since 1987. The affected rate increases amounted to more than \$300 million annually. As a result of the Division's Rocky Mountain probe, the ICC initiated its own broad investigation of the trucking industry.
- \* In comments filed with the Federal Communications Commission (FCC), the Division endorsed a commission proposal to substantially reduce federal regulation of AT&T's long distance services for large business customers. The Division noted that as a result of the 1982 breakup of the monopoly on long distance services and the injection of competition into the market, AT&T's market share for those customers has declined significantly to a point where further regulation was unnecessary.

## **F. COMPETITION IN INTERNATIONAL MARKETS: EASTERN EUROPE**

The Antitrust Division has been involved in the Administration's initiative to support Eastern European countries in the development and implementation of their own antitrust and privatization programs.

As the newly-democratic governments seek to redirect their economies, they have asked for the Division's advice on policies that will promote competition that will be critical to ensuring the maintenance of an efficient, market-based economy.

In 1990, officials of the Antitrust Division met with competition policy officials in Czechoslovakia, Hungary, and Poland. At the request of the Soviet government, the Division sent written comments to the U.S.S.R. on its proposed competition legislation.

## **G. UNITED STATES-JAPAN STRUCTURAL IMPEDIMENTS INITIATIVE**

The Antitrust Division provided support for U.S. trade negotiators on antitrust and other competition issues that have arisen in trade negotiations, including the 1989-1991 Structural Impediments Initiative (SII) talks between the United States and Japan.

The impact of inadequate Japanese enforcement of its antitrust laws on the ability of American firms to compete in Japan was a critical area that the Division focused on during the SII talks. The SII Joint Report of June 28, 1990 contained significant commitments by the Japanese government to strengthen antitrust enforcement, including more effective private remedies, tougher penalties, and more criminal enforcement.

## XVI: TAX CASES

The Department's Tax Division annually secures billions of dollars for the U.S. Treasury by prosecuting suits which lead to the collection of taxes and by representing the government's interest in refund suits and bankruptcy cases. Cases handled by the Division often establish the "rules of the road" for millions of other taxpayers.

Key precedents established over the past two years include:

- \* In Martin v. Commissioner, the Sixth U.S. Circuit Court of Appeals held in June 1989 that certain benefits paid under the Railroad Retirement Act were not exempt from federal income taxes. The decision affects the result in 5,400 similar pending cases.
- \* In the William Herbert Hunt and Nelson Bunker Hunt bankruptcies, the largest individual bankruptcies in history, Tax Division attorneys in December 1989 were instrumental in drafting, negotiating, and obtaining Bankruptcy Court confirmation of reorganization plans under which the federal government immediately received \$170 million and should receive an additional \$165 million.
- \* In Colonial American Life Insurance Co. v. Commissioner, an insurance case in which millions of dollars in revenues were at stake, the Supreme Court in April 1989 sustained the Department's position that certain "ceding commissions" on reinsurance policies were not currently deductible by insurance companies.
- \* The Supreme Court in June 1990 held, in Begier v. U.S., that a debtor in bankruptcy could not treat payments of trust fund taxes made prior to bankruptcy as avoidable preferences and recover those payments from the Treasury. The Internal Revenue Service estimates that this decision will save billions in taxes annually.
- \* In September 1990, the U.S. Court of Claims held, in Shimota v. U.S., that federal retirees were required to report a portion of the lump-sum payments they received under the Civil Service Retirement System as taxable income, rather than excluding these payments from income. It is estimated that this decision will save the Treasury about \$1 billion.
- \* In a criminal case brought by the Division, a federal jury in November 1990 found Getty Terminals Corp., one of its officers, and two others involved in the wholesale gasoline market guilty of conspiracy and tax evasion.

This case represents the latest chapter in the Department's ongoing campaign to stop excise tax evasion schemes that are estimated to cost the Treasury more than \$200 million annually in the New York City area alone.

## XVIII: CIVIL ACTIONS

The Department has seen continued successes over the past two years in representing the government in major civil litigation. In 1989 and 1990, over \$26 billion in claims against the government were defeated with only \$213 million paid--less than eight-tenths of one percent of the amount claimed. Judgments and settlements of \$1 billion were achieved.

Major cases include:

- \* Daewoo Corp. settled a customs fraud case in July 1989 by paying \$214 million to the government, the largest penalty ever paid in this type of matter. The case involved the concealment of true prices of steel products in order to evade anti-dumping duties.
- \* In January 1991, Wheeling-Pittsburgh Steel Corporation agreed to settle a claim by the Farmers Home Administration (FmHA) for \$42.5 million and to place \$49 million in escrow to secure a disputed \$39 million claim filed by the Economic Development Administration (EDA) and another \$10 million claim filed by the Environmental Protection Agency (EPA).
- \* In the largest judgment for Medicare fraud ever obtained by the Department, a Bala Cynwyd, Pennsylvania, dentist was ordered in January 1991 to pay nearly \$19 million in damages and penalties for billing the government for 3,683 oral cancer screenings of nursing home patients performed without the approval of their physicians.
- \* In September 1990, General Electric Co. agreed to pay the government \$30 million arising out of a criminal conviction and civil liability for overcharging the Army for a battlefield computer and other claims.
- \* After more than a decade of litigation, LTV Corp. agreed in July 1989 to pay \$29 million to the government as settlement of charges that it abused the Federally-Insured Student Loan Program.
- \* A July 1990 settlement secured \$18 million from Florida Federal Savings & Loan for abuse of the Federally-Insured Student Loan Program.
- \* In three separate qui tam cases, the Civil Division recovered \$14.3 million from Industrial Tectonics in July 1989 for overcharging for high-performance ball bearings; \$14.5 million in May 1990 from VSI Corp., a subsidiary of Fairchild Industries, for supplying untested nuts, bolts, and screws to airplane manufacturers (the company also paid \$2.95 million in fines and \$1 million in restitution); and \$17.9 million in July 1990 from Textron Corp.'s Lycoming Division for supplying the Coast Guard with helicopter engines that did not meet specifications.

- \* Alimenta Corps. filed several cases against the United States to recover money they alleged was wrongfully assessed against them. The ultimate result of the litigation was a settlement in which Alimenta agreed to pay \$4.8 million to the U.S. Agriculture Department and its Commodities Credit Corp. beginning in April 1990.
- \* In what is considered the largest civil False Claims Act settlement ever recorded in the Middle District of Florida, Shrimp King, Inc. paid almost \$2 million in March 1990 to the government for illegal actions involving loans received from the Economic Development Administration.
- \* A Brookline, Massachusetts, physician agreed in February 1990 to pay \$390,000 in the largest penalty ever assessed by the federal government under the drug diversion provision of the Controlled Substance Act.
- \* The District of South Carolina recovered \$4 million in disputed rental funds as a result of the settlement of 25 related Chapter 11 bankruptcies. The bankrupt limited partnerships owned multi-family real estate developments which had been illegally financed under HUD's single-family mortgage insurance program. The debtors were required to transfer funds electronically to allow the government to earn interest on the money as soon as possible. The funds were transferred in early 1990.
- \* The U.S. Attorney in Cleveland developed new procedures in mid-1990 to manage the difficult process of recovering funds from doctors who received federal loans to attend medical school or who accepted federal grants but did not fulfill their promise to practice in hardship areas or government facilities. Under the procedures, a physician's indebtedness to the government would be offset against payments to the individual under the Medicare program. Implementation of the new procedure could recover \$250,000 annually in delinquent payments.

## XVIII: CHILD EXPLOITATION AND OBSCENITY

In two significant cases, Department action led to the convictions in 1990 of the head of the largest pornography enterprise in Minnesota and a major pornography distributor in Pennsylvania.

- \* In August 1990, Ferris Alexander, who monopolized the illegal pornography industry in Minnesota, was convicted on obscenity, RICO, and tax charges. In addition to a six-year prison sentence, the court required forfeiture of all his businesses and imposed \$11 million in fines and forfeitures.
- \* The Pennsylvania case was important because it established a high contemporary anti-pornography community standard for the Middle District of Pennsylvania, where the case was brought, under the Supreme Court's Miller obscenity test.
- \* Organized crime associate Rubin Gottesman of Los Angeles was convicted in June 1989 of distribution of child pornography.
- \* Long-time "Porn Czar" Reuben Sturman was convicted in November 1989 in Cleveland of federal income tax evasion. He was sentenced to ten years in prison. This case marked the first use of the organized crime exception of the Swiss Mutual Legal Assistance Treaty to obtain previously inaccessible records for the prosecution of tax offenses.
- \* Sturman and Ralph Levine, of Las Vegas, were indicted in another case in February 1989 under the RICO statute for inter-state transportation of obscene material. Levine has agreed to plead guilty and forfeit all of his interests in numerous pornography businesses.
- \* Harry Mohney, a leading purveyor of pornography in the Midwest, was convicted in May 1990 of tax charges in Detroit and given a three-year sentence.
- \* Karl Brussel, who ran the nation's largest mail-order obscenity business, pleaded guilty in May 1990 in Virginia, North Carolina and Alabama. Subsequently, he went out of business.
- \* Home Dish Only Satellite Networks, Inc. pleaded guilty in Buffalo and Salt Lake City in November and December 1990 in the first prosecutions under a new statute aimed at prohibiting the broadcast of pornography via satellite. The company, which was the only nationwide satellite system broadcasting obscene movies, agreed to stop its involvement in the distribution of pornography and to pay \$150,000 in fines.

- \* "Operation Post Porn," the Department attack on the mail-order end of the obscenity industry achieved 38 convictions. Most of the mail-order obscenity companies have gone out of business in the last two years.
- \* Major child pornography rings were investigated, exposed and prosecuted. Among them were a child pornography and pedophile network communicating via computer which resulted in arrests in Florida, Massachusetts, and Iowa. A conspiracy between two men, via computer, to kidnap, sexually abuse, and then murder a child in order to make a "snuff" film was successfully prosecuted in the Eastern District of Virginia.
- \* The President and the Congress, with the Department's strong support, enacted in 1990 the Child Protection Restoration and Penalties Enhancement Act. This statute criminalizes, for the first time, the mere possession of child pornography as well as increasing federal jurisdiction over the type of material proscribed by the law. This statute prevents the government from having to return child pornography to a defendant after an acquittal or after a ruling that evidence has been suppressed. With this statute, the Department has a more complete statutory framework with which to continue its efforts to eradicate child pornography.

## **XIX: PRISONS**

Faced with a rapidly growing prison population, the Bureau of Prisons undertook the largest prison construction in history. At the same time, the Bureau moved to address prisoner needs with new programs and sentencing alternatives.

Prison program results are as follows:

- \* The addition of approximately 30,000 beds, nearly doubling the federal prison capacity.
- \* The opening of new correctional facilities in McKean County, Pennsylvania; Fairton, New Jersey; and Jessup, Georgia. In addition, facilities have been updated in Fort Worth, Texas; Big Spring, Texas; and Lompoc, California.
- \* New initiatives to ensure that the needs of female offenders are being met. These include the establishment of a female offender program coordinator.
- \* Establishment of an Office of Victim Assistance to notify victims and witnesses of release dates for prisoners.

Four areas in which the Bureau developed new or expanded programs to assist prisons include:

- \* **Drug Testing.** Under a new policy announced in May 1990 by Attorney General Thornburgh and Prisons Director Michael Quinlan, all inmates with a drug abuse history are required to participate in drug abuse education. Treatment programs have been expanded for those nearing the end of their sentences. Spending for drug abuse programs has nearly quadrupled.
- \* **Literacy.** The mandatory literacy standard was raised from the eighth grade level to a high school diploma or equivalent level. Achievement of the higher standard is a requirement for assignment to the highest paying jobs in UNICOR.
- \* **Education and Career Counseling.** Pilot inmate programs have been implemented at ten institutions to assist prisoners nearing release dates to avoid a life of crime.
- \* **Employment.** The number of inmates employed in UNICOR has reached an all-time high with some 25 percent of the prisoners performing jobs for which they receive pay.

The Bureau has also expanded its community corrections program to include additional, less-expensive incarceration options. This includes electronic monitoring, home confinement, and Federal Correctional Centers.

The development of programs to provide a range of sentencing options has been a priority for the Office of Justice Programs (OJP). These intermediate sanctions represent correctional alternatives between simple probation and incarceration. They include boot camps, house arrest, community service, expanded use of fines, and restitution.

In September 1990, OJP released a Survey of Intermediate Sanctions to coincide with the National Institute of Justice's (NIJ) Conference on Intermediate Punishments. The survey, written with the assistance of the National Institute of Corrections, contains a wealth of knowledge concerning intermediate sanctions for state and local governments, agencies, and organizations, as well as criminal justice practitioners and researchers.

Information on the concept of intermediate sanctions and its development, reference materials, sources of technical assistance, and representative programs is included in the report.

In other activities, the Bureau of Justice Assistance (BJA) awarded \$250,000 each to the Illinois and Oklahoma Corrections Departments in October 1990 to establish two boot camp programs. Each program will devote at least ten percent of its grant to collecting data as part of an evaluation of the projects' impact that will be conducted by NIJ.

The Office of Juvenile Justice and Delinquency Prevention (OJJDP) currently is reviewing applications to demonstrate boot camp programs for juvenile offenders. OJJDP expects to award grants to establish the programs in January 1991.

## XX: OFFICE OF JUSTICE PROGRAMS

Following are major initiatives of the Office of Justice Programs over the past two years:

- \* **Community Policing.** The OJP's Bureau of Justice Assistance (BJA) launched in October 1990 a \$2 million program to test innovative neighborhood-oriented policing programs in 13 sites throughout the country. The programs will emphasize police-community ties to reduce illegal drug use and other crimes in targeted neighborhoods.
- \* **Felon Identification Program.** In October 1989, OJP published a comprehensive Report to the Attorney General on Systems for Identifying Felons Who Attempt to Purchase Firearms. The Anti-Drug Abuse Act of 1988 required the Attorney General to report to Congress by November 18, 1989 on a system for the immediate and accurate identification of felons who attempt to buy firearms.
- \* **The Bureau of Justice Statistics (BJS)** published a second report in May 1990 required by the Anti-Drug Abuse Act on the feasibility of a system for the immediate and accurate identification of persons, other than felons, ineligible to purchase firearms.

BJA and BJS jointly initiated in FY 1990 a \$9 million program to help states improve their criminal history information systems to make it possible to identify, through automated state records, convicted felons who are prohibited under federal law from purchasing firearms, particularly those convicted within the past five years and in the future.

- \* **Emergency Law Enforcement Assistance.** The Emergency Federal Law Enforcement Program, administered by BJA, provides assistance to state and local governments facing law enforcement emergencies. For FY 1989, \$1.1 million was awarded to the South Carolina Department of Public Safety to assist with emergency law enforcement responsibilities related to Hurricane Hugo.

In FY 1990, funds were awarded to California to help the state cope with the aftermath of the earthquake there. And in September 1990, almost \$1 million was given to Florida for emergency law enforcement assistance in the Gainesville serial murder investigation.

- \* **Victims.** OJP has continued its efforts to ensure sensitive treatment of crime victims by the criminal justice system. For example, NIJ awarded a grant in September 1990 to enable the National Organization for Victim Assistance (NOVA) to assist Americans detained in the Persian Gulf crisis and their families, as well as people affected by international incidents.

NOVA provided counseling and referral services and published a handbook on coping with the crisis for returning detainees, their families, and friends.

- \* New grant programs were initiated in FY 1989 and FY 1990 by OJP's Office for Victims of Crime (OVC) to improve the investigation and prosecution of child abuse in Indian country and expand services for all crime victims in Indian country.
- \* Also in FY 1990, OVC undertook several new programs designed to provide counseling and other services for families who have experienced the violent homicide of a family member. OVC also began a multi-agency effort to assist victims of child sexual exploitation who are engaged in prostitution, are often drug-addicted, and are frequently transported across state lines for illicit purposes.

## **XXI: FEDERAL JUDICIARY**

The Department seeks to recommend to the President the most qualified men and women to serve on the federal bench. Following the screening of over 200 candidates, President Bush nominated a total of 77 new judges, of which the Senate thus far confirmed 73.

In a related action, the Department and the American Bar Association resolved a lengthy dispute over the criteria the ABA should use in evaluating the President's nominees to permit the evaluation process to proceed in a more timely manner.

The Department played a leading role in the passage of the President's ethics reform package, which included a substantial pay raise for judges. It also supported legislation providing for 85 new judges on the federal bench.

## **XXII: SENTENCING GUIDELINES**

The imposition of appropriate sentences in criminal cases has been an important goal of the Justice Department, particularly since the enactment of the Sentencing Reform Act of 1984. The Department has maintained close contact with the U.S. Sentencing Commission, which has issued guidelines for the sentencing of criminal defendants.

In the last guideline-amendment period, the Department was successful in convincing the Sentencing Commission that stronger sentencing guidelines were needed in such areas as arson, firearms offenses by persons with serious criminal backgrounds, and offenses that jeopardize the safety and soundness of financial institutions.

In addition, the Department has devoted considerable attention to the sentencing of organizations convicted of criminal offenses -- an area in which the Sentencing Commission has not yet issued guidelines -- and has submitted specific recommendations to the panel.

### XXIII: DEBT COLLECTION

Working with Congress, the Department won passage of the Federal Debt Collection Procedures Act of 1990, which establishes uniform, nationwide procedures for the collection of debts owed the federal government. Though it does not go as far as the Department's original proposal in ensuring that the U.S. Attorneys have a full complement of tools to use in collecting money owed the government, the bill represents a much-needed and beneficial first step toward a fair, equitable, and effective debt collection system.

In addition, on October 1, 1990, the Department took a major step to speed up collection of debts owed the government by opening a Nationwide Central Intake Facility (NCIF) to receive all civil claims referrals from other government agencies to the United States Attorneys.

The Department continued its vigorous pursuit of those who have defaulted on federal loans and federally guaranteed loans. From FY 1982 through the end of FY 1990, the 93 U.S. Attorneys and the litigating Divisions collected and returned to the Treasury approximately \$3.7 billion in cash through Department accounts. In FY 1990 alone, the Department, acting as the government's "collector of last resort," collected more than \$640 million in cash through Justice Department accounts and another \$200 million in cash and property which were returned directly to other government agencies.

In FY 1990, many U.S. Attorneys' offices collected more than the entire annual budget for their offices. For example:

- \* A record \$5.4 million was collected in the Southern District of Illinois, \$4 million above the office's annual \$1.4 million budget.
- \* \$3.9 million was collected by the U.S. Attorney in North Dakota, over three times the annual operating budget of \$1.25 million.
- \* \$6.8 million was collected by the U.S. Attorney's office for the Eastern District of Kentucky, \$4.3 million above the office's annual \$2.5 million budget.
- \* \$9 million was collected in the Western District of Kentucky, more than three times the estimated \$2.8 million annual budget.
- \* \$13 million was collected by the District of Kansas, over four times its annual budget of \$3 million.
- \* \$21 million was collected in the Southern District of Texas, twice its \$10.9 million budget.

## XXIV: SUPREME COURT DECISIONS

The Solicitor General successfully advanced the government's position in a number of important Supreme Court cases. They include:

- \* Perpich v. Department of Defense, in which the Court upheld the authority of the President to order units of the national Guard to active duty outside the United States.
- \* Cruzan v. Missouri Department of Health, in which the Court ruled that a state may insist on clear and convincing evidence that a patient in a permanent vegetative state would wish to terminate life support systems before doing so.
- \* Board of Education of Westside Community Schools v. Mergens, in which the Court upheld the constitutionality of the Equal Access Act, affording student religious groups equal rights in school extracurricular programs.
- \* Lujan v. National Wildlife Federation, in which the Court held that only those actually harmed by agency decisions may resort to court to attempt to block government programs.

In the criminal area, the office had a number of important successes which will assist law enforcement officers in carrying out their task. They include:

- \* Michigan Department of State Police v. Sitz, in which the Solicitor General argued successfully in favor of the constitutionality of sobriety checkpoints.
- \* Pennsylvania v. Muniz, in which the Office argued successfully that the results of a defendant's sobriety tests should be admissible in evidence even if the defendant was not given Miranda warnings.
- \* Illinois v. Perkins, in which the Court held, at the Solicitor General's urging, that an undercover officer who approaches a criminal in jail does not have to give the criminal Miranda warnings before engaging him in conversation and obtaining information from him.

The government's interests were successfully advanced by the Solicitor General in significant commercial cases. They include:

- \* Citibank v. Wells Fargo Asia, in which the Court, agreeing with the government's analysis, vacated and remanded a Court of Appeals' judgment holding that the home office of a U.S. bank is obligated to repay foreign branch deposits that were frozen by a foreign government.

- \* ARCO v. U.S.A. Petroleum, in which the Court accepted the government's position that competitors could not use the antitrust laws to block pro-competitive price-cutting that benefits consumers.
- \* PBGC v. LTV Corp., in which the Court agreed with the government's argument that companies could be prevented from foisting their pension funding obligations onto a government insurance fund.

The Solicitor General participated in a number of Supreme Court decisions in 1990, including:

- \* Mistretta v. U.S., in which the Court upheld the validity of federal sentencing guidelines.
- \* Caplin & Drysdale, Ltd. v. U.S. and U.S. v. Monsanto, where the Court held that federal forfeiture statutes permit the forfeiture of illegally obtained funds even if the defendant wishes to use funds to pay his attorney.
- \* Employment civil rights cases, including City of Richmond v. J. A. Croson Co., Wards Cove Baking v. Atonio, and Martin v. Wilks, all decided consistent with the presentations made by the Department. The Court also accepted the Department's arguments on behalf of the Equal Employment Opportunity Commission in a gender discrimination case against the University of Pennsylvania.
- \* National Treasury Employees Union v. Von Raab, and Skinner v. Railway Labor Executives Association, in which the Court upheld the validity of federal drug testing programs.
- \* Webster v. Reproductive Health Services, where the Court upheld a Missouri statute imposing certain restrictions on abortion-related activities by public employees and public hospitals.
- \* U.S. v. Verdugo-Urquidez, in which the Court ruled that U.S. agents do not need warrants when they go abroad to search the homes of foreign nationals. This represented a major victory for law enforcement authorities.

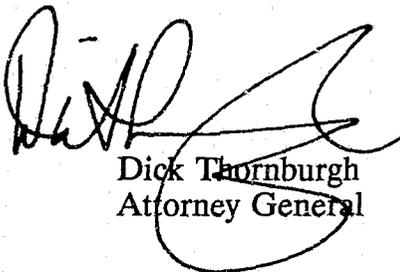
## AFTERWORD

The accomplishments laid out in great detail above are the result of the hard work of thousands of dedicated agents, investigators, attorneys, accountants, and a trained, vigorous support staff.

The American public, I believe, can be proud of the commitment demonstrated by these federal employees. On a day-to-day basis, occasionally at the risk of their own lives and often at the expense of their private life, Department of Justice employees devote their energies to helping to fulfill the Department's two great responsibilities--the equal administration of justice and the enforcement of the laws of the United States.

As I said in my welcoming speech in the Great Hall in October 1988, this is a Department with a great tradition of professionalism and excellence. In the past two years, our mettle has been tested as we have faced tough challenges--from the scourge of drug traffickers, from the savings and loan rip-off artists, from the environmental polluters, to name but a few.

It gives me great pleasure to report on the progress we are making. In the coming months and years, we will continue to be guided by the law enforcement and administration of justice priorities set by President Bush. And our accomplishments over the past two years have set the stage for ever greater achievements in the future.



Dick Thornburgh  
Attorney General